

CYPRESS DEVELOPMENT CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED – DECEMBER 31, 2020

This Management Discussion and Analysis of Cypress Development Corp. (the “Company”) provides an analysis of the Company’s financial results for the year ended December 31, 2020. The following information should be read in conjunction with the accompanying audited consolidated financial statements and notes to the audited consolidated financial statements.

The Company reports in accordance with International Financial Reporting Standards (“IFRS”) and the following disclosure, and unaudited condensed consolidated interim financial statements, are presented in accordance with IFRS. These statements are filed with the relevant regulatory authorities in Canada. All monetary amounts are expressed in Canadian dollars, unless otherwise specified.

Forward Looking Information and Date of Report **April 13, 2021**

This MD&A contains certain forward-looking information. All information, other than historical facts included herein, including without limitation data regarding potential mineralization, exploration results and future plans and objectives of Cypress Development Corp., is forward-looking information that involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate and future events and actual results could differ materially from those anticipated in the forward-looking information.

The forward-looking information is only provided as of the date of this MD&A, **April 13, 2021** (the “Report Date”).

Overall Performance

Nature of Business and Overall Performance

Cypress Development Corp. is a public company listed on the TSX Venture Exchange under the symbol “CYP”. The Company is an exploration stage company that is engaged principally in acquisition, exploration and development of its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of amounts shown for the mineral properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration of the property, and upon future profitable production.

Exploration and Evaluation Assets

Developments on the properties are as follows:

As at December 31, 2020 the Company has capitalized total exploration and evaluation assets of \$4,644,707 on its mineral properties, all located in the state of Nevada, USA.

Dean Claims, Nevada, USA

On September 8th, 2016 Cypress entered into an agreement to acquire a 100% interest in the 2,700 acre Dean Lithium Property in Clayton Valley.

Terms of the Option Agreement to purchase a 100% interest in the claims are as follow:

- Year 1. \$30,000 USD cash and 250,000 shares of Cypress
(paid CDN\$39,564 & issued 250,000 shares valued at \$35,000)
- Year 2. \$30,000 USD cash and 250,000 shares of Cypress
(paid CDN\$36,477 & issued 250,000 shares valued at \$26,250)
- Year 3. \$30,000 USD cash and 250,000 shares of Cypress
(paid CDN\$39,460 & issued 250,000 shares valued at \$100,000)
- Year 4. \$50,000 USD cash and 300,000 shares of Cypress
(paid CDN\$66,445 & issued 300,000 shares valued at \$60,000)

The Optionor will retain an NSR (net smelter return) of 3% with Cypress having the right to purchase 2/3 (66.6%) of the NSR for \$1,000,000. There is no work commitment attached to this Option Agreement.

As at December 31, 2020 the Company has incurred \$403,196 in acquisition costs (\$181,946 in cash and 1,050,000 shares valued at \$221,250) and \$674,294 in exploration expenditures.

Glory Claims, Nevada, USA

Cypress Completes Purchase of Glory Lithium Property in Nevada

On January 26th, 2016 Cypress entered into an agreement to acquire a 100% interest in the 1,280 acre Glory Lithium Property in Clayton Valley.

On January 28, 2019, the Company announced that, through the Company's U.S. subsidiary, Cypress Holdings (Nevada) Ltd., the Company has fulfilled its obligations for the purchase of 100% interest in the Glory Property in Esmeralda County, Nevada. The Company completed the purchase on schedule with a cash payment of USD \$75,000 and issuance of 250,000 common shares of Cypress (CYP) shares to the vendor. The vendor retains a 3% net smelter return (NSR) royalty interest. Cypress or its assigns has the right to purchase two-thirds of the royalty, or 2% NSR, for USD \$1 million prior to production.

Gunman Project, White Pine Claims, Nevada, USA

During the latter part of fiscal 2013, the Company decided to recommence activity on the property. The Company has a 100% interest in certain claims located in White Pine County, Nevada. The Company incurred and capitalized \$441,623 in acquisition and exploration costs. The property is subject to a 2% NSR.

The Company entered into an option agreement on March 23, 2017 which provides the optionee (Caliber Minerals Inc. formerly 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 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.

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 Caliber Minerals 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 (received) and make cash payments of US\$200,000 (received) to the Company and incur exploration expenditures totaling US\$1,850,000 over the three year term of the first agreement. The exploration expenditure requirements with respect to the first option were extended by the Second Amendment of Option Agreement dated November 27, 2020 as follows:

US\$200,000 in exploration expenditures by December 31, 2021
 US\$1,400,000 in exploration expenditures by December 31, 2022

As a condition precedent for the effectiveness of the agreement and as a binding and unconditional material obligation, Pasinex is to pay the Company USD\$15,000 (received) by December 1, 2020.

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. The second option agreement was extended to December 31, 2024 by the Second Amendment of Option Agreement dated November 27, 2020.

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 the year ended December 31, 2019, the Company received 200,000 shares valued at \$6,000.

Pasinex is required to make the following cash payments and share issuances to the Company:

Due Date	Cash Payments	Share Issuances	Expenditure Commitments
By December 31, 2021	-	-	US\$200,000
By December 31, 2022	-	-	US\$1,400,000
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 1 st option			
Total	US\$250,000	200,000	US\$2,700,000

Clayton Valley Lithium Project

The contiguous Dean and Glory properties collectively comprise Company’s Clayton Valley Lithium Project.

Exploration drilling began on the properties in 2017 and continued in several stages through the present quarter.

Three Year History of the Clayton Valley Lithium Project

On February 7, 2018, the Company reported results from the first four core holes on the Glory claims at the Clayton Valley Lithium Project and that the drilling extended the trend of Lithium mineralization by more than 2 kilometers south and west from the Dean claims, where the Company reported 14 drill holes in 2017 and encountered lithium-bearing claystone over an area averaging 4 kilometers by 2 kilometers. The Company commenced mobilization for drilling on the Clayton Valley Lithium Project in support of the ongoing prefeasibility study.

On April 3, 2018, the Company announced results from three holes drilled at the Clayton Valley Lithium Project and reported an intersection of 97 meters averaging 1,144 ppm Li in the final hole.

On May 1, 2018, the Company announced a maiden independent resource estimate for the Clayton Valley Lithium Project that noted a total indicated mineral resource of 597 million tonnes at an average grade of 899 ppm (0.09%) Li, which equates to a contained 2.857 million tonnes of lithium carbonate equivalent (“LCE”). The Company also reported total inferred mineral resource of 779 million tonnes at an average grade of 888 ppm (0.089%) Li which equates to a contained 3.683 million tonnes of LCE.

On May 9, 2018, the Company commenced a Preliminary Economic Assessment (“PEA”) on the Clayton Valley Lithium Project and had selected Global Resource Engineering, Ltd. of Denver, Colorado to conduct the study.

On September 6, 2018, the Company announced positive results from the PEA of the Clayton Valley Lithium Project. The PEA was prepared by Global Resource Engineering, Ltd., an independent engineering services firm. The Company reported highlights of a net present value of \$1.45 billion at 8% discount rate.

On October 26, 2018, the Company closed a non-brokered placement financing for total gross proceeds of \$2,010,647. The proceeds of the private placement will be used for the completion of the prefeasibility study for the Clayton Valley Lithium Project including further metallurgical studies, related infill drilling and for general working capital purposes.

On February 14, 2019, the Company selected Ausenco Engineering Canada Inc. as the lead consultant for a prefeasibility study (“PFS”) the Company was to undertake on the Clayton Valley Lithium Project.

On February 26, 2019, the Company completed the first phase of metallurgical testing in the PFS on the Clayton Valley Lithium Project and reported that testing was successful in confirming the range of parameters used in the PEA conducted in 2018.

In April 2019, the Company completed its infill drilling program and received assay results at the Clayton Valley Lithium Project. The drilling was focused within a one-kilometer-squared area where six holes were completed to an average of 120 meters below surface grade.

On July 15, 2019, the Company reported on the successful demonstration of high lithium recoveries for the Clayton Valley Lithium Project utilizing extraction processes developed by Lilac Solutions.

On August 29, 2019, the Company achieved a milestone where a commercially viable process was identified based on filtration, to deal with the separation of clay particles from leach solutions.

On November 14, 2019, the Company contracted NORAM Engineering and Constructors Ltd. of Vancouver, B.C. to conduct concept testing for the Clayton Valley Lithium Project.

On February 27, 2020, the Company received the test program at NORAM Engineering and Constructors Ltd. which showed positive initial results.

On April 30, 2020, the Company reached a final settlement agreement in its legal proceedings another Nevada limited liability company.

On May 19, 2020, the Company announced positive results from the PFS of the Clayton Valley Project. Results for the PFS as reported were average annual production of 27,400 tonnes per year, LCE, mine life for PFS of 40 years, industry-low cash cost of US\$3,392 per tonne LCE, US 1.052 billion NPV at 8% discount rate, after tax basis, after tax internal rate of return (IRR) of 25.8% and payback period of 4.4 years.

On July 2, 2020, the Company announced newly received assays of drill cores, which the Company recently acquired.

On August 11, 2020, the Company announced a mineral resource estimate at the Clayton Valley Lithium Project which included measured plus indicated resources of 929.6 million tonnes averaging 1,062 ppm Li or 5.2 million tonnes LCE.

On March 1, 2021, the Company amended the PFS Report (as defined below).

Activity on the Clayton Valley Lithium Project since September 2020 has been primarily focused on metallurgical studies and tests on the use of chloride leaching for the Clayton Valley Lithium Project.

Amended Prefeasibility Study for Clayton Valley, Nevada Lithium Project

The Company's NI 43-101 Technical Report on the Clayton Valley Project is entitled "Prefeasibility Study Clayton Valley Lithium Project Esmeralda County, Nevada" with an effective date of August 5, 2020, amended March 15, 2021 (the "PFS Report"). The PFS Report includes the results from all drilling and metallurgical testing, updates to the capital and operating costs estimates, and addresses changes in the physical and economic conditions since the previous technical reports relating to the Clayton Valley Lithium Project.

The following is a summary of the PFS Report. The entire PFS Report and the detailed disclosure therein are incorporated by reference into this AIF and the entire the PFS Report is available for review on the Company's website and also under the Company's SEDAR profile at www.sedar.com.

Project Description, Location and Access

Cypress commissioned the PFS Report of the Clayton Valley Lithium Project. The Clayton Valley Lithium Project is in Esmeralda County, Nevada, six miles east of the community of Silver Peak, and is located within township 2 south, range 40 east, and township 3 south, range 40 east, Mt. Diablo Meridian. Access from Tonopah, Nevada, is by traveling 22 miles south on US Highway 95, then 19 miles west on Silver Peak Road.

The PFS updates previously disclosed mineral resource estimates and economic assessments.

Mineral Rights and Tenure

The Clayton Valley Lithium Project comprises 129 unpatented placer mining claims and 212 unpatented lode mining claims. The claims cover 5,430 acres and provide Cypress with the rights to all brines, placer and lode minerals on the property. All lode and placer claims are unpatented U.S. Federal claims administered by the U.S. Bureau of Land Management (the "BLM"). The claims are held 100% by Cypress and subject to an underlying 3% net smelter return (NSR) agreement. The royalty can be brought down to a 1% NSR in return for US\$2 million in payments to the original property vendor. The claims require annual filing of "Intent to Hold" and cash payments to the BLM and Esmeralda County totaling \$167/20 acres or claim depending on claim type.

History

The first recorded mining activity in Clayton Valley was in 1864 with the discovery of silver at the town of Silver Peak. The playa in the center of Clayton Valley was mined for salt as early as 1906, and later explored for potash during World War II. Lithium was noted during the 1950s. In 1964, Foote Minerals acquired leases and began production of lithium carbonate at Silver Peak by 1967. Production of lithium carbonate from brine has continued to the present under several companies, currently under Albemarle Corporation.

The occurrence of lithium in sediments of Clayton Valley was reported as early as the 1970s by the United States Geological Survey. In 2015, Cypress acquired rights to claims on the south and east side of Angel Island. Sampling revealed high lithium concentration in surface sediments. In 2017, Cypress drilled its first holes in the Dean claim block, followed later that year by drilling in the Glory claim block. In February 2018, Cypress reported exploration results on the Dean Property in a NI 43-101 technical report. Later in 2018, Cypress completed additional drilling followed by NI 43-101 technical report Resource Estimate and the PEA.

Geological Setting, Mineralization and Deposit Type

The Clayton Valley is a closed basin near the southwestern margin of the Basin and Range geophysiographic province of western Nevada. Horst and graben normal faulting is a dominant structural element of the Basin and Range and likely occurred in conjunction with deformation due to lateral shear stress, resulting in disruption of large-scale topographic features. Clayton Valley is the lowest in elevation of a series of regional playa filled valleys, with a playa floor of about 100 square kilometers (km²) that receives surface drainage from an area of about 1,300 km². The valley is fault-bounded on all sides, delineated by the Silver Peak Range to the west, Clayton Ridge and the Montezuma Range to the east, the Palmetto Mountains and Silver Peak Range to the south, and Big Smokey Valley, Alkali Flat, Paymaster Ridge, and the Weepah Hills to the north.

The western portion of the project area is dominated by the uplifted basement rocks of Angel Island which consist of metavolcanic and clastic rocks, and colluvium. The southern and eastern portions are dominated by uplifted, lacustrine sedimentary units of the Esmeralda Formation. Within the project area, the Esmeralda Formation is comprised of fine grained sedimentary and tuffaceous units, with some occasionally pronounced local undulation and minor faulting.

Elevated lithium concentrations, generally greater than 600 ppm, are encountered in the local sedimentary units of the Esmeralda Formation from surface to at least 142 meters below surface grade. The lithium-bearing sediments primarily occur as silica-rich, moderately calcareous, interbedded tuffaceous mudstone, claystone and siltstone.

Lithium occurs in potentially economic concentrations in three types of deposits: pegmatites, continental brines, and clays. Lithium is produced from pegmatites and brines, with brines the largest producer of lithium worldwide. There is no active mining of lithium clay deposits. In clay deposits, lithium is often associated with smectite (montmorillonite) group minerals. The USGS presents a preliminary descriptive model of lithium in smectites of closed basins (AsherBolinder, 1991), Model 251.3(T), which suggests three forms of genesis for clay lithium deposits: alteration of volcanic glass to lithium-rich smectite; precipitation from lacustrine waters; and incorporation of lithium into existing smectites. In each case, the depositional/diagenetic model is characterized by abundant magnesium, silicic volcanic rocks, and an arid environment.

Exploration

Cypress began exploring the project in late 2015. Exploration activities carried out by Cypress to the date of the PFS Report included surface sampling, detailed geological mapping, and drilling. In 2016, prior to drilling, Cypress collected 494 soil and rock chip samples. Results indicated elevated lithium concentrations

over most of the project area. Cypress also conducted surface geologic mapping over most of project. The geologic information is used as a guide for exploration planning in combination with surface samples and drilling results.

Drilling

Cypress drilled at the project in 2017, 2018, and 2019. A total of 29 vertical, NQ-size core holes. Drill hole depths from 33 to 142.3 meters, totaling 2,574.9 meters drilled. The drilling results indicate a favorable section of claystone extending to depths of approximately 120 meters, where a strong, apparently planar, alternating oxidation/unaltered zone exists. The lithium content through these zones appears consistent, as do other geochemical factors and any specific significance of the oxidized and unaltered zones regarding lithium mineralization is not apparent.

Sampling, Analysis and Data Verification

Samples collected at the Clayton Valley Lithium Project comprise surface samples and NQ-size drill core. Surface samples of outcropping materials or soil were collected by Cypress geologists using standard hand tools, location and material was logged, sample was bagged and marked with number or other designation.

Samples are crushed, split, and pulverized at the laboratory in preparation for analysis. After pulverizing, two subsamples are selected by the lab for duplicate analysis. Cypress has submitted eight pulp duplicates to a secondary laboratory as check samples, the pulp duplicates are principally used by the primary lab for internal quality control and are not relied on by Cypress to evaluate the overall quality of the sampling program.

For most samples collected at the project, Cypress' QA/QC procedures were limited to insertion of a certified reference material (CRM) standard at a rate of one standard sample/30 core samples. These standards were purchased in durable, pre-sealed packets. The standard sample assay results were routinely reviewed by Cypress geologists, and the results fell within the anticipated range of variability as described by the manufacturer of the standards. The assay results in total, including standard, core, and surface sample data, provide no indication of systematic errors that might be due to sample collection or assay procedures.

Data verification efforts included on-site inspections of the project, drilling activity, core storage facility, independent laboratory facilities, check sampling, and auditing of the project database.

Mineral Processing & Metallurgical Testing

Lithium in the deposit is associated with illite and smectite clays. The lithium is amenable to leaching with dilute sulfuric acid leach followed by filtration, solution purification, concentration and electrolysis to produce lithium hydroxide.

Leaching tests were conducted by Continental Metallurgical Services in Butte, Montana. Tests on solid-liquid separation, tailings handling, and lithium recovery from solution were performed at several laboratories in the US and Canada. All analytical work was supported by ALS Minerals in Reno, Nevada and Vancouver, B.C.

Physical property testing shows the clay is soft, has negligible abrasion and work indices, and readily disaggregates with agitation in water. Testing has shown that leaching must be done at less than 30% solids for the slurry to mix, pump, and flow properly.

Leach tests were conducted on various samples under varying conditions to determine optimum acid concentrations and temperatures in leaching, and whether variability exists by material type. Tests on composite samples from four drill holes in 2019 showed only minor differences with respect to sample depth, oxidation or weathering state of the clay.

Large leach tests were performed on samples to provide slurry for rheology, filtration, and lithium recovery testing. The tests yielded average results of 86.5% extraction of lithium into solution and 126.5 kilograms per tonne (kg/t) for acid consumption.

Testing was conducted to determine a commercial means of solid-liquid separation. Specific conditions and equipment were identified. Solids from filtration tests simulating the final circuit were generated. The solids following single stage washing are suitable for handling by conveyor to a conventional dry-stack tailings facility.

CMS and NORAM designed and tested critical key elements of the flowsheet for recovering the lithium from solution. The flowsheet uses several stages to remove impurities and recycle 85% of the inflow back to leaching. The remaining 15% is treated by evaporation, followed by crystallization of salts and recovery of free sulfuric acid. Sulfuric acid is returned to the leach circuit along with the water recovered from evaporation. The NORAM-CMS test program was successful in yielding a concentrated lithium solution containing 1.85% lithium (Li) with low impurities and suitable for direct production of lithium hydroxide after additional treatment.

Mineral Resources

The mineral resource estimate is based on all drilling results from the Clayton Valley Lithium Project, totaling 33 core drill holes.

The reported mineral resource is pit constrained by an “ultimate” pit that extends to the property boundaries and uses slope angles determined from geotechnical study described in Section 16.0 of the PFS Report. The area around and beneath the tailings facility is excluded from the pit constrained mineral resource.

The pit-constrained mineral resource (Table 1-1) totals 1,304.2 million tonnes averaging 904.7 parts per million (ppm) Li in the indicated resource. Lithium contained in the pit-constrained indicated resource totals 1,179.9 million kg of Li, or 6.28 million tonnes of lithium carbonate equivalent (LCE).

Table 1-1: Summary of Mineral Resources

Domain	Tonnes Above Cutoff (millions)	Li Grade (ppm)	Li Contained (million kg)
Indicated			
Tuffaceous mudstone	91.4	656.8	60.1
Claystone all zones	956.9	973.9	932.0
Siltstone	255.8	734.2	187.8
Total	1,304.2	904.7	1,179.9
Inferred			
Tuffaceous mudstone	39.9	560.2	22.3
Claystone all zones	146.2	792.5	115.9
Siltstone	50.3	821.9	41.4
Total	236.4	759.6	179.6

1. The effective date of the mineral resource estimate is August 5, 2020. The QP for the estimate is Ms. Terre Lane of Global Resource Engineering Ltd. and is independent of Cypress.
2. The mineral resources were determined at a 400 ppm Li cut-off and specific gravity of 1.505.
3. The mineral resource estimate was prepared with reference to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards (“2014 CIM Definition Standards”) and the with generally accepted CIM,s “Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines (November 29, 2019).
4. Cautionary statements regarding mineral resource estimates: mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources will be converted into mineral reserves. Inferred mineral resources are the part of a mineral resource for which quantity and grade or quality are estimated based on limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological, and grade or quality continuity.

Mineral Reserves

The indicated resources were used to determine the mineral reserves as described in Sections 14.0 and 15.0 of the PFS Report.

Within the ultimate pit shell, 16 pit phases were constructed, expanding from initial mining in the southwest to the northeast. For the production schedule and analysis, only the first eleven phases are used to produce a mine life of approximately 40 years. The cumulative result for all eleven phases forms the mineral reserves in Table 1-2.

Table 1-2: Summary of Mineral Reserves

Domain	Tonnes Above Cutoff (millions)	Li Grade (ppm)	Li Contained (million kg)
Probable Reserve			
Total	213.3	1,129	240.9

1. The effective date of the mineral reserve estimate is August 5, 2020. The QP for the estimate is Ms. Terre Lane of Global Resource Engineering Ltd. and is independent of Cypress.
2. The mineral reserve estimate was prepared with reference to the 2014 CIM Definition Standards and the with generally accepted CIM's "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines (November 29, 2019).
3. Mineral reserves are reported within the pit design at a mining cutoff of 900 ppm.
4. The cutoff of 900 ppm is an optimized cutoff selected for the mine production schedule. The mineral reserve cutoff exceeds the 400-ppm economic mineral resource cutoff to accelerate return on capital, maximize operating margins, and reduce risk. Material between the economic cutoff and is the optimized cutoff is stockpiled for future processing.
5. The mineral reserves are derived from and not separate from the mineral resources.
6. No inferred resources are included in the mineral reserves or given value in the economic analysis.

The mineral reserve is classified as a probable reserve as described in Section 15.1.3 of the PFS Report. The probable reserve contains 240.9 million kg of Li, or 1.28 million tonnes LCE.

Mining Operations

Mining will be carried out using conventional surface methods. Excavation will use a single Caterpillar 6020B or equivalent shovel (hydraulic excavator configuration) with a 12 m³ bucket capacity. The initial pit is based on the first eight phases of the ultimate pit (Table 1-3) and were developed to mine higher-grade material, and a preliminary mining schedule was generated for the base case scenario based on a nominal daily production rate of 15,000 tonnes/day (tpd) of mill feed. No drilling or blasting will be required.

Table 1-3: Initial Pit Production by Phase

Pit Phase	Ore Tonnes (millions)	Low Grade Tonnes (millions)	Waste Tonnes (millions)	Ore Li Contained (millions Kg)	Ore Li Grade (ppm)	Stripping Ratio
1	29.9	0.36	0.70	35.9	1,199	0.04
2	16.2	0.03	2.5	18.9	1,165	0.16
3	23.8	1.01	3.6	26.7	1,122	0.19
4	12.3	1.06	2.3	14.4	1,169	0.27
5	33.4	7.4	2.2	37.0	1,109	0.29
6	32.5	7.5	2.6	36.8	1,131	0.31
7	14.1	0.21	2.9	16.0	1,140	0.22
8	34.3	6.0	2.3	38.6	1,125	0.24
9	4.1	9.0	0.0	4.0	968	2.20
10	5.7	5.1	0.0	5.6	994	0.89
11	7.0	6.0	0.0	7.0	1,001	0.86
Total	213.3	43.6	19.1	240.9	1,129	0.29

The processable material will be removed from the pit using in-pit semi-mobile feeder-breaker with conveyors. The production equipment includes a 12 m³ hydraulic excavator and scrapers to haul lower grade claystone to a waste dump. The stripping ratio is 0.29:1. The mine operates on a two 10-hour shift, 7 days/week schedule.

Infrastructure

Access to the project is via Silver Peak Road. The east side of Angel Island was identified for the plant location based upon proximity to the road, power, mine area, and favorable topography.

Facilities on-site include administration, laboratory, warehouse, reagent storage, sulfuric acid plant, crushing, leaching and lithium recovery areas, mine shop, and fuel and reagent storage areas.

An acid plant, with 2,500 tpd of acid capacity, is a key item of infrastructure. The plant will burn elemental sulfur to create sulfuric acid and, in the process, generate steam to heat leach tanks. The plant will also be equipped for power generation.

Tailings will be conveyed from the filtration area and stacked in tailings facility south of the plant by conveyor. Dozers will be used for final spreading and contouring.

Cypress has evaluated options for securing makeup water estimated at 2,000 gallons per minute (gpm). A specific source and related costs are excluded from the study. Allowances are included in the estimates for constructing supply wells, pipeline, and power.

Permitting & Environmental

Environmental permitting requirements for the Clayton Valley Lithium Project are expected to be like other mines in Nevada. The permitting process consists of submitting a Plan of Operations to the BLM, who will act as lead agency, conducting environmental baseline studies, and preparing an Environmental Impact Statement along with other permit applications prior to site development and operations. The applications will include consideration of reclamation, surface water, groundwater and air pollution prevention plans, and other items common to mining operations in the State of Nevada. Permits and plans will include all applicable monitoring, reporting schedules, bonding and fees. The time frame for permitting the project is estimated at 18 to 24 months.

A Phase I Environmental Site Assessment of the project was conducted in 2019 and found no existing environmental liabilities. A Threatened and Endangered Species Preliminary Study was also completed. Initiation of field studies is included in the recommendation.

Capital & Operating Costs

Capital Costs

The capital and operating costs are estimated according to accepted methods for prefeasibility studies. The estimates constitute a Class 4 estimate, as defined by the AACE International, and have an accuracy of +30%/-15%. All costs are presented in Q1 2020 US\$. The initial capital costs total US\$493 million, which includes US\$95 million in contingency plus working capital. Vendor quotes, internal data and public information were used along with construction factors to estimate direct costs. Indirect costs allow for EPCM, freight, sales tax and Owners Costs. Contingency at 20% is applied to the direct and indirect costs.

Table 1-4: Capital Cost Summary

Area	US\$ x 1000
Facilities	5,891
Mine	34,768
Plant	306,855
Infrastructure	25,907
Owners Costs	24,992
Contingency & Working Capital	94,704
Total CAPEX	493,115

Operating Costs

The operating costs were developed for the operation sized to at the nominal mill rate of 15,000 tpd. The estimated operating costs total an average of US\$91.9 million/year, or US\$16.90/t.

Table 1-5: Operating Cost Summary

Area	Avg Annual US\$ x 1000	Mill Feed US\$/t
Mining	10,787	1.98
Processing	77,588	14.27
G&A	3,550	0.65
Total OPEX	91,925	16.90

The operating costs are developed from estimates of labor, operating and maintenance supplies, and power. The total labor force required for the operation is estimated at 183 on-site employees.

Acid plant operations are a major component in the operating costs and account for one third of the total operating cost based on a delivered cost of US\$145 per tonne for sulfur. The acid plant has capacity to generate 93% of the power required by the operation and will have surplus power available when the operation is running. No allowances are made in the operating cost estimates for potential power sales or offsets.

Economic Analysis

An after-tax discounted cash flow model was prepared using the information and estimates in the PFS Report. The model includes federal, state and local taxes.

The nominal production rate at full operation is set at 15,000 tpd, or 5.475 million tonnes/year (tpy). The production schedule uses the material from the first eight pit phases, which results in a 40-year mine life, and 213 million tonnes of mill feed at an average grade of 1,129 ppm Li. Recovery of lithium is estimated at 83%. The resulting annual output averages 27,400 tpy of LCE.

The economic evaluation is reported in terms of LCE using an average price of US\$9,500 per tonne. The price assumption reflects variations expected over time due to start-up and type of lithium product.

The only revenue stream considered is from the sale of lithium products. No revenues are included for any other by-products. Such revenues remain to be determined.

No credit is taken for power sales or offsets on purchased electricity. Results for the project base case are:

- Average annual production of 27.4 million kg of LCE.

- Cash operating cost of US\$3,387/tonne LCE
- An after-tax US\$1.030 billion NPV at 8% discount rate
- An after-tax IRR of 25.8%
- Payback period of 4.4 years
- Break-even price (0% IRR) of US\$4,081/t LCE

The cash flow model is most sensitive to changes in lithium price. Sensitivities to lithium price, capital and operating cost are shown in Table 1-6.

Table 1-6: Economic Sensitivity (US\$)

Variation	50%	Base Case	150%
Lithium Price \$/t LCE	\$4,750	\$9,500	\$14,250
NPV-8%	\$-0.14 million	\$1.030 billion	\$2.142 billion
IRR	5.0%	25.8%	41.3%
Capital Cost	\$247 million	\$493 million	\$740 million
NPV-8%	\$1.252 billion	\$1.030 billion	\$807 million
IRR	46.2%	25.8%	17.8%
Operating Cost	\$1,664/t LCE	\$3,387/t LCE	\$4,993/t LCE
NPV-8%	\$1.407 billion	\$1.030 billion	\$647 million
IRR	31.2%	25.8%	19.7%

Note: IRR (internal rate of return) and NPV (net present value) are both shown after-tax

Interpretation & Conclusions

The Clayton Valley Lithium Project has mineral resources and mineral reserves to support a mine life in excess of 40 years at a production rate at 27,400 tpy LCE and an average estimated operating cost of US\$3,387/tonne LCE. The project risks are typical of a mining project at a prefeasibility level of study and further work with respect to processing and permitting are needed to advance the project to the feasibility level. A pilot plant program and environmental studies are needed to advance the project to the feasibility stage.

Recommendations & Risks

The recommendations to advance the project are:

- Processing—Additional test work is needed to confirm the process flowsheet and determine recoveries and reagent consumptions at the pilot stage. Critical information includes,
 - confirm steps and equipment in leaching and filtration
 - conduct further work to enhance solid-liquid separation and reduce acid consumption
 - determine lithium and acid losses in the processing plant if any
 - optimize solution handling in the plant and determine if bleed streams or additional treatment are needed to recycle solutions
 - determine whether potassium, magnesium, rare earth elements and other elements have commercial value
- Mining—Drilling or limited test mining is required to obtain material for metallurgical testing.
- Permitting—A field program is required to determine if any species of concern are present and to gather data to prepare a Plan of Operations.

- Infrastructure—Feasibility-level designs for the mine, plant and tailings storage areas can begin. Further determination of project power and water supply are needed.

Cost of the programs is estimated at US\$7,250 million.

Table 1-7: Estimated Pilot Plant Costs

Area	US\$ x 1000
Pre-program studies	150
Sample procurement	500
Infill drilling	500
Equipment	
Leaching	650
Lithium Recovery	2,600
Operating expenses	1,500
Contingency	1,350
Total Program	7,250

The potential risks at this stage of the Clayton Valley Lithium Project are:

- Recovery of lithium from the project was not proven at a commercial scale. Further testing in a pilot plant is needed;
- Production is potentially limited by the availability and cost of sulfur and its transportation;
- The project is most sensitive to lithium market prices which are currently dependent on the demand for lithium batteries in electric vehicles and energy storage;
- A source of makeup water has not been secured. Options to obtain water through rights acquisition, purchase or other agreements should be pursued; and
- Environmental permitting is subject to presence of flora, fauna or other conditions which are yet to be determined.

Cypress Development Adopts Shareholder Rights Plan

The Company announced on September 3, 2020 that it has entered into a Shareholder Rights Plan (the “Plan”), subject to all necessary regulatory and shareholder approval.

The Plan is designed to ensure that the Company’s shareholders are treated fairly in the event of a take-over bid for the Company’s common shares and that the Company’s Board of Directors and shareholders will have adequate time to evaluate any unsolicited take-over bid and, if appropriate, to evaluate and pursue other alternatives to maximize shareholder value. The Plan was not adopted in response to any actual or threatened take-over bid or other proposal from a third party to acquire control of the Company.

The Plan is effective as of September 2, 2020. The Plan has received the approval of the TSX Venture Exchange, which is conditional upon the Company’s shareholders confirming the Plan at the Annual General and Special Meetings of Shareholders to be held on October 14, 2020. If approved by shareholders, the Plan will be in effect until three years from the Effective Date and must be renewed by shareholders at the 2023 Annual General Meeting and every three years thereafter.

At the close of business on the Effective Date, one right (a “Right”) will be issued and attached to each common share of the Company outstanding at that time. A Right will also attach to each common share of

the Company issued after the Effective Date. If shareholders do not confirm the Plan at the upcoming Annual General Meeting, the Plan and the Rights will terminate and cease to be effective.

The Plan is similar to shareholder rights plans recently adopted by several other Canadian companies. The Plan is not intended to block take-over bids. The Plan includes “Permitted Bid” provisions which will prevent the dilutive effects of the Plan from operating if a take-over bid is made by way of a take-over bid circular that, among other things, remains open for a minimum of 60 days and is accepted by a specified proportion of the common shares held by independent shareholders. The Plan will be triggered by an acquisition, other than pursuant to a Permitted Bid, of 20% or more of the outstanding common shares of the Company.

Annual General Meeting

The Company held its annual general meeting on October 14, 2020. The Company reports that William Willoughby, Donald Huston, James Pettit, Donald Myers and Amanda Chow were re-elected directors of the Company. Shareholders also approved the Company’s Shareholder Rights Plan (see news release September 3rd), the re-appointment of Davidson & Company, Chartered Accountants, as auditors and approved the renewal of the Company's Incentive Stock Option Plan.

Selected Annual Information

		Years Ended December 31 (audited)		
	Fiscal year	2020	2019	2018
(a)	Interest income	\$ 3,221	\$ 6,828	\$ 4,372
(b)	Loss for the year	\$ 862,941	\$ 1,601,798	\$ 2,089,631
(c)	Loss per share:			
	Basic -	\$ 0.01	\$ 0.02	\$ 0.03
	Fully Diluted -	\$ 0.01	\$ 0.02	\$ 0.03
(d)	Total Assets	\$ 6,864,765	\$ 5,285,202	\$ 4,072,775
(e)	Long Term Debt	\$ -	\$ -	\$ -
(f)	Total Exploration and Evaluation Assets	\$ 4,644,707	\$ 3,623,868	\$ 2,166,201

During the years 2018 to 2020, the Company received interest income on cash equivalents and guaranteed investment certificates. The interest amounts earned fluctuate with changing amounts on deposit and with changing interest rates. These interest amounts are, in any event, not material, and are merely used to offset administrative operating expenses. The fluctuation in such income to December 31, 2020 from the previous year mainly reflects the increase or decrease in amounts held on deposit during that year.

December 31, 2020 Compared with December 31, 2019

Private Placements

During fiscal 2020, the Company did not participate in any private placements.

During fiscal 2019, the Company:

On August 7, 2019, the Company completed a private placement to raise \$1,100,679 by the issuance of 6,114,888 units at a price of \$0.18 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 \$0.22 per share.

In connection with the financing, the Company paid finder's fees totaling \$23,625 and additional issuance costs of \$7,678 and issued 113,750 finder warrants on the same terms as the subscription warrants.

Revenue

The Company is in the exploration and development stage and does not usually generate any revenue other than interest income on cash equivalents and guaranteed investment certificates.

Interest income for the year ended December 31, 2020 was \$3,221 (2019 - \$6,828). The decrease of \$3,607 is attributable to lower amounts invested and lower interest rates on cash equivalents during fiscal 2020 as compared to fiscal 2019.

Loss for the Year

During the first half of 2020, the COVID-19 outbreak escalated to a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. As a result, it is not possible for the Company to predict the duration or magnitude of its effects on the Company's business.

For the year ended December 31, 2020, the Company reported a loss of \$862,941 or a \$0.01 loss per share. Comparatively, the Company had a loss of \$1,601,798 or a \$0.02 loss per share in 2019. The Company's expenses of \$1,108,572 (2019 - \$1,481,253) decreased by \$372,681 as compared to the previous year.

Expense accounts experiencing the most variation in the current year are as follows:

Share-based compensation expense (2020 - \$84,577; 2019 - \$240,871), a non-cash item, is directly attributable to the number of stock options granted during a year.

Shareholder communications decreased from \$363,752 in 2019 to \$170,732 in 2020.

Consulting fees decreased from \$516,688 in 2019 to \$348,898 in 2020.

Legal fees increased from \$61,559 in 2019 to \$288,534 in 2020 relating to a lawsuit which resulted in the Company receiving a settlement of \$281,740 (US\$200,000), which is recorded as other income on the consolidated statements of loss and comprehensive loss.

Expenses such as consulting fees, transfer agent and filing fees and travel and promotion may vary as the year in which they occur may vary from one year to another. Shareholder information increases or decreases as the Company increases or decreases its advertising in trade magazines, on the internet and purchases more or less promotional materials as a result of the current market situation.

The Company had an unrealized gain on marketable securities of \$9,000 in fiscal 2020 (2019 - \$31,000 unrealized loss).

The Company wrote-off \$102,371 in exploration and evaluation assets with respect to the Alkali, Nevada, USA property in fiscal 2019. No write-offs occurred in the current year.

The Company incurred exploration and development expenditures of \$1,020,839 (2019 - \$1,396,051) on its Nevada, USA claims. The Company incurred \$Nil (2019 - \$285,177) in acquisition costs and received \$19,498 (2019 - \$138,153) in option payments in the current year.

Due to the Company's focus on exploration, rather than on mining operations, an annual profit or loss is not currently a meaningful measure of the Company's performance or value.

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.

Included in due from related party at December 31, 2020 is \$18,374 (2019 - \$Nil) due from the private company.

Included in accounts payable at December 31, 2020 is \$43,334 (2019 - \$26,598) due to directors and/or their companies.

Included in due to related party at December 31, 2020 is \$Nil (2019 - \$3,304) due to the private company.

The Company granted 350,000 stock options in fiscal 2020 (2019 - 1,550,000) resulting in a stock-based compensation expense of \$84,577 (2019 - \$240,871).

Summary of Quarterly Results

		4th (3 months)	3rd (3 months)	2nd (3 months)	1st (3 months)
		December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
(a)	Revenue - interest	\$ 2,301	\$ -	\$ -	\$ 920
(b)	Net (loss)	\$ (230,961)	\$ (267,534)	\$ (125,096)	\$ (239,350)
(c)	Net (loss) per share:				
	Basic -	\$ (0.002)	\$ (0.003)	\$ (0.001)	\$ (0.003)
	Fully Diluted -	\$ (0.002)	\$ (0.003)	\$ (0.001)	\$ (0.003)

		4th (3 months)	3rd (3 months)	2nd (3 months)	1st (3 months)
		December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
(a)	Revenue - interest	\$ 1,302	\$ 514	\$ 2,033	\$ 2,979
(b)	Net (loss)	\$ (408,018)	\$ (607,048)	\$ (342,460)	\$ (244,272)
(c)	Net (loss) per share:				
	Basic -	\$ (0.005)	\$ (0.008)	\$ (0.005)	\$ (0.003)
	Fully Diluted -	\$ (0.005)	\$ (0.008)	\$ (0.005)	\$ (0.003)

For the Quarter Ended December 31, 2020

The Company is in the exploration and development stage and does not usually generate any revenue other than interest income on cash equivalents and guaranteed investment certificates.

For the quarter ended December 31, 2020, the Company reported a net loss of \$230,961 or a \$0.002 loss per share. Comparatively, the Company had a loss of \$408,018 or a \$0.005 loss per share during the same quarter in 2019.

The Company's total expenses of \$193,931 (December 31, 2019 - \$303,948) decreased by \$110,017 as compared to the same quarter in the previous year.

Expenses such as accounting and audit, shareholder communications, transfer agent and filing fees and travel may vary quarter to quarter as the quarter in which they occur may vary from one year to another. Shareholder communications (2020 - \$11,747; 2019 - \$100,147) increases or decreases as the Company

increases or decreases its advertising in trade magazines, on the internet and purchases more or less promotional materials as a result of the current market situation. Consulting fees (2020 - \$85,405; 2019 - \$105,156) vary with the amount of activity in the Company.

Liquidity and Capital Resources

In management's view, given the nature of the Company's operations, which consist of exploration and evaluation of mining properties, the most relevant financial information relates primarily to current liquidity, solvency and planned property expenditures. The Company's financial success will be dependent upon the extent to which it can discover mineralization and the economic viability of developing its properties. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The sales value of any minerals discovered by the Company is largely dependent upon factors beyond the Company's control, including the market value of the metals to be produced. The Company does not expect to receive significant income from any of its properties in the foreseeable future.

At December 31, 2020, the Company had cash of \$2,101,554 compared to \$1,518,637 at December 31, 2019. Working capital was \$2,051,088 at December 31, 2020 as compared to a working capital of \$1,532,143 at December 31, 2019.

The Company's cash position at December 31, 2019 was \$1,518,637. The Company received proceeds of \$2,153,661 from the exercise of 1,495,000 options and 6,892,162 warrants and \$16,500 from subscriptions received in advance. As a result of expenditures incurred during the current year for general business expenses; expenditures in exploration and evaluation assets of \$967,626; the increase in due from related parties of \$18,374 and in accounts payable and accrued liabilities of \$70,029; the decrease in receivables and prepaid expenses of \$51,567 and in due to related party of \$3,304; the Company's cash position at December 31, 2020 was \$2,101,554. The Company also received a US\$200,000 settlement with respect to a lawsuit, which was recorded as other income.

The Company has historically met all cash requirements for operation by equity financing. Future funding needs of the Company are dependent upon the Company's continued ability to obtain equity and/or debt financing to meet its financial obligations and to pursue further exploration on its properties.

Transactions with Related Parties

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:

	December 31, 2020	December 31, 2019
Charged to profit and loss for consulting fees:		
Amanda Chow – Director	\$ 12,000	\$ 12,000
Don Huston – President, Director, Chairman	60,000	60,000
Don Myers – Director	48,000	48,000
Jim Pettit – Director, Acting CFO	6,000	6,000
Sentinel Market Services Ltd. - a company owned by Jim Pettit	919	200
Willoughby & Associates, PLLC - a company owned by William Willoughby, CEO and a Director of the Company	112,308	99,326
Sub-total	<u>239,227</u>	<u>225,526</u>
Capitalized to exploration and evaluation assets		
Willoughby & Associates, PLLC - a company owned by William Willoughby, CEO and a Director of the Company	149,523	120,663
Share-based compensation	-	109,558
Total expense	<u>\$ 388,750</u>	<u>\$ 455,747</u>

Administrative agreement

The Company operates from the premises of Sentinel Market Services Ltd., a private company owned by Jim Pettit, a director of the Company, that provides office and administrative services to the Company and various other public companies on a short-term contract basis. Sentinel Market Services Ltd. incurs costs which are reimbursed by the Company.

Consulting agreement

Effective July 2, 2019, the Company made an amendment to a related party's consulting agreement dated January 1, 2018. The consultant shall receive US\$7,000 per month consisting of US\$4,000 cash and the remaining US\$3,000 shall be payable in common shares of the Company or cash, at the option of the consultant. During the year ended December 31, 2020, the Company issued nil common shares (2019 - 160,315) at a fair value of \$Nil (2019 - \$35,269) resulting in a loss of \$Nil (2019 - \$10,965).

Included in due from related party at December 31, 2020 is \$18,374 (2019 - \$Nil) due from the private company.

Included in accounts payable at December 31, 2020 is \$43,334 (2019 - \$26,598) due to directors and/or their companies.

Included in due to related party at December 31, 2020 is \$Nil (2019 - \$3,304) due to the private company.

Balance Sheet Arrangements

At December 31, 2020, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Subsequent Events

The following events occurred subsequent to December 31, 2020:

Bought Deal Public Offering

The Company entered into an agreement with PI Financial Corp. as the sole underwriter and bookrunner pursuant to which the underwriter has agreed to purchase, on a bought deal basis pursuant to a short form prospectus, 15,640,000 units of the Company at a price of \$1.25 per unit for gross proceeds of \$19,550,000. Each unit will consist of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable for one common share of the Company for a period of 36 months, expiring on March 22, 2024 at an exercise price of \$1.75. The offering closed on March 22, 2021.

The Company issued 938,400 broker warrants exercisable for one common share of the Company, at an exercise price of \$1.25, expiring on March 22, 2024.

The net proceeds from the Offering are expected to be used by the Company to fund ongoing work on the Company's Clayton Valley Lithium Project in Nevada and for general working capital purposes.

Exercise of stock options and warrants

The Company issued 4,889,700 common shares pursuant to the exercise of warrants and received proceeds of \$1,297,324, of which \$16,500 was received prior to December 31, 2020.

The Company issued 1,740,000 common shares pursuant to the exercise of options and received proceeds of \$240,675.

Financial Instruments and Other Risks

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities.

The Company does not use derivative instruments to reduce its exposure to foreign exchange risk. The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

In conducting business, the principal risks and uncertainties faced by the Company center on exploration and development and metal prices and market sentiment. Exploration for minerals and development of mining operations involve many risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure or easy access.

The prices of metals fluctuate and are affected by many factors outside of the Company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies.

The Company relies on equity financing for its working capital requirements and to fund its exploration programs.

The Company does not have sufficient funds to put any of its resource interests into production from its own financial resources. There is no assurance that such financing will be available to the Company, or that it will be available on acceptable terms.

The Company's business is highly uncertain and risky by its very nature. The most significant risk for the Company is:

- 1) The junior resource market, where the Company raises funds, is volatile and there is no guarantee that the Company will be able to raise funds as it requires them. Other risk factors include the establishment of undisputed title to mineral properties, environmental concerns and the obtaining of governmental permits and licenses when required. Success is totally dependent upon the knowledge and expertise of management and employees and their ability to identify and advance attractive exploration projects and targets from grass roots to more advanced stages.

Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Even if an ore body is discovered, there is no assurance that it will ever reach production.

While it is impossible to eliminate all of the risks associated with exploration and mining, it is management's intention to manage its affairs, to the extent possible, to ensure that the Company's assets are protected and that its efforts will result in increased shareholder value.

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, 2020, the Company had a cash balance of \$2,101,554 (December 31, 2019 - \$1,518,637) to settle current liabilities of \$127,196 (2019 - \$87,417). 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 \$401,245 (2019 - \$716,417) as of December 31, 2020, the Company has \$1,700,000 (December 31, 2019 - \$800,000) in interest-bearing investment-grade guaranteed investment certificates with accrued interest of \$309 (December 31, 2019 - \$2,220). A 1% change in interest rates would have an effect of \$17,000 (December 31, 2019 - \$8,000) 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 \$4,093 (2019 - \$181,253) as of December 31, 2020, the Company has \$93,879 (2019 - \$48,713) in liabilities to US payees. A 1% change in foreign exchange rates would have an effect of \$898 (2019 - \$1,325) on 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 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.

Proposed Transactions

The Company has no proposed transactions.

Additional Information

Additional information with respect to the Company is also available on the Company's website at www.cypressdevelopmentcorp.com and also on SEDAR at www.Sedar.com

Management's Responsibility for Financial Statements.

The Company's management is responsible for presentation and preparation of the interim financial statements and the Management's Discussion and Analysis.

The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

The financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information.

The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

Share Capital

As at the report date of April 13, 2021 the following were outstanding:

Share capital - issued and outstanding	121,042,170
Options	5,039,000
Warrants	21,435,668
Shares held in escrow	Nil