



Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cipher Resources Inc. (formerly Dorex Minerals Inc.)

We have audited the accompanying financial statements of Cipher Resources Inc., which comprise the statements of financial position as at March 31, 2018 and 2017, and the statements of loss and comprehensive loss, cash flows and changes in equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cipher Resources Inc. as at March 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'DMLC'.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
July 30, 2018

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Statements of Financial Position

(Expressed in Canadian dollars)

	<i>Note</i>	March 31, 2018	March 31, 2017
ASSETS			
Current assets			
Cash		\$ 931,394	\$ 28
Receivables	4	40,039	18,517
		\$ 971,433	\$ 18,545
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Trade and other payables	7	\$ 599,772	\$ 429,879
Loans payable	8	176,482	146,260
Share subscriptions	9	924,700	-
		1,700,954	576,139
Shareholders' equity (deficiency)			
Share capital	10	6,323,978	5,614,323
Share-based payment reserve	10	1,308,010	1,281,619
Deficit		(8,361,509)	(7,453,536)
		(729,521)	(557,594)
		\$ 971,433	\$ 18,545
Nature of operations	1		
Contingency	13		
Subsequent events	17		

These financial statements are approved for issue by the Board of Directors on July 30, 2018.

They are signed on the Company's behalf by:

"Elena Tanzola", Director

"Jim Mustard", Director

The accompanying notes are an integral part of these Financial Statements

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

		For the year ended March 31,	
		2018	2017
	Note		
Expenses			
Consulting fees	11	\$ 311,200	\$ 94,000
Office and administration		14,255	37,627
Professional fees		60,012	24,976
Project investigation costs	6	345,880	-
Rent		34,835	18,000
Share-based compensation	10	26,391	-
Transfer agent and filing fees		46,974	20,220
Travel		114,873	-
		(954,420)	(194,823)
Gain on settlement of trade and other payables	7	53,201	-
Write-off of exploration and evaluation assets	5	-	(86,410)
Interest expense	8	(6,754)	(13,115)
Loss and comprehensive loss for the year		(907,973)	(294,348)
Basic and diluted loss per common share		\$ (0.08)	\$ (0.06)
Weighted average number of common shares outstanding		10,913,580	5,217,690

The accompanying notes are an integral part of these Financial Statements

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Statements of Cash Flows

(Expressed in Canadian dollars)

	For the year ended March 31,	
	2018	2017
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the year	\$ (907,973)	\$ (294,348)
Items not affecting cash:		
Share-based compensation	26,391	-
Gain on settlement of trade and other payables	(53,201)	-
Write-off of exploration and evaluation assets	-	86,410
Accrued interest	6,754	13,115
Changes in non-cash working capital items:		
Receivables	(21,522)	26,316
Trade and other payables	328,824	145,427
Net cash used in operating activities	(620,727)	(23,080)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Private placement	770,000	-
Share issue costs	(60,345)	-
Share subscriptions	924,700	-
Loans received	120,450	47,458
Loans repaid	(202,712)	(20,200)
Bank indebtedness	-	(4,150)
Net cash provided by financing activities	1,552,093	23,108
Increase in cash during the year	931,366	28
Cash, beginning of year	28	-
Cash, end of year	\$ 931,394	\$ 28
Supplementary information		
Interest paid	\$ -	\$ -
Income taxes paid	-	-

The accompanying notes are an integral part of these Financial Statements

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Statements of Changes in Equity (Deficiency)

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-Based Payment Reserve	Obligation to Issue Shares	Deficit	Total Shareholders' Equity (Deficiency)
Balance, March 31, 2017	5,217,690	\$ 5,614,323	\$ 1,281,619	\$ -	\$ (7,453,536)	\$ (557,594)
Private placement	7,000,000	770,000	-	-	-	770,000
Share issue costs	-	(60,345)	-	-	-	(60,345)
Share-based compensation	-	-	26,391	-	-	26,391
Comprehensive loss for the year	-	-	-	-	(907,973)	(907,973)
Balance, March 31, 2018	12,217,690	\$ 6,323,978	\$ 1,308,010	\$ -	\$ (8,361,509)	\$ (729,521)

	Number of Shares	Share Capital	Share-Based Payment Reserve	Obligation to Issue Shares	Deficit	Total Shareholders' Equity (Deficiency)
Balance, March 31, 2016	5,217,690	\$ 5,614,323	\$ 1,281,619	\$ 51,500	\$ (7,159,188)	\$ (211,746)
Reclassification of obligation to loan	-	-	-	(51,500)	-	(51,500)
Comprehensive loss for the year	-	-	-	-	(294,348)	(294,348)
Balance, March 31, 2017	5,217,690	\$ 5,614,323	\$ 1,281,619	\$ -	\$ (7,453,536)	\$ (557,594)

The accompanying notes are an integral part of these Financial Statements

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Cipher Resources Inc. (formerly Dorex Minerals Inc.) (the “Company”) is a publicly-traded company incorporated under the laws of British Columbia, Canada. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) and trade under the symbol CIFR. The corporate office of the Company is located at Suite 3002, 1211 Melville Street, Vancouver, BC, V6E 0A7 and the registered and records office of the Company is located at Unit 1 – 15782 Marine Drive, White Rock, BC, V4B 1E6.

On June 5, 2017, the Company consolidated its shares on 10 old for 1 new basis. All share and per share amounts in these financial statements have been retroactively restated.

On September 18, 2017, the Company changed its name from Dorex Minerals Inc. to Cipher Resources Inc. and the Company’s symbol changed from DOX to CIFR.

The Company is primarily focused on lower mid-market precious and base metal mining projects, specifically those in production and at a late stage of development.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at March 31, 2018, the Company had a working capital deficiency of \$729,521 however not including share subscriptions of \$924,700 the Company had working capital of \$195,179. Subsequent to March 31, 2018, the Company closed a non-brokered private placement for gross proceeds of \$4,177,900 (Note 17). Management estimates that these funds will provide the Company with sufficient financial resources to carry out currently planned operations through the next twelve months.

These financial statements do not reflect the adjustments that would be necessary if the going concern assumption were not appropriate.

2. BASIS OF PRESENTATION

Statement of Compliance

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

Basis of Presentation

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Use of estimates, judgments and assumptions

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

- the calculation of share-based compensation;
- fair value measurements for financial instruments; and
- the recoverability and measurement of deferred tax assets.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are, but are not limited to, the following:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification of financial instruments.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The Company's functional and presentation currency is the Canadian Dollar.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions in the financial statements of each entity in the Company.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the reporting date exchange rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in operations.

Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Costs incurred before the Company has obtained the legal right to explore are also recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each statement of financial position reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in operations, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

Financial assets

(i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designed as effective hedges. Assets in this category include cash.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in operations. Attributable transaction costs are recognized in operations when incurred.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include other receivables.

Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is used to determine the amortized cost of loans and receivables and to allocate interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

(iii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding other receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in operations.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(iii) Impairment of financial assets (continued)

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through operations to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(iv) De-recognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all of the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in operations.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded as the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or as other financial liabilities.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in operations in the period in which they arise.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company has classified accounts payable, amounts due to related parties, loans payable and share subscriptions as other financial liabilities.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit and loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company's case, diluted loss per share is the same as basic loss per share, as the effect of outstanding share options on loss per share would be anti-dilutive.

Warrants

The Company uses the residual method for accounting for warrants. Under this method warrants are assigned a value equal to the excess of the unit purchase price over the then prevailing market price of the Company's shares. When the units are priced at or below market there is no excess and the warrants are valued at \$Nil.

Share-based compensation

The stock option plan allows the Company's directors, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based payment reserve to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and there is the intention to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Comparative figures

Certain comparative figures may have been reclassified to conform with current year's presentation.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are not yet effective as at March 31, 2018 and have not been applied in preparing these financial statements. None of these are expected to have an effect on the Company's financial statements.

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

New standard IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

4. RECEIVABLES

	March 31, 2018	March 31, 2017
GST receivable	\$ 40,039	\$ 10,792
Other	-	7,725
Total	\$ 40,039	\$ 18,517

5. EXPLORATION AND EVALUATION ASSETS

In January 2015, the Company entered into a property option agreement with Pacific Harbor Resources Ltd., a private BC Company, on the Atlin Ruffner project located in northwest British Columbia whereby the Company could earn an undivided 55% interest in the property.

Under the terms of the agreement, the Company was required to issue 60,000 common shares and incur a minimum of \$300,000 in exploration expenditures.

The Company issued 20,000 common shares in the year ended March 31, 2015 with a fair value of \$20,000 and issued an additional 20,000 common shares in the year ended March 31, 2016 with a fair value of \$2,000. During the year ended March 31, 2017, the Company spent an additional \$64,410 on exploration.

During the year ended March 31, 2017, the Company decided not to continue with the option agreement and accordingly recorded a write-off of exploration and evaluation assets of \$86,410.

6. PROJECT INVESTIGATION COSTS

During the year ended March 31, 2018, the Company engaged consultants to conduct due diligence and investigate projects with the potential for acquisition or investment.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

7. TRADE AND OTHER PAYABLES

	March 31, 2018	March 31, 2017
Accounts payable	\$ 247,731	\$ 317,646
Accrued liabilities	30,000	30,500
Amounts due to related parties (Note 11)	322,041	81,733
Total	\$ 599,772	\$ 429,879

On April 10, 2017, the Company entered into a settlement agreement with an unrelated third party to settle trade and other payables of \$158,931 for a promissory note of \$105,730 (Note 8). Accordingly, the Company recorded a gain on settlement of trade and other payables of \$53,201 for the year ended March 31, 2018.

8. LOANS PAYABLE

	Loan A	Loan B	Loan C	Loan D	Loan E	Loan F (Note 7)	Loan G	Total
Interest rate	0%	18%	18%	18%	0%	5%	0%	
Balance, March 31, 2016	\$ 2,700	\$ 21,846	\$ 22,461	\$ 7,380	\$ -	\$ -	\$ -	\$ 54,387
Advances	-	2,378	45,080	-	-	-	-	47,458
Reclassification (Note 10)	51,500	-	-	-	-	-	-	51,500
Repayment	(100)	-	(20,100)	-	-	-	-	(20,200)
Interest	-	4,656	6,841	1,618	-	-	-	13,115
Balance, March 31, 2017	54,100	28,880	54,282	8,998	-	-	-	146,260
Advances	-	-	-	-	65,450	-	55,000	120,450
Reassignment	(54,100)	(28,880)	(54,282)	-	137,262	105,730	-	105,730
Repayment	-	-	-	-	(202,712)	-	-	(202,712)
Interest	-	-	-	1,774	-	4,980	-	6,754
Balance, March 31, 2018	\$ -	\$ -	\$ -	\$ 10,772	\$ -	\$ 110,710	\$ 55,000	\$ 176,482

All loans above are unsecured and due on demand.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

9. SHARE SUBSCRIPTIONS

During the year ended March 31, 2018, the Company received \$924,700 proceeds for subscriptions to a non-brokered private placement that closed in May 2018 (Note 17). Pursuant to the terms of the subscription agreements, these funds may be used by the Company prior to closing. Accordingly, the Company recorded these subscriptions as a loan as at March 31, 2018. Had the private placement not closed, the Company would have repaid the subscription proceeds with no accrued interest.

10. SHARE CAPITAL

Authorized

The Company has an unlimited number of common shares without par value authorized for issue

Issued and outstanding

As at March 31, 2018, the Company had 12,217,690 common shares issued and outstanding (2017 – 5,217,690). A summary of changes in share capital and reserves is contained on the statements of changes in equity for the years ended March 31, 2018 and 2017.

On June 7, 2017, the Company closed a non-brokered private placement through the issuance of 7,000,000 common shares at a price of \$0.11 per share for gross proceeds of \$770,000. The Company paid cash finder's and other transaction costs of \$60,345.

During the year ended March 31, 2015, the Company received \$51,500 towards a future private placement. During the year ended March 31, 2017, the investor decided not to proceed with a share purchase and as a result the amount has been reclassified as a non-interest bearing loan payable with no terms of repayment (Note 8).

Escrow shares

As at March 31, 2018, the Company has 18,750 (2017 – 18,750) common shares held in escrow.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

Warrants

The continuity of warrants for the year ended March 31, 2018 is as follows:

Expiry date	Exercise price	Balance, March 31, 2017	Granted	Exercised	Expired	Balance, March 31, 2018		
August 14, 2017	\$1.00	902,678	-	-	(902,678)	-		
September 3, 2017	\$1.00	1,609,600	-	-	(1,609,600)	-		
		2,512,278	-	-	(2,512,278)	-		
Weighted average exercise price	\$	1.00	\$	-	\$	1.00	\$	-

The continuity of warrants for the year ended March 31, 2017 is as follows:

Expiry date	Exercise price	Balance, March 31, 2016	Granted	Exercised	Expired	Balance, March 31, 2017		
August 14, 2017	\$1.00	902,678	-	-	-	902,678		
September 3, 2017	\$1.00	1,609,600	-	-	-	1,609,600		
		2,512,278	-	-	-	2,512,278		
Weighted average exercise price	\$	1.00	\$	-	\$	-	\$	1.00

Stock options

On October 2, 2017, the Company's shareholders approved an amendment to the Company's incentive stock option plan ("Stock Option Plan") for senior officers, directors, employees and consultants of the Company and the adoption of an additional share-based compensation plan which would permit the grant of restricted share units ("RSUs") and/or deferred share units ("DSUs") to certain eligible participants (the "RSU/DSU Plan"). The Stock Option Plan is a "rolling" stock option plan as the number will increase as the number of outstanding common shares increases. The number of common shares reserved for issue pursuant to the grant of stock options, RSUs and/or DSUs may not exceed 10% of the number of outstanding common shares.

The Stock Option Plan and RSU/DSU Plan remain subject to approval of the TSX-V.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

Stock options (continued)

The essential elements of stock options under the Stock Option Plan provide that the options granted under the Plan will have a maximum term of ten years. The exercise price of options granted under the Stock Option Plan will not be less than the discounted market price of the common shares on the date of grant. Options granted under the Stock Option Plan vest immediately, unless otherwise specified by the Board of Directors of the Company, except for consultants conducting investor relation activities which the directors have determined will vest with the right to exercise one-fourth of the option upon the conclusion of each three-month period subsequent to the date of the grant of the option.

RSUs are performance based share units which may be granted to participants in the RSU/DSU Plan based on both individual and corporate performance criteria as determined by the Board of Directors of the Company. The RSUs are paid out to the participant at no later than three years from the year in which the RSUs were granted. Non-vested RSUs are forfeited if the participant voluntarily leaves his or her employment with the Company.

A DSU is a notional share that has the same value as one common share as at the grant date. Under the RSU/DSU Plan, a participant may choose, with the consent of the Company, to take all or part of their fees in DSUs. DSUs are paid out to the participant as common shares when they retire from or cease to be a director of the Company. A retiring participant can defer the payout of his/her DSUs to the year following his/her departure from the Company.

The continuity of stock options for the year ended March 31, 2018 is as follows:

Expiry date	Exercise price	Balance, March 31, 2017	Granted	Exercised	Forfeited	Balance, March 31, 2018
December 24, 2018	\$1.00	85,000	-	-	-	85,000
July 5, 2022	\$0.15	-	225,000	-	-	225,000
		85,000	225,000	-	-	310,000
Weighted average exercise price	\$	1.00	\$ 0.15	\$ -	\$ -	\$ 0.38

As at March 31, 2018, all of the stock options were exercisable. As at March 31, 2018, the weighted average remaining contractual life of the stock options outstanding was 4.23 years.

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Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

Stock options (continued)

The continuity of stock options for the year ended March 31, 2017 is as follows:

Expiry date	Exercise price	Balance, March 31, 2016	Granted	Exercised	Expired	Balance, March 31, 2017		
November 24, 2016	\$1.50	42,500	-	-	(42,500)	-		
December 24, 2018	\$1.00	85,000	-	-	-	85,000		
		127,500	-	-	(42,500)	85,000		
Weighted average exercise price	\$	1.17	\$	-	\$	1.50	\$	1.00

Share-based compensation

On July 5, 2017, the Company granted 225,000 stock options to a consultant at a fair value of \$26,391 or \$0.12 per option. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.42%; an expected life of 5 years; an expected volatility of 124.97%; a forfeiture rate of zero; and an expected dividend of zero.

11. RELATED PARTY TRANSACTIONS AND BALANCES

Key management compensation

Key management includes members of the Board of Directors, the President and Chief Executive Officer, and the Chief Financial Officer. The aggregate compensation paid, or payable, to key management personnel during the year ended March 31, 2018 was \$271,200 (2017 - \$94,000).

Amounts due to related parties

Amounts due to related parties are disclosed in Note 7. All amounts are unsecured and non-interest bearing.

12. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition or investment of projects in the mineral and resource sector and has no geographic segment at this time.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

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13. CONTINGENCY

The Company is subject to a contingency by a consultant demanding reimbursement of travel and administration expenditures of up to \$200,000. The Company has not yet established if it has an obligation to pay this demand. The timing and final settlement cannot be reasonably estimated at this time and accordingly the Company has not recorded this contingent liability in its financial statements as at March 31, 2018.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

		March 31, 2018	March 31, 2017
Cash	FVTPL	\$ 931,394	\$ 28
Receivables	Loans and receivables	40,039	18,517
Trade and other payables	Other financial liabilities	599,772	429,879
Loans payable	Other financial liabilities	176,482	146,260
Share subscriptions	Other financial liabilities	924,700	-

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's financial instruments consist of cash, other receivables, accounts payable, amounts due to related parties and loans payable. The fair value of the Company's financial instruments approximate their fair value due to their short-term nature. Cash is recorded at fair value using Level 1 of the fair value hierarchy.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk management

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

Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada. Management believes that the credit risk with respect to cash is low.

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's approach to managing liquidity risk is to closely monitor cash forecasts and manage resources to ensure that there is sufficient capital in order to meet short-term business requirements. All of the Company's financial liabilities are classified as current and are anticipated to be settled in the next sixty days.

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rates on loans payable are fixed. The interest rate risks on cash and loans payable are not considered significant.

15. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue operations and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash.

The Company manages its common shares, warrants and stock options as capital. As the Company is in the project evaluation stage, its principal source of funds is from the issuance of common shares. The Company is not subject to any externally imposed capital requirements.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

15. MANAGEMENT OF CAPITAL (continued)

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations. The Board of Directors has not established quantitative capital structure criteria for management but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

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

There were no changes in the Company's approach to capital management during the year.

In order to facilitate the management of its capital requirements, the Company may issue new equity, incur additional debt, or dispose of certain assets. The Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

16. INCOME TAXES

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

	For the year ended March 31,	
	2018	2017
Loss for the year	\$ (907,973)	\$ (294,348)
Expected Income tax recovery	\$ (236,000)	\$ (77,000)
Non-deductible items and other	(54,000)	32,000
Share issue costs	(16,000)	-
Temporary differences not recognized	306,000	45,000
Income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets are as follows:

	March 31,	March 31,
	2018	2017
Non-capital loss carry forward	\$ 774,000	\$ 762,000
Share issue costs	13,000	-
Exploration and evaluation assets	1,025,000	745,000
Total unrecognized deferred tax assets	\$ 1,812,000	\$ 1,507,000

Deferred tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

Cipher Resources Inc. (formerly Dorex Minerals Inc.)

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Canadian dollars)

16. INCOME TAXES (continued)

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	March 31, 2018	Expiry date range
Temporary differences		
Exploration and evaluation assets	\$ 2,865,000	no expiry date
Share issue costs	48,000	2019 to 2022
Non-capital losses available for future periods	3,796,000	2019 to 2038

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

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2018, the Company completed the following transactions:

1. The Company closed a non-brokered private placement through the issuance of 41,779,000 units at a price of \$0.10 per unit for gross proceeds of \$4,177,900. Each unit consists of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.15 for a period of three years. The Company paid finders' fees of \$342,690 in cash and issued 895,920 common share purchase warrants of the same terms as described above.

A total of 5,150,000 units issued to Terra Capital Natural Resource Fund Pty Ltd. ("Terra Capital") as part of the private placement, and the proceeds corresponding thereto, have been placed into escrow pending receipt of approval from TSX-V with respect to personal information filed by the named controllers of Terra Capital in connection with Terra Capital becoming an insider of the Company (the "Escrow"). The units and proceeds held in the Escrow will be released on the TSX-V's approval and clearance following the completion of the review of the applicable personal information.

2. Subsequent to the year end, the Company entered into agreements with each of Endeavour Financial Limited (Cayman) ("Endeavour") and with Cipher Research Ltd. ("Cipher Research") pursuant to which Endeavour and Cipher Research will identify, evaluate, structure and assist in the execution of opportunities primarily in lower-mid market precious and base metal mining projects, specifically those in production or development stage.

Each agreement is for an initial term of four years, renewable for one-year terms annually thereafter unless terminated pursuant to their terms. Each of Endeavour and Cipher Research will be paid a fee for its services equal to one-half of one percent (0.5%) per annum of the total amount of capital invested by the Company in projects during that annual period; and three and three quarters percent (3.75%) of the gross profits received by the Company (the "Fee") during that annual period, provided that the Fee shall be no less than \$12,500 per month.