

**CRYSTAL PEAK MINERALS INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**For the Three and Nine Months Ended September 30, 2021**

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This Management Discussion and Analysis (“MD&A”) of Crystal Peak Minerals Inc. (“CPM” or the “Company”), is dated November 18, 2021 and provides an analysis of the Company’s performance and financial condition for the nine months ended September 30, 2021. CPM is listed on the TSX NEX Board and its common shares trade under the symbol “CPM.H”. The Company’s common shares also trade on the OTC Markets Pink Market under the ticker symbol “CPMMF”.

This MD&A should be read in conjunction with the Company’s consolidated financial statements (the “Financial Statements”) for the three and nine months ended September 30, 2021 and September 30, 2020, including the related note disclosures.

The Company’s Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The Financial Statements have been prepared under the historical cost convention, except in the case of fair values of certain items, and unless specifically indicated otherwise, are presented in United States dollars. The Financial Statements, along with Certifications of Annual and Interim Filings and press releases, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

### **Cautionary Statement Regarding Forward-Looking Information**

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements related to activities, events or developments that the Company expects or anticipates will or may occur in the future, including, without limitation: environmental assessments; business strategy; and objectives and goals. Forward-looking statements are provided to allow readers the opportunity to understand management’s beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating the Company.

Forward-looking information is often identified by the use of words such as "plans", "planning", "planned", "expects" or "looking forward", "does not expect", "continues", "scheduled", "estimates", "forecasts", "intends", "potential", "anticipates", "does not anticipate", or "belief", or describes a "goal", or variation of such words and phrases or states that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information is based on a number of factors and assumptions made by management and considered reasonable at the time such information is provided. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance, or achievements to be materially different from those expressed or implied by the forward-looking information.

Although CPM has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in the forward-looking information, there may be other factors that cause actions, events, or results not to be as anticipated, estimated, or intended. There can be no assurance that forward-looking information will prove to be accurate. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's plans, objectives, and goals and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on forward-looking information. CPM does not undertake to update forward-looking information, except in accordance with applicable securities laws.

## **OVERALL PERFORMANCE**

### **Principal Business and Corporate History**

On May 26, 2011, EPM Mining Ventures Inc. (“EPM”), 44907 Yukon Inc. (“44907 Yukon” – a wholly-owned subsidiary of EPM incorporated to effect a business amalgamation), and 44170 Yukon Inc. (“44170 Yukon”), completed a triangular amalgamation (the “Amalgamation”) whereby investors exchanged their 44170 Yukon voting and non-voting common shares for voting and non-voting common shares of EPM on a one-for-one basis. Pursuant to the terms of the Amalgamation, 44170 Yukon and 44907 Yukon amalgamated to form Peak Minerals Canada Limited (“Peak Minerals Canada”). Peak Minerals Canada became a wholly-owned subsidiary of EPM. The Amalgamation was accounted for as a purchase of net assets and assumption of liabilities of 44170 Yukon. On June 25, 2015, the Company changed its name from “EPM Mining Ventures Inc.” to “Crystal Peak Minerals Inc.”

Pursuant to the Amalgamation, which resulted in the Company’s acquisition of a significant mineral property, the Company operated as a development stage entity focused on the development, construction and operation of a large-scale SOP project on the Sevier Playa in southwestern Utah (“the Sevier Playa Project”).

### **Corporate Restructuring**

On October 2, 2020, CPM’s cash balance fell below \$500,000, putting the Company in breach of a minimum cash balance covenant in its convertible loan agreement (the “2020 Loan”) with EMR Capital Investment (No. 5B) Pte. Ltd., an affiliate of EMR Capital Resources fund 1 (“EMR”), the Company’s majority shareholder. As a result of the default, effective October 19, 2020, EMR enforced its security provision according to its rights under the 2020 Loan agreement and acquired the Company’s shares of its wholly-owned subsidiary, Peak Minerals Inc. (“Peak Minerals”), in satisfaction of the 2020 Loan. Upon notification of EMR’s intent to enforce its security provision, the Company’s board of directors (“Board”) negotiated a restructuring agreement with EMR whereby EMR agreed that its foreclosure would satisfy in full the Company’s obligations under the 2020 Loan. Under the terms of the restructuring agreement, EMR also agreed to surrender approximately 120.0 million CPM common shares, reducing its ownership in CPM from approximately 61% to 36%. In addition, two of EMR’s nominees to the Board resigned, leaving CPM with a four-person Board.

The Board concluded that this restructuring was in the best interests of shareholders since it allows the Company to pursue a strategy to acquire a new project.

On February 19, 2021, (and amended on July 12, 2021, October 12, 2021, and November 9, 2021), the Company announced that it has entered into an arrangement agreement with Western Exploration LLC (“Western”) outlining the terms upon which, among other things, Western will effect a “reverse takeover” of CPM (the “RTO”). Pursuant to the arrangement agreement, and as part of the RTO, and subject to any required shareholder and regulatory approvals:

- all of the outstanding membership interests in Western will be transferred to CPM in exchange for shares in the amalgamated company (the “Resulting Issuer”);

- the outstanding options and restricted share units of CPM will be surrendered by the holders thereof and canceled for no consideration;
- the common shares of CPM will be consolidated on a 363.30:1 basis (the "Share Consolidation");
- CPM will continue from Yukon to British Columbia;
- the name of the Resulting Issuer will be changed to "Western Exploration Inc." (or such other name as may be acceptable to Western) and Western will change its stock exchange ticker symbol to "WEX";
- the Resulting Issuer will adopt new articles, security-based compensation arrangements, and other corporate policies; and,
- the board of directors and the management of the Resulting Issuer will be reconstituted.

Completion of the RTO is subject to a number of conditions, including, but not limited to, Exchange acceptance, approval of CPM shareholders, court approval, closing of a concurrent financing, and if applicable, disinterested shareholder approval. Where applicable, the RTO cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all. In addition, the transaction is not a "related party transaction" as such term is defined by Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* and is not subject to Policy 5.9 of the Exchange.

The full press releases describing this transaction can be found on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's web site ([www.crystalpeakminerals.com](http://www.crystalpeakminerals.com)).

## **RESULTS OF CONTINUING OPERATIONS**

### **Three and Nine Months Ended September 30, 2021**

During the three months ended September 30, 2021, the Company's total operating expenses from continuing operations were \$9,772 compared to \$(498,192) for the three months ended September 30, 2020, an increase of \$507,964. During the nine months ended September 30, 2021, the Company's total operating expenses from continuing operations were \$152,912 compared to \$(61,928) for the nine months ended September 30, 2020, an increase of \$214,840. The variances were largely attributed to two main areas:

- Director fees were accrued in 2020, and later cancelled because of a decision by the Board to cancel and voluntarily forfeit accrued and outstanding director compensation, which resulted in a \$422,500 reversal adjustment in 2020. No director fees were accrued during 2021; and,
- a decrease in investor relations expenses related to a reduction in advisory fees for financing activities.

## CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

### Operating Activities

During the nine months ended September 30, 2021, the Company's cash used in operating activities was \$153,476 compared to \$1,829,133 for the nine months ended September 30, 2020, a decrease in cash outflows of \$1,675,657. The net cash used in operating activities from continuing operations was \$153,476 compared to \$340,039 for the nine months ended September 30, 2020. The decrease was primarily related to the Company's net loss for the period; non-cash interest expense; compensation related to restricted share units; adjustments to accretion; changes to the fair value of the derivative and warrant liabilities; and, timing of trade accounts payable and receivable. The net cash used in operating activities from discontinued operations was \$nil compared to \$1,489,094 for the nine months ended September 30, 2020.

### Investing Activities

During the nine months ended September 30, 2021, the Company's cash used in investing activities was \$nil, compared to \$683,223 for the nine months ended September 30, 2020. None of the cash used in investing activities was attributable to continuing operations. The decrease in cash used in investing activities was primarily a result of no spending in 2021 on the Company's previously owned Sevier Playa Project.

### Financing Activities

During the nine months ended September 30, 2021, the Company's cash provided by financing activities was \$nil, compared to \$2,000,000 for the nine months ended September 30, 2020. This was all attributable to continuing operations.

On July 19, 2018 the Company entered into a convertible loan agreement with EMR (the "2018 Loan Agreement"), pursuant to which EMR agreed to lend the Company up to \$10,000,000 in two tranches (the "2018 Loan"). In addition, the closing of the first tranche of the 2018 Loan was completed in the amount of \$5,000,000, and bore interest at the rate of 12%, compounded quarterly. The principal amount of the 2018 Loan, in whole or in part, was convertible into common shares of the Company at EMR's option, at a price per common share of C\$0.50. In addition, interest on the 2018 Loan was payable in common shares at the market price of the Company's shares on the earlier of the date of conversion or certain prescribed interest payment dates, subject to the approval of the TSX Venture Exchange. On October 29, 2018 the Company closed the second tranche of the 2018 Loan in the amount of \$5,000,000.

On May 2, 2019, the Company closed a private placement with EMR, wherein the Company issued EMR 39,215,686 units at a price of C\$0.17 per unit for gross proceeds of \$4,960,667 (C\$6,666,667). Each unit was composed of one common share, and one-half of one common share purchase warrant for an aggregate of 39,215,686 common shares and 19,607,843 warrants (the "EMR Warrants"). Each full warrant entitled EMR to subscribe for one common share at a price of C\$0.21 per share for a period of 18 months following closing. The fair values of the EMR Warrants were used to determine the financing proceeds allocated to the equity components based on relative fair values. A discount of 15% was applied to account for the four-month hold-back period, as required by the TSX Venture Exchange. As the EMR Warrants did not meet the "fixed-for-fixed" criteria outlined in IFRS 9, they were classified as a derivative financial liability, and re-valued each reporting period. On November 2, 2020 the EMR Warrants expired unexercised.

The 2018 Loan matured on January 19, 2020, at which time the Company entered into a new convertible loan agreement ("2020 Loan") with EMR, pursuant to which EMR agreed to lend the Company \$13,124,422. Proceeds from the 2020 Loan were used to settle the \$10,000,000 principal and \$1,124,421 accrued interest amounts under the 2018 Loan. The net cash proceeds of \$2,000,000 were used for ongoing

engineering and permitting activities and to fund general corporate costs. The 2020 Loan accrued interest at a rate of 12% per annum and was set to mature in 12 months. The principal amount of the 2020 Loan, in whole or in part, was convertible into common shares (estimated issuance of 311,478,309 shares) of the Company at the option of the holder at a price of C\$0.055 per common share.

On October 2, 2020, CPM's cash balance fell below \$500,000, putting the Company in breach of a minimum cash balance covenant in the 2020 Loan. As a result of the default, effective October 19, 2020, EMR enforced its security provision according to its rights under the 2020 Loan agreement and acquired the Company's shares of its wholly-owned subsidiary, Peak Minerals, in satisfaction of the 2020 Loan.

## Liquidity

At September 30, 2021, the Company had working capital of \$185,603, compared to \$335,259 at December 31, 2020, with cash of \$189,713 as at September 30, 2021, compared to \$343,189 as at December 31, 2020. The Company intends to use its cash to fund its ongoing corporate activities, including certain expenses relating to the RTO. The Company's future is dependent upon its ability to complete the RTO or another similar transaction.

## Outstanding Share Data

As at September 30, 2021, the Company's fully diluted share capital is as follows:

|   | Number of shares   |
|---|--------------------|
| Common shares outstanding as at September 30, 2021  | 178,222,314        |
| Restricted share units (average remaining life of 8.08 years)   | 60,000             |
| Share purchase options (weighted average exercise price of C\$0.35 and average remaining life of 1.44 years).                                 | 2,045,067          |
| <b>Total common shares outstanding, assuming exercise of all restricted share units and share purchase options - as at September 30, 2021</b> | <b>180,327,381</b> |

As at November 18, 2021, the Company's fully diluted share capital is as follows:

|   | Number of shares   |
|---|--------------------|
| Voting and non-voting common shares outstanding as at November 18, 2021   | 178,252,314        |
| Restricted share units  | -                  |
| Share purchase options  | -                  |
| <b>Total common shares outstanding, assuming exercise of all restricted share units, and share purchase options - as at November 18, 2021</b> | <b>178,252,314</b> |

Details of share capital can be found in Note 7 to the Company's Financial Statements.

## OTHER INFORMATION

### Management Team Update

Effective August 31, 2020, John Mansanti, the Company's President and Chief Executive Officer, tendered his resignation to the Company to pursue other business interests and also resigned from CPM's Board. Following Mr. Mansanti's departure, the Board appointed Dean Pokeski as Interim President and Chief Executive Officer, also effective August 31, 2020. Mr. Pokeski has been a contractor for the Company since 2015 and has been the key individual responsible for development activities on the Sevier Playa project.

## **Related Party Transactions**

The Company's related party transactions are disclosed in Note 10 to the Company's Financial Statements and include:

- compensation paid or payable to the Company's senior officers and directors;
- convertible note agreements and private placement transaction with EMR; and
- corporate restructuring.

## **Commitments and Contingencies**

The Company's commitments and contingencies are disclosed in Note 12 to the Company's Financial Statements.

## **Risk Factors and Uncertainties**

The Company's risk factors and uncertainties have not materially changed since December 31, 2020 and are described in its annual management discussion and analysis for the year ended December 31, 2020 as filed by the Company on SEDAR.

## **SUBSEQUENT EVENTS**

### **Amended RTO Agreement**

On October 12, 2021 and on November 9, 2021, the Company and Western completed additional amending agreements under which the timeline for completion of the RTO was further extended.