



Condensed Interim Financial Statements

For the three months ended June 30, 2018

(Unaudited – Expressed in Canadian dollars)

NOTICE TO READER

These condensed interim financial statements of Cipher Resources Inc. have been prepared by management and approved by the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.

Cipher Resources Inc.

Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian dollars)

		June 30, 2018	March 31, 2018
	<i>Note</i>		
ASSETS			
Current assets			
Cash		\$ 2,322,152	\$ 931,394
Restricted cash	8	515,000	-
Receivables	4	8,922	40,039
Prepaid expenses	5	91,667	-
		\$ 2,937,741	\$ 971,433
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Trade and other payables	6	\$ 236,648	\$ 599,772
Loans payable	7	123,365	176,482
Share subscriptions		-	924,700
		360,013	1,700,954
Shareholders' equity (deficiency)			
Share capital	8	10,022,709	6,323,978
Share-based payment reserve	8	1,390,599	1,308,010
Deficit		(8,835,580)	(8,361,509)
		2,577,728	(729,521)
		\$ 2,937,741	\$ 971,433
Nature of operations	1		
Commitments	11		
Contingency	12		
Subsequent events	14		

These financial statements are approved for issue by the Board of Directors on August 29, 2018.

They are signed on the Company's behalf by:

"Elena Tanzola", Director

"Paul Mainwaring", Director

The accompanying notes are an integral part of these Condensed Interim Financial Statements

Cipher Resources Inc.

Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited – Expressed in Canadian dollars)

		Three months ended June 30,	
		2018	2017
	Note		
Expenses			
Consulting fees		\$ 360,915	\$ 163,700
Office and administration		2,973	5,798
Professional fees		22,061	48,161
Project evaluation and business development fees	11	50,000	-
Project investigation costs		-	305,880
Rent		8,250	14,640
Transfer agent and filing fees		11,101	31,829
Travel		13,565	3,645
		(468,865)	(573,653)
Gain on settlement of trade and other payables		-	53,201
Foreign exchange		(3,323)	-
Interest expense	7	(1,883)	(11,747)
Loss and Comprehensive loss for the period		\$ (474,071)	\$ (532,199)
Basic and diluted loss per common share		\$ (0.02)	\$ (0.08)
Weighted average number of common shares outstanding		27,628,921	6,986,971

The accompanying notes are an integral part of these Condensed Interim Financial Statements

Cipher Resources Inc.Condensed Interim Statements of Cash Flows
(Unaudited – Expressed in Canadian dollars)

	Three months ended June 30,	
	2018	2017
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the period	\$ (474,071)	\$ (532,199)
Items not affecting cash:		
Gain on settlement of trade and other payables	-	(53,201)
Accrued interest	1,883	11,747
Changes in non-cash working capital items:		
Receivables	31,117	(27,310)
Prepaid expenses	(91,667)	-
Trade and other payables	(363,124)	105,588
Net cash used in operating activities	(895,862)	(495,375)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Private placement	4,177,900	770,000
Share subscriptions	(924,700)	-
Share issue costs	(396,580)	(11,880)
Restricted cash	(515,000)	-
Loans received	-	65,450
Loans repaid	(55,000)	(319,776)
Net cash provided by financing activities	2,286,620	503,794
Increase in cash during the period	1,390,758	8,419
Cash, beginning of period	931,394	28
Cash, end of period	\$ 2,322,152	\$ 8,447
Non-cash investing and financing activities		
Finders' warrants issued	\$ 82,589	\$ -
Supplementary information		
Interest paid	\$ -	\$ -
Income taxes paid	-	-

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Cipher Resources Inc.

Condensed Interim Statements of Changes in Equity (Deficiency)
(Unaudited – Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-Based Payment Reserve	Deficit	Total Shareholders' Equity (Deficiency)
Balance, March 31, 2018	12,217,690	\$ 6,323,978	\$ 1,308,010	\$ (8,361,509)	\$ (729,521)
Private placement	41,779,000	4,177,900	-	-	4,177,900
Share issue costs	-	(479,169)	82,589	-	(396,580)
Comprehensive loss for the period	-	-	-	(474,071)	(474,071)
Balance, June 30, 2018	53,996,690	\$ 10,022,709	\$ 1,390,599	\$ (8,835,580)	\$ 2,577,728

	Number of Shares	Share Capital	Share-Based Payment Reserve	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	-	(11,880)	-	-	(11,880)
Comprehensive loss for the period	-	-	-	(532,199)	(532,199)
Balance, June 30, 2017	12,217,690	\$ 6,372,443	\$ 1,281,619	\$ (7,985,735)	\$ (331,673)

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Cipher Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2018

(Unaudited – Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Cipher Resources 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.

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 June 30, 2018, the Company had working capital of \$2,062,728, not including restricted cash of \$515,000. Subsequent to June 30, 2018, the \$515,000 of restricted cash was released from escrow and the Company completed a non-brokered private placement for gross proceeds of \$601,000 (Note 14). 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 condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). The policies applied in these interim financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as at the date the Board of Directors approved these interim financial statements for issue.

These interim financial statements do not include all of the information and disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company’s annual financial statements for the year ended March 31, 2018.

Basis of Presentation

These condensed interim 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.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2018

(Unaudited – 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.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2018

(Unaudited – Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company as at and for the year ended March 31, 2018.

Adoption of new and revised standards and interpretations

The Company has adopted the new and revised standards and interpretations issued by the IASB or IFRIC listed below effective April 1, 2018. The adoption of these standards did not have a material impact on the Company's condensed consolidated interim 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.

New accounting standards and interpretations

Certain new standards, amendments to standards and interpretations are not yet effective as at June 30, 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 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.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2018

(Unaudited – Expressed in Canadian dollars)

4. RECEIVABLES

	June 30, 2018	March 31, 2018
Amounts due from the Government of Canada pursuant to input tax credits	\$ 8,922	\$ 40,039
Total	\$ 8,922	\$ 40,039

5. PREPAID EXPENSES

In May 2018, the Company entered into an agreement with a third party to provide consulting services for one year for an upfront payment of \$100,000. Accordingly, the Company recorded the amount as prepaid expenses when paid and has recorded \$8,333 as consulting fees during the three months ended June 30, 2018, leaving a remaining prepaid balance as at June 30, 2018 of \$91,667.

6. TRADE AND OTHER PAYABLES

	June 30, 2018	March 31, 2018
Accounts payable	\$ 99,168	\$ 247,731
Accrued liabilities	30,000	30,000
Amounts due to related parties (Note 9)	107,480	322,041
Total	\$ 236,648	\$ 599,772

Cipher Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2018

(Unaudited – Expressed in Canadian dollars)

7. LOANS PAYABLE

	Loan A	Loan B	Loan C	Total
Interest rate	18%	5%	0%	
Balance, March 31, 2018	\$ 10,772	\$ 110,710	\$ 55,000	\$ 176,482
Advances	-	-	-	-
Repayment	-	-	(55,000)	(55,000)
Interest	494	1,389	-	1,883
Balance, June 30, 2018	\$ 11,266	\$ 112,099	\$ -	\$ 123,365

All outstanding loans were repaid in full on July 6, 2018.

8. SHARE CAPITAL

Authorized

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

Issued and outstanding

As at June 30, 2018, the Company had 53,996,690 common shares issued and outstanding (2017 – 12,217,690). A summary of changes in share capital and reserves is contained on the condensed interim statements of changes in equity (deficiency) for the three months ended June 30, 2018 and 2017.

On May 11, 2018, the Company closed the first tranche of a non-brokered private placement through the issuance of 21,587,000 units at a price of \$0.10 per unit for gross proceeds of \$2,158,700, of which \$924,700 was received prior to the current period. The. Each unit consists of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.15 until May 11, 2021.

The Company paid finders' fees of \$184,370 in cash and issued 330,000 common share purchase warrants of the same terms as described above. The finder's warrants were valued at \$27,494. The finder's warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 2.07%; an expected volatility of 143.21%; an expected life of 3 years; a forfeiture rate of zero; and an expected dividend of zero.

Cipher Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2018

(Unaudited – Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

Issued and outstanding (continued)

On June 14, 2018, the Company closed the second and final tranche a non-brokered private placement through the issuance of 20,192,000 units at a price of \$0.10 per unit for gross proceeds of \$2,019,200. Each unit consists of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.15 until June 14, 2021.

The Company paid finders' fees of \$158,320 in cash and issued 565,920 common share purchase warrants of the same terms as described above. The finder's warrants were valued at \$55,095. The finder's warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 2.01%; an expected volatility of 145.33%; an expected life of 3 years; a forfeiture rate of zero; and an expected dividend of zero. The Company paid other share issue costs of \$53,890.

A total of 5,150,000 units were issued to Terra Capital Natural Resource Fund Pty Ltd. ("Terra Capital") as part of the private placements described above, 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. As at June 30, 2018, the escrowed proceeds of \$515,000 have been recorded as restricted cash. Subsequent to June 30, 2018, the funds were released from escrow.

Escrow shares

As at June 30, 2018, the Company has 18,750 (2017 – 18,750) common shares held in escrow.

Warrants

The continuity of warrants for the three months ended June 30, 2018 is as follows:

Expiry date	Exercise price	Balance, March 31, 2018	Issued	Exercised	Expired	Balance, June 30, 2018
May 11, 2021	\$0.15	-	21,917,000	-	-	21,917,000
June 14, 2021	\$0.15	-	20,757,920	-	-	20,757,920
		-	42,674,920	-	-	42,674,920
Weighted average exercise price	\$	-	\$ 0.15	\$	-	\$ 0.15

As at June 30, 2018, 37,524,920 warrants are exercisable as 5,150,000 were held in escrow.

Cipher Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2018

(Unaudited – Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

Stock options

The Company has a shareholder approved rolling stock option plan (the “Plan”) for senior officers, directors, employees and consultants of the Company. Under the Plan, the total outstanding stock options available for grant are limited to 10% of the outstanding common shares of the Company at any one time. The exercise price of an option shall not be less than the discounted market price at the time of granting as prescribed by the policies of the TSX-V. The maximum term of stock option is ten years from the grant date. Vesting terms are at the discretion of the Board of Directors of the Company.

The continuity of stock options for the three months ended June 30, 2018 is as follows:

Expiry date	Exercise price	Balance, March 31, 2018	Granted	Exercised	Forfeited	Balance, June 30, 2018		
December 24, 2018	\$1.00	85,000	-	-	-	85,000		
July 5, 2022	\$0.15	225,000	-	-	-	225,000 *		
		310,000	-	-	-	310,000		
Weighted average exercise price	\$	0.38	\$	-	\$	-	\$	0.38

*Expired unexercised in July 2018

9. RELATED PARTY TRANSACTIONS AND BALANCES

	For the three months ended June 30,	
	2018	2017
Consulting fees	\$ 30,000	\$ 163,700
Project evaluation and business development fees	50,000	-
Rent	8,250	-
	\$ 88,250	\$ 163,700

Consulting fees

During the three months ended June 30, 2018, the Company paid or accrued \$15,000 (2017 - \$Nil) to Golden Oak Corporate Services Ltd. (“Golden Oak”). Golden Oak is a consulting company controlled by the Corporate Secretary of the Company. Golden Oak provides the services of a Chief Financial Officer, Corporate Secretary, and accounting and administrative staff to the Company.

During the three months ended June 30, 2018, the Company paid or accrued \$15,000 (2017 - \$Nil) to the Chief Executive Officer of the Company.

Cipher Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2018

(Unaudited – Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Project evaluation and business development fees

During the three months ended June 30, 2018, the Company paid or accrued \$25,000 (2017 - \$Nil) to each of Endeavour Financial Limited (Cayman) (“Endeavour Financial”) and Cipher Research Ltd. (“Cipher Research”) to provide the Company with additional financial and technical expertise (Note 11). Endeavour Financial became a related party to the Company when on May 11, 2018, an officer of Endeavour Financial became a director of the Company. Cipher Research is controlled by an officer and director of the Company.

Amounts due to related parties

Amounts due to related parties are disclosed in Note 6. All amounts are unsecured and non-interest bearing.

10. SEGMENTED INFORMATION

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

11. COMMITMENTS

On May 5, 2018, the Company entered into agreements with each of Endeavour Financial Limited (Cayman) (“Endeavour Financial”) and Cipher Research to provide the Company with additional financial and technical expertise. Endeavour Financial and Cipher Research will conduct due diligence in connection with potential opportunities in the resource sector, including potential streams and royalties.

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 Financial 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 during that annual period, provided that the fee shall be no less than \$12,500 per month.

12. 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 June 30, 2018.

Cipher Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2018

(Unaudited – Expressed in Canadian dollars)

13. 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:

		June 30, 2018	March 31, 2018
Cash	FVTPL	\$ 2,322,152	\$ 931,394
Restricted Cash	FVTPL	515,000	-
Trade and other payables	Other financial liabilities	236,648	599,772
Loans payable	Other financial liabilities	123,365	176,482
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, restricted cash, 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.

Risk management

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended March 31, 2018.

Cipher Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2018

(Unaudited – Expressed in Canadian dollars)

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2018, the Company completed the following transactions:

- a) In August 2018, the Company closed a non-brokered private placement through the issuance of 6,010,000 units at a price of \$0.10 per unit for gross proceeds of \$601,000. 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 \$31,680 in cash and issued 316,800 common share purchase warrants of the same terms as described above;
- b) In August 2018, \$515,000 of restricted cash was released from escrow (Note 8);
- c) In July 2018, the Company repaid all its outstanding loans in full (Note 7); and
- d) In July 2018, 225,000 options expired unexercised (Note 8).