EPM MINING VENTURES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2014 and 2013
(Unaudited)

August 26, 2014

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements (the “Interim Financial Statements”) of EPM Mining Ventures Inc. (“EPM”) are the responsibility of the Board of Directors and management of the Company. These Interim Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards (“IFRS”) applicable to interim financial statements including International Accounting Standard 34 Interim Financial Reporting. These Interim Financial Statements do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with EPM’s audited consolidated financial statements and notes thereto for the year ended December 31, 2013. Management acknowledges responsibility for the preparation and presentation of the Interim Financial Statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to EPM’s circumstances. In the opinion of management, the Interim 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 Interim Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is 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 Interim Financial Statements; and (ii) the Interim Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of EPM, as of the date of, and for the period presented by, the Interim Financial Statements.

The Board of Directors is responsible for reviewing and approving the Interim 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 Interim Financial Statements and the auditors’ report. The Audit Committee also reviews EPM’s Management Discussion and Analysis to ensure that the financial information reported therein is consistent with the information presented in the Interim Financial Statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the Interim Financial Statements for issuance to the shareholders.

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

EPM Mining Ventures Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited and Expressed in US Dollars)

As At	June 30, 2014	December 31, 2013
ASSETS		
Current		
Cash and cash equivalents	$ 1,636,005	$ 765,168
Receivables	107,010	99,982
Prepaid expenses	52,822	25,711
	1,795,837	890,861
Non-current		
Restricted cash	411,638	411,540
Property, plant and equipment, net	258,786	299,473
Interest in mineral properties (Note 5)	41,483,513	41,044,144
Investment in associate	6,092,499	6,094,011
	$ 50,042,273	**$ 48,740,029**
LIABILITIES		
Current		
Trade and other payables	$ 431,302	$ 1,045,598
	431,302	1,045,598
Non-current		
Interest payable (Note 6)	55,305	-
Financial liabilities, net (Note 6)	2,588,163	-
Provisions	232,922	223,144
	3,307,692	1,268,742
SHAREHOLDERS' EQUITY		
Voting common shares (Note 7)	39,848,316	49,420,471
Non-voting common shares (Note 7)	11,413,932	1,601,611
Share purchase warrants (Note 7)	74,918	-
Contributed surplus	5,601,681	5,319,048
Accumulated deficit	(9,598,546)	(8,323,534)
Accumulated and other comprehensive loss	(605,720)	(546,309)
	46,734,581	47,471,287
	$ 50,042,273	**$ 48,740,029**

Nature of Operations and Going Concern (Note 1)

Subsequent events (Note 13)

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

EPM Mining Ventures Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited and Expressed in US Dollars)

	Three months ended		Six months ended	
	June 30, 2014	**June 30, 2013**	**June 30, 2014**	**June 30, 2013**
EXPENSES				
General and administrative	$ 288,465	$ 306,641	$ 516,598	$ 597,825
Depreciation	3,514	3,221	7,075	6,356
Investor relations	87,528	60,192	108,768	121,631
Professional fees	191,605	137,158	313,135	264,794
Share-based compensation	133,003	123,726	206,107	325,274
	(704,115)	(630,938)	(1,151,683)	(1,315,880)
OTHER ITEMS				
Interest income	146	3,754	199	10,061
Finance expenses (Note 8)	(331,015)	-	(331,015)	-
Net loss of equity method investee attributable to owners of EPM	(1,406)	(1,340)	(1,406)	(4,392)
Foreign exchange gain (loss)	60,985	(12,766)	56,383	(19,835)
Loss on disposal of asset	(3,548)	-	(3,548)	-
Net loss before income tax recovery	$ (978,953)	$ (641,290)	$ (1,431,070)	$ (1,330,046)
Income tax recovery (expense) (Note 10)	156,058	(3,885)	156,058	(3,885)
Net loss for the period	$ (822,895)	$ (645,175)	$ (1,275,012)	$ (1,333,931)
OTHER COMPREHENSIVE (LOSS) / INCOME				
Foreign currency translation adjustment	(34,120)	(135,378)	(59,411)	(224,179)
Comprehensive loss for the period	$ (857,015)	$ (780,553)	$ (1,334,423)	$ (1,558,110)
Basic and diluted loss per share (Note 9)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding	92,753,147	96,831,719	78,762,528	96,831,719

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

EPM Mining Ventures Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited and Expressed in US Dollars)

	Voting common	Non-voting common	Share purchase warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance as at January 1, 2014	**$ 49,420,471**	**$ 1,601,611**	**$ -**	**$ 5,319,048**	**$ (8,323,534)**	**$ (546,309)**	**$ 47,471,287**
Foreign currency translation adjustment	-	-	-	-	-	(59,411)	(59,411)
Net loss for the six months ended June 30, 2014	-	-	-	-	(1,275,012)	-	(1,275,012)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(1,275,012)**	**(59,411)**	**(1,334,423)**
Share-based compensation	-	-	-	236,228	-	-	236,228
Share exchange from voting to non-voting	(10,186,291)	10,186,291	-	-	-	-	-
Share conversions from non-voting to voting	373,970	(373,970)	-	-	-	-	-
Equity issued pursuant to credit agreements, net of tax effects	240,166	-	74,918	-	-	-	315,084
Capital contribution from related parties, net of tax effects	-	-	-	46,405	-	-	46,405
Balance as at June 30, 2014	**$ 39,848,316**	**$ 11,413,932**	**$ 74,918**	**$ 5,601,681**	**$ (9,598,546)**	**$ (605,720)**	**$ 46,734,581**
Balance as at January 1, 2013	**$ 45,698,727**	**$ 5,323,355**	**$ 478,983**	**$ 4,172,496**	**$ (6,074,693)**	**$ (349,720)**	**$ 49,249,148**
Foreign currency translation adjustment	-	-	-	-	-	(224,179)	(224,179)
Net loss for the six months ended June 30, 2013	-	-	-	-	(1,333,931)	-	(1,333,931)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(1,333,931)**	**(224,179)**	**(1,558,110)**
Share-based compensation	-	-	-	391,552	-	-	391,552
Transfer of expired warrants	-	-	(478,983)	478,983	-	-	-
Balance as at June 30, 2013	**$ 45,698,727**	**$ 5,323,355**	**$ -**	**$ 5,043,031**	**$ (7,408,624)**	**$ (573,899)**	**$ 48,082,590**

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

EPM Mining Ventures Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited and Expressed in US Dollars)

	Six months ended	
	June 30, 2014	June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (1,275,012)	$ (1,333,931)
Adjustments for:		
Depreciation and amortization	7,075	6,356
Share-based compensation	206,107	325,274
Finance expense (Note 6)	331,015	-
Net loss of equity method investee	1,406	4,392
Loss on disposal on asset	3,548	-
Income tax (recovery) expense	(156,058)	3,885
Decrease in provisions	-	(5,000)
Interest income	(199)	(10,061)
Unrealized foreign exchange gain	(84,194)	-
Changes in working capital:		
Receivables	(6,503)	(23,441)
Prepaid expenses	(26,681)	(17,094)
Trade and other payables	139,780	69,587
	(859,716)	(980,033)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in restricted cash	(98)	(74,770)
Additions to property, plant and equipment	(3,871)	(69,426)
Additions to mineral properties	(1,126,232)	(4,409,198)
Interest received	199	9,338
	(1,130,002)	(4,544,056)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Extract credit facility (Note 6)	2,500,000	-
Proceeds from Director credit facility (Note 6)	700,000	-
Credit facility transaction costs (Note 6)	(359,182)	-
	2,840,818	-
Net change in cash and cash equivalents	851,100	(5,524,089)
Effect of exchange rate changes in foreign cash	19,737	(204,609)
Cash and cash equivalents, beginning of period	765,168	10,642,993
Cash and cash equivalents, end of period	$ 1,636,005	$ 4,914,295

The accompanying notes are an integral part of these consolidated interim financial statements

1. Nature of Operations and Going Concern

EPM Mining Ventures Inc. ("EPM") is a public company listed on the TSX Venture Exchange and its common shares trade under the ticker symbol 'EPK'. EPM's common shares also trade on the OTCQX International under the ticker symbol 'EPKMF'. EPM is domiciled in Yukon Territory, Canada, and the address of its registered office is 200 – 204 Lambert Street, Whitehorse, Yukon Territory, Y1A 3T2.

EPM, together with its subsidiaries (the "Company"), operates an exploration stage entity focused on the construction and operation of a major sulfate of potash ("SOP") project on Sevier Lake playa in southwestern Utah (the "Sevier Playa Project"). The Company is engaged in exploration, drilling, engineering and permitting activities on its Sevier Playa Project with the objective of providing a feasibility study and reserve estimates in accordance with the standard of Canadian National Instrument 43-101, Standards of Disclosure for Mineral Projects and then proceeding with the development and operation of the Sevier Playa Project. The Company completed a Preliminary Feasibility Study ("PFS") on the Sevier Playa Project in November 2013; but although a PFS has been completed, no claim for mineral reserves has been made at this time pending additional testing planned during the Sevier Playa Project's feasibility study phase.

These Interim Financial Statements are prepared using IFRS that are applicable to a going concern that assumes the Company 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 is significant doubt about the Company's ability to continue as a going concern. Significant doubt exists given its history of losses, accumulated deficit, limited operating history in the fertilizer sector, and dependence upon future financing. The Company's future is currently dependent upon its ability to obtain sufficient cash from external financing and related parties in order to fund its liabilities, on-going permitting and feasibility study work and ultimate project development and construction. Although the Company has been successful in raising funds previously, there can be no assurance that the steps management is taking, and will continue to take, will be successful in future reporting periods. Management continues to pursue financing alternatives in connection with the evaluation and development of its Sevier Playa Project. 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 the losses reported in these Interim Financial Statements.

2. Basis of preparation

These Interim Financial Statements have been prepared in accordance with IFRS applicable to interim financial statements including International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as issued by the International Accounting Standards Board (the "IASB"), and were approved by the Board of Directors on August 26, 2014. These Interim Financial Statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013, which have also been prepared in accordance with IFRS.

These Interim Financial Statements include the accounts of EPM and its wholly-owned subsidiary, Peak Minerals Canada Limited ("Peak Minerals Canada"). Peak Minerals Canada's accounts include those of its wholly-owned 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 United States ("US") dollars.

These Interim Financial Statements have been prepared under the historical cost convention, except in the case of fair value of certain items.

3. Summary of significant accounting policies

These Interim Financial Statements have been prepared using the same accounting policies and methods of application as those disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2013.

On May 2, 2014, the Company closed a $3,200,000 financing. The significant accounting policies surrounding this financing are included below.

(a) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; the difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the term of the borrowings using the effective interest method.

(b) 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.

(c) Compound financial instruments

Compound financial instruments issued by the Company comprise of 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 at 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.

(d) Repurchase Obligation

As part of the May 2, 2014 financing transaction (See Note 6), the Company provided certain lenders with an agreement to pay a production fee based on future production of SOP; however, the production fee agreement may be repurchased by the Company at any time for an amount based on when the Company repays the Extract Loan.

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

New and Amended Standards Adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning January 1, 2014:

Amendment to International Accounting Standards ("IAS") 32, *Financial Instruments: Presentation*, clarified some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Management has analyzed and adopted IAS 32 and has determined that the implementation of this amendment does not impact the Interim Financial Statements.

Amendment to IAS 36, *Impairment of Assets*, amends the disclosure requirements of IAS 36 to require, in certain instances, the recoverable amount of an asset or cash-generating unit, and the basis for the determination of the fair value less cost of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. Management has analyzed and adopted IAS 36 and has determined that the implementation of this standard does not impact the Interim Financial Statements.

IFRS Interpretations Committee ("IFRIC") 21, *Levies*, is an interpretation on IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, respecting accounting for levies imposed by governments. IAS 37 establishes criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as the result of a past event. The interpretation clarifies that the obligating event is the activity described in the relevant legislation that triggers the payment of the levy. Management has analyzed and adopted IFRIC 21 and has determined that the implementation of this standard does not impact the Interim Financial Statements.

<u>New Standards and Interpretations Not Yet Adopted</u>

The following standard is effective for annual periods beginning after January 1, 2014, and has not yet been applied in preparing these Interim Financial Statements:

IFRS 9, *Financial Instruments*, addresses the classification, measurement, and recognition of financial assets and liabilities and is 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. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. Requirements for classification and measurement of financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39, except that fair value changes due to an entity's own credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income rather than the income statement.

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. In December 2011, amendments to IFRS 7 were issued to require additional disclosures on transition from IAS 39 to IFRS 9. In November 2013, IFRS 9 was amended to include guidance on hedge accounting and to allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income (without having to adopt the remainder of IFRS 9). Management is currently analyzing the impact that any future implementation of this standard will have on the Financial Statements. 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.

4. Critical accounting estimates and judgments

The preparation of 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 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.

In preparing these Interim Financial Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended December 31, 2013.

The critical accounting estimates and judgments associated with the May 2, 2014 financing are disclosed below.

(a) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by 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.

(Unaudited and Expressed in US Dollars)

5. 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 January 1, 2014						
Cost	$ 22,412,975	$ 652,009	$ 8,475,326	$ 1,112,416	$ 8,391,418	$ 41,044,144
Accumulated amortization and impairment	-	-	-	-	-	-
Net book amount	**22,412,975**	**652,009**	**8,475,326**	**1,112,416**	**8,391,418**	**41,044,144**
Six months ended June 30, 2014						
Opening net book amount	22,412,975	652,009	8,475,326	1,112,416	8,391,418	41,044,144
Additions	-	450	267,302	22,711	150,305	440,768
Exchange differences	(1,399)	-	-	-	-	(1,399)
Closing net book amount	**22,411,576**	**652,459**	**8,742,628**	**1,135,127**	**8,541,723**	**41,483,513**
As at June 30, 2014						
Cost	22,411,576	652,459	8,742,628	1,135,127	8,541,723	41,483,513
Accumulated amortization and impairment	-	-	-	-	-	-
Net book amount	**$ 22,411,576**	**$ 652,459**	**$ 8,742,628**	**$ 1,135,127**	**$ 8,541,723**	**$ 41,483,513**

6. Financial liabilities

The financial liabilities balance consists of:

	Carrying amount		Fair value	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Borrowings	$ 2,533,648	$ -	$ 2,793,958	$ -
Repurchase obligation	54,515	-	46,293	-
Total financial liabilities	**$2,588,163**	**$ -**	**$2,840,251**	**$ -**

On May 2, 2014, the Company entered into a credit agreement with Extract Advisors, an unrelated party and affiliate of Extract Capital LP (together "Extract"), for a $2,500,000 loan ("Extract Loan"). In addition, the Company entered into a credit agreement with certain directors of the Company (the "Financing Directors") for a $700,000 loan ("Director Loan" and collectively with the Extract Loan, the "Financing"). The

Financing will be used by the Company to fund operations and project-related activities for the Sevier Playa Project.

The Extract Loan has a term of 60 months and bears interest at a variable rate equal to the US$ 12-month LIBOR plus 650 basis points ("bps") per annum calculated on the outstanding principal on a 360-day/year basis. At the Company's option, it may elect to defer monthly interest at a rate of US$ 12-month LIBOR plus 850 bps. LIBOR has a minimum of 200 bps for the purposes of the interest rate calculation.

The Extract Loan requires mandatory repayment if the Company closes one or more debt or equity financings exceeding $100,000. The loan is also subject to mandatory repayment if the Company disposes of any secured assets outside the ordinary course of business.

At closing, the Extract lenders received a $50,000 commitment fee and the Extract agent received a $75,000 arrangement fee. The Extract lenders were also reimbursed for transaction-related legal expenses totaling $100,000. Additionally, the Company issued to the Extract lenders 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 share and are exercisable until May 2, 2019. The Company also provided the lenders with a production fee of $1.70/tonne of production of SOP. The production fee may be repurchased at any time by the Company for a lump-sum payment equal to: (a) $250,000 if the Extract Loan is repaid in full on or before six months from the closing date; (b) $750,000 if the Extract Loan is repaid after six months and on or before 12 months from the closing date; (c) $1,000,000 if the Extract Loan is repaid after 12 months and on or before 18 months from the closing date; and (d) $1,500,000 if the Extract Loan is repaid after 18 months from the closing date of the Extract Loan. The production fee may be repurchased at any time, so management plans to repurchase the production fee just prior to the start of commercial production.

The Director Loan has a term of 24 months. Interest accrues monthly in arrears and is computed on a monthly basis at US$ 1-month LIBOR plus 175 bps ("Director's Rate") plus 850 bps per annum of the outstanding loan amount calculated on a 360-day/year basis. The Director's Rate has a minimum of 200 bps for calculation of the interest rate. Additionally, the Company issued the Financing Directors an aggregate of 1,050,000 common share purchase warrants (the "Director Warrants"). The Director Warrants have an exercise price of C$0.36 per share and be exercisable until May 2, 2016.

The Director Loan requires mandatory repayment if the Company closes one or more debt or equity financings or disposes of any secured assets outside the ordinary course of business.

Under the terms of the Financing, the Company provided a perfected senior security interest in substantially all of the Company's assets. The securities issued under the Financing are subject to a hold period expiring September 3, 2014.

The fair value of the borrowings component 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 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 components 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.

(Unaudited and Expressed in US Dollars)

The following assumptions were used in estimating the fair values of financial instruments.

(a) Timing for closing a new financing and repaying the Financing expected within 6 months of the Financing (80% probability), 9 months (10% probability), or 12 months (10% probability).
(b) Production fee expected to be repaid just prior to the start of commercial production.
(c) Expected cash flows discounted using a 62.5% annual rate.

The table below analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in this table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at June 30, 2014					
Borrowings	$ -	$ 3,075,000	$ 125,000	$ -	$ 3,200,000
Interest Payable	-	724,968	29,470	-	754,438
Total	**-**	**3,799,968**	**154,470**	**-**	**3,954,438**

Interest payable assumes interest is capitalized under the terms of the Extract Loan and Director Loan and will be repayable at the maturity of the Financing. Under these terms, interest payable under both the Extract Loan and Director Loan was calculated using an annual interest rate of 10.5%, which includes the LIBOR floor.

7. Share capital

(a) ***Authorized*** –

Unlimited voting common shares without par value.
Unlimited non-voting common shares without par value.
Unlimited preference shares without par value.

(Unaudited and Expressed in US Dollars)

(b) ***Voting and non-voting common shares*** *–*

	Number of shares		Share capital	
	Voting common	Non-voting common	Voting common	Non-voting common
Balance as at January 1, 2014	**108,293,457**	**4,932,432**	**$ 49,420,471**	**$ 1,601,611**
Repurchase of voting shares in exchange for non-voting shares	(31,370,400)	31,370,400	(10,186,291)	10,186,291
Share conversions from non-voting to voting	1,151,706	(1,151,706)	373,970	(373,970)
Issuance of voting shares pursuant to credit agreement, net of tax effects	1,500,000	-	240,166	-
Balance as at June 30, 2014	**79,574,763**	**35,151,126**	**$ 39,848,316**	**$ 11,413,932**
Balance as at January 1, 2013 and June 30, 2013	**96,831,719**	**16,394,170**	**$ 45,698,727**	**$ 5,323,355**

On March 27, 2014, the Company entered into share repurchase agreements with certain holders of common shares to purchase common shares from these holders in exchange for non-voting common shares. Lance D'Ambrosio, the Chief Executive Officer and a director of the Company, and Jeff Gentry, a director of the Company, participated in the transaction. Mr. D'Ambrosio agreed to sell 12,174,673 common shares for cancellation in return for 12,174,673 non-voting common shares, and Mr. Gentry agreed to sell 7,150,490 common shares for cancellation in return for 7,150,490 non-voting common shares. See Note 11 below for more details on this related-party transaction.

On May 2, 2014, the Company issued 1,500,000 common shares to Extract under the provisions of the Extract Loan. The proceeds allocated to the common shares issued in conjunction with the Extract Loan totaled $240,166, net of tax effects of $102,928.

(c) ***Share purchase warrants –***

In conjunction with the Extract Loan, the Company issued 750,000 share purchase warrants. Each share purchase warrant entitles the holder to acquire one voting common share at a price of C$0.36 per share for a period of five years following the closing of the Financing. The following table outlines the assumptions used to calculate the fair value of the Extract warrants:

(Unaudited and Expressed in US Dollars)

Black-Scholes option pricing model assumptions	
Market price per common share at date of grant	C$0.29
Exercise price per common share	C$0.36
Risk-free interest rate	1.11%
Expected volatility	61.51%
Expected dividend yield	0%
Expected life (years)	2.50

Further, in conjunction with the Director Loan, the Company issued 1,050,000 share purchase warrants. Each share purchase warrant entitles the holder to acquire one voting common share at a price of C$0.36 per share for a period of two years following the closing of the Financing. The following table outlines the assumptions used to calculate the fair value of the Director Loan warrants:

Black-Scholes option pricing model assumptions	
Market price per common share at date of grant	C$0.29
Exercise price per common share	C$0.36
Risk-free interest rate	1.07%
Expected volatility	68.98%
Expected dividend yield	0%
Expected life (years)	1.00

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

A summary of the Company's share purchase warrants outstanding as at June 30, 2014 is presented as follows:

	Weighted average remaining contractual life (yrs)	**Number of share purchase warrants**	**Weighted average exercise price (C$)**
Financing warrants	3.089	1,800,000	$ 0.36
Share purchase warrants outstanding, end of period	**3.089**	**1,800,000**	**$ 0.36**

(Unaudited and Expressed in US Dollars)

(d) ***Share purchase options –***

The Company has a stock option plan (the “Option Plan”) whereby the Board may grant to directors, officers, employees or consultants of the Company options to acquire common shares. The Board, or the Compensation Committee under direction of the Board, has the authority to determine the limits, restrictions and conditions of share option grants, and to make all decisions and interpretations relating to the Option Plan. The Option Plan was reapproved by shareholders at a special meeting of shareholders held on June 23, 2014, and the maximum number of shares that may be reserved for issuance shall not exceed 10% of the outstanding shares of the Company at the time of grant. Furthermore, the maximum number of shares that may be reserved for issuance to any one Optionee shall not exceed 5% of the outstanding shares of the Company at the time of grant, excepting consultants and investor relations persons which shall not exceed 2% of the outstanding shares of the Company.

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

A continuity summary of share options for the six months ended June 30, 2014 and June 30, 2013 is presented as follows:

	June 30, 2014		June 30, 2013	
	Number of options	Weighted average exercise price (C$)	Number of options	Weighted average exercise price (C$)
Balance, beginning of period	**4,832,758**	**$ 0.78**	**2,195,947**	**$ 1.25**
Granted	-	-	2,636,811	0.40
Balance, end of period	**4,832,758**	**$ 0.78**	**4,832,758**	**$ 0.78**
Exercisable options	**2,591,550**	**$ 0.95**	**1,229,281**	**$ 1.19**

A summary of the Company’s share options outstanding as at June 30, 2014 is presented as follows:

(Unaudited and Expressed in US Dollars)

Exercise price per share (C$)	Weighted average remaining contractual life (yrs)	Number of common shares		Weighted average exercise price (C$)
< $0.50	**3.515**	2,636,811	$	0.40
$0.51 - $1.50	**1.799**	1,670,947	$	1.07
$1.51 - $2.00	**2.155**	525,000	$	1.81
Share options outstanding, end of period	**3.023**	**4,832,758**	**$**	**0.78**

No share options were granted, forfeited, or expired during the six months ended June 30, 2014.

Share based compensation for the six months ended June 30, 2014 was $236,228 (six months ended June 30, 2013 – $391,552), of which $206,107 (six months ended June 30, 2013 - $325,274) was expensed in the consolidated statement of loss and $30,121 (six months ended June 30, 2013 - $66,278) was capitalized in mineral properties. The offsetting credit was recorded as contributed surplus.

Share based compensation for the three months ended June 30, 2014 was $145,658 (three months ended June 30, 2013 – $152,768), of which $133,003 (three months ended June 30, 2013 - $123,726) was expensed in the consolidated statement of loss and $12,655 (three months ended June 30, 2013 - $29,042) was capitalized in mineral properties. The offsetting credit was recorded as contributed surplus.

8. Finance expense

Finance expenses for the period were as follows:

Three and six months ended		June 30, 2014		June 30, 2013
Interest expense	$	55,305	$	-
Financing fee amortization		263,890		-
Accretion		11,820		-
Total finance expenses	**$**	**331,015**	**$**	**-**

9. Loss per share

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company's loss per share for the three months and six months ended June 30, 2014 was $0.01 and $0.02, respectively (three and six months ended June 30, 2013 – $0.01), and was based on the loss attributable to common shareholders of $822,895 and $1,275,012, respectively (three and six months ended June 30, 2013 – $645,175 and

(Unaudited and Expressed in US Dollars)

$1,333,931, respectively), and the weighted average number of common shares outstanding of 92,753,147 and 78,762,528 (three and six months ended June 30, 2013 – 96,831,719). The diluted loss per share did not include the effect of the following securities as they are anti-dilutive:

As at	June 30, 2014	June 30, 2013
Number of share purchase warrants	1,800,000	-
Number of share purchase options	4,832,758	4,832,758
	6,632,758	**4,832,758**

10. Income Taxes

The Company recognized $156,058 in income tax recovery for the three and six months ended June 30, 2014. This tax recovery related to the book-tax basis differences of the Financing liabilities because the Financing is a compound financial instrument. Since the Financing liabilities collectively have a lower book basis than tax basis, the Company recorded a deferred tax liability with an offset to equity; however, the deferred tax liability is offset by a deferred tax asset from previously unrecognized loss carry-forwards and deductions, which resulted in the $156,058 income tax recovery.

The Company recognized $3,885 in income tax expense for the six months ended June 30, 2013. This tax expense related to certain warrants of the Company that were issued on September 2, 2011 and expired during the three months ended September 30, 2012. The additional tax expense recognized during the current quarter was the result of adjusting the income tax provision initially recognized for the warrant expiry to the filed tax return.

11. Related party transactions

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

(a) On April 18, 2011, Peak Minerals entered into an agreement with Emerald Peak Minerals, LLC (“Emerald Peak”), whereby both parties agreed to commit the acreage associated with the Emerald Peak state leases to development and operation by Peak Minerals (the “Emerald Peak Agreement”). Emerald Peak is controlled by two directors of EPM and Peak Minerals owns a 40% interest in Emerald Peak. 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 potash 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, LUMA Minerals, LLC – an unaffiliated third party and a Delaware limited liability company (“LUMA”), the U.S. Bureau of Land Management (“BLM”) and the State Institutional Trust Lands Administrations (“SITLA”).

(Unaudited and Expressed in US Dollars)

During the six months ended June 30, 2014, the Company made no payments (three months ended June 30, 2013 - $nil) to Emerald Peak in conjunction with the Emerald Peak Agreement. Further, no accounts payable or receivable between the parties existed as at June 30, 2014 (at June 30, 2013 - $nil).

(b) During the six months ended June 30, 2014, the Company reported several transactions with Black Horse Resources, Inc. ("Black Horse"), a related party controlled by two directors of EPM, whereby Black Horse reimbursed Peak Minerals for shared administrative services and a sublease agreement. Transactions between the parties during the period totaled $4,217 (six months ended June 30, 2013 – $2,774), and the Company had a receivables balance with Black Horse totaling $703 as at June 30, 2014 (at June 30, 2013 - $nil).

(c) During the three and six months ended June 30, 2014 and June 30, 2013, compensation paid or payable to senior officers and directors was as follows:

	Three months ended		Six months ended	
	June 30, 2014	**June 30, 2013**	**June 30, 2014**	**June 30, 2013**
Short-term salaries and benefits	$ 93,057	$ 104,219	$ 192,901	$ 226,432
Share-based compensation	165,341	106,547	189,386	287,915
Total key management compensation	**$ 258,398**	**$ 210,766**	**$ 382,287**	**$ 514,347**

(d) On March 27, 2014, Lance D'Ambrosio, the Chief Executive Officer and a director of the Company, agreed to sell 12,174,673 common shares for cancellation in return for 12,174,673 non-voting common shares, and Jeff Gentry, a director of the Company, agreed to sell 7,150,490 common shares for cancellation in return for 7,150,490 non-voting common shares. The sales to Mr. D'Ambrosio and Mr. Gentry were considered "related-party transactions" for the purposes of Multilateral Instrument 61-101 ("MI 61-101"). However, the sales were not subject to the minority approval and formal valuation requirements under MI 61-101 as there was an applicable exemption from these requirements as neither the fair market value of the subject matter, nor the fair market value of the consideration, for the sale, insofar as it involves the interested parties, exceeded 25% of the Company's market capitalization. Both Mr. D'Ambrosio and Mr. Gentry abstained from voting at the meeting of the Board of Directors held to approve the transaction.

(e) Lance D'Ambrosio, the Chief Executive Officer and a director of the Company, Daniel Basse, a director of the Company, and Theodore Botts, a director of the Company, participated in the Director Loan. The participation by each of the Financing Directors is considered a "related-party transaction" for the purposes of MI 61-101. However, their participation was not subject to the minority approval and formal valuation requirements under MI 61-101 since there is an applicable exemption from these requirements as neither the fair market value of the subject matter, nor the fair market value of the consideration for the transaction, insofar as it involves the interested parties, exceeds 25% of the Company's market capitalization. The Financing Directors abstained from voting at the meeting of the Board of Directors held to approve the Financing. Of the $700,000 gross proceeds from the Director Loan, the Company recorded $46,405, net of tax effects of $19,888, as a capital contribution from the directors, as the fair values of the liability and equity components were less than the net proceeds received.

12. Commitments and contingencies

(a) On March 21, 2011, the Southern Utah Wilderness Alliance ("SUWA") filed a Notice of Appeal with the Board of Land Appeals of the U.S. Department of the Interior ("Board of Land Appeals") giving notice of its intent to appeal the BLM's February 17, 2011 Decision Record and Finding of No Significant Impact approving the Sevier Lake Competitive Potash Leasing Proposal ("Leasing Proposal") based on a February 2011 environmental assessment prepared pursuant to the National Environmental Policy Act (the "Leasing EA"). On August 12, 2011, the Company was notified that SUWA filed its Statement of Reasons challenging the adequacy of the Leasing EA and thereby jeopardizing the Company's federal potash leases.

On November 4, 2011, SUWA filed a "Petition for Immediate Stay" with the Board of Land Appeals requesting a stay of "effectiveness" of the Leasing Proposal. On November 23, 2011, SUWA filed an appeal and a second Petition for Immediate Stay with the Board of Land Appeals, this time requesting a stay of "effectiveness" of the October 28, 2011 Decision Record and Finding of No Significant Impact by BLM's Fillmore Field Office approving the Sevier Dry Lake Exploratory Testing Environmental Assessment (the "Exploratory EA").

On March 14, 2012, the Company announced it had received a favorable decision from the Board of Land Appeals denying SUWA's two petitions for immediate stay filed in November 2011. In its Order, the Board of Land Appeals analyzed SUWA's arguments, carefully reviewed the Leasing EA and Exploratory EA, and ruled that SUWA had failed to meet its burden of satisfying the criteria for a stay in either appeal. Namely, the Board of Land Appeals found that: (i) SUWA had not shown that it was likely to prevail on the merits of its appeal; (ii) SUWA failed to show the likelihood of immediate and irreparable harm if a stay was not granted; (iii) the relative harm to the Company was greater than any harm that SUWA had shown; and (iv) the public interest in mineral development weighed in favor of leasing, exploring for, and potentially developing the potash resources in the Sevier Playa.

In an Order dated January 23, 2013, the Board of Land Appeals denied SUWA's appeal of the BLM's Decision Record and Finding of No Significant Impact on the Leasing EA and affirmed that decision.

In an Order dated April 18, 2013, the Company also obtained a favorable decision from the Board of Land Appeals affirming the BLM's Decision Record and Finding of No Significant Impact on the Exploratory EA and denying the appeal by SUWA of said Decision Record and Finding of No Significant Impact. This final action by the Board of Land Appeals favorably resolved all outstanding environmental appeals and petitions.

(Unaudited and Expressed in US Dollars)

(b) In July 2011, Peak Minerals entered into a Cooperative Development Agreement with LUMA to develop the additional Federal Leases on the Sevier Playa Project that the Company did not control (the "LUMA Agreement"). LUMA won these leases as part of the competitive bidding process by the BLM when the Company was not permitted to lease more than 96,000 acres, pursuant to federal law.

Under the LUMA Agreement, both parties will commit the acreage to development and operation by the Company. 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 the Company. The contract commits the Company to pay LUMA a 1.25% overriding royalty on all production from, or allocated to, the LUMA leases. The contract also grants LUMA the right, in addition to the overriding royalty, to elect either: (i) a cash-only payment of $2,000,000; or (ii) the number of shares in the Company 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 EPM; (b) all necessary approvals of United States 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 added approximately 22,012 acres of additional leases to the lands controlled by the Company, bringing the Sevier Playa Project land package total to approximately 124,223 acres.

On June 27, 2012, but effective as of June 15, 2012, the Company executed a 12-month extension of the LUMA Agreement. On June 5, 2013, but effective June 15, 2013, the Company executed a second 12-month extension of the LUMA Agreement, thereby extending its term from July 15, 2013 to July 15, 2014. On June 13, 2014, but effective June 15, 2014, the Company executed a third 12-month extension of the LUMA Agreement, thereby extending its term from July 15, 2014 to July 15, 2015.

(c) The Company agreed to lease office space located at 2150 South 1300 East, Ste 350, Salt Lake City, UT 84106, commencing on August 1, 2011 and expiring on July 31, 2014. In June 2014, the Company amended this agreement to move from its current location and to lease neighboring office space located at 2180 South 1300 East, Suite 200, Salt Lake City, UT 84106, commencing August 1, 2014 and expiring July 31, 2015. These have been accounted for as operating leases within the Interim Financial Statements.

The future minimum lease payments under operating leases are as follows:

Minimum lease payments	**June 30, 2014**	**December 31, 2013**
Not later than 1 year	$ 64,151	$ 56,747
Later than 1 year but less than five years	5,095	-
	$ 69,246	**$ 56,747**

13. Subsequent events

(a) Grant of Stock Options

On July 3, 2014, the Company granted an aggregate of 2,100,000 options to non-officer directors of the Company; an aggregate of 550,000 options to officers of the Company and its subsidiaries; and an aggregate of 150,000 options to employees of the Company's subsidiaries. All options granted are exercisable over a period of five years at a price of $0.40 per common share. Half of the non-officer director stock options vest immediately, one-quarter vest on September 30, 2014, and one-quarter vest on December 31, 2014. As the non-officer director stock options that vest immediately relate to services provided in the first two quarters of 2014, the expense related to these options was recognized as of June 30, 2014. The options to officers and employees of the Company and its subsidiaries vest in three equal installments on July 3, 2015; July 3, 2016; and July 3, 2017.

The options were granted pursuant to the Company's stock option plan.