

CYPRESS DEVELOPMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Cypress Development Corp.

We have audited the accompanying consolidated financial statements of Cypress Development Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Cypress Development Corp. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Cypress Development Corp. to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 3, 2018

CYPRESS DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT DECEMBER 31

	2017	2016
ASSETS		
Current		
Cash	\$ 1,153,926	\$ 450,289
Marketable securities (Note 4)	42,000	199,500
Receivables and prepaid expenses (Note 5)	233,631	25,820
Due from related party (Note 10)	<u>31,694</u>	<u>4,407</u>
	1,461,251	680,016
Property and equipment (Note 6)	4,963	8,271
Reclamation bonds (Note 7)	49,833	46,246
Exploration and evaluation assets (Note 7)	<u>1,008,300</u>	<u>573,280</u>
	<u>\$ 2,524,347</u>	<u>\$ 1,307,813</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	<u>\$ 151,978</u>	<u>\$ 42,039</u>
Equity		
Capital stock (Note 8)	28,766,719	26,893,211
Subscriptions received in advance (Note 16)	12,500	-
Reserves (Note 9)	4,100,921	3,738,975
Deficit	<u>(30,507,771)</u>	<u>(29,366,412)</u>
	<u>2,372,369</u>	<u>1,265,774</u>
	<u>\$ 2,524,347</u>	<u>\$ 1,307,813</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 16)

Approved and authorized by the Board on April 3, 2018

<u>"Don Huston"</u>	Director	<u>"Jim Pettit"</u>	Director
Don Huston		Jim Pettit	

The accompanying notes are an integral part of these consolidated financial statements.

CYPRESS DEVELOPMENT CORP.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31

	2017	2016
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 71,531	\$ 60,807
Administrative	37,975	41,185
Consulting fees	313,192	117,524
Depreciation (Note 6)	3,308	3,309
Financing costs	-	8,092
Legal	42,427	31,229
Office and miscellaneous	40,446	32,130
Rent	38,107	35,425
Share-based compensation (Note 9)	330,966	224,348
Shareholder communications	171,175	77,908
Telephone	4,575	3,269
Transfer agent and filing fees	22,665	16,440
Travel	14,650	15,032
	(1,091,017)	(666,698)
Interest income	859	-
Gain on exploration and evaluation assets option-out (Note 7)	-	135,166
Loss on sale of exploration and evaluation asset (Note 7)	-	(543,307)
Loss on sale of marketable securities (Note 4)	(22,645)	-
Unrealized loss on marketable securities (Note 4)	-	(91,000)
Write-off of exploration and evaluation asset (Note 7)	(28,556)	-
Loss and comprehensive loss for the year	\$ (1,141,359)	\$ (1,165,839)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.05)
Weighted average number of common shares outstanding	38,879,625	24,530,076

The accompanying notes are an integral part of these consolidated financial statements.

CYPRESS DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEARS ENDED DECEMBER 31

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (1,141,359)	\$ (1,165,839)
Items not affecting cash:		
Depreciation	3,308	3,309
Share-based compensation	330,966	224,348
Loss on sale of marketable securities	22,645	-
Write-off of exploration and evaluation asset	28,556	-
Gain on exploration and evaluation assets option-out	-	(170,341)
Finder's fee on exploration and evaluation option-out	-	35,175
Loss on sale of exploration and evaluation asset	-	543,307
Unrealized loss on marketable securities	-	91,000
Changes in non-cash working capital items:		
Increase in receivables and prepaid expenses	(217,811)	(13,650)
Increase in due from related party	(27,287)	-
Increase in accounts payable and accrued liabilities	61,772	3,057
Net cash flows used in operating activities	<u>(939,210)</u>	<u>(449,634)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of marketable securities	176,855	-
Proceeds on sale of exploration and evaluation asset	-	35,000
Reclamation bonds, net of receipts	(3,587)	(5,620)
Option payments received	131,685	98,753
Expenditures on exploration and evaluation assets	<u>(555,557)</u>	<u>(268,037)</u>
Net cash flows used in investing activities	<u>(250,604)</u>	<u>(139,904)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	1,922,696	1,051,018
Share issuance costs	(41,745)	(18,684)
Subscriptions received in advance	12,500	-
Proceeds from loans payable	-	226,275
Repayment of loans payable	<u>-</u>	<u>(226,275)</u>
Net cash flows provided by financing activities	<u>1,893,451</u>	<u>1,032,334</u>
Change in cash during the year	703,637	442,796
Cash, beginning of year	<u>450,289</u>	<u>7,493</u>
Cash, end of year	\$ 1,153,926	\$ 450,289

Supplemental disclosures with respect to cash flows (Note 12)

The accompanying notes are an integral part of these consolidated financial statements.

CYPRESS DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Capital Stock					
	Number	Amount	Reserves	Subscriptions received in advance	Deficit	Total
Balance, as at December 31, 2015	17,778,171	\$25,761,051	\$3,514,278	\$ 2,500	\$ (28,200,573)	\$ 1,077,256
Private placements	11,303,833	848,460	-	(2,500)	-	845,960
Options exercised	190,000	27,329	(12,129)	-	-	15,200
Warrants exercised	3,380,150	199,858	-	-	-	199,858
Share issuance costs - cash	-	(18,684)	-	-	-	(18,684)
Share issuance costs – finders’ warrants	-	(12,478)	12,478	-	-	-
Finder’s fee on exploration and evaluation assets option-out	270,576	35,175	-	-	-	35,175
Exploration and evaluation assets	600,000	52,500	-	-	-	52,500
Share-based compensation	-	-	224,348	-	-	224,348
Loss for the year	-	-	-	-	(1,165,839)	(1,165,839)
Balance, as at December 31, 2016	33 522 730	26,893,211	3,738,975	-	(29,366,412)	1,265,774
Private placement	14,164,840	1,416,484	-	-	-	1,416,484
Options exercised	205,000	38,777	(20,377)	-	-	18,400
Warrants exercised	6,130,500	477,812	-	-	-	477,812
Share issuance costs	-	(61,958)	-	-	-	(61,958)
Share issuance costs – finders’ warrants	-	(51,357)	51,357	-	-	-
Subscriptions received in advance	-	-	-	12,500	-	12,500
Exploration and evaluation assets	500,000	53,750	-	-	-	53,750
Share-based compensation	-	-	330,966	-	-	330,966
Loss for the year	-	-	-	-	(1,141,359)	(1,141,359)
Balance, as at December 31, 2017	54,523,070	\$ 28,766,719	\$4,100,921	\$ 12,500	\$ (30,507,771)	\$ 2,372,369

The accompanying notes are an integral part of these consolidated financial statements.

CYPRESS DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

Cypress Development Corp. is a publicly listed exploration company incorporated pursuant to the *Business Corporations Act* (Saskatchewan) on August 23, 1991. The Company together with its subsidiary (collectively referred to as the “Company”) is principally engaged in the acquisition, exploration and evaluation of resource properties.

The head office and records office of the Company are located at Suite #1610 - 777 Dunsmuir Street, Vancouver, British Columbia, Canada. The registered office is located at Suite #1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada.

The Company’s financial statements and those of its wholly owned controlled subsidiary (“consolidated financial statements”) are presented in Canadian dollars.

The Company has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may materially impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company’s ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of Compliance with International Financial Reporting Standards

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

CYPRESS DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. BASIS OF PREPARATION (cont'd...)

Critical Accounting Estimates & Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- iii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Cypress Holdings (Nevada) Ltd., a company incorporated in the United States. All significant inter-company transactions and balances have been eliminated upon consolidation.

Foreign currency translation

The presentation and functional currency of the Company and its subsidiary is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the statement of financial position date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in the consolidated statements of loss and comprehensive loss for the year.

CYPRESS DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation assets

Costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property until the determination of technical feasibility and commercial viability. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, an impairment is recorded on the property.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation of automotive equipment is recognized using the declining balance method at an annual rate of 30% and amortization of leasehold improvements is recognized using the straight-line method over the term of the lease. Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to items of property and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Gains and losses on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property and equipment and are recognized in the statement of loss and comprehensive loss.

Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as mining assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized mining assets generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves, and are accumulated on mineral property or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

CYPRESS DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

CYPRESS DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based compensation (cont'd...)

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. A corresponding increase in reserves is recorded when stock options are expensed. When stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in reserves. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a deferred tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders. When the Company renounces flow-through expenditures, a portion of the Company's deferred tax assets that were not recognized in previous years, will be recognized as a recovery of deferred taxes in the statement of loss and comprehensive loss.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

CYPRESS DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

CYPRESS DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities: This category includes amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has classified its cash and marketable securities as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

New accounting standards and interpretations

Certain new standards, interpretations and amendments to existing have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2017, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded in the standards listed below.

The Company anticipates that the application of these standards, amendments, revisions and interpretations will not have a material impact on the results and financial position of the Company.

CYPRESS DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New accounting standards and interpretations (cont'd...)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project of replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 – Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

4. MARKETABLE SECURITIES

The Company holds securities that have been designated as fair value through profit or loss:

	2017	2016
Opening balance	\$ 199,500	\$ -
Additions	42,000	290,500
Unrealized gain (loss)	-	(91,000)
Sale of marketable securities	(199,500)	-
Total	\$ 42,000	\$ 199,500

Marketable securities at December 31, 2017 consist of 200,000 Pasinex Resources Limited shares (2016 – 350,000 Pure Energy Minerals Limited shares).

During fiscal 2017, the Company recorded a loss of \$22,645 with proceeds of \$176,855 on the sale of 350,000 shares of Pure Energy Minerals Limited.

An unrealized loss on marketable securities of \$Nil (2016 – \$91,000) was recorded in the consolidated statements of loss and comprehensive loss for the years ended December 31, 2017.

CYPRESS DEVELOPMENT CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31, 2017

5. RECEIVABLES AND PREPAID EXPENSES

The Company's receivables and prepaid expenses arise from three main sources, accounts receivable, goods and services tax ("GST") and prepaid expenses. These are broken down as follows:

	2017	2016
Subscriptions receivable (Note 8)	\$ -	\$ 10,000
GST receivable	25,432	4,968
Prepayments	208,199	10,852
Total	\$ 233,631	\$ 25,820

6. PROPERTY AND EQUIPMENT

	Leasehold Improvements
Cost	
Balance, December 31, 2015, 2016 and 2017	\$ 19,850
Accumulated depreciation	
Balance, December 31, 2015	\$ 8,270
Depreciation	<u>3,309</u>
Balance, December 31, 2016	11,579
Depreciation	<u>3,308</u>
Balance, December 31, 2017	\$ 14,887
Carrying amounts	
As at December 31, 2016	\$ 8,271
As at December 31, 2017	<u>\$ 4,968</u>

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7. EXPLORATION AND EVALUATION ASSETS

2017	Nevada, USA Total
Acquisition costs:	
Balance, beginning of year	\$ 74,564
Additions	123,335
Option payments received	<u>(173,685)</u>
Balance, end of year	<u>24,214</u>
Exploration costs:	
Incurring during the year	
Accommodation/food	8,424
Advances	31,627
Assaying/sampling	37,389
Consulting	97,887
Drilling	234,818
Dues/fees/permits	55,955
Equipment rentals/storage	7,323
Fuel/mileage	10,105
Office/miscellaneous	538
Supplies/maintenance	18,374
Transportation	1,158
Travel/airfare	1,159
Wages/contract work	<u>9,169</u>
	513,926
Balance, beginning of year	498,716
Write-off	<u>(28,556)</u>
Balance, end of year	<u>984,086</u>
Total costs	\$1,008,300

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

2016	Ontario, Canada Claims	Nevada, USA Claims	Total
Acquisition costs:			
Balance, beginning of year	\$ 25,000	\$ -	\$ 25,000
Additions	-	109,645	109,645
Option payments received	-	(35,081)	(35,081)
Disposition	(25,000)	-	(25,000)
Balance, end of year	-	74,564	74,564
Exploration costs:			
Incurring during the year			
Accommodation/food	-	8,670	8,670
Assaying/sampling	-	24,063	24,063
Consulting	-	64,814	64,814
Dues/fees/permits	-	98,108	98,108
Equipment rentals/storage	2,634	4,271	6,905
Fuel/mileage	-	11,131	11,131
Shipping/transportation	-	335	335
Staking/line-cutting	-	13,359	13,359
Supplies/maintenance	-	2,770	2,770
Wages	-	2,578	2,578
	2,634	230,099	232,733
Balance, beginning of year	550,673	452,448	1,003,121
	553,307	682,547	1,235,854
Option payments received	-	(354,172)	(354,172)
Gain on option-out	-	170,341	170,341
Disposition	(553,307)	-	(553,307)
Balance, end of year	-	498,716	498,716
Total costs	\$ -	\$ 573,280	\$ 573,280

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge; title to all of its properties is in good standing.

Canada Claims

McKenzie Island Claims, Ontario, Canada

The Company had a 100% interest in certain claims known as the McKenzie Island claims located in the Dome and Fairlie Townships, Red Lake District, Kenora Mining Division of Ontario. The property is subject to a 2% net smelter returns royalty ("NSR").

The Company staked 1 additional claim contiguous to its 16 claims in the McKenzie Island area of Ontario.

The Company entered into a mineral property purchase agreement on August 8, 2016 to sell its 100% right, title and interest in the property including the vendor's royalty for the sum of \$35,000 (received). As a result, the Company recognized a loss on sale of \$543,307 through the statement of loss and comprehensive loss in fiscal 2016.

USA Claims

Alkali Claims, Nevada, USA

During fiscal 2015, the Company's subsidiary, Cypress Holdings (Nevada) Ltd. acquired a 100% interest in 89 placer claims located in Esmeralda County, Nevada, USA by way of staking. Due to a delay in the development of the property, the Company wrote-off the carrying value of \$28,556 during the current year.

White Pine Claims, Nevada, USA

The Company has a 100% interest in certain claims located in White Pine County, Nevada. The Company incurred and capitalized \$267,938 in deferred exploration expenditures as at December 31, 2017, net of \$173,685 in option payments received in fiscal 2017. The Property is subject to a 2% NSR.

The Company entered into an option agreement on March 23, 2017 which provides the optionee (Silcom Systems Inc.) with an earn-in option to acquire an initial 51% interest in the property. Under the agreement, the optionee was required to issue 1,500,000 listed common shares, make cash payments of US\$300,000 (US\$50,000 received) and incur exploration expenditures totaling US\$1,850,000 over the three year term of the first agreement.

The Company has granted the optionee a second option to acquire an additional 29% interest by issuing 500,000 listed common shares and making a cash payment of US\$250,000 within 90 days of satisfying and exercising the first option and incurring additional exploration expenditures totaling US\$1,100,000 within 12 months.

Upon completion of the second option, issuance of all the shares and cash payments and completion of all work commitments, the optionee shall have earned an 80% interest in the property, subject to an underlying 2% net royalty interest.

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

USA Claims (cont'd...)

White Pine Claims, Nevada, USA (cont'd...)

On December 5, 2017, the Company entered into an option agreement with Pasinex Resources Limited (through its wholly-owned subsidiary Pasinex Resources Nevada Limited) ("Pasinex"), whereby Silicom Systems Inc. transferred their previous option to Pasinex to earn up to an 80% interest in the property.

To acquire an initial 51% interest in the property, Pasinex is required to issue 600,000 listed common shares and make cash payments of US\$200,000 to the Company and incur exploration expenditures totaling US\$1,850,000 over the three year term of the first agreement.

The Company has granted the optionee a second option to acquire an additional 29% interest by issuing 200,000 listed common shares and making a cash payment of US\$250,000 after satisfying and exercising the first option and incurring additional exploration expenditures totaling US\$1,100,000 within 12 months.

Upon completion of the second option, issuance of all the shares and cash payments and completion of all work commitments, the optionee shall have earned an 80% interest in the property, subject to an underlying 2% net royalty interest.

During fiscal 2017, the Company received 200,000 Pasinex shares valued at \$42,000. (Note 4)

Glory Lithium Project, Clayton Valley, Nevada, USA

During fiscal 2016, the Company entered into an option agreement to acquire a 100% interest in Clayton Valley, in the state of Nevada, USA. To earn a 100% interest, the Company is required to make US\$162,500 in cash payments \$50,689 (US\$37,500) paid and issue 1,100,000 shares of the Company (600,000 common shares issued at a fair value of \$45,000) over the four year term of the option agreement. The optionor will retain a 3% NSR with the Company having the right to purchase 2% of the NSR for US\$1,000,000. After entering into the option agreement, the optionor became a director of the Company.

The Company acquired and added, via staking, 4 additional claims to its Clayton Valley land position.

On August 22, 2016, the Company entered into an agreement to option-out the right to acquire up to a 70% undivided interest in 76 lithium placer claims to Pure Energy. The Company issued 270,576 shares with a fair value of \$35,175 as finder's fees, net against the gain on exploration and evaluation assets option-out in the statement of loss and comprehensive loss.

In order to fully exercise the two-stage option, Pure Energy is to required make the following cash and share payments and associated exploration investments on the property:

To acquire a 51% undivided interest:

- Cash and share payments of \$98,753 (US\$75,000) and 350,000 (valued at \$290,500) shares within five business days of the date of TSX-Venture Exchange acceptance for the agreement; (received cash and shares – Note 4)
- Exploration expenditures of at least US \$300,000 before the first anniversary;
- Cash and share payments of US \$100,000 and 750,000 shares on or before the first anniversary;

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7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

USA Claims (cont'd...)

Glory Lithium Project, Clayton Valley, Nevada, USA (cont'd...)

- Additional exploration expenditures of US \$500,000 before the second anniversary;

To acquire a further 19% interest:

- An additional 1,000,000 shares and US \$1,000,000 in exploration expenditures before the fourth anniversary.

The underlying option includes a provision for a 3% NSR (items discussed above). The parties have acknowledged in the agreement that Cypress will be responsible for meeting the share and cash requirements of that underlying option agreement. Under the option agreement, Cypress will act as project manager on the claims for the first year's exploration program.

Upon completion of one or both of the options, the parties shall enter into a joint venture agreement for the further exploration of the property, and the optionee shall serve as operator.

As at December 31, 2017, the Company incurred \$143,301 net in exploration expenditures and acquisition costs. The \$170,431 gain on option-out was recorded in fiscal 2016 on the statements of loss and comprehensive loss, net with the above finders' fees.

As at December 31, 2017 the Company held reclamation bonds with respect to the Nevada, USA properties of \$49,833 (2016 - \$46,246).

On August 24, 2017, Pure Energy provided written notification to terminate the option agreement.

Dean, Clayton Valley, Nevada, USA

In September 2016, the Company entered into an option agreement to acquire a 100% interest in 35 lithium placer claims located in southern Clayton Valley, Nevada, USA. To earn a 100% interest, the Company is required to make US\$140,000 in cash payments (\$76,041 (US\$60,000) paid) and issue 1,050,000 shares of the Company (500,000 common shares issued at a fair value of \$62,500) over the three year term of the option agreement. The optionor will retain a 3% NSR with the Company having the right to purchase 2% of the NSR for US\$1,000,000. As at December 31, 2017, the Company incurred \$597,061 in exploration expenditures and acquisition costs. After entering into the option agreement, the optionor became a director of the Company.

8. CAPITAL STOCK AND RESERVES

Authorized

An unlimited number of common shares without par value.

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8. CAPITAL STOCK AND RESERVES (cont'd...)

Private Placements

On October 17, 2017, the Company completed a private placement to raise \$1,416,484 by the issuance of 14,164,840 units at a price of \$0.10 per unit. Each unit consists of one common share and one non-transferable share purchase warrant, with each share purchase warrant entitling the holder to purchase one common share for a period of two years at a price of \$0.13 per share. In connection with the financing, the Company issued a total of 455,700 finder warrants on the same terms as the subscription warrants. Aggregate finders' fees of \$45,570 cash and other fees of \$16,388 have been paid in connection with this financing.

The 455,700 finders' warrants were valued at \$51,357 using the Black-Scholes option pricing model using a weighted average estimated life of 2 years, volatility of 120.5%, dividend rate of 0% and risk free interest rate of 1.51%.

The weighted average fair value of each finders' warrant was \$0.1127.

In March 2016, the Company completed a private placement to raise \$300,000 by the issuance of 6,000,000 units at a price of \$0.05 per unit of which \$2,500 was received in fiscal 2015. Each unit consists of one common share and one non-transferrable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.055 per share for a period of five years from the date of issuance. Aggregate finder's fees of \$10,983 cash and 174,650 finder's warrants (valued at \$10,271) have been paid in connection this offering. The finder warrants are subject to the same terms and conditions as the subscriber warrant.

The finder's warrants were valued using the Black-Scholes option pricing model with an expected life of 5 years, volatility of 170%, risk-free rate of 0.69% and a dividend rate of 0%.

In June 2016, the Company completed a private placement to raise \$108,460 by the issuance of 903,833 units at a price of \$0.12 per unit. Each unit consists of one common share and one non-transferrable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.15 per share for a period of one year from the date of issuance. Aggregate finder's fees of \$1,401 cash and 910 finder's warrants (valued at \$64) have been paid in connection this offering. The finder's warrants are subject to the same terms and conditions as the subscriber warrant.

The finder warrants were valued using the Black-Scholes option pricing model with an expected life of 1 year, volatility of 133%, risk-free rate of 0.54% and a dividend rate of 0%.

In December 2016, the Company completed a private placement to raise \$440,000 of which \$10,000 was received subsequent to December 31, 2016 (Note 5), by the issuance of 4,400,000 units at a price of \$0.10 per unit. Each unit consists of one common share and one non-transferrable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.125 per share for a period of three years from the date of issuance. Aggregate finder's fees of \$6,300 cash and 28,000 finder's warrants (valued at \$2,143) have been paid in connection with this offering. The finder warrants are subject to the same terms and conditions as the subscriber warrant.

The finder warrants were valued using the Black-Scholes option pricing model with an expected life of 3 years, volatility of 133%, risk-free rate of 0.54% and a dividend rate of 0%.

The weighted average fair value of each agent's warrant was \$0.0698.

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9. STOCK OPTIONS AND WARRANTS

The Company has a stock option plan in place under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2015	2,714,000	\$ 0.07	885,000	\$ 0.08
Additions	11,507,393	0.09	2,640,000	0.09
Exercised	(3,380,150)	0.06	(190,000)	0.08
Outstanding, December 31, 2016	10,841,243	0.09	3,335,000	0.09
Additions	14,620,540	0.13	1,990,000	0.17
Exercised	(6,130,500)	0.08	(205,000)	0.09
Expired/cancelled	(910)	0.15	(96,000)	0.11
Outstanding and Exercisable, December 31, 2017	19,330,373	\$ 0.13	5,024,000	\$ 0.12

The following incentive stock options and share purchase warrants were outstanding at December 31, 2017:

	Number of Shares	Exercise Price	Expiry Date
Stock options:	670,000	\$ 0.080	January 31, 2019
	1,400,000	\$ 0.080	April 11, 2021
	974,000	\$ 0.105	December 30, 2021
	250,000	\$ 0.100	July 18, 2022
	1,730,000	\$ 0.180	October 27, 2022
Warrants:	384,000	\$ 0.070	July 9, 2020
	569,500	\$ 0.055	March 21, 2021
	120,000	\$ 0.055	March 30, 2021
	870,833	\$ 0.150	June 29, 2018 (1)
	2,690,500	\$ 0.125	December 23, 2019
	100,000	\$ 0.125	December 30, 2019
	14,595,540	\$ 0.130	October 17, 2019

(1) During the year ended December 31, 2017, the Company extended these warrants from June 29, 2017 to June 29, 2018.

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9. STOCK OPTIONS AND WARRANTS (cont'd...)

Share-based compensation

During the year ended December 31, 2017, the Company granted 1,990,000 (2016 – 2,640,000) options to consultants, officers and directors. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of loss and comprehensive loss. Total share-based compensation recognized in the statement of loss and comprehensive loss for options granted and vested was \$330,966 (2016 - \$224,348) and the weighted average fair value of each option granted was \$0.1663 (2016 - \$0.0908). This amount was also recorded to reserves on the statement of financial position.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during fiscal 2017 and 2016:

	2017	2016
Risk-free interest rate	1.48 – 1.66%	0.73% - 1.11%
Expected life	5 years	5 years
Annualized volatility	207.84 – 214.26%	167.78% - 162.25%
Estimated forfeiture rate	0%	0%
Dividend rate	0%	0%

10. RELATED PARTY TRANSACTIONS

The aggregate amount of expenditures paid or payable to key management personnel consisting of directors, former directors or companies with common directors was as follows:

	2017	2016
Charged to profit and loss for consulting fees	\$ 182,281	\$ 80,108
Capitalized to exploration and evaluation assets	102,775	-
Share-based payments	194,163	112,793
Total expense	\$ 479,219	\$ 192,901

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10. RELATED PARTY TRANSACTIONS (cont'd...)

Administrative agreement

The Company operates from the premises of a private company that provides office and administrative services to the Company and various other public companies on a short-term contract basis. The private company incurs costs which are reimbursed by the Company and is charged an administration fee of \$Nil (2016 - \$7,110) representing 15% of the costs incurred.

Included in receivables and prepaid expenses at December 31, 2017 is \$31,694 (2016 - \$4,407) due from the private company.

Included in accounts payable at December 31, 2017 is \$75,554 (2016 - \$Nil) due to directors and/or their companies.

During fiscal 2016, the Company received and repaid \$65,000 from a demand loan payable to the private company. Interest was at 3% per month, calculated monthly.

Effective June 30th, 2016, the privately owned company, will no longer be providing administrative services to the Company.

On July 1, 2016, the Company commenced administrative services with another private company with a common director. No administrative fees are charged for this service.

11. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Loss before income taxes	\$ (1,141,359)	\$ (1,165,839)
Expected income tax recovery	\$ (297,000)	\$ (303,000)
Non-deductible items	(124,000)	69,000
Change in statutory, foreign tax, and other	86,000	36,000
Share issue costs	(16,000)	(5,000)
Change in unrecognized deductible temporary differences	351,000	203,000
Total deferred tax recovery	\$ -	\$ -

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11. INCOME TAXES (cont'd...)

Significant components of deductible and taxable differences and unused tax losses that have not been included in the statement of financial position are as follows:

	2017	2016	Expiry Dates
Exploration and evaluation assets	\$ 6,973,000	\$ 6,672,000	No expiry date
Property and equipment	15,000	12,000	No expiry date
Share issue costs	62,000	16,000	2037 – 2040
Canadian Eligible Capital	7,000	7,000	No expiry date
Allowable capital losses	11,000	-	No expiry date
Marketable securities	-	91,000	No expiry date
Non-capital losses	<u>6,994,000</u>	<u>6,195,000</u>	2018 – 2037
Total	\$ 14,062,000	\$ 12,993,000	

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2017	2016
Cash received during the year for interest	\$ 859	\$ -
Cash paid during the year for interest	\$ -	\$ 6,025
Cash paid during the year for income taxes	\$ -	\$ -

Significant non-cash transactions during fiscal 2017 were as follows:

- Issued 500,000 common shares valued at \$53,750 for exploration and evaluation assets.
- Incurred exploration and evaluation asset expenditures of \$49,878 through accounts payable and accrued liabilities.
- Granted 455,700 finders' warrants at a fair value of \$51,357 pursuant to private placements.
- Received 200,000 shares of Pasinex Resources Limited at a fair value of \$42,000 pursuant to an option-out of exploration and evaluation assets.
- Accrued share issuance costs of \$20,213 through accounts payable.

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12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (cont'd...)

Significant non-cash transactions during fiscal 2016 were as follows:

- a) Issued 600,000 common shares valued at \$52,500 for exploration and evaluation assets.
- b) Received 350,000 shares of Pure Energy at a fair value of \$290,500 pursuant to an option-out of exploration and evaluation assets.
- c) Incurred exploration and evaluation asset expenditures of \$21,924 through accounts payable and accrued liabilities.
- d) Granted 203,560 finders' warrants at a fair value of \$12,478 pursuant to private placements.
- e) Accrued \$10,000 in subscriptions receivable pursuant to a private placement that was received during fiscal 2017.

During fiscal 2016, the Company received and repaid \$161,275 (US\$125,000) for a loan with a private company. Interest of 3% and a finance fee of \$8,092 (US\$6,250) were also paid.

13. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral properties. The Company's non-current assets by geographic area are as follows:

	2017	2016
Canada	\$ 4,963	\$ 8,271
USA	<u>1,058,133</u>	<u>619,526</u>
	<u>\$ 1,163,096</u>	<u>\$ 627,797</u>

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted market prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based in valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Cash and marketable securities are carried at fair value using a Level 1 fair value measurement. The carrying value of receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because these instruments are due primarily from government agencies.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at December 31, 2017, the Company had a cash balance of \$1,153,926 (2016 - \$450,289) to settle current liabilities of \$151,978 (2016 - \$42,039). All of the Company's financial liabilities are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest rate risk

The Company has cash balances held with financial institutions. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. In addition to cash and interest-bearing deposits with banks of \$653,067 (2016- \$450,289) as of December 31, 2017, the Company has \$500,000 (2016 - \$Nil) in interest-bearing investment-grade guaranteed investment certificates with accrued interest of \$859 (2016 - \$Nil). A 1% change in interest rates would have an effect of \$5,000 (2016 - \$Nil) on interest income.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in United States Dollars. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. In addition to cash in US bank accounts of \$7,056 (2016 - \$66,336) as of December 31, 2017, the Company has \$60,064 (2016 - \$21,792) in liabilities to US payees. A 1% change in foreign exchange rates would have an effect of \$71 (2016 - \$445) on foreign currency.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors (cont'd...)

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

15. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

16. SUBSEQUENT EVENTS

Glory Lithium Project, Clayton Valley, Nevada, USA

The Company made a cash payment of US\$50,000 and issued 250,000 shares of the Company, valued at \$71,250, with respect to the option agreement.

Exercise of Options and Warrants

Subsequent to December 31, 2017, 40,000 options and 1,716,375 warrants were exercised for gross proceeds of \$4,200 and \$223,279 respectively, of which \$12,500 was received as at December 31, 2017.