

CYPRESS HILLS RESOURCE CORP.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Cypress Hills Resource Corp.

Opinion

We have audited the accompanying financial statements of Cypress Hills Resource Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, prepared under the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

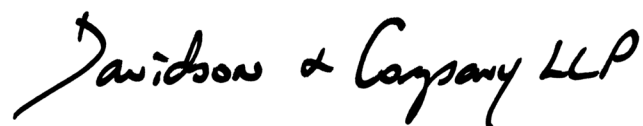
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

February 21, 2023

CYPRESS HILLS RESOURCE CORP.

STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31, 2022	December 31, 2021
Assets		
Current assets		
Cash	\$ 173,315	\$ 246,158
Amounts receivable	715	445
Total assets	\$ 174,030	\$ 246,603
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities – Note 7	\$ 41,577	\$ 40,596
Total liabilities	41,577	40,596
Shareholders' equity		
Share capital – Note 5	2,375,173	2,375,173
Deficit	(2,242,720)	(2,169,166)
Total shareholders' equity	132,453	206,007
Total liabilities and shareholders' equity	\$ 174,030	\$ 246,603

Basis of presentation and going concern (Note 2)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Signed: "*Brian Bayley*"
Brian Bayley, Director

Signed: "*Richard Graham*"
Richard Graham, Director

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

CYPRESS HILLS RESOURCE CORP.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

<i>For the years ended December 31,</i>	2022	2021
Operating and administrative expenses		
Corporate and administrative services – Note 7	\$ 30,002	\$ 30,001
Professional fees	22,909	28,521
Transfer agent, listing, filing and shareholder communications fees	18,841	13,387
Office and other	164	405
Total operating and administrative expenses	(71,916)	(72,314)
Other income (expenses)		
Exploration and evaluation expenses – Note 4	(1,638)	(32,250)
Loss on derecognition of financial instruments - Note 6	-	(1,775)
Net loss and comprehensive loss for the year	\$ (73,554)	\$ (106,339)
Weighted average number of common shares outstanding (basic and diluted)	19,984,705	19,984,705
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)

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

CYPRESS HILLS RESOURCE CORP.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2020	\$ 2,367,923	\$ 355,769	\$ (2,418,596)	\$ 305,096
Reclassification – Note 5	-	(355,769)	355,769	-
Issuance of shares	7,250	-	-	7,250
Net loss and comprehensive loss	-	-	(106,339)	(106,339)
Balance, December 31, 2021	2,375,173	-	(2,169,166)	206,007
Net loss and comprehensive loss	-	-	(73,554)	(73,554)
Balance, December 31, 2022	\$ 2,375,173	\$ -	\$ (2,242,720)	\$ 132,453

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

CYPRESS HILLS RESOURCE CORP.

STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

<i>For the years ended December 31,</i>	2022	2021
OPERATING ACTIVITIES		
Net loss for the year	\$ (73,554)	\$ (106,339)
Adjustments for non-cash items:		
Non-cash exploration and evaluation expenses	-	7,250
Loss on derecognition of financial instruments	-	1,775
Change in non-cash working capital items:		
Amounts receivable	(270)	622
Accounts payable and accrued liabilities	981	(12,471)
Net cash used in operating activities	(72,843)	(109,163)
Change in cash for the year	(72,843)	(109,163)
Cash, beginning of year	246,158	355,321
Cash, end of year	\$ 173,315	\$ 246,158

Supplemental cash flow information

During the year ended December 31, 2021, the Company issued 25,000 common shares with a fair value of \$7,250 as a mineral option payment recognized in exploration and evaluation expense. There were no other non-cash investing or financing activities during years ended December 31, 2022 and 2021.

CYPRESS HILLS RESOURCE CORP.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (Expressed in Canadian Dollars)

NOTE 1 – NATURE OF BUSINESS

Cypress Hills Resource Corp. (the “Company” or “Cypress”) is a Tier 2 mining issuer on the TSX Venture Exchange (“TSXV”). In October 2022, the Company staked 20 mineral cells totaling 418 hectares of an exploration-stage graphite property in British Columbia (the “Amar Property”).

On April 9, 2021, the Company continued into British Columbia from the Jurisdiction of Alberta and the address of the Company’s registered office is 12 Waterfront Centre, 200 Burrard St., Vancouver, BC V6C 3L6.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. To date, the COVID-19 pandemic has not had a significant impact on the Company’s operations or on the carrying value of its assets. However, the pandemic’s effect on broader capital markets may hinder the Company’s ability to raise additional financing and its effect on the Company’s ability to conduct future mineral exploration is unknown and will depend on, among other factors, the availability of contractors, travel or other restrictions, and the efficacy and timing of vaccinations.

NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN

a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Significant accounting policies and the applicable basis of measurement used in the preparation of these financial statements are described in Note 3.

These financial statements were authorized by the Board of Directors on February 21, 2023.

b) Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operations for the next 12 months and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has working capital of \$132,453 as at December 31, 2022 (December 31, 2021 - \$206,007). Working capital as at December 31, 2022 includes \$173,315 in cash which is sufficient to pay the \$41,577 in accounts payable and accrued liabilities then outstanding and for routine operations for the next 12 months. However, without any source of revenue, additional financing will be required in the longer-term.

If the going concern basis is not appropriate, adjustments may be necessary to the carrying amounts and classification of the Company’s assets and liabilities and such adjustments may be significant. The accompanying financial statements do not include any adjustments that might result if the Company is unable to continue as a going concern.

CYPRESS HILLS RESOURCE CORP.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (Expressed in Canadian Dollars)

NOTE 3 – ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Basis of measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. These financial statements have been prepared based on the accrual basis of accounting, except for cash flow information, and are presented in Canadian dollars, which is also the functional currency of the Company.

b) Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss. The Company classifies its financial assets and financial liabilities in the following measurement categories:

- i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- ii) those to be measured at amortized cost.

Financial assets

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

The Company has classified its financial assets as follows:

- Cash is measured at fair value with changes to fair value subsequent to initial recognition being recorded in profit or loss for the period in which they occur.
- Amounts receivable are measured at amortized cost using the effective interest rate method. Interest income, where material, is recorded in profit or loss.

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. In the year ended December 31, 2022, the Company recorded a \$nil loss (2021 - \$1,775) on the impairment of certain amounts receivable.

CYPRESS HILLS RESOURCE CORP.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (Expressed in Canadian Dollars)

NOTE 3 – ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company's financial liabilities include accounts payable and accrued liabilities which are measured at amortized cost using the effective interest rate method. Interest expense, where material, is recorded in profit or loss.

The Company derecognizes a financial liability when the liability is extinguished by way of discharge, cancellation or expiry.

c) Exploration and evaluation assets

Amounts paid for the acquisition of exploration and evaluation assets as well as on-going exploration expenditures are charged to operations as incurred. Acquisition costs may include cash consideration or the fair value of common shares issued for mineral property interests. These assets may include claims staked by the Company and those acquired under an option agreement.

After a property is determined by management to be commercially feasible, development expenditures on the property are capitalized. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

Property interests granted to others under an option agreement where payments to be made to the Company are at the sole discretion of the optionee, are recorded as recoveries at the time of receipt. Where recoveries exceed costs, such amounts are recognized in profit or loss.

d) Asset retirement obligations

The Company is required to remediate environmental disturbances caused by the exploration or development of a mineral property interest, and to decommission and remove any facilities and equipment at the property, to the satisfaction of regulatory bodies. When the Company has a specific and known asset retirement obligation for actual environmental disturbances, it records a liability for the expected reclamation or decommissioning costs, discounted to their present value using discount rates in line with prevailing market interest rates.

An asset retirement obligation related to a property for which exploration and evaluation expenditures are not capitalized are also charged to operations in the period they arise. Liabilities recognized for properties in the development or production stage will be capitalized and amortized over the life of the mine on the same basis as any other capitalized development costs. An additional expense will be recognized to reflect the accretion of the discounted present value of future expenditures through the discounted period.

As at December 31, 2022 and 2021, the Company did not have any asset retirement obligations.

CYPRESS HILLS RESOURCE CORP.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in Canadian Dollars)**

NOTE 3 – ACCOUNTING POLICIES (continued)

e) Share issue costs

Costs incurred to issue shares, which may include cash or equity-settled payments, are accounted for as a reduction in share capital.

f) Share-based compensation

The Company recognizes a share-based compensation charge in profit or loss for stock options granted to employees, officers and directors of the Company, as well as to external consultants. The share-based compensation charge is based on the fair value of option awards granted, measured using the Black-Scholes option pricing model at the date of issue. The fair value of stock options granted is amortized to expense on a graded basis over the vesting periods of the option granted with an off-setting amount recorded in equity reserves. Any expense recorded for options that are forfeited because non-market vesting conditions are not satisfied is reversed in the period in which forfeiture occurs.

When stock options are exercised, the related fair value is reclassified from equity reserves to share capital. The Company has adopted a policy to reclassify the fair value of expired stock options from equity reserves to other components of shareholders' equity.

g) Taxation

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

CYPRESS HILLS RESOURCE CORP.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (Expressed in Canadian Dollars)

NOTE 3 – ACCOUNTING POLICIES (continued)

h) Per share amounts

Basic loss or earnings per share is calculated by dividing loss or earnings attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss or earnings per share is determined by adjusting the loss or earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of “in-the-money” stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period. In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

For the years ended December 31, 2022 and 2021, no dilutive stock options or share purchase warrants were outstanding.

i) Critical accounting estimates and judgments

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Although these estimates are based on management’s expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these financial statements.

Areas where management is required to make significant judgments or where measurements are uncertain are as follows:

i) Taxation

Estimates

Deferred tax assets and liabilities are determined using the tax rates expected to be in effect at the time the assets are realized and liabilities settled. The actual tax rate in effect at that time may vary from the expected tax rates.

Judgments

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company’s current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters. However, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recovered.

CYPRESS HILLS RESOURCE CORP.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in Canadian Dollars)**

NOTE 3 – ACCOUNTING POLICIES (continued)

i) Critical accounting estimates and judgments (continued)

ii) Asset retirement obligations

Estimates

Asset retirement obligations are determined using estimates for the cost and timing of environmental reclamation and for the discount rate applicable to the Company. The eventual cost of an asset retirement obligation may differ from the carrying amount based on these estimates.

Judgments

The Company's management exercises judgment to determine whether an asset retirement obligation exists based on the extent of environmental disturbance, its interpretation of environmental regulations and any social obligations to the communities in which it operates. These judgments may change based on the actual requirements of regulatory bodies and other community groups.

NOTE 4 – EXPLORATION AND EVALUATION ASSETS

Amar Property

In October 2022, the Company staked 20 mineral cells covering 418 hectares known as the Amar Property, an exploration-stage graphite property in British Columbia. In the year ended December 31, 2022, The Company recognized \$1,638 in exploration and evaluation expense to stake the Amar Property.

Saloon Property

In November 2020, the Company entered into a property option agreement with Strategic Metals Ltd. ("Strategic") and Archer, Cathro & Associates (1981) Limited that allowed the Company to earn an undivided 80% interest in and to 267 quartz mining claims located in the Whitehorse Mining District, Yukon Territory (the "Saloon Property"). To exercise the option, the Company was required to make various cash and share payments to Strategic and to incur aggregate exploration expenses of \$2,600,000 over five years. The property option agreement was amended in September 2021 to extend the due dates for the option payments and exploration requirements by one year.

During the year ended December 31, 2021, the Company recognized \$32,250 for exploration expenses related to the Saloon Property. This amount included option payments comprising a \$15,000 cash payment and the issuance of 25,000 common shares with a fair value of \$7,250 in addition to a \$10,000 cash payment for the September 2021 extension.

No option payments or exploration expenses were incurred in the year ended December 31, 2022 and on November 23, 2022, the Company notified Strategic that it was forfeiting all option rights to the Saloon Property. There were no fees or penalties required on forfeiture and the Company no further payments will be made by the Company for the Saloon Property.

CYPRESS HILLS RESOURCE CORP.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (Expressed in Canadian Dollars)

NOTE 5 – SHAREHOLDERS' EQUITY

a) Share capital

- i. Authorized: Unlimited common shares and preferred shares without par value.
- ii. Issued and outstanding:

No preferred shares were issued and outstanding as at or during the years ended December 31, 2022 or 2021. Changes to the number of common shares issued and outstanding are as follows:

	Number of Common Shares	Carrying Value \$
Balance, December 31, 2020	19,961,965	2,367,923
Shares issued for Saloon Property	25,000	7,250
Balance, December 31, 2021 and 2022	19,986,965	2,375,173

On February 3, 2021, the Company issued 25,000 common shares to Strategic as an option payment for the Saloon Property (Note 4). On the date issued, the shares had a fair value of \$7,250.

b) Stock options

The Company may grant stock options for up to 10% of the issued and outstanding common shares of the Company. The options are exercisable for a period of up to five years from the date of grant, as determined by the Board of Directors, and the exercise price cannot be less than the last price on the TSX Venture Exchange immediately preceding the grant of the options. The Board of Directors determines the time at which any options may vest. No stock options were outstanding as at or during the years ended December 31, 2021 or 2022.

During the year ended December 31, 2021, the Company reclassified \$355,769 related to expired or cancelled stock options from equity reserves to deficit

NOTE 6 – DERECOGNITION OF FINANCIAL INSTRUMENTS

During the year ended December 31, 2022, the Company recognized a \$nil (2021 - \$1,775) loss on the derecognition of financial instruments owing to the write-off of certain long-outstanding amounts receivable.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Company is party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company related by virtue of providing management services to the Company and having certain officers and directors in common. During the year ended December 31, 2022, Earlston charged \$30,002 (2021 - \$30,001) for corporate, accounting and administrative services and as at December 31, 2022, \$5,250 (December 31, 2021 - \$5,252) was owing to Earlston and is included in accounts payable and accrued liabilities.

CYPRESS HILLS RESOURCE CORP.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in Canadian Dollars)**

NOTE 8 – TAXATION

The Company's effective tax rate for the years ended December 31, 2022 and 2021 was 27% and a reconciliation of income taxes at statutory rates with the reported taxes is as follows:

<i>For the years ended December 31,</i>	2022	2021
	\$	\$
Loss before income taxes	(73,554)	(106,339)
Expected income tax (recovery)	(20,000)	(29,000)
Adjustment to prior year's provision versus statutory return	-	3,000
Change in statutory tax rates, foreign exchange rates and other	-	(251,000)
Change in unrecognized deductible temporary differences	20,000	277,000
Total income tax recovery	-	-

Deferred tax assets as at December 31, 2022 and 2021 have been calculated using a combined federal and provincial substantively-enacted tax rate of 27% (and include the following items which are not reported on the statement of financial position:

<i>As at December 31,</i>	2022	2021
	\$	\$
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	169,000	169,000
Share issuance costs	2,000	2,000
Allowable capital losses	668,000	668,000
Non-capital losses available for future periods	916,000	896,000
Total potential deferred tax assets	1,755,000	1,735,000
Unrecognized deferred tax assets	(1,755,000)	(1,735,000)
Net deferred tax assets	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

<i>As at December 31,</i>	2022	Expiry Date Range	2021	Expiry Date Range
	\$		\$	
Temporary Differences				
Exploration and evaluation assets	626,000	No expiry date	626,000	No expiry date
Property and equipment	1,000	No expiry date	1,000	No expiry date
Share issuance costs	6,000	2043 to 2044	8,000	2042 to 2044
Allowable capital losses	2,475,000	No expiry date	2,475,000	No expiry date
Non-capital losses available for future periods	3,396,000	2027 to 2042	3,319,000	2027 to 2041

Tax attributes are subject to review, and potential adjustment, by tax authorities.

CYPRESS HILLS RESOURCE CORP.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (Expressed in Canadian Dollars)

NOTE 9 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2022, the Company's financial instruments comprise cash, amounts receivable and accounts payable and accrued liabilities. The fair values of amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at December 31, 2022, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.

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 arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. As at December 31, 2022, the Company had a cash balance of \$173,315 which is sufficient to pay current liabilities of \$41,577, as well as on-going operating requirements for the next 12 months. However, additional capital will be required to explore the Amar Property and for longer-term operations.

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 equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

CYPRESS HILLS RESOURCE CORP.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in Canadian Dollars)**

NOTE 10 – CAPITAL STRUCTURE

The Company manages capital to safeguard its ability to operate as a going concern while pursuing opportunities for growth through identifying and evaluating potential acquisitions or businesses. The Company defines capital as the Company's shareholders' equity. The Company manages its capital structure in the context of its financial position as well as broader economic and financial market conditions. The Company is not subject to any externally imposed capital requirements and its Board of Directors does not establish a quantitative return on capital criteria for management.

There were no changes in the Company's approach to capital management during the year ended December 31, 2022.