April 20, 2017

Independent Auditor's Report

To the Shareholders of
Crystal Peak Minerals Inc.

We have audited the accompanying consolidated financial statements of Crystal Peak Minerals Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crystal Peak Minerals Inc. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast substantial doubt about Crystal Peak Minerals Inc. and its subsidiaries' ability to continue as a going concern.

Chartered Professional Accountants, Licensed Public Accountants

CRYSTAL PEAK MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2016 and 2015

April 20, 2017

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying audited consolidated financial statements (the "Financial Statements") of Crystal Peak Minerals (the "Company") are the responsibility of the Company's Board of Directors and management. These Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the Financial Statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. In the opinion of management, the Financial Statements have been prepared within acceptable limits of materiality and are consistent with IFRS appropriate in the circumstances.

Management has established processes that are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that: (i) the Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the Financial Statements; and (ii) the Financial Statements fairly present in all material respects the Company's financial condition, results of operations, and cash flows, as of the date of, and for the period presented by, the Financial Statements.

The Board of Directors is responsible for reviewing and approving the Financial Statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process, the Financial Statements, and the auditors' report. The Audit Committee also reviews the Company's Management Discussion and Analysis to ensure that the financial information reported therein is consistent with the information presented in the Financial Statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the Financial Statements for issuance to the shareholders.

Management recognizes its responsibility for conducting CPM's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

[/s/ Lance D'Ambrosio]	*[/s/ Blake Measom]*
Lance D'Ambrosio, CEO	Blake Measom, CFO

Crystal Peak Minerals Inc.
(An Exploration-Stage Entity)
Consolidated Statements of Financial Position
As at December 31, 2016 and 2015
(Expressed in US Dollars)

As at		December 31, 2016		December 31, 2015
ASSETS				
Current				
Cash and cash equivalents	$	5,900,798	$	2,566,557
Receivables (Note 4)		26,864		23,544
Prepaid expenses		15,000		20,450
		5,942,662		2,610,551
Non-current				
Property, plant and equipment (Note 5)		142,470		193,730
Interest in mineral properties (Note 6)		53,816,347		46,874,219
Investment in associate (Note 7)		6,121,200		6,108,069
	$	**66,022,679**	**$**	**55,786,569**
LIABILITIES				
Current				
Trade and other payables (Note 8)	$	1,371,909	$	758,635
Interest payable (Note 9)		-		489,074
Current portion of borrowings (Note 9)		-		3,075,000
		1,371,909		4,322,709
Non-current				
Borrowings (Note 9)		-		125,000
Repurchase obligation (Note 9)		685,648		380,230
Provisions (Note 10)		203,460		208,905
		2,261,017		5,036,844
Shareholders' Equity				
Voting common shares (Note 11)		73,297,794		56,956,533
Non-voting common shares (Note 11)		906,574		906,574
Share purchase warrants (Note 11)		37,717		1,265,898
Contributed surplus		6,311,022		6,004,673
Accumulated deficit		(16,301,579)		(14,455,064)
Foreign Currency Translation Reserve (Note 19)		(489,866)		71,111
		63,761,662		50,749,725
	$	**66,022,679**	**$**	**55,786,569**

Nature of Operations and Going Concern (Note 1)

These audited consolidated statements are authorized for issue by the Board of Directors on April 20, 2017, and signed on the Company's behalf by:

/s/ Theodore Botts	*/s/ De Lyle Bloomquist*
Theodore Botts, Director	De Lyle Bloomquist, Director

The accompanying notes are an integral part of these Financial Statements.

Crystal Peak Minerals Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended December 31, 2016 and 2015
(Expressed in US Dollars)

	Year Ended	
	December 31, 2016	**December 31, 2015**
EXPENSES (Note 15)		
General and administrative	$ 846,063	$ 822,766
Depreciation	5,763	8,551
Investor relations	175,516	161,932
Professional fees	604,793	425,586
Share-based compensation	249,725	153,716
	(1,881,860)	(1,572,551)
OTHER ITEMS		
Interest income	15,350	6,690
Finance expenses (Note 12)	(442,752)	(652,479)
Net income of equity method investee (Note 7)	12,456	11,897
Foreign exchange gain (loss) (Note 19)	450,183	(661,487)
Gain (loss) on disposal of asset	108	(245)
Net loss before income taxes	(1,846,515)	(2,868,175)
Income tax (Note 13)	-	-
Net loss for the year	(1,846,515)	(2,868,175)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment	(560,977)	490,486
Comprehensive loss for the year	$ (2,407,492)	$ (2,377,689)
Basic and diluted loss per share (Note 14)	$ (0.01)	$ (0.02)
Weighted average number of shares outstanding	176,965,127	132,359,925

The accompanying notes are an integral part of these Financial Statements.

Crystal Peak Minerals Inc.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2016 and 2015
(Expressed in US Dollars)

	Voting common	Non-voting common	Share purchase warrants	Contributed surplus	Accumulated deficit	Foreign Currency Translation Reserve	Total shareholders' equity
Balance as at January 1, 2016	**$ 56,956,533**	**$ 906,574**	**$ 1,265,898**	**$ 6,004,673**	**$ (14,455,064)**	**$ 71,111**	**$ 50,749,725**
Foreign currency translation adjustment	-	-	-	-	-	(560,977)	(560,977)
Net loss for the year ended December 31, 2016	-	-	-	-	(1,846,515)	-	(1,846,515)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(1,846,515)**	**(560,977)**	**(2,407,492)**
Share-based compensation	-	-	-	269,148	-	-	269,148
Equity issued pursuant to private placement	4,090,537	-	-	-	-	-	4,090,537
Equity issued pursuant to warrants exercised	12,814,475	-	(1,269,669)	-	-	-	11,544,806
Share issue costs	(563,751)	-	78,689	-	-	-	(485,062)
Expiry of warrants	-	-	(37,201)	37,201	-	-	-
Balance as at December 31, 2016	**$ 73,297,794**	**$ 906,574**	**$ 37,717**	**$ 6,311,022**	**$ (16,301,579)**	**$ (489,866)**	**63,761,662**
Balance as at January 1, 2015	**$ 50,355,674**	**$ 906,574**	**$ 74,918**	**$ 5,830,517**	**$ (11,586,889)**	**$ (419,375)**	**$ 45,161,419**
Foreign currency translation adjustment	-	-	-	-	-	490,486	$ 490,486
Net loss for the year ended December 31, 2015	-	-	-		(2,868,175)	-	$ (2,868,175)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(2,868,175)**	**490,486**	**$ (2,377,689)**
Share-based compensation	-	-	-	174,156	-	-	174,156
Equity issued pursuant to private placement	7,036,983	-	1,269,669	-	-	-	8,306,652
Share issue costs	(436,124)	-	(78,689)	-	-	-	(514,813)
Balance as at December 31, 2015	**$ 56,956,533**	**$ 906,574**	**$ 1,265,898**	**$ 6,004,673**	**$ (14,455,064)**	**$ 71,111**	**$ 50,749,725**

The accompanying notes are an integral part of these Financial Statements.

Crystal Peak Minerals Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015
(Expressed in US Dollars)

	Year Ended	
	December 31, 2016	December 31, 2015
OPERATING ACTIVITIES		
Net loss before income tax	$ (1,846,515)	$ (2,868,175)
Adjustments for:		
Depreciation	5,763	8,551
Share-based compensation	249,725	153,716
Finance Expense (Note 12)	442,752	652,479
Net income of equity method investee	(12,456)	(11,897)
Loss (gain) on disposal of asset	(108)	245
Foreign currency gain (Note 19)	(360,192)	652,812
Changes in working capital:		
Receivables (Note 4)	(3,320)	12,672
Prepaid expenses	5,450	30,881
Trade and other payables	108,024	37,157
Operating cash flows before interest and income taxes	(1,410,877)	(1,331,559)
Interest Paid	(567,141)	(124,835)
Net cash used in operating activities	**(1,978,018)**	**(1,456,394)**
INVESTING ACTIVITIES		
Increase in restricted cash	-	12
Additions to property, plant and equipment	(24,438)	(54,884)
Proceeds from disposal of asset	300	-
Additions to mineral properties	(6,344,908)	(4,399,308)
Net cash used in investing activities	(6,369,046)	(4,454,180)
FINANCING ACTIVITIES		
Proceeds from private placement (Note 11)	4,090,537	8,306,652
Proceeds from exercise of Warrants (Note 11)	11,544,806	-
Repayment of Borrowings (Note 9)	(3,200,000)	-
Share issue costs (Note 11)	(485,062)	(514,813)
Net cash provided by financing activities	11,950,281	7,791,839
Net change in cash and cash equivalents	3,603,217	1,881,265
Effect of exchange rate changes in foreign cash	(268,976)	(117,290)
Cash and cash equivalents, beginning of year	2,566,557	802,582
Cash and cash equivalents, end of year	$ 5,900,798	$ 2,566,557

The accompanying notes are an integral part of these Financial Statements.

Note 1. Nature of Operations and Going Concern

Crystal Peak Minerals Inc. ("CPM" or the "Company") is a public company listed on the TSX Venture Exchange. CPM's common shares trade on the TSX Venture Exchange under the symbol "CPM". CPM's common shares also trade on the OTCQX International under the symbol "CPMMF". CPM is domiciled in the Yukon Territory, Canada, and the address of its registered office is 200 – 204 Lambert Street, Whitehorse, Yukon Territory, Y1A 3T2.

CPM, together with its subsidiaries, operates an exploration-stage entity focused on the development, construction and operation of a potassium sulfate ("SOP") project on the Sevier Playa in southwestern Utah (the "Sevier Playa Project"). CPM is currently engaged in engineering, permitting, and financing activities on its Sevier Playa Project with the objective of providing a feasibility study and reserve estimates in accordance with the standards of Canadian National Instrument 43-101, *Standards of Disclosure for Mineral Projects*. CPM completed a preliminary feasibility study (the "PFS") on the Sevier Playa Project in November 2013; however, although a PFS has been completed, no claim for mineral reserves has been made at this time pending additional testing being conducted during the Sevier Playa Project's feasibility study phase.

These consolidated financial statements (the "Financial Statements") are prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern. These standards assume CPM will be able to continue to operate for the foreseeable future, realize its assets, and settle its liabilities in the normal course of operations. The use of these principles may ultimately be inappropriate since there are material uncertainties that may cast significant doubt about CPM's ability to continue as a going concern given its history of losses, accumulated deficit, limited operating history in the fertilizer sector, and dependence upon future financing. CPM's future is currently dependent upon its ability to obtain sufficient cash from external financing and related parties in order to fund its liabilities, ongoing feasibility study work and ultimate project development and construction. Management continues to pursue financing alternatives in connection with the evaluation and development of the Sevier Playa Project. Although CPM has been successful in raising funds in prior reporting periods, there can be no assurance that the steps management is taking, and will continue to take, will be successful in future reporting periods. If the going concern basis were not appropriate, material adjustments may be necessary in the carrying amounts and/or classification of assets and liabilities and losses reported in these Financial Statements.

Note 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented.

Basis of Preparation

These Financial Statements have been prepared in compliance with IFRS as issued by the International Accounting Standards Board ("IASB") and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting. Further, the Financial Statements have been prepared, primarily, under the historical cost convention.

These Financial Statements include the Company's accounts and those of its wholly owned subsidiary, Peak Minerals Canada Limited ("Peak Minerals Canada"). Peak Minerals Canada's accounts include those of its wholly owned United States (U.S.) subsidiary, Peak Minerals Inc. ("Peak Minerals"). All intercompany accounts and transactions have been eliminated on consolidation. All amounts, unless specifically indicated otherwise, are presented in U.S. dollars.

These Financial Statements were authorized for issuance on April 20, 2017 by the Board of Directors.

Changes in Accounting Policy and Disclosures

New Standards and Interpretations Not Yet Adopted

The following standard is effective for annual periods beginning after January 1, 2018, and has not yet been applied in preparing these Financial Statements:

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7, *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. This standard becomes effective for annual periods beginning on or after January 1, 2018, and management does not currently anticipate the early adoption of the standard.

IAS 7 requires an entity to present a statement of cash flows as an integral part of its primary financial statements. Cash flows are classified and presented into operating activities (either using the "direct" or "indirect" method), investing activities and financing activities, with the latter two categories generally presented on a gross basis. The amendments require additional disclosures with respect to changes in liabilities arising from financing activities. It is effective for annual periods beginning on or after January 1, 2017. The Company is currently assessing the impact of adopting IAS 7 Amendment on the consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16 which supersedes existing standards and interpretations under IAS 17, Leases. IFRS 16 requires all leases, including financing and operating leases, to be reported on a company's balance sheet. The new standard will provide greater transparency on a company's lease assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 16 on the consolidated financial statements.

In January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 12 to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments are effective from 1 January 2017.

IFRS 2 will be amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes. Effective for years beginning on/after January 1, 2018.

Consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Segment Reporting

The Company currently has only one operating segment as the Company�s operating results are reviewed on a consolidated basis. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Chief Executive Officer.

Foreign Currency Translation

Presentation and Functional Currency

These financial Statements are presented in the U.S. Dollar. The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. In the case of the Company and Peak Minerals Canada, the functional currency is the Canadian dollar (�C$�). In the case of Peak Minerals, the functional currency is the U.S. dollar.

Transactions and Balances

Transactions that occur in a foreign currency are translated recorded into the functional currency of each group entity using the exchange rates prevailing at the date of the transaction. For reporting purposes, monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate as at the date of the Consolidated Statement of Financial Position. Nonmonetary items are not retranslated as at the date of the Consolidated Statement of Financial Position, but remain translated at historical cost using the exchange rate as at the date of the original transaction. Foreign exchange gains that result from the settlement of transactions and the translation of monetary assets and liabilities are recognized in the Consolidated Statement of Loss.

Translation of Foreign Operations

In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, Company entities and operations whose functional currencies differ from the presentation currency are translated into U.S. dollars as follows:

- assets and liabilities are translated at the closing rate as at the date of the Consolidated Statement of Financial Position;
- income and expenses are translated at the average rate of exchange for the reporting period;
- translation gains are recognized in consolidated other comprehensive income and are accumulated in the translation reserve within equity; and
- upon disposal of a foreign subsidiary, the cumulative amount of the exchange differences relating to that foreign subsidiary, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit and loss (as a reclassification adjustment) when the gain or loss on disposal is recognized.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The costs of property, plant, and equipment are composed of purchase price plus all costs directly attributable to bringing the assets to the location and condition necessary for their intended operation. Property, plant, and equipment are depreciated to their estimated residual value over their useful lives, beginning in the month following completion of the capital spending on a

project or the month following the time when the assets become available for use. The Company depreciates its property, plant, and equipment on a straight-line basis as follows:

Computers and equipment	2-5 years
Furniture and fixtures	2-5 years
Project equipment	2-5 years
Buildings	35 years

Interest in Mineral Properties

All costs related to the acquisition, exploration, evaluation, and development of mineral properties are capitalized by property where there is an expectation that the costs will be recovered. These costs are capitalized until the beginning of commercial production and will be subsequently amortized on a unit-of-production basis over the total reserves or will be written down to the recoverable amount if exploration and evaluation activities prove unsuccessful, if the mineral property is abandoned, or if the costs are no longer recoverable.

These capitalized activities include:

- acquisition of property rights or rights to explore, including all ongoing ownership costs;
- researching and analyzing historical exploration and evaluation data;
- gathering exploration data through topographical, geochemical, and geophysical studies;
- exploratory drilling, trenching, and sampling;
- determining and examining the volume and grade of the resources;
- surveying transportation and infrastructure requirements;
- field operations and expenditures;
- project permitting;
- deprecation on certain project related equipment, and assets;
- ARO accretion;
- borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset;
- environmental rehabilitation obligations; and
- activities involved in evaluating the technical and commercial feasibility of extracting mineral resources, including the costs incurred in determining the most appropriate mining and processing methods.

Impairment of Non-financial Assets

Assets that are subject to depreciation and/or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Interests in mineral properties are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of the asset's fair value less any costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) which is the Company as a whole. Impairment losses are recognized in the Consolidated Statement of Loss.

An impairment loss is reversed if there is an indication that the impairment no longer exists or may have decreased. Such a reversal is limited to an amount not higher than the carrying amount that would have been determined had no impairment loss been recognized in previous periods.

Investment in Associate

Associates represent investments in entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting whereby the investment is initially recognized in the Consolidated Statement of Financial Position at cost and subsequently adjusted for the Company's share of an associate's profit less any impairment in the value of the investment. The investment's carrying value is increased or decreased by the Company's proportionate share of the profit

or loss of the associate and decreased by all dividends received by the Company from the associate. The Company's share of profit of an associate is recognized in the Consolidated Statement of Loss and its share of other comprehensive income of an associate is included in other comprehensive income. Losses in excess of the Company's interest in an associate are recognized only to the extent that the Company has incurred legal or constructive obligations on behalf of the associate.

Financial Assets

Classification

Financial assets are classified into one of the following categories: at fair value through profit and loss; loans and receivables; and, available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss 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. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise they are classified as non-current.

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 after the end of the reporting period which are classified as non-current assets. The Company's loans and receivables comprise "receivables" and "cash and cash equivalents" in the balance sheet.

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Company currently has no financial assets classified in this category.

Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the Consolidated Statement of Loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the Consolidated Statement of Loss within "other items" in the period in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the Consolidated Statement of Loss.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the Consolidated Statement of Loss as part of finance income. Dividends on available-for-sale equity instruments are recognized in the Consolidated Statement of Loss as part of other income when the Company's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of the Company's default, insolvency or bankruptcy.

Impairment of Financial Assets

At each reporting date, the carrying amounts of the Company's financial assets are reviewed for impairment when there is objective evidence of impairment. For debt securities, objective evidence may include a debtor experiencing significant financial difficulty, default, or delinquency in payments and when observable data indicate that there is a measurable decrease in the estimated future cash flows. For equity securities, objective evidence may include a significant or prolonged decline in the fair value of the security below its cost. If such evidence exists, the Company recognizes an impairment loss as follows:

- Financial assets carried at amortized cost – the impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

- Available-for-sale financial assets – the impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the Consolidated Statement of Loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net loss.

Impairment losses on financial instruments carried at amortized cost can be reversed if the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment loss was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

The Company reviews its investment in associate for impairment whenever events or changes in circumstances indicate that the recoverable amount (higher of value in use and fair value less costs of disposal) may be greater than the carrying amount of the investment. In determining the value in use of the investment, the Company estimates:

- its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

- the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Financial Liabilities

<u>Classification</u>

Financial liabilities are classified into one of the following categories: at fair value through profit and loss; and, other financial liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category if incurred principally for the purpose of repurchasing in the short term. Liabilities in this category are classified as current liabilities if expected to be settled within 12 months; otherwise they are classified as non-current.

Other financial liabilities at amortized cost are non-derivative financial liabilities not classified as held for trading. They are included in current liabilities, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current liabilities. The Company's other financial liabilities comprise "trade payables" and "borrowings" in the balance sheet.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost with the difference between the proceeds (net of transaction costs) and the redemption value being recognized in the Consolidated Statement of Loss over the term of the borrowings using the effective interest method.

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Compound Financial Instruments

Compound financial instruments issued by the Company comprise borrowings that have both a liability and equity component, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at fair value. The equity component is recognized as the difference between the proceeds received from the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Repurchase Obligation

As part of the May 2, 2014 financing transaction (See Note 9), the Company agreed to pay the lenders a production fee based on future production of SOP; however, the production fee agreement may be repurchased by the Company at any time for a specified amount based on the timing of repayment of the loan.

The Company intends to repurchase the production fee agreement just prior to beginning commercial production, because (a) the Company has a present obligation as a result of past events, (b) it is probable that an outflow of resources will be required to settle the obligation, and (c) the amount can be reliably estimated. The Company has recorded a repurchase obligation for the production fee repurchase agreement.

The amount recorded for the repurchase obligation has been measured at the present value of the expenditure expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Increases in the repurchase obligation due to the passage of time are recognized as finance expenses.

Environmental Rehabilitation Obligations

Environmental rehabilitation obligations arise from the exploration, evaluation, development, construction, and normal operation of mining property, plant, and equipment as mining activities are subject to various laws and regulations governing the protection of the environment. Generally, these laws and regulations are continually changing, and management has made, and intends to continue to make, expenditures to comply with such laws and regulations.

The Company records the estimated present value of rehabilitation obligations in the year in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The liability is reviewed and adjusted each period for changes in the discount rates and in the estimate of the amount, timing, and cost of the rehabilitation work to be carried out. Changes in the resulting liability are adjusted against the carrying amount of the related asset.

Share-based Compensation

The Company operates an equity-settled, share-based compensation plan, under which the Company receives services from employees, officers, directors, and consultants as consideration for equity options. The fair value of common share options granted is recognized as a share-based compensation expense or capitalized to the mineral property for employees dedicated to the exploration, evaluation, and development of mineral properties, with a corresponding increase in contributed surplus. The fair value is measured using the Black-Scholes option-pricing model as at the grant date and is recognized over the vesting period using a graded (accelerated) amortization schedule. At each financial reporting date, the share-based compensation expense is adjusted to reflect the actual number of common share options that are expected to vest.

Upon exercise of a common share option, the consideration received is credited to share capital along with the contributed surplus previously recognized.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the Consolidated Statement of Loss except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

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

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill; and deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined on a nondiscounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities within the Consolidated Statement of Financial Position.

Comprehensive Loss

Comprehensive loss, composed of net loss and other comprehensive loss, is defined as the change in shareholders' equity from transactions and other events from non-owner sources and includes such things as cumulative foreign translation adjustments. The components of comprehensive loss are disclosed in the Consolidated Statement of Comprehensive Loss. Cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss within equity attributable to the Company's owners. Foreign translation adjustments are accumulated within the translation reserve.

Basic and Diluted Earnings per Share

Basic earnings per common share is calculated by dividing the net earnings from operations by the weighted-average number of common shares outstanding for the period. Diluted per-share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. In a loss-making year, potentially dilutive common shares are excluded from the loss per-share calculation as the effect would be antidilutive.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to expense over the period of the lease

Note 3. Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Significant estimates and judgments made by management relate to the following:

Impairments

The determination of asset impairment indicators for property, plant, and equipment, mineral properties, and investments requires judgment regarding variables such as expected future cash flows and reasonable discount rates. The determination of the commercial viability and economic recoverability of the Company's mineral property interests and evaluation and exploration costs requires judgment based on current and expected data as well as expectations of future events that are believed to be reasonable under the circumstances.

The Company's impairment analysis for its investment in mineral property on the Sevier Playa Project was based on significant estimates and judgments as contained in the PFS, which was filed on November 18, 2013. The PFS, which investigated both technical and economic aspects of the Sevier Playa Project, established important estimates and assumptions for annual production rates, mine life, capital and operating costs, product pricing, and effective tax rates. Actual annual production rates, mine life, capital and operating costs, product pricing, and effective tax rates may differ from those contained in the PFS and estimated by management, thereby affecting the value of the Sevier Playa Project.

Environmental Obligations

The determination of provisions for environmental rehabilitation and reclamation obligations arising from the Company's exploration, evaluation, development, construction, and operating activities requires the use of estimates and management judgment. Future rehabilitation costs in relation to changes in estimates are accrued based on management's best estimate at the end of each period of the discounted cash costs expected to be incurred. Accounting for rehabilitation obligations requires

management to make estimates of the future costs the Company will incur to complete the rehabilitation work required to comply with existing laws and regulations. These estimates are dependent upon labor and materials costs, known environmental impacts, the effectiveness of rehabilitation measures, inflation rates, and pre-tax interest rates that reflect a current market assessment of time value of money and the risk specific to the obligation. The Company also estimates the timing of the outlays, which is subject to change depending on continued exploitation and newly discovered mineral resources.

Actual rehabilitation costs incurred may differ from those amounts estimated by management. Moreover, future changes to environmental laws and regulations could increase the extent of rehabilitation work required to be performed by the Company, therefore increasing future costs.

Fair value of Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgment to select a variety of methods and makes assumptions that are based on market conditions. The Company has used discounted cash flow analyses to determine the initial fair value of borrowings and subsequent valuation of the repurchase obligation.

The Company had no material changes in accounting estimates during the reporting period that are expected to have an effect on future periods.

Note 4. Receivables

Trade and other receivables consist of:

As at	December 31, 2016	December 31, 2015
Tax-related receivables	26,864	23,544
	$ 26,864	$ 23,544

Note 5. Property Plant, and Equipment

The property, plant, and equipment balance consists of:

	Computers & Equipment	Furniture & Fixtures	Project Equipment	Buildings	Total
As at January 1, 2015					
Cost	$ 31,583	$ 20,091	$ 297,359	$ 98,187	$ 447,220
Accumulated depreciation	(23,191)	(14,939)	(180,320)	(9,308)	(227,758)
Net book amount	**$ 8,392**	**$ 5,152**	**$ 117,039**	**$ 88,879**	**$ 219,462**
Year ended December 31, 2015					
Opening net book amount	$ 8,392	$ 5,152	$ 117,039	$ 88,879	$ 219,462
Additions	888		54,796	-	55,684
Disposals	(800)	-	-	-	(800)
Depreciation	(5,062)	(2,933)	(69,789)	(2,805)	(80,589)
Exchange differences		-	(27)	-	(27)
Closing net book amount	**$ 3,418**	**$ 2,219**	**$ 102,019**	**$ 86,074**	**$ 193,730**
As at December 31, 2015					
Cost	$ 31,671	$ 20,091	$ 352,128	$ 98,187	$ 502,077
Accumulated depreciation	(28,253)	(17,872)	(250,109)	(12,113)	(308,347)
Net book amount	**$ 3,418**	**$ 2,219**	**$ 102,019**	**$ 86,074**	**$ 193,730**
As at January 1, 2016					
Cost	$ 31,671	$ 20,091	$ 352,128	$ 98,187	$ 502,077
Accumulated depreciation	(28,253)	(17,872)	(250,109)	(12,113)	(308,347)
Net book amount	**$ 3,418**	**$ 2,219**	**$ 102,019**	**$ 86,074**	**$ 193,730**
Year ended December 31, 2016					
Opening net book amount	$ 3,418	$ 2,219	$ 102,019	$ 86,074	$ 193,730
Additions	4,050	10,694	9,694	-	24,438
Disposals	(192)	-	-	-	(192)
Depreciation	(2,490)	(3,272)	(66,939)	(2,805)	(75,506)
Closing net book amount	**$ 4,786**	**$ 9,641**	**$ 44,774**	**$ 83,269**	**$ 142,470**
As at December 31, 2016					
Cost	$ 35,529	$ 30,785	$ 361,822	$ 98,187	$ 526,323
Accumulated depreciation	(30,743)	(21,144)	(317,048)	(14,918)	(383,853)
Net book amount	**$ 4,786**	**$ 9,641**	**$ 44,774**	**$ 83,269**	**$ 142,470**

During the year ended December 31, 2016, the Company recognized depreciation of $75,506 (year ended December 31, 2015 – $80,589), of which $5,763 (year ended December 31, 2015 – $8,551) was recognized as expense in the Consolidated Statement of Loss and $ 69,743 (year ended December 31, 2015 –$72,038) was capitalized in interest in mineral properties.

Note 6. Interest in Mineral Properties

The interest in mineral properties balance consists of:

	Acquisition costs	Planning and design	Field operations and expenses	Legal costs and environmental obligations	Technical reports and permitting activities	Total
As at December 31, 2015						
Cost	$ 22,480,628	$ 654,167	$ 9,022,229	$ 1,150,588	$ 8,631,650	$ 41,939,262
Accumulated amortization and impairment	-	-	-	-	-	-
Net book amount	**22,480,628**	**654,167**	**9,022,229**	**1,150,588**	**8,631,650**	**41,939,262**
Year ended December 31, 2015						
Opening net book amount	22,480,628	654,167	9,022,229	1,150,588	8,631,650	41,939,262
Additions	387,361	2,135	1,023,993	46,929	3,530,301	4,990,719
Exchange differences	(55,762)	-	-	-	-	(55,762)
Closing net book amount	**22,812,227**	**656,302**	**10,046,222**	**1,197,517**	**12,161,951**	**46,874,219**
As at December 31, 2015						
Cost	22,812,227	656,302	10,046,222	1,197,517	12,161,951	46,874,219
Accumulated amortization and impairment	-	-	-	-	-	-
Net book amount	**$ 22,812,227**	**$ 656,302**	**$ 10,046,222**	**$ 1,197,517**	**$ 12,161,951**	**$ 46,874,219**

	Acquisition costs	Planning and design	Field operations and expenses	Legal costs and environmental obligations	Technical reports and permitting activities	Total
As at January 1, 2016						
Cost	$ 22,812,227	$ 656,302	$ 10,046,222	$ 1,197,517	$ 12,161,951	$ 46,874,219
Accumulated amortization and impairment	-	-	-	-	-	-
Net book amount	**22,812,227**	**656,302**	**10,046,222**	**1,197,517**	**12,161,951**	**46,874,219**
Year ended December 31, 2016						
Opening net book amount	22,812,227	656,302	10,046,222	1,197,517	12,161,951	46,874,219
Additions	503,137	2,499	1,067,095	101,266	5,259,217	6,933,214
Exchange differences	8,914	-	-	-	-	8,914
Closing net book amount	**23,324,278**	**658,801**	**11,113,317**	**1,298,783**	**17,421,168**	**53,816,347**
As at December 31, 2016						
Cost	23,324,278	658,801	11,113,317	1,298,783	17,421,168	53,816,347
Accumulated amortization and impairment	-	-	-	-	-	-
Net book amount	**$ 23,324,278**	**$ 658,801**	**$ 11,113,317**	**$ 1,298,783**	**$ 17,421,168**	**$ 53,816,347**

Note 7. Investment in Associate

In 2011, Peak Minerals acquired a 40% interest in Emerald Peak Minerals, LLC (“Emerald Peak”) by contributing to equity certain Emerald Peak notes it held. Emerald Peak is a privately held company and is domiciled in Utah, U.S. Lance D’Ambrosio, the Company’s Chief Executive Officer and a director, and the estate of Jeff Gentry (a former director), own the remaining 60% of Emerald Peak. The Company’s investment in Emerald Peak is accounted for using the equity method. On April 18, 2011, Peak Minerals entered into an agreement (the “Commercial Agreement”) with Emerald Peak, whereby both parties agreed to commit the acreage associated with the Emerald Peak state leases to development and operation by Peak Minerals. Emerald Peak will make no payments for the development of these state leases and will receive no net revenues from the production from these state leases – all revenues and costs incurred under the Emerald Peak Agreement will be for the benefit of Peak Minerals. The contract commits Peak Minerals to pay Emerald Peak the greater of $40,000 per year or a 7.5% overriding royalty on all SOP production allocated to the state leases and stipulates that Peak Minerals will be the designated unit operator upon the approval of a unitization agreement between Emerald Peak, Peak Minerals, a third party, LUMA Minerals, LLC, (“LUMA”), the U.S. Bureau of Land Management (“BLM”), and the State Institutional Trust Lands Administration (“SITLA”).

The Company’s share of net income from Emerald Peak Minerals is summarized below:

Investment as at January 1, 2015	**$ 6,100,401**
Share of net income	11,897
Effects of foreign currency translation	(4,229)
Investment as at December 31, 2015	**$ 6,108,069**
Share of net income	12,456
Effects of foreign currency translation	675
Investment as at December 31, 2016	**$ 6,121,200**

Emerald Peak’s summarized balance sheet as at December 31, 2016, and December 31, 2015, is included below:

As at	**December 31, 2016**	**December 31, 2015**
Current		
Cash and cash equivalents	$ 10,771	$ 5,276
Total current assets	10,771	5,276
Trade and other payables	-	-
Total current liabilities	-	-
Non-current		
Interest in mineral properties	1,291,775	1,266,131
Net assets	1,302,546	1,271,407
Crystal Peak Minerals Ownership interest (40%)	521,018	508,563
Fair value increment on acquisition of interest, net of foreign currency effects	5,600,182	5,599,506
Carrying value of investment	**$ 6,121,200**	**$ 6,108,069**

Emerald Peak's summarized income for the years ended December 31, 2016 and December 31, 2015, is included below:

	Year Ended	
	December 31, 2016	**December 31, 2015**
Revenue	$ 40,000	$ 40,000
Profit from operations	31,139	29,743
Total income	$ 31,139	$ 29,743

Note 8. Trade and Other Payables

Trade and other payables consist of:

As at	December 31, 2016	December 31, 2015
Trade payables	$ 1,125,337	$ 599,417
Social security and other taxes payable	16,388	14,030
Accrued expenses	230,184	145,188
	$ 1,371,909	$ 758,635

Note 9. Borrowings and related Financial Liabilities

The borrowings and related financial liabilities balance consists of:

As at	December 31, 2016	December 31, 2015
Borrowings	$ -	$ 3,200,000
Interest Payable	-	489,074
Repurchase obligation	685,648	380,230
Total	**$ 685,648**	**$ 4,069,304**

On May 2, 2014, CPM entered into a secured credit agreement with Extract Advisors, LLC and its affiliate, Extract Capital LP (together "Extract"), for a $2,500,000 loan (the "Extract Loan"). In addition, CPM entered into a secured credit agreement with certain directors (the "Financing Directors") for a $700,000 loan (the "Director Loans" and collectively with the Extract Loan, the "Financing").

The Extract Loan had a term of 60 months, with 95% of the outstanding principal and interest coming due on May 2, 2016, and had interest at a variable rate equal to the US dollar 12-month LIBOR plus 650 basis points ("bps") per annum. At CPM's option, it elected to defer monthly interest and instead paid interest at the time of maturity at a rate equal to the US dollar 12-month LIBOR plus 850 bps. LIBOR had a minimum of 200 bps for the purposes of the interest rate calculations.

Additionally, CPM issued to Extract 1,500,000 common shares and 750,000 common share purchase warrants (the "Extract Warrants"). The Extract Warrants have an exercise price of C$0.36 per common share and are exercisable until May 2, 2019. CPM also provided Extract with a production fee of $1.70/tonne of production of SOP. The production fee may be repurchased

at any time by CPM for $1,500,000. CPM estimated the current value of this obligation to be $685,648 at December 31, 2016 (December 31, 2015 - $380,230) based on an anticipated repayment date of August of 2019.

The Director Loans had a term of 24 months, maturing on May 2, 2016. Interest accrued monthly in arrears and was computed on a monthly basis at a variable rate equal to the US dollar 1-month LIBOR plus 175 bps ("Director's Rate") plus 850 bps per annum. The Director's Rate had a minimum of 200 bps for the purposes of the interest rate calculations. Additionally, CPM issued the Financing Directors an aggregate of 1,050,000 common share purchase warrants (the "Director Warrants"). The Director Warrants had an exercise price of C$0.36 per common share and expired on May 2, 2016 unexercised. The compensation expenses accumulated within the share purchase warrant were reclassified to the contributed surplus reserve upon expiry.

The fair value of the repurchase obligation for the production fee arrangement was calculated using a discounted cash flows analysis with a discount rate of 62.5% and is within level 3 of the fair value hierarchy. The equity component of the Financing were recognized as the difference between the proceeds received from the Financing and the fair value of the liability component. Transaction costs of $359,182 were allocated to the liability and equity components in proportion to their initial carrying amounts.

All of the $3,200,000 borrowings and interest under the Financings were repaid in May 2016 and the security was released.

Note 10. Provisions

In connection with the Company's exploration and drilling activities on its Sevier Playa Project, the Company has an obligation to remediate the impact of these activities.

Balance as at January 1, 2015	**$**	**234,888**
Reductions		(28,797)
Accretion		2,814
Expenditures incurred		-
Balance as at December 31, 2015	**$**	**208,905**
Reductions		(8,353)
Accretion		2,908
Expenditures incurred		-
Balance as at December 31, 2016	**$**	**203,460**

Note 11. Share Capital

Authorized

CPM authorized capital consists of unlimited voting common shares without par value, unlimited non-voting common shares without par value and unlimited preference shares without par value.

Voting and non-voting common shares

	Number of shares issued		Share capital	
	Voting common	Non-voting common	Voting common	Non-voting common
Balance as at December 31, 2014	**111,933,942**	**2,791,947**	**$ 50,355,674**	**$ 906,574**
Equity issued pursuant to private placement	34,516,129	-	7,036,983	-
Share issue costs	-	-	(436,124)	-
Balance as at December 31, 2015	**146,450,071**	**2,791,947**	**$ 56,956,533**	**$ 906,574**
Equity issued pursuant to private placement	12,620,331	-	4,090,537	-
Equity issued pursuant to warrants exercise	34,516,129	-	12,814,475	-
Share issue costs	-	-	(563,751)	-
Balance as at December 31, 2016	**193,586,531**	**2,791,947**	**$ 73,297,794**	**$ 906,574**

On May 29, 2015, CPM closed a private placement with EMR Capital Resources Fund 1, LP (EMR), pursuant to which CPM issued EMR 34,516,129 units at C$0.30 per unit for gross proceeds of $8,306,652 (C$10,354,839), with each unit being comprised of one common share and one common share purchase warrant (the EMR Warrants). Each of the 34,516,129 EMR Warrants entitled EMR to subscribe for one common share at a price of C$0.4243 per common share until May 29, 2017. The allocated fair value of the common shares was $7,036,983. CPM incurred transaction costs totaling $514,813, of which $436,124 was allocated to common shares and $78,689 was allocated to the EMR Warrants. The transaction costs included a 4% success fee of $332,267 paid to an advisor, as well as legal and other professional fees.

On May 3, 2016, EMR exercised the 34,516,129 EMR Warrants at C$0.4243 per common share for gross proceeds of $11,544,806 (C$14,645,194). The allocated fair value of the EMR Warrants was $1,269,669 (C$1,582,734).
On May 25, 2016, CPM closed a private placement with EMR, pursuant to which CPM issued EMR 12,620,331 common shares at C$0.4243 per unit for gross proceeds of $4,090,537 (C$5,354,806).

For the exercise of the EMR Warrants and the subsequent private placement with EMR, CPM incurred transaction costs in the amount of $485,062 which included a 4% success fee paid to an advisor.

Share purchase warrants

On May 29, 2015, in connection with the private placement with EMR, CPM issued 34,516,129 EMR Warrants to EMR. Each EMR Warrant entitled EMR to subscribe for one common share at a price of C$0.4243 per common share until May 29, 2017. The EMR Warrants were exercised on May 3, 2016.

The allocated fair value of the EMR Warrants was $1,269,669 (C$1,582,734). The following table outlines the assumptions used to calculate the fair value of the EMR Warrants:

Black-Scholes option pricing model assumptions	
Market price per common share at date of grant	C$0.32
Exercise price per common share	C$0.4243
Risk-free interest rate	0.57%
Expected volatility	69.75%
Expected dividend yield	0%
Expected life (years)	1.00

In conjunction with the Extract Loan, CPM issued 750,000 Extract Warrants to Extract. Each Extract Warrant entitles the holder to acquire one voting common share at a price of C$0.36 per common share until May 2, 2019. Further, in conjunction with the Director Loans, CPM issued 1,050,000 Director Warrants to the Financing Directors. Each Director Warrant entitled the holder to acquire one voting common share at a price of C$0.36 per share until May 2, 2016. The Director Warrants which had a fair value of $37,301 expired unexercised.

The fair values of the Extract Warrants and the Director Warrants were used to determine the Financing proceeds allocated to the equity components based on relative fair values. The proceeds allocated to Extract Warrants and the Director Warrants issued in conjunction with the Financing totaled $74,918, net of tax effects of $32,108.

The following is a summary of the common share purchase warrants outstanding as at December 31, 2016:

	Weighted average remaining contractual life (yrs)	Number of share purchase warrants		Weighted average exercise price (C$)
Extract Warrants	2.33	750,000	$	0.36
Share purchase warrants outstanding, end of period	**2.33**	**750,000**	**$**	**0.36**

Share purchase options

CPM has a stock option plan (the "Option Plan") whereby the Board of Directors may grant to directors, officers, employees or consultants options to acquire common shares. The Board of Directors has the authority to determine the limits, restrictions and conditions of common share option grants, and to make all decisions and interpretations relating to the Option Plan. The maximum number of common shares that may be reserved for issuance shall not exceed 10% of the Company's outstanding common shares at the time of grant. Furthermore, the maximum number of common shares that may be reserved for issuance to any one optionee shall not exceed 5% of the Company's outstanding common shares at the time of grant, excepting consultants and investor relations persons which shall not exceed 2% of the Company's outstanding common shares.

The term of any common share option granted may not exceed five years and the exercise price may not be lower than the closing price of CPM's common shares on the last trading day immediately preceding the date of grant, less any discounts from the closing price allowed by the TSX Venture Exchange. Vesting conditions vary based on the circumstances of the option grant.

The following table reflects the continuity of common share options for the years ended December 31, 2016 and December 31, 2015.

	December 31, 2016			December 31, 2015		
	Number of options		Weighted average exercise price (C$)	Number of options		Weighted average exercise price (C$)
Balance, beginning of period	**10,023,975**	**$**	**0.54**	**7,676,632**	**$**	**0.61**
Granted	3,715,937		0.45	3,925,000		0.42
Forfeited	(937,836)		0.41	(1,087,836)		0.40
Expired	(525,000)		1.81	(489,821)		1.04
Balance, end of period	**12,277,076**	**$**	**0.47**	**10,023,975**	**$**	**0.54**
Exercisable share purchase options	**7,369,473**	**$**	**0.49**	**7,232,255**	**$**	**0.60**

A summary of CPM's common share options outstanding as at December 31, 2016 is as follows:

Exercise price per share (C$)	Weighted average remaining contractual life (yrs)	Number of share purchase options	Weighted average exercise price (C$)
< $0.50	**3.280**	11,352,076	$ 0.42
0.51 - 1.00	**-**	-	-
1.01 - 1.50	**0.260**	925,000	1.04
Share purchase options outstanding, end of period	**3.053**	**12,277,076**	**$ 0.47**

On December 5, 2016, CPM granted 300,000 options to the newly appointed Chief Financial Officer. All options are exercisable over a period of five years at a price of C$0.45 per common share and shall vest in three equal annual installments on the first, second, and third anniversaries of the option grant.

The fair value of the options granted December 5, 2016 was estimated on the date of grant using the Black-Scholes option pricing model. The Company assumed a 3.18% forfeiture rate based on historical forfeitures and the following table outlines the weighted average assumptions used to calculate the fair value:

Black-Scholes option pricing model assumptions	
Market price per common share at date of grant	C$0.35
Exercise price per common share	C$0.45
Risk-free interest rate	0.86%
Expected volatility	83.31%
Expected dividend yield	0%
Expected life (years)	3.56

On August 18, 2016, CPM granted 2,515,937 options to CPM directors, 600,000 options to consultants to CPM, and 300,000 options to CPM employees. All options are exercisable over a period of five years at a price of C$0.45 per common share.

The fair value of the options granted August 18, 2016 was estimated on the date of grant using the Black-Scholes option pricing model. The Company assumed a 3.57% forfeiture rate based on historical forfeitures and the following table outlines the average assumptions used to calculate the fair value:

Black-Scholes option pricing model assumptions	
Market price per common share at date of grant	C$0.23
Exercise price per common share	C$0.45
Risk-free interest rate	0.94%
Expected volatility	108.16%
Expected dividend yield	0%
Expected life (years)	3.87

Share based compensation for the year ended December 31, 2016 was $269,148 (year ended December 31, 2015 $174,156), of which $249,725 (year ended December 31, 2015 - $153,716) was expensed in the Consolidated Statement of Loss and $19,423 (year ended December 31, 2015 - $20,440) was capitalized in mineral properties. The offsetting credit was recorded as contributed surplus.

Note 12. Finance Expense

Finance expenses for the period were as follows:

	Year Ended	
	December 31, 2016	December 31, 2015
Interest expense	$ (137,334)	$ (379,615)
Accretion expense	(305,418)	(272,864)
Total finance expenses	**$ (442,752)**	**$ (652,479)**

Note 13. Income Taxes

The Company's income tax expense for the years ended December 31, 2016 and December 31, 2015 consists of the following:

	Year Ended	
	December 31, 2016	December 31, 2015
Loss before income taxes	$ (1,846,515)	$ (2,868,175)
Income tax recovery at combined federal and provincial rate of 30.0% (twelve months ended December 31, 2015 - 30.0%)	(553,955)	(860,453)
Foreign rate differences	(81,728)	(75,146)
Non-deductible expenses	63,776	34,202
Losses not recognized	571,907	901,397
Income Tax	**$ -**	**$ -**

Deferred tax assets have not been recognized respecting the following items:

As at	December 31, 2016	December 31, 2015
Unrecognized deferred tax assets:		
Deductible temporary differences	$ 553,990	$ 423,879
Loss carryforwards	3,709,710	3,053,517
Share issuance costs	242,896	259,566
Cummulative eligible capital deductions	76,440	88,469
	$ 4,583,036	**$ 3,825,431**

The Company has C$5,440,937 (year ended December 31, 2015 – C$3,965,404) of Canadian noncapital losses that will expire between 2031 and 2036 and $6,686,161 (year ended December 31, 2015 – $5,613,018) of U.S. noncapital losses that will expire between 2031 and 2036.

Note 14. Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to shareholders by the weighted average number of common shares outstanding during the period. CPM's loss per share for the year ended December 31, 2016 was $0.01 (year ended December 31, 2015 - $0.02) and was based on the loss attributable to common shareholders of $1,862,247 (year ended December 31, 2015 – $2,868,175), and the weighted average number of common shares outstanding of 176,965,127 (year ended December 31, 2015 – 132,359,925). The diluted loss per share did not include the effect of the following securities, as they are anti-dilutive:

As at	December 31, 2016	December 31, 2015
Number of share purchase warrants	750,000	36,316,129
Number of share purchase options	12,277,076	10,023,975
	13,027,076	**46,340,104**

Note 15. Expenses by Nature

	Year Ended			
		December 31, 2016		December 31, 2015
Salaries and benefits	$	523,358	$	605,743
Office expenses		127,214		113,161
Depreciation		5,763		8,551
Investor relations		175,516		161,932
Professional fees		604,793		425,586
Share-based compensation		249,725		153,716
Other expenses		195,491		103,862
	$	1,881,860	$	1,572,551

Note 16. Related Party Transactions

CPM's related parties include CPM's subsidiaries, associates, executive and non-executive directors, senior officers (Chief Executive Officer and Chief Financial Officer), and entities controlled or jointly-controlled by directors or senior officers.

Key Management

During the years ended December 31, 2016 and December 31, 2015, compensation paid or payable to key management personnel was as follows:

	Year Ended	
	December 31, 2016	December 31, 2015
Salaries and benefits	$ 315,678	$ 291,342
Contractor fees	93,500	42,500
Share-based compensation	228,557	138,822
Total key management compensation	**$ 637,735**	**$ 472,664**

Lance D Ambrosio, the Chief Executive Officer and a director of CPM and certain other directors participated in the Director Loans. Under the terms of the Director Loans the Financing Directors were issued 1,050,000 Director Warrants. The Director Loans were repaid in May 2016 and the Director Warrants expired unexercised. Interest paid on the Director Loans in the year ended December 31, 2016 was $26,084 (year ended December 31, 2015 - $124,504).

EMR

On May 29, 2015, CPM closed a private placement with EMR pursuant to which CPM issued EMR 34,516,129 units at C$0.30 per unit for gross proceeds of $8,306,652, with each unit being comprised of one common share and one EMR Warrant. Each of the 34,516,129 EMR Warrants entitled EMR to subscribe for one common share at a price of C$0.4243 per common share until May 29, 2017. On May 3, 2016, EMR exercised the 34,516,129 EMR Warrants for gross proceeds of $11,544,806. On May 25, 2016, CPM closed a private placement with EMR, pursuant to which CPM issued EMR 12,620,331 common shares at C$0.4243 per unit for gross proceeds of $4,090,537 (see Note 11).

Note 17. Commitments and Contingencies

LUMA Minerals LLC

Effective July 15, 2011, Peak Minerals and LUMA entered into a cooperative development agreement (the LUMA Agreement) to develop additional federal leases on the Sevier Playa Project that CPM did not control. The LUMA Agreement added approximately 22,000 acres of additional leases to the lands controlled by CPM, bringing the Sevier Playa Project land package total to approximately 124,000 acres. LUMA won their leases as part of the federal Bureau of Land Management (BLM) competitive bidding process as second highest bidder when CPM was not permitted to acquire their leases on more than 96,000 acres, pursuant to federal law.

Under the LUMA Agreement, both parties will commit the acreage to development and operation by CPM. LUMA will make no payments for the development of its acreage and will receive no net revenues from the production from its acreage all revenues and costs will be for the benefit of CPM. The LUMA Agreement commits CPM to pay LUMA a 1.25% overriding royalty on all production from, or allocated to, the LUMA leases. In addition to the overriding royalty, the LUMA Agreement also grants LUMA the right to elect either: (i) a cash-only payment of $2,000,000; or (ii) the number of common shares in CPM equal in value to $1,000,000, plus $1,000,000 cash at closing. The closing is conditioned upon and subject to: (a) all necessary approvals of the shareholders and governing boards of Peak Minerals and/or CPM; (b) all necessary approvals of U.S. and Canadian governmental authorities, including securities and exchange and environmental regulatory bodies, BLM, and SITLA; and (c) all applicable stock exchange rules, regulations, and approvals.

The LUMA Agreement has been renewed annually with one-year extensions, the latest extending the agreement through July 15, 2017.

Office Lease

CPM leases office space located in Salt Lake City, Utah pursuant to a lease that expires on July 31, 2017. This lease has been accounted for as an operating lease.

The future minimum lease payments are as follows:

Minimum lease payments as at	December 31, 2016
Not later than 1 year	$ 38,843
Later than 1 year but less than five years	-
	$ 38,843

Note 18. Capital Management

When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to maintain adequate levels of funding to support the acquisition, exploration, and development of its projects and corporate and administrative functions. Management, therefore, adjusts the capital structure as necessary in order to support these critical functions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- minimizing discretionary disbursements;
- reducing or eliminating operating expenditures that are of limited strategic value; and
- exploring alternative sources of investment and liquidity.

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

Note 19. Financial Risk Factors

The Company’s activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk, liquidity risk, and fair value risk. Risk management is carried out by the Company’s management team with guidance from and under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Market Risk

Currency Risk

Foreign exchange risk arises when transactions, assets, and liabilities are denominated in a currency that is not the Company’s functional currency. Due to the fact that the Company has operations with both Canadian and U.S. dollar functional currencies, and holds cash in both Canadian and U.S. dollars, it is exposed to the fluctuation of the foreign exchange rate between the Canadian and the U.S. dollar. Included within foreign exchange gains (loss) in the consolidated statement of loss is an unrealized gain of $560,977 resulting from retranslation of intercompany loans denominated in Canadian dollars that is offset by an equivalent unrealized loss within the foreign exchange translation adjustment in other comprehensive loss for the year

As at December 31, 2016, the Company held cash balances of $5,870,384 (December 31, 2015 – $2,370,789) and C$40,633 (December 31, 2015 – C$270,959), of which $1,186,613 (December 31, 2015 – $1,141,703) and C$21,835 (December 31, 2015 – C$2,634) was held in the U.S. and $4,683,771 (December 31, 2015 – $1,229,086) and C$18,798 (December 31, 2015

(C$268,325) was held in Canada. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk against its functional currencies.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash has been deposited with the Company's banking institutions, from which management believes the risk of loss to be minimal given the financial strength of its banking institutions with a minimal credit rating of A+/A-1. Accounts receivable consist of taxes receivable from government authorities and are in good standing as at December 31, 2016. Management believes that the credit risk concentration respecting financial instruments included in accounts receivable is minimal

Liquidity Risk

Liquidity risk is a significant risk factor as the Company's future is dependent upon its ability to obtain sufficient cash from external financing and related parties in order to fund its ongoing permitting and feasibility study work and ultimate project development and construction. The Company's approach to managing liquidity risk is to pursue all financing alternatives in connection with the evaluation and development of the Sevier Playa Project to ensure that it will have sufficient liquidity to meet liabilities as they come due. As at December 31, 2016, the Company had a cash balance of $5,900,798 (December 31, 2015 - $2,566,557) to settle current liabilities of $1,371,909 (December 31, 2015 - $4,322,709). As per Note 17, the Company also had committed expenditures as at December 31, 2016, of $38,843 (as at December 31, 2015 – $37,716).

Fair Value Risk

As at December 31, 2016, the Company's financial instruments consisted of the production repurchase obligation which is measured at amortized cost.