

CYPRESS DEVELOPMENT CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)**

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

CYPRESS DEVELOPMENT CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)
AS AT

	June 30, 2022	December 31, 2021
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 34,305,491	\$ 23,137,155
Marketable securities	30,000	24,000
Receivables and prepaid expenses (Note 4, 11)	<u>551,008</u>	<u>355,501</u>
	34,886,499	23,516,656
Reclamation bonds	41,774	41,774
Equipment	2,978	2,978
Intangible asset	1,192,000	1,192,000
Right-of-use asset (Note 6)	882,611	1,011,773
Exploration and evaluation assets (Note 8)	<u>22,327,351</u>	<u>11,508,837</u>
	\$ 59,333,213	\$ 37,274,018
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 787,798	\$ 356,487
Lease liability, current (Note 6)	<u>222,163</u>	<u>206,206</u>
	1,009,961	562,693
Lease liability, long-term (Note 6)	<u>696,037</u>	<u>811,257</u>
	<u>1,705,998</u>	<u>1,373,950</u>
Equity		
Capital stock (Note 9)	88,456,602	67,400,524
Reserves (Note 10)	9,628,666	6,250,057
Deficit	<u>(40,458,053)</u>	<u>(37,750,513)</u>
	<u>57,627,215</u>	<u>35,900,068</u>
	\$ 59,333,213	\$ 37,274,018

Subsequent event (Note 15)

Approved and authorized by the Board on August 16, 2022

<u>“Bryan Disher”</u>	Director	<u>“Cassandra Joseph”</u>	Director
Bryan Disher		Cassandra Joseph	

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

CYPRESS DEVELOPMENT CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian Dollars)

PERIODS ENDED

	June 30, 2022 3 months	June 30, 2021 3 months	June 30, 2022 6 months	June 30, 2021 6 months
GENERAL AND ADMINISTRATIVE EXPENSES				
Administrative, office and miscellaneous	\$ 103,611	\$ 60,750	\$ 283,179	\$ 148,233
Consulting fees	85,236	155,175	118,082	325,707
Directors' fees	68,742	57,484	137,769	311,619
Finance costs (Note 6)	35,702	-	73,253	-
Legal	81,880	39,590	114,417	120,910
Recruitment	-	43,800	-	43,800
Salaries and wages	117,691	141,405	225,035	141,405
Share-based compensation	972,784	-	1,650,538	-
Shareholder communications	200,685	90,594	306,000	150,876
Transfer agent and filing fees	27,709	15,248	74,409	71,651
Travel	49,578	4,464	52,650	5,485
	(1,743,618)	(608,510)	(3,035,332)	(1,319,686)
Foreign exchange gain (loss)	298,987	351,002	223,264	347,894
Interest income	75,033	6,349	98,528	6,985
Unrealized gain (loss) on marketable securities	-	(3,000)	6,000	-
Loss and comprehensive loss for the period	\$ (1,369,598)	\$ (254,159)	\$ (2,707,540)	\$ (964,807)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding				
- basic and diluted	145,159,947	121,081,840	142,353,594	106,871,635

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

CYPRESS DEVELOPMENT CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)
PERIODS ENDED JUNE 30

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (2,707,540)	\$ (964,807)
Items not affecting cash:		
Finance costs	73,253	-
Share-based compensation	1,650,538	-
Unrealized gain on marketable securities	(6,000)	-
Changes in non-cash working capital items:		
Increase in receivables and prepaid expenses	(195,507)	(104,460)
Increase (decrease) in accounts payable and accrued liabilities	(169,760)	1,337
Increase in bonus payable	<u>-</u>	<u>110,000</u>
Net cash flows used in operating activities	<u>(1,355,016)</u>	<u>(957,930)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(5,198,279)	(827,978)
Property, plant and equipment	<u>-</u>	<u>(615,640)</u>
Net cash flows used in investing activities	<u>(5,198,279)</u>	<u>(1,443,618)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	19,344,753	21,161,424
Proceeds from issuance of warrants	22,720	-
Share issuance costs	(1,473,324)	(1,482,847)
Lease payments	<u>(172,518)</u>	<u>-</u>
Net cash flows provided by financing activities	<u>17,721,631</u>	<u>19,678,577</u>
Change in cash and cash equivalents during the period	11,168,336	17,277,029
Cash and cash equivalents, beginning of period	<u>23,137,155</u>	<u>2,101,554</u>
Cash and cash equivalents, end of period	<u>\$ 34,305,491</u>	<u>\$ 19,378,583</u>

Supplemental disclosures with respect to cash flows (Note 12)

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

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

	<u>Capital Stock</u>			Subscriptions received in advance	Deficit	Total
	Number	Amount	Reserves			
Balance, as at December 31, 2021	132,860,494	\$67,400,524	\$6,250,057	\$ -	\$ (37,750,513)	\$35,900,068
Shares issued - private placement	9,058,000	16,645,840	1,470,160	-	-	18,116,000
Share issuance costs - cash	-	(1,473,324)	-	-	-	(1,473,324)
Share issuance costs - finders' warrants	-	(465,597)	465,597	-	-	-
Purchase of warrants - cash	-	22,720	-	-	-	22,720
Shares issued for options exercised	760,000	274,553	(128,153)	-	-	146,400
Shares issued for warrants exercised	639,642	1,161,886	(79,533)	-	-	1,082,353
Shares issued for Enertopia Project (Note 7)	3,000,000	4,890,000	-	-	-	4,890,000
Share-based compensation	-	-	1,650,538	-	-	1,650,538
Loss for the period	-	-	-	-	(2,707,540)	(2,707,540)
Balance, as at June 30, 2022	146,318,136	\$88,456,602	\$9,628,666	\$ -	\$ (40,458,053)	\$57,627,215
Balance, as at December 31, 2020	98,772,470	\$37,194,666	\$4,588,544	\$ 16,500	\$ (35,062,141)	\$ 6,737,569
Private placement	15,640,000	19,550,000	-	-	-	19,550,000
Shares issued for options exercised	1,740,000	450,507	(209,832)	-	-	240,675
Shares issued for warrants exercised	5,287,200	1,390,775	(3,526)	-	-	1,387,249
Share issuance costs	-	(1,482,847)	-	-	-	(1,482,847)
Share issuance costs - finders' warrants	-	(649,580)	649,580	-	-	-
Subscriptions received in advance	-	-	-	(16,500)	-	(16,500)
Loss for the period	-	-	-	-	(964,807)	(964,807)
Balance, as at June 30, 2021	121,439,670	\$56,453,521	\$5,024,766	\$ -	\$ (36,026,948)	\$25,451,339

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

CYPRESS DEVELOPMENT CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

1. NATURE AND CONTINUANCE OF OPERATIONS

Cypress Development Corp. was incorporated pursuant to the *Business Corporations Act* (Saskatchewan) on August 23, 1991. It is a publicly traded company listed on the Toronto Stock Exchange (“TSX.V”) under the symbol “CYP” and on the OTCQX market in the United States under the symbol “CYDVF”. The Company together with its subsidiaries (collectively referred to as the “Company”) is principally engaged in the acquisition, exploration and evaluation and development of resource properties located in the United States.

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 has not yet determined whether its properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, and the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and bring them to future profitable production. The Company does not generate cash flows from operations to fund its activities and therefore relies principally on the issuance of securities for financing. The Company’s future capital requirements will depend on many factors, including the Company’s ability to execute its business plan.

2. BASIS OF PREPARATION

(a) Statement of Compliance with International Financial Reporting Standards

These condensed consolidated interim financial statements (the “interim financial statements”), which are presented in Canadian dollars, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, ‘Interim Financial Reporting’. They do not include all information required for a complete set of IFRS financial statements. However selected notes are included to explain events and transactions that are significant to an understanding of the changes and performance since the Company’s last annual financial statements as at and for the year ended December 31, 2021.

(b) Basis of consolidation

These interim financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

These condensed consolidated interim financial statements are presented in Canadian dollars which is also the parent company’s functional currency. The functional currency for each entity consolidated with the Company is determined by the currency of the primary economic environment in which it operates.

The US subsidiary’s functional currency is the CDN dollar.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the average exchange rates for the period.

CYPRESS DEVELOPMENT CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

2. BASIS OF PREPARATION (cont'd...)**(c) Accounting policies**

Except as set out below, the accounting policies, estimates and judgements, methods of computation and presentation followed in these interim financial statements are the same as those applied in the Company's annual financial statements for the year ended December 31, 2021. Accordingly, these interim financial statements should be read in conjunction with the Company's most recent annual financial statements.

Effective January 1, 2022 the Company adopted Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use". These amendments prohibit an entity from deducting any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item of property, plant, and equipment. Adoption of these amendments did not have an effect on the interim financial statements.

(d) Approval of financial statements

The Board of Directors approved these interim financial statements for issue on August 16, 2022.

Critical Accounting Estimates and 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.

The accounting policies and basis of presentation applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited annual consolidated financial statements for the year ended December 31, 2021, unless otherwise noted.

Acquisition of Enertopia's Clayton Valley Lithium Claystone Project (Enertopia)

The Company accounted for the acquisition of Enertopia as an asset acquisition. Judgement was required to determine that the application of this accounting treatment was appropriate for the transaction. Including the determination that Enertopia was not considered a business under IFRS 3 – Business Combinations as it did not have significant inputs, processes and outputs, that together constitute a business.

3. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021
Cash	\$33,605,491	\$ 22,437,155
Guaranteed Investment Certificates ("GIC")	700,000	700,000
Total	\$34,305,491	\$ 23,137,155

CYPRESS DEVELOPMENT CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

4. RECEIVABLES AND PREPAID EXPENSES

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

	June 30, 2022	December 31, 2021
GST receivable	\$ 37,001	\$ 24,165
Due from related parties	1,357	132,370
Prepayments	512,650	198,966
Total	\$ 551,008	\$ 355,501

5. INTANGIBLE ASSET

The Company entered into a Share Purchase and License Agreement on July 5, 2021 (the "SPL Agreement") for the acquisition of the equipment for its pilot plant and a license to use the Lionex direct lithium extraction ("DLE") process to recover lithium from brines at the Company's Clayton Valley, Nevada project. Under the terms of the SPL Agreement, the Company acquired 100% ownership of a private company, 2845028 Ontario Inc., which owns the pilot plant equipment ("Pilot Plant Equipment") and the DLE license, for \$350,000 and 1,000,000 of the Company's common shares ("Consideration Shares"). The Company paid \$350,000 to the vendors on receipt of the Pilot Plant Equipment and the Consideration Shares, following regulatory approval, were transferred into escrow.

The Company recognizes the DLE license as an intangible asset.

The purchase price grants the Company full ownership of 2845028 Ontario Inc. with no further payment or royalty obligations for the use of the DLE process. The Company had twelve months following installation of the Pilot Plant Equipment to carry out performance tests to confirm the successful operation of the pilot plant and determine, in its absolute discretion, whether to release the Consideration Shares from escrow. The Company commenced pilot plant testing in the fourth quarter of 2021. On June 20, 2022, the Board of Directors approved the release of the Consideration Shares from escrow and the SPL Agreement became unconditional.

The acquisition was treated as an asset acquisition, as 2845028 Ontario Inc. did not meet the definition of a business under the parameters of IFRS 3 *Business Combinations*.

6. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company's right-of-use asset is a refining facility lease located in the Amargosa Valley of Nye County, Nevada, USA.

On December 16, 2021, the Company entered into a lease agreement (the "Agreement") replacing the initial lease agreement entered into on February 7, 2021. The initial term of Agreement is for forty eight (48) months, running from December 1, 2021 to November 30, 2025, at a cost of US\$22,500 per month. The Agreement may be terminated with ninety (90) days' notice and extended upon written agreement by all parties. The site is to be used solely for the operation of the lithium extraction pilot plant facility unless written consent is received.

CYPRESS DEVELOPMENT CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

6. RIGHT-OF-USE ASSET AND LEASE LIABILITY (cont'd...)Lease liability

A reconciliation of the carrying amount of the lease liability recognized on inception of the lease as follows:

Liability at inception of lease on December 16, 2021	\$ 1,033,300
Lease payments	(28,753)
Lease interest (finance costs)	12,916
Balance December 31, 2021	1,017,463
Lease payments	(172,516)
Lease interest (finance costs)	73,253
Balance June 30, 2022	\$ 918,200

During the period ended June 30, 2022, the Company incurred \$50,042 (June 30, 2021 - \$Nil) on short term and low value leases that were not reflected as right-of-use assets and lease liabilities. This amount was capitalized to exploration and evaluation assets (see note 8).

	June 30, 2022	December 31, 2021
Current portion of lease liabilities	\$ 222,163	\$ 206,206
Non-current portion of lease liabilities	\$ 696,037	\$ 811,257

As at June 30, 2022, the total undiscounted amount of the estimated future cash flows to settle the Company's lease liabilities over the remaining lease terms is as follows:

2022	\$ 172,515
2023	345,030
2024	345,030
2025	316,278
Total	\$ 1,178,853

Right -of-use asset

December 31, 2020	\$ -
Additions	1,033,300
Accumulated depreciation	(21,527)
Balance December 31, 2021	1,011,773
Accumulated depreciation	(129,162)
Balance June 30, 2022	\$ 882,611
Carrying amounts	
December 31, 2021	\$ 1,011,773
June 30, 2022	\$ 882,611

CYPRESS DEVELOPMENT CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

7. ASSET ACQUISITION*Acquisition of Enertopia Project, Esmeralda County, Nevada, USA*

On May 4, 2022, the Company completed the acquisition of the Enertopia assets. Under the agreement, the Company acquired Enertopia's Clayton Valley Lithium Claystone Project located immediately adjacent to the Company's Clayton Valley, Nevada project. Enertopia holds title to certain unpatented mining claims together with tenements, hereditaments, and appurtenances thereunto belonging and appertaining, including without limitation, all mineral rights, access rights, and any water rights associated with these mining claims as well as data relating to these claims. The underlying royalty holders retain a 1% net smelter royalty ("NSR").

Under the terms of the agreement, the Company issued 3,000,000 common shares ("Consideration Shares") valued at \$4,890,000 and paid US\$1,100,000 (\$1,418,147) in cash. In connection with the transaction, the Company also paid a finder's fee of US\$105,000 (\$135,369). The transaction also included Enertopia entering into an Irrevocable Proxy and Voting Agreement and Lock-Up Agreement with the Company in relation to the Consideration Shares.

The Company has determined that this transaction represents an asset acquisition.

The following table summarizes the fair value of the consideration paid and the fair values of the assets acquired, and liabilities assumed on the Closing Date:

Consideration paid	
3,000,000 Cypress Development Corp. shares issued to Enertopia	\$4,890,000
US\$1,100,000 cash payment	1,418,147
US\$105,000 cash finder's fee	135,368
Total consideration	\$6,443,515
Allocation of consideration	
Exploration and evaluation assets	\$6,443,515

CYPRESS DEVELOPMENT CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

8. EXPLORATION AND EVALUATION ASSETS

June 30, 2022 (6 months)	Glory Lithium Clayton Valley Project	Clayton Valley Pilot Plant	Clayton Valley Enertopia Project	Goat Claims	Dean Clayton Valley Claims	Nevada, USA Total
Acquisition costs:						
Balance as at December 31, 2021	\$ 192,854	\$ -	\$ -	\$ 75,950	\$ 403,196	\$ 672,000
Additions	<u>-</u>	<u>-</u>	<u>6,443,515</u>	<u>-</u>	<u>-</u>	<u>6,443,515</u>
	<u>192,854</u>	<u>-</u>	<u>6,443,515</u>	<u>75,950</u>	<u>403,196</u>	<u>7,115,515</u>
Exploration and evaluation costs:						
Incurred during the period:						
Administrative expenses	141,777	-	-	-	-	141,777
Assaying/sampling	372,467	-	-	-	-	372,467
Consulting	665,729	-	-	-	-	665,729
Depreciation	-	129,162	-	-	-	129,162
Feasibility	858,270	-	-	-	-	858,270
Other/supplies	124,645	-	-	-	-	124,645
Pilot plant	-	2,049,308	-	-	-	2,049,308
Transportation/fuel	11,442	-	-	-	-	11,442
Travel	10,293	-	-	-	-	10,293
Water rights	<u>11,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,906</u>
	2,196,529	2,178,470	-	-	-	4,374,999
Balance, beginning of period	<u>8,806,101</u>	<u>1,313,537</u>	<u>-</u>	<u>-</u>	<u>717,199</u>	<u>10,836,837</u>
Balance, end of period	<u>11,002,630</u>	<u>3,492,007</u>	<u>-</u>	<u>-</u>	<u>717,199</u>	<u>15,211,836</u>
Total costs	\$11,195,484	\$3,492,007	\$ 6,443,515	\$ 75,950	\$1,120,395	\$22,327,351

CYPRESS DEVELOPMENT CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

December 31, 2021 (12 months)	Glory Lithium Clayton Valley Project	Clayton Valley Pilot Plant	Goat Claims	Dean Clayton Valley Claims	Gunman Project White Pine Claims	Nevada, USA Total
Acquisition costs:						
Balance as at December 31, 2020	\$ 34,896	\$ -	\$ -	\$ 403,196	\$ -	\$ 438,092
Additions	157,958	-	75,950	-	-	233,908
Option payments received	-	-	-	-	(25,849)	(25,849)
Recovery of costs	-	-	-	-	25,849	25,849
	<u>192,854</u>	<u>-</u>	<u>75,950</u>	<u>403,196</u>	<u>-</u>	<u>672,000</u>
Exploration and evaluation costs:						
Incurred during the year:						
Accommodation/food	19,096	-	-	-	-	19,096
Assaying/sampling	23,280	-	-	-	-	23,280
Consulting	970,745	-	-	4,945	-	975,690
Demobilization/mobilization	19,850	-	-	-	-	19,850
Dues/fees/permits	171,487	-	-	37,653	-	209,140
Environmental and other surveys	4,493	-	-	-	-	4,493
Equipment rentals/storage	13,595	-	-	-	-	13,595
Fuel/mileage	24,293	-	-	-	-	24,293
Office/miscellaneous/rent	36,428	-	-	141	-	36,569
Project management	11,022	-	-	-	-	11,022
Reports/maps	7,602	-	-	-	-	7,602
Staking/line-cutting	1,888	-	-	-	-	1,888
Supplies/maintenance	116,807	-	-	-	-	116,807
Transportation	50,703	-	-	167	-	50,870
Travel/airfare	131,972	-	-	-	-	131,972
Utilities	5,575	-	-	-	-	5,575
Water rights	3,664,943	-	-	-	-	3,664,943
Equipment	-	612,049	-	-	-	612,049
Repairs and maintenance	-	140,295	-	-	-	140,295
Equipment rentals	-	55,063	-	-	-	55,063
Lease	-	188,717	-	-	-	188,717
Other	-	156,521	-	-	-	156,521
Test work and analysis	-	139,365	-	-	-	139,365
Depreciation (Note 6)	-	21,527	-	-	-	21,527
	<u>5,273,779</u>	<u>1,313,537</u>	<u>-</u>	<u>42,906</u>	<u>-</u>	<u>6,630,222</u>
Balance, beginning of year	<u>3,532,322</u>	<u>-</u>	<u>-</u>	<u>674,293</u>	<u>-</u>	<u>4,206,615</u>
Balance, end of year	<u>8,806,101</u>	<u>1,313,537</u>	<u>-</u>	<u>717,199</u>	<u>-</u>	<u>10,836,837</u>
Total costs	\$8,998,955	\$1,313,537	\$75,950	\$1,120,395	\$ -	\$11,508,837

CYPRESS DEVELOPMENT CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2022

8. 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.

Claims

Glory Lithium Project, Clayton Valley, Nevada, USA

In 2016, the Company entered into an option agreement to acquire a 100% interest in the Glory Lithium Project in Clayton Valley, Nevada. To earn a 100% interest, the Company made US\$162,500 in cash payments (\$212,357) and issued 1,100,000 shares of the Company (issued at a fair value of \$175,000). The optionor retains a 3% net smelter royalty ("NSR") with the Company having the right to purchase 2% NSR for US\$1,000,000.

Gunman Project, White Pine Claims, Nevada, USA

The Company has a 100% interest in certain claims located in White Pine County, Nevada, known as the Gunman Project. The project is subject to a 2% NSR.

On December 5, 2017, the Company entered into an option agreement (the "Agreement") with Pasinex Resources Limited ("Pasinex"), whereby a previous optionee transferred its option to earn up to an 80% interest in the project to Pasinex.

In order to acquire an initial 51% interest in the project (the "First Option"), Pasinex issued 600,000 of its common shares to the Company, made cash payments of US\$100,000 and had to incur exploration expenditures totaling US\$1,850,000 over the three year term of the agreement. The Company also granted Pasinex a second option (the "Second Option") to acquire an additional 29% interest by issuing 200,000 common shares, making a cash payment of US\$250,000 and incurring US\$1,100,000 in exploration expenditures within one year of satisfying and exercising the First Option.

On September 11, 2019, and again on November 27, 2020, the Company and Pasinex amended the Agreement, whereby the First Option was extended to December 31, 2022, and the Second Option was extended to December 31, 2024. As a condition for extending the Agreement, Pasinex paid the Company US\$15,000 (\$19,498) and must incur exploration expenditures of US\$200,000 by December 31, 2021. On December 13, 2021, a third amending agreement extended the due date of US\$200,000 in exploration expenditures from December 31, 2021, to June 30, 2022. As consideration, the Company received US\$20,000 (\$25,849) and recognized a recovery on exploration and evaluation assets in the statement of profit or loss during fiscal 2021.

As at June 30, 2022, Pasinex completed the required US\$200,000 in exploration expenditures.

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8. EXPLORATION AND EVALUATION ASSETS (cont'd...)**Claims (cont'd...)**

Pasinex now has the following cash payments and share issuances to make to the Company to earn the First and Second Options:

Due Date	Cash Payments	Share Issuances	Expenditure Commitments
To acquire 51%:			
By June 30, 2022	-	-	US\$200,000
By December 31, 2022	-	-	US\$1,400,000
To acquire an additional 29%:			
By December 31, 2024	US\$250,000	200,000	US\$1,100,000
Receipt of a feasibility report within 90 days of exercise of the First Option			
Total	US\$250,000	200,000	US\$2,700,000

Dean, Clayton Valley, Nevada, USA

In 2016 the Company entered into an option agreement to acquire a 100% interest in claims located in southern Clayton Valley, Nevada, USA. To earn a 100% interest, the Company was required to make US\$140,000 in cash payments and issue 1,050,000 shares of the Company over the three-year term of the option agreement. These commitments have been settled in full.

The optionor retains a 3% NSR. The Company has the right to purchase 2% of the NSR for US\$1,000,000.

Goat Claims, Nevada, USA

The Company entered into a purchase agreement on May 3, 2021 to acquire mining claims in Clayton Valley, Nevada. To acquire the 100% interest, the Company issued 49,000 common shares with a fair value of \$75,950 to the vendor. The claims have no retained or underlying royalties.

Water Rights, Nevada, USA

On September 7, 2021, the Company entered into a Water Rights Purchase and Sale Agreement (the "Water Rights Agreement") with Intor Resources Corporation ("Intor"), a wholly-owned subsidiary of Nevada Sunrise Gold Corporation, for the purchase of Intor's Water Rights Permit in Clayton Valley, Nevada (the "Permit"). The Permit allows for the use of water for mining, milling and domestic use.

Consideration paid for the Permit was US\$2,150,000 (\$2,691,445) and the issuance of common shares of the Company having a fair value on closing of US\$850,000. On closing the Company issued 546,909 common shares with a fair value of \$973,498.

On December 20, 2021, subsequent to the closing of the purchase of the Permit, the Company learned that a petition was filed by a junior exploration company in the Nevada District Court for review of the Nevada State Engineer's approval of Intor's application of the Permit.

The petition was dismissed with prejudice by the Fifth Judicial Court of Esmeralda County, Nevada. With this court order, the State Engineer's approval is final and binding, and the extension of the Permit is valid until its annual renewal date of August 28, 2022.

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

Reclamation Bonds, Nevada, USA

As at June 30, 2022, the Company held reclamation bonds with respect to the Nevada, USA properties of \$41,774 (December 31, 2021 - \$41,774).

9. CAPITAL STOCK

Authorized

An unlimited number of common shares without par value.

Issuances during the six months ended June 30, 2022:

During the current period, the Company entered into the following bought deal offering:

- i) On February 4, 2022, the Company closed a bought deal offering, pursuant to a short form prospectus, consisting of 9,058,000 units of the Company at a price of \$2.00 per unit for gross proceeds of \$18,116,000. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant being exercisable into an additional common share at an exercise price of \$2.65 for a period of two years, expiring on February 4, 2024. The Company bifurcated the value between the components of the units sold using a residual value approach. The result was an allocation of \$16,645,840 to capital stock, with the residual value of \$1,470,160 being allocated to reserves for the warrant component of the units.

In connection with the financing, the Company paid a 6% commission in the amount of \$1,088,323 and incurred additional issuance costs of \$381,834. Further, the Company issued a total of 543,480 finders' warrants, with each finders' warrant being exercisable into one common share for a period of two years at a price of \$2.00, expiring on February 4, 2024.

The finders' warrants were valued at \$465,597 using the Black-Scholes option pricing model with the following assumptions: estimated life of 2 years, volatility of 91.03%, dividend rate of 0% and risk-free interest rate of 1.36%. Using these assumptions, the fair value of each finders' warrant was \$0.86.

- ii) The Company issued a total of 760,000 common shares on the exercise of stock options for proceeds of \$146,400. The Company transferred the original \$128,153 fair value allocation of these options from reserves to capital stock.
- iii) The Company issued a total of 639,642 common shares on the exercise of share purchase warrants for gross proceeds of \$1,082,353. The Company transferred the original \$79,533 residual value of these warrants from reserves to capital stock.
- iv) The Company issued 3,000,000 common shares for acquisition of the Enertopia Project.

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9. CAPITAL STOCK (cont'd...)

Issuances during the year ended December 31, 2021:

- i) On March 22, 2021, the Company closed a bought deal offering, pursuant to a short form prospectus, consisting of 15,640,000 units of the Company at a price of \$1.25 per unit for gross proceeds of \$19,550,000. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant being exercisable into an additional common share at an exercise price of \$1.75 for a period of three years, expiring on March 22, 2024. The Company bifurcated the value between the components of the units sold using a residual value approach. The result was an allocation of \$18,768,000 to capital stock, with the residual value of \$782,000 being allocated to reserves for the warrant component of the units.

In connection with the financing, the Company paid a 6% commission of \$1,173,000 and incurred additional issuance costs of \$330,621. Further, the Company issued a total of 938,400 finders' warrants, with each finders' warrant being exercisable into one common share for a period of three years at a price of \$1.25, expiring on March 22, 2024.

The finders' warrants were valued at \$649,580 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, volatility of 88.55%, dividend rate of 0% and risk-free interest rate of 0.48%. Using these assumptions, the fair value of each finders' warrant was \$0.69.

- ii) The Company issued a total of 2,569,000 common shares on the exercise of stock options for proceeds of \$363,620. The Company transferred the original \$320,516 fair value allocation of these options from reserves to capital stock.
- iii) The Company issued a total of 14,283,115 common shares on the exercise of share purchase warrants for gross proceeds of \$10,267,778 (\$16,500 of which had been received as at December 31, 2020). The Company transferred the original \$619,697 fair value of these warrants from reserves to capital stock.
- iv) The Company issued into escrow 1,000,000 common shares with a fair value of \$970,000 in connection with the acquisition of the DLE License and Pilot Plant Equipment. (Note 5, 7).
- v) The Company issued 546,909 common shares with a fair value of \$973,498 as part of the consideration under the Water Rights Agreement (Note 8).
- vi) The Company issued 49,000 common shares with a fair value of \$75,950 in connection with the acquisition of the Goat Claims (Note 8).

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10. RESERVES

The Company has a stock option plan in place under which it is authorized to grant options, restricted share units and deferred share units to Directors, Officers, employees and consultants, to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option is set by the directors but cannot be less than the closing price on the grant date. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

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 and Exercisable, December 31, 2020	9,746,968	\$ 0.267	6,779,000	\$ 0.178
Issued/granted	16,578,400	1.722	2,845,000	1.954
Exercised	(14,283,115)	0.719	(2,569,000)	0.142
Expired	(5,000)	0.330	-	-
Outstanding at December 31, 2021	12,037,253	1.734	7,055,000	0.908
Issued/granted	9,743,480	2.614	750,000	1.840
Exercised	(639,642)	1.692	(760,000)	0.193
Outstanding at June 30, 2022	21,141,091	\$ 2.141	7,045,000	\$ 1.084
Outstanding and Exercisable at June 30, 2022	21,141,091	\$ 2.141	4,771,667	\$ 0.590

The following incentive stock options and share purchase warrants were outstanding at June 30, 2022:

	Number of Shares	Exercise Price	Expiry Date
Stock options:	190,000	\$ 0.100	July 18, 2022 *
	680,000	\$ 0.180	October 27, 2022
	1,400,000	\$ 0.220	November 2, 2023
	50,000	\$ 0.220	November 28, 2023
	750,000	\$ 1.250	May 3, 2024
	930,000	\$ 0.180	August 13, 2024
	200,000	\$ 0.345	August 4, 2025
	150,000	\$ 1.510	October 1, 2026
	1,945,000	\$ 2.260	November 22, 2026
	750,000	\$ 1.840	April 4, 2027

*Subsequent to June 30, 2022, these options were exercised. (Note 15)

Warrants:	9,200,000	\$ 2.650	February 4, 2024
	543,480	\$ 2.000	February 4, 2024
	11,088,500	\$ 1.750	March 22, 2024
	309,111	\$ 1.250	March 22, 2024

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11. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel consist of the Company's Directors and Officers. The aggregate amount paid or accrued to key management personnel, or companies under their control, was as follows:

	June 30, 2022	June 30, 2021
Directors' fees	\$ 133,419	\$ 311,619
Salaries and wages	95,867	139,200
Administrative, office and miscellaneous	194,878	-
Capitalized to exploration and evaluation assets	465,627	72,531
Share-based compensation	1,031,110	-
Total	\$ 1,920,901	\$ 523,350

As at June 30, 2022, \$Nil (December 31, 2021 - \$132,370) is owing from key management in relation to income taxes owing on stock options exercised during the year. The amounts owed as at December 31, 2021 were received in full in the six months ended June 30, 2022.

As at June 30, 2022, \$80,911 (December 31, 2021 - \$38,706) is included in accounts payable and accrued liabilities owing to Directors and/or companies under their control.

Administrative agreement

The Company operates from the premises of a private company owned by a Director of the Company. The company had provided office and administrative services to the Company under a short-term contract on a cost-plus basis. In November 2021 the Board of Directors approved a revised contract with the company for the provision of these services for a fixed price of \$25,000 per month, reviewable quarterly.

Included in receivables and prepaid expenses at June 30, 2022, is a prepaid balance of \$1,357 (December 31, 2021 - \$Nil) with this company.

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	June 30, 2022	June 30, 2021
Cash received during the period for interest	\$ 96,710	\$ 6,985

Significant non-cash transactions as at and for the period ended June 30, 2022, are as follows:

- a) Exploration and evaluation asset expenditures of \$727,850 remain in accounts payable and accrued liabilities.
- b) Issued 543,480 finders' warrants valued at \$465,597 in connection with a unit offering (Note 9).
- c) Issued 3,000,000 common shares valued at \$4,890,000 for exploration and evaluation assets (Note 8).

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

Significant non-cash transactions as at and for the year ended December 31, 2021, are as follows:

- a) Exploration and evaluation asset expenditures of \$49,922 remain in accounts payable and accrued liabilities.
- b) Issued 1,000,000 common shares valued at \$970,000 in connection with the acquisition of the DLE license and Pilot Plant Equipment (Note 6)
- c) Issued 49,000 common shares valued at \$75,950 for exploration and evaluation assets (Note 8).
- d) Issued 546,909 common shares valued at \$973,498 in connection with the Water Rights Agreement (Note 8).
- e) Issued 938,400 finders' warrants valued at \$649,580 in connection with a unit offering (Note 9).
- f) Recognizing a lease liability of \$1,033,300 and right of use asset of \$1,033,300 (Note 6).

13. 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 inputs 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.

Cash and cash equivalents and marketable securities are carried at fair value using a Level 1 fair value measurement. The carrying value of receivables, due from related party 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. The majority of the Company's cash and cash equivalents are held with a Canadian chartered bank.

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

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 June 30, 2022, the Company had cash and cash equivalents of \$34,305,491 (December 31, 2021 - \$23,137,155) to settle current liabilities of \$1,009,961 (December 31, 2021 - \$562,693) and had working capital of \$33,785,975 (December 31, 2021 - \$22,953,963). 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 savings accounts or 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. The Company has \$33,605,491 in interest-bearing savings accounts with banks as at June 30, 2022 (December 31, 2021 - \$22,437,155) and \$700,000 (December 31, 2021 - \$700,000) in interest-bearing investment-grade guaranteed investment certificates with accrued interest of \$1,818 (December 31, 2021 - \$42). A 1% change in interest rates would have an effect of \$343,055 (2021 - \$231,372) 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. In addition to cash in US accounts of \$4,612,955 (December 31, 2021 - \$10,407,963) as of June 30, 2022, the Company has \$735,653 (December 31, 2021 - \$58,269) in liabilities to US payees. A 1% change in foreign exchange rates would result in a gain of \$38,773 (December 31, 2021 - \$103,497) in foreign currency.

(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 lithium, 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.

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14. 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, exploration and evaluation 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 and evaluation stage. As such the Company has historically relied on the equity markets to fund its activities. The Company may 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. There were no changes in the Company's approach to capital management during the period ended June 30, 2022.

15. SUBSEQUENT EVENT

Exercise of Stock Options

The Company issued 210,000 common shares pursuant to the exercise of options and received proceeds of \$23,400.