

Form 51-102F3
MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

Cypress Development Corp.

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Item 2. Date of Material Change

September 6, 2018

Item 3. News Release

A news release was issued throughout Canada by wire service on **September 6, 2018** and filed on SEDAR on that same day.

Item 4. Summary of Material Change

Cypress Development Announces Positive Preliminary Economic Assessment (PEA) for Clayton Valley Lithium Project, Nevada

Item 5. Full Description of Material Change

See “Schedule A”

Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102

N/A

Item 7. Omitted Information

None.

Item 8. Executive Officer

William Willoughby, CEO

Phone: (604) 687-3376

Item 9. Date of Report

September 6th 2018

Schedule A



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NEWS RELEASE

September 6, 2018

Cypress Development Announces Positive Preliminary Economic Assessment (PEA) for Clayton Valley Lithium Project, Nevada

Vancouver, BC - Cypress Development Corp. (TSX-V: [CYP](#)) (OTCQB: [CYDVF](#)) (Frankfurt: [C1Z1](#)) ("Cypress" or the "Company") is pleased to announce positive results from a Preliminary Economic Assessment (PEA) of the Company's Clayton Valley Lithium Project in Nevada, U.S.A. The PEA was prepared by Global Resource Engineering (GRE) of Denver, Colorado, an independent engineering services firm with extensive experience in mining and mineral processing. All dollar values are in US dollars.

Highlights:

- Net present value of \$1.45 billion at 8% discount rate and 32.7% internal rate of return on after-tax cash flow.
- Lithium carbonate price of \$13,000 per tonne based on Benchmark Research market study.
- Average annual production rate of 24,042 tonnes of lithium carbonate over 40-year life.
- Capital cost estimate of \$482 million, pre-production and operating cost estimate averaging \$3,983 per tonne of lithium carbonate.
- Updated Resources from May 1, 2018 estimate:

- Indicated Resource of 831 million tonnes at 867 ppm Li, or 3.835 million tonnes lithium carbonate equivalent (LCE).
- Inferred Resource of 1.12 billion tonnes at 860 ppm Li, or 5.126 million tonnes LCE.

Cypress CEO Dr. Bill Willoughby commented "This is another important milestone for the project and Cypress. The PEA outlines the steps necessary for a mine and mill at Clayton Valley, including a sulfuric acid plant which is the main driver in the costs. GRE uses a conventional approach in processing and developed a production schedule that utilizes only a small fraction of the total resources on the property. The end result is a project that has strong economics and the potential to generate significant cash flow."

PEA Summary

After tax cash flow analysis (US Dollars)	
Internal rate of return (IRR)	32.7%
Net present value (NPV-8%)	\$1.45 billion
Cumulative cash flow, undiscounted	\$6.171 billion
Payback period	2.7 years
Operating rate	15,000 tpd for 40 years
Capital cost estimate	\$482 million over 2 years
Net lithium recovery	81.5%
Base case price for lithium carbonate	\$13,000/tonne
Average production lithium carbonate	24,042 tonnes
Operating cost for lithium carbonate	\$3,983/tonne

Sensitivity of Base Case to Lithium Price

Price for lithium carbonate	NPV-8% (\$ Million)	IRR
\$4,800/tonne - break-even	---	0
\$8,000/tonne (-38%)	433	16.4
\$10,500/tonne (-19%)	947	25.0
\$13,000/tonne – base-case	1,454	32.7
\$15,500/tonne (+19%)	1,960	40.0
\$18,000/tonne (+38%)	2,467	46.8

Resources:

The PEA includes an updated Mineral Resource Estimate, which followed upon changes in the resource model and property boundaries since the May 1, 2018 Resource Estimate. For the PEA, GRE created an ultimate pit shell for the property-wide resources, and an initial pit shell that focused on the higher-grade clay units in the eastern part of the property. Estimation methods follow those in the previous report.

Resources – Property-Wide Pit Shell

Cut-off grade Li ppm	Indicated			Inferred		
	Tonnes (million)	Li ppm	Tonnes LCE (million)	Tonnes (million)	Li ppm	Tonnes LCE (million)
300	831.0	867	3.834	1,120.3	860	5.125
600	768.5	892	3.649	1,022.2	888	4.831
900	319.7	1,091	1.857	430.3	1,082	2.478

Resources- Initial Pit Shell

Cut-off grade Li ppm	Indicated			Inferred		
	Tonnes (million)	Li ppm	Tonnes LCE (million)	Tonnes (million)	Li ppm	Tonnes LCE (million)
300	365.3	942	1.832	160.5	992	0.847
600	361.3	946	1.820	158.5	997	0.841
900	198.0	1,105	1.164	106.8	1,119	0.626

CIM definitions were followed for Mineral Resources.

The mineral resources are reported using a cut-off grade of 300 ppm Li and are constrained to a pit shell reflecting a \$17.50/tonne operating cost, \$13,000/tonne of LCE price, and 81.5% net recovery to LCE. Both property-wide and initial pit shells use a 30-degree pit slope.

Mining and production schedule:

A 15,000 tonne per day nominal production rate was selected based upon the projected output for the operation, with the goal of producing 20,000 tonnes per year of lithium

carbonate. The nominal production rate equates to 5.475 million tonnes per year of mill feed at an average grade of 1,012 ppm Li. Further improvement in the production schedule is possible given the resources in the initial pit alone far exceed the 219 million tonnes of production needed to support a 40-year mine life.

GRE evaluated four options for mine equipment and mill feed transportation and selected an in-pit feeder-breaker with slurry pumping for the base case. No drilling or blasting is required, and the only major piece of mobile equipment is a front-end loader to feed the in-pit feeder-breaker. Waste mining is minimal, amounting to a total of 6 million tonnes over the 40-year mine life.

Processing:

The plant design by GRE includes agitated tank leaching, and a multi-stage thermal-mechanical evaporation system for concentrating leach solution. Slurried feed is transported to the mill where lithium extraction is achieved through leaching at elevated temperatures with dilute sulfuric acid. The sulfuric acid concentration is targeted at 5%, with the addition of concentrated acid delivered from the on-site acid plant.

The estimated acid plant capacity is 2,000 tonnes per day of sulfuric acid, generated from the combustion of elemental sulfur trucked to the site in the molten state. The acid plant has the potential to produce up to 25 MW of electricity, but at additional capital expense. For this study, only enough electricity will be generated to run the acid plant. Steam from the plant will be used for heating in the leaching and evaporation stages of processing.

Leaching will take place in a primary leach vessel followed by a series of thickeners. Retention time in the leach circuit is estimated at 4 to 6 hours with acid consumption estimated at 125 kg per tonne of feed. Overflow from the final leach thickener is pumped to a primary impurity removal circuit where calcium hydroxide is added to precipitate iron and aluminum, and the thickened underflow filtered and conveyed to a dry-stack tailings facility. The purified solution is reduced in volume via a multi-stage thermal-mechanical evaporation system where evaporate is collected and recycled as process water, and the condensate is treated by stage-wise addition of sodium hydroxide and soda ash to precipitate calcium, manganese and magnesium before advancing to final product production. Precipitation of the final product occurs with the addition of soda ash, producing a lithium carbonate product targeted at 99.5% purity. Net recovery of lithium throughout processing is estimated at 81.5%.

Process water for the operation will be obtained by recycling barren leach solution after treating in a reverse osmosis plant, and by introducing fresh make-up water, estimated at 345 m³/hour and delivered via pipeline from a well field located off-site.

Capital Costs:

The total initial capital cost estimate is \$482 million distributed over two years of pre-production. An overall factor of 2.86 on equipment costs is used to allow for the necessary installation labor, construction materials, spares, first fill, buildings, and engineering and construction management. Infrastructure and G&A capital includes allowances for feasibility study, permitting, bonding, off-site electrical, and acquisition of process water.

Capital Cost	(USD Millions)
Mine development and equipment	35
Plant feed prep, leaching, purification and lithium recovery	163
Acid plant	105
Tailings	25
Site utilities	17
Infrastructure and G&A capital	38
Direct Capital Costs	383
Working capital	24
Contingency (20% of Direct Costs)	76
Indirect Capital Costs	99
TOTAL CAPEX	482

Operating Cost Estimate:

Estimated operating costs are \$17.50 per tonne of mill feed, or \$96 million per year, including 10% contingency. Acid plant operations are the major component in the operating costs and account for more than half of the total. Project labor is estimated at 136 on-site employees. Connected power is estimated at 12 MW, with an all-in cost of \$0.066 per KWH.

Operating Cost	\$ per tonne of mill feed	\$ per tonne of LCE
Mining	1.73	395
Plant labor	1.45	330
Reagents & supplies	12.70	2,893
Power	0.94	210
G & A	0.68	155
TOTAL OPEX	17.50	3,983

Project Advancement:

GRE recommends further work, including bench scale testing, to demonstrate the recovery of lithium product. Cypress intends to proceed with this recommendation as soon as possible, beginning with the collection of representative sample

material with respect to the production schedule. The Company will continue to work on permitting and other areas to advance the project.

Global Resource Engineering of Denver, Colorado, prepared the Technical Report which carries an Effective Date of September 5, 2018. Terre A. Lane, J. Todd Harvey, Hamid Samari, and J. J. Brown of GRE, and Todd Fayram of Continental Metallurgical Services are the Qualified Persons for the report.

The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

The NI 43-101 technical report detailing the PEA will be filed on SEDAR within 45 days.

The information contained in this news release relating to the PEA has been reviewed and approved by Terre Lane of GRE, who is a "Qualified Person" as the term is defined in National Instrument 43-101 and is independent of Cypress. GRE has reviewed and approved the presentation of the PEA information in this news release.

About Cypress Development Corp.:

Cypress Development Corp. is a publicly traded exploration company focused on developing the Company's 100%-held Clayton Valley Lithium Project, located immediately east of Albemarle's Silver Peak mine, North America's only lithium brine operation. Recent exploration by Cypress has discovered an extensive deposit of lithium-bearing claystone adjacent to the brine field.

Cypress Development Corp. has approx. 62.0 million shares issued and outstanding.

To find out more about Cypress Development Corp. (TSX-V: [CYP](https://www.cypressdevelopmentcorp.com)), visit our website at www.cypressdevelopmentcorp.com.

CYPRESS DEVELOPMENT CORP.

"Dr. Bill Willoughby"

WILLIAM WILLOUGHBY, PhD., PE
Chief Executive Officer

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