

# **Peloton Minerals Corporation**

**(Formerly Montana Gold Mining Company Inc.)**

**Condensed Interim Consolidated Financial Statements**

(Expressed in United States Dollars)

**(unaudited)**

**For the Six and Three Months Ended June 30, 2017**

## **Management's Responsibility for Interim Financial Statements**

The accompanying unaudited condensed interim financial statements of Peloton Minerals Corporation (the "Company" or "Peloton") are the responsibility of management.

The unaudited condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34, "Interim Financial Reporting", using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated 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 unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Company 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 financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

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

**"Edward Ellwood"**  
(signed)

**"Eric Plexman"**  
(signed)

### **Notice to Reader**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

**Peloton Minerals Corporation**  
**Interim Consolidated Statements of Financial Position**  
(Expressed in United States Dollars)  
**As at**  
(unaudited)

|   | June 30,<br>2017    | December 31,<br>2016 |
|---|---------------------|----------------------|
| <b>Assets</b>   |                     |                      |
| <b>Current</b>  |                     |                      |
| Cash  | \$ 117,187          | \$ 37,737            |
| HST receivable  | 8,477               | 16,162               |
| Prepaid expenses  | 2,471               | 7,913                |
|   | <b>128,135</b>      | 61,812               |
| <b>Equipment</b> (Note 3)                                 | <b>81,719</b>       | 86,259               |
| <b>Reclamation bonds</b> (Note 5)                         | <b>13,043</b>       | 13,043               |
|   | <b>\$ 222,897</b>   | \$ 161,114           |
| <b>Liabilities</b>  |                     |                      |
| <b>Current</b>  |                     |                      |
| Accounts payable and accrued liabilities (Notes 6 and 11) | \$ 413,413          | \$ 321,556           |
|   | <b>413,413</b>      | 321,556              |
| <b>Convertible debenture</b> (Note 7)                     | <b>39,870</b>       | 35,097               |
| <b>Derivative liability</b> (Note 7)                      | <b>147,272</b>      | 218,978              |
| <b>Foreign currency warrants</b> (Note 9)                 | <b>776,804</b>      | 749,221              |
|   | <b>1,377,359</b>    | 1,324,852            |
| <b>Shareholders' Deficiency</b>                           |                     |                      |
| <b>Capital stock</b> (Note 8)                             | <b>8,793,570</b>    | 8,688,830            |
| <b>Contributed surplus</b>                                | <b>1,776,925</b>    | 1,619,732            |
| <b>Deficit</b>  | <b>(11,724,957)</b> | (11,472,300)         |
|   | <b>(1,154,462)</b>  | (1,163,738)          |
|   | <b>\$ 222,897</b>   | \$ 161,114           |

## Peloton Minerals Corporation

### Interim Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)

(Expressed in United States Dollars)

(unaudited)

|   | For the Six Months Ended<br>June 30, |              | For the Three Months Ended<br>June 30, |              |
|---|--------------------------------------|--------------|--|--------------|
|   | 2017                                 | 2016         | 2017                                   | 2016         |
| <b>Expenses</b>   |                                      |              |  |              |
| Office and administrative costs   | \$ 154,190                           | \$ 160,948   | \$ 83,531                              | \$ 89,503    |
| Professional fees   | 29,337                               | 19,497       | 15,619                                 | 9,361        |
| Exploration and evaluation<br>expenditures (Note 4)                             | 2,209                                | 12,505       | -                                      | 11,655       |
| Foreign exchange (gain)   | 6,581                                | 8,185        | 4,705                                  | 1,303        |
| Stock-based compensation (Note 9)   | 157,193                              | -            | 147,165                                | -            |
| Depreciation  | 4,540                                | -            | 2,270                                  | -            |
|   | <b>354,050</b>                       | 201,135      | <b>253,290</b>                         | 111,822      |
| <b>Other expenses (income)</b>  |                                      |              |  |              |
| Loss (gain) on revaluation of foreign<br>currency warrants (Note 9)             | (143,752)                            | 167,679      | 163,088                                | 102,595      |
| Loss (gain) on revaluation of<br>derivative liability (Note 7)                  | (71,706)                             | 108,163      | 46,127                                 | (12,291)     |
| Accretion expense   | 4,773                                | 3,698        | 2,463                                  | 1,908        |
|   | <b>(210,685)</b>                     | 279,540      | <b>211,678</b>                         | 92,212       |
| <b>Net (loss) earnings and comprehensive<br/>earnings (loss) for the period</b> | <b>\$ (143,365)</b>                  | \$ (480,675) | <b>\$ (464,968)</b>                    | \$ (204,034) |

#### **(Loss) earnings per share (Note 10)**

|                          |                   |            |                   |            |
|--------------------------|-------------------|------------|-------------------|------------|
| <b>Basic and diluted</b> | <b>\$ (0.002)</b> | \$ (0.010) | <b>\$ (0.008)</b> | \$ (0.004) |
|--------------------------|-------------------|------------|-------------------|------------|

#### **Weighted average number of common shares outstanding (Note 10)**

|                          |                   |            |                   |            |
|--------------------------|-------------------|------------|-------------------|------------|
| <b>Basic and diluted</b> | <b>61,474,617</b> | 48,911,174 | <b>61,474,617</b> | 49,599,930 |
|--------------------------|-------------------|------------|-------------------|------------|

**Peloton Minerals Corporation**  
**Interim Consolidated Statements of Changes in Equity**  
(Expressed in United States Dollars)  
**As at**  
(unaudited)

|   | Number of<br>Shares | Capital<br>Stock    | Contributed<br>Surplus | Deficit               | Total                |
|---|---------------------|---------------------|------------------------|-----------------------|----------------------|
| <b>Balance, January 1, 2016</b>           | <b>48,214,765</b>   | <b>\$ 8,171,500</b> | <b>\$ 1,606,868</b>    | <b>\$(9,964,671)</b>  | <b>(186,303)</b>     |
| Net loss and comprehensive loss           | -                   | -                   | -                      | (480,675)             | (480,675)            |
| Units issued for cash                     | 2,650,000           | 100,900             | -                      | -                     | 100,900              |
| Allocated to warrants                     | -                   | (35,363)            | -                      | -                     | (35,363)             |
| Fair value of warrants extended           | -                   | -                   | -                      | (50,382)              | (50,382)             |
| Shares issued for mining claims           | 100,000             | 5,496               | -                      | -                     | 5,496                |
| <b>Balance, June 30, 2016</b>             | <b>50,964,765</b>   | <b>8,242,533</b>    | <b>1,606,868</b>       | <b>(10,495,728)</b>   | <b>(646,327)</b>     |
| Net loss and comprehensive loss           | -                   | -                   | -                      | (865,844)             | (865,844)            |
| Units issued for cash                     | 6,873,488           | 304,584             | -                      | -                     | 304,584              |
| Allocated to warrants                     | -                   | (107,580)           | -                      | -                     | (107,580)            |
| Debentures converted into shares          | 3,636,364           | 249,293             | -                      | -                     | 249,293              |
| Fair value of warrants extended           | -                   | -                   | -                      | (110,728)             | (110,728)            |
| Stock-based compensation                  | -                   | -                   | 12,864                 | -                     | 12,864               |
| <b>Balance, December 31, 2016</b>         | <b>61,474,617</b>   | <b>8,688,830</b>    | <b>1,619,732</b>       | <b>(11,472,300)</b>   | <b>(1,163,738)</b>   |
| Net loss and comprehensive loss           | -                   | -                   | -                      | (143,365)             | (143,365)            |
| Units issued for cash (Note 8)            | 4,034,090           | 166,783             | -                      | -                     | 166,783              |
| Allocated to warrants (Note 8)            | -                   | (62,043)            | -                      | -                     | (62,043)             |
| Fair value of warrants extended (Note 9b) | -                   | -                   | -                      | (109,292)             | (109,292)            |
| Stock-based compensation                  | -                   | -                   | 157,193                | -                     | 157,193              |
| <b>Balance, June 30, 2017</b>             | <b>65,508,707</b>   | <b>\$ 8,793,570</b> | <b>\$ 1,776,925</b>    | <b>\$(11,622,838)</b> | <b>\$(1,154,462)</b> |

**Peloton Minerals Corporation**  
**Interim Consolidated Statements of Cash Flow**  
(Expressed in United States Dollars)  
**For the Six Months Ended June 30,**  
(unaudited)

|   | 2017              | 2016             |
|---|-------------------|------------------|
| <b>Cash provided by (used in)</b>                       |                   |                  |
| <b>Operations</b>                                       |                   |                  |
| Net (loss) earnings                                     | \$ (143,365)      | \$ (480,675)     |
| Items not affecting cash                                |                   |                  |
| Loss (gain) on revaluation of foreign currency warrants | (143,752)         | 167,679          |
| Accretion expense                                       | 4,773             | 3,698            |
| (Gain) loss on revaluation of derivative liability      | (71,706)          | 108,163          |
| Shares issued for mining claims                         | -                 | 5,496            |
| Depreciation  | 4,540             | -                |
| Stock-based compensation                                | 157,193           | -                |
|   | <b>(192,317)</b>  | <b>(195,639)</b> |
| Net changes in non-cash working capital                 |                   |                  |
| HST receivable  | 7,685             | (2,029)          |
| Prepaid expenses  | 5,442             | 176              |
| Accounts payable and accrued liabilities                | 91,857            | 89,513           |
|   | <b>(87,333)</b>   | <b>(107,979)</b> |
| <b>Investing</b>  |                   |                  |
| Redemption of reclamation bonds                         | -                 | 13,113           |
| Advances from a director                                | -                 | 819              |
|   | -                 | 13,932           |
| <b>Financing</b>  |                   |                  |
| Proceeds from share issuances, net                      | 166,783           | 100,900          |
| Debt advances received                                  | -                 | 76,930           |
|   | <b>166,783</b>    | <b>177,830</b>   |
| <b>Net change in cash</b>                               | <b>79,450</b>     | <b>83,783</b>    |
| <b>Cash, beginning of period</b>                        | <b>37,737</b>     | <b>363</b>       |
| <b>Cash, end of period</b>                              | <b>\$ 117,187</b> | <b>\$ 84,146</b> |

**Peloton Minerals Corporation**  
**Notes to Condensed Interim Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**June 30, 2017**  
(unaudited)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Peloton Minerals Corporation ("the Company" or "Peloton") was incorporated under the Ontario Business Corporations Act on December 21, 2000. The Company has three wholly-owned subsidiary corporations, Montana Gold Subsidiary Corporation, a United States corporation, Celerity Mineral Corporation, a Canadian corporation and Celerity Subsidiary Corporation, a United States corporation.

The Company is engaged in the business of locating and exploring mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The head office and principal address of the Company is 380 Wellington Street, 6th Floor, London City Centre, Tower B, London, Ontario, N6A 5B5.

While these unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business, there are material uncertainties related to adverse conditions and events that cast significant doubt on the Company's ability to continue as a going concern.

During the period ended June 30, 2017, the Company incurred a net loss of \$143,365 (June 30, 2016 – net loss of \$480,675) and, as of that date, the Company had accumulated a deficit of \$11,724,957 (December 31, 2016 - \$11,472,300), a working capital deficiency of \$285,278 (December 31, 2016 - \$259,744) and negative cash flows from operations of \$87,333 (June 30, 2016 - \$107,979). These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

As is common with exploration companies, the Company's ability to continue as a going concern is dependent upon obtaining necessary equity financing from time to time to finance its on-going and planned exploration activities and to cover administrative costs, the discovery of economically recoverable resources, the ability of the Company to secure and maintain title and beneficial interest in the properties, entering agreements with others to explore and develop the mineral properties and future profitable production or proceeds from disposition of such properties.

These unaudited condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments would be material.

**Peloton Minerals Corporation**  
**Notes to Condensed Interim Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**June 30, 2017**  
(unaudited)

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

These unaudited condensed interim consolidated financial statements present the Company's financial results of operations and financial position under IFRS as at and for the six and three month periods ended June 30, 2017. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016, prepared in accordance with IFRS. The accounting policies adopted in these unaudited condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited financial statement for the year ended December 31, 2016. Refer to these audited financial statements for significant accounting policies and future changes in accounting policies which remained unchanged as at June 30, 2017.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on August 29, 2017.

**Basis of Consolidation**

The unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Celerity Mineral Corporation (Canada), Celerity Subsidiary Corporation (United States) and Montana Gold Subsidiary Corporation (United States). The functional currency of each entity is the United States dollar. The financial statements of the subsidiaries are included in the unaudited condensed interim consolidated financial statements from the date that control commences until the date that control ceases.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation.

**3. EQUIPMENT**

| <b>Cost</b>                              | December 31,<br>2015 | Additions    | December 31,<br>2016 | Additions    | <b>June 30, 2017</b> |
|--|----------------------|--------------|----------------------|--------------|----------------------|
| Diamond Drilling<br>Equipment            | \$87,255             | \$3,574      | \$90,799             | \$-          | <b>\$90,799</b>      |
| <b>Accumulated<br/>Depreciation</b>      | December 31,<br>2015 | Depreciation | December 31,<br>2016 | Depreciation | <b>June 30, 2017</b> |
| Diamond Drilling<br>Equipment            | \$-                  | \$4,540      | \$4,540              | \$4,540      | <b>\$9,080</b>       |
| Carrying amount<br>December 31, 2016     | \$-                  | \$-          | \$-                  | \$-          | \$86,259             |
| <b>Carrying amount<br/>June 30, 2017</b> | \$-                  | \$-          | \$-                  | \$-          | <b>\$81,719</b>      |



**Peloton Minerals Corporation**  
**Notes to Condensed Interim Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**June 30, 2017**  
(unaudited)

**4. MINING CLAIMS - EXPLORATION AND EVALUATION EXPENDITURES**

Cumulative spending to date:

|  | December 31,<br>2016 | Additions       | June 30,<br>2017  |
|--|----------------------|-----------------|-------------------|
| Silver Bell St. Lawrence Claims, MT <sup>(a)</sup> | \$ 438,347           | \$ 164          | \$ 438,511        |
| Golden Trail Claims, NV <sup>(b)</sup>             | 281,262              | 2,045           | 283,307           |
| River Stage Claims, ON <sup>(c)</sup>              | 12,355               | -               | 12,355            |
| Independence Valley, NV <sup>(d)</sup>             | 15,835               | -               | 15,835            |
|  | <b>\$ 747,799</b>    | <b>\$ 2,209</b> | <b>\$ 750,008</b> |

  

|  | December 31,<br>2015 | Additions         | December 31<br>2016 |
|--|----------------------|-------------------|---------------------|
| Silver Bell St. Lawrence Claims, MT <sup>(a)</sup> | \$ 434,472           | \$ 3,875          | \$ 438,347          |
| Golden Trail Claims, NV <sup>(b)</sup>             | 86,997               | 194,265           | 281,262             |
| River Stage Claims, ON <sup>(c)</sup>              | -                    | 12,355            | 12,355              |
| Independence Valley, NV <sup>(d)</sup>             | -                    | 15,835            | 15,835              |
|  | <b>\$ 521,469</b>    | <b>\$ 226,330</b> | <b>\$ 747,799</b>   |

(a) Silver Bell St. Lawrence

The Company holds 100% interest in the Silver Bell St. Lawrence ("SBSL") property consisting of 10 (December 31, 2016 - 10) mining claims. These claims are subject to a 2% net smelter royalty to an arms-length party.

The Company also holds 100% interest in 16 (December 31, 2016 - 15) mining claims adjacent to the northern and eastern boundaries of the SBSL property. These mining claims are called the Roar claims.

To maintain the staked claims, the Company must pay annual maintenance fees to the Department of the Interior (Bureau of Land Management - BLM Montana State Office) and the local counties in the cumulative approximate amount of \$155 per claim.

(b) Golden Trail

The Company holds 100% interest in 16 (December 31, 2016 - 16) contiguous unpatented mining claims in the Elko County region of Nevada.

To maintain the staked claims, the Company must pay annual maintenance fees to the Department of the Interior (Bureau of Land Management - BLM Nevada State Office) and the local counties in the cumulative approximate amount of \$155 per claim.

**Peloton Minerals Corporation**  
**Notes to Condensed Interim Consolidated Financial Statements**  
(Expressed in United States Dollars)  
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(unaudited)

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**4. MINING CLAIMS - EXPLORATION AND EVALUATION EXPENDITURES (Cont'd)**

(c) River Stage

On May 23, 2016, the Company entered into a purchase option agreement to acquire 100% working interest in the River Stage property consisting of 5 unpatented mining claims. In order to earn its interest in the River Stage property, the Company paid \$6,159 (\$8,000 CDN) by June 15, 2016, issue 100,000 common shares of the Company upon the signing of the purchase option agreement. Further, the Company must pay \$5,958 (\$8,000 CDN) on the first anniversary, \$8,938 (\$12,000 CDN) on the second anniversary and \$18,620 (\$25,000 CDN) on the third anniversary of the purchase option agreement. In addition, a 1.5% net smelter royalty was granted to the arms-length optionor of which the Company may reduce by 0.75% by paying \$186,200 (\$250,000 CDN) to the optionor.

(d) Independence Valley

During July 2016, the Company acquired by staking a 38 mineral claim package comprising 785 acres and located in Elko County, Nevada, about 77 miles south of the Company's Golden Trail Project. The mineral claim package the Independence Valley Project.

To maintain the staked claims, the Company must pay annual maintenance fees to the Department of the Interior (Bureau of Land Management - BLM Nevada State Office) and the local county in the cumulative approximate amount of \$155 per claim.

**5. RECLAMATION BONDS**

As at June 30, 2017, a reclamation bond in the amount of \$13,043 (December 31, 2016 - \$13,043) is being held by the Bureau of Land Management ("BLM") on the Golden Trail property. The Company has completed the site restoration work and management estimates that no further site restoration costs need to be incurred on the Golden Trail property. The Company has not recorded a restoration liability as at June 30, 2017 as the Company has not yet disturbed the land at the Golden Trail property to trigger the recognition of this liability.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The following is a breakdown of the amounts included in accounts payable:

|                              | <b>June 30,</b>   | December 31, |
|------------------------------|-------------------|--------------|
|                              | <b>2017</b>       | 2016         |
| Trade payables               | <b>\$ 76,476</b>  | \$ 59,696    |
| Accrued liabilities:         |                   |              |
| Management and director fees | <b>334,325</b>    | 235,245      |
| Audit and accounting         | <b>2,612</b>      | 26,615       |
|                              | <b>\$ 413,413</b> | \$ 321,556   |

**Peloton Minerals Corporation**  
**Notes to Condensed Interim Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**June 30, 2017**  
(unaudited)

**7. CONVERTIBLE DEBENTURE**

(a) Convertible debenture of \$100,000 USD ("Debenture 1")

On August 11, 2015, the Company received \$100,000 USD (principal) from an arm's length party in exchange for a convertible debenture. The convertible debenture is due on demand upon six months' notice in writing, with such notice not to be given on or before August 11, 2020. The debenture pays interest at the rate of 4%, payable quarterly, beginning October 1, 2015 with the first payment due December 31, 2015. The convertible debenture, and all principal and interest owing, is convertible, in whole or in part, at the holder's option into units of the Company (the "Unit"). Each Unit consists of one common share and one common share purchase warrant. The conversion price of the debenture is \$0.037 (\$0.05 CDN) per Unit. Each warrant will entitle the holder to acquire one additional common share at a price of \$0.0745 (\$0.10 CDN) per share until August 11, 2020.

As security, the Company has pledged all parts purchased relating to their diamond drill (Note 3).

If the common shares of the Company trade for ten consecutive days trading days on the Canadian Securities Exchange or any other stock exchange or quotation service upon which it happens to trade or be quoted at that time, at a price equal to or greater than \$0.149 (\$0.20 CDN) per share, this debenture will automatically be converted into units without any action on the part of either the Company or the holder.

(b) Valuation of Debenture 1

The conversion rate of the units and the warrants to be issued on conversion of the above convertible debentures are not in the Company's functional currency and as a result are presented as a derivative financial liability. The Company valued the derivative financial liabilities using the Black-Scholes pricing model and after valuing the derivative financial liabilities assigned the remaining value to the convertible debenture.

The fair value of the units of Debenture 1 were estimated at the issuance date using the Black-Scholes pricing model with the following assumptions:

|  |                     |
|--|---------------------|
| Share price                                      | \$0.04 CDN          |
| Expected dividend yield                          | Nil                 |
| Exercise price                                   | \$0.05 - \$0.10 CDN |
| Risk free interest rate                          | 0.72%               |
| Expected life                                    | 5.0 - 5.5 years     |
| Expected volatility (based on historical prices) | 210 - 223%          |

The Company determined the amount relating to the units in the convertible debenture to be \$76,886.

**Peloton Minerals Corporation**  
**Notes to Condensed Interim Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**June 30, 2017**  
(unaudited)

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**7. CONVERTIBLE DEBENTURE (Cont'd)**

The fair value of the units of Debenture 1 were revalued at December 31, 2016 using the Black-Scholes option pricing model with the following assumptions:

|  |                     |
|--|---------------------|
| Share price                                      | \$0.095 CDN         |
| Expected dividend yield                          | Nil                 |
| Exercise price                                   | \$0.05 - \$0.10 CDN |
| Risk free interest rate                          | 1.02%               |
| Expected life                                    | 3.62 - 4.12 years   |
| Expected volatility (based on historical prices) | 100% - 113%         |

The units were revalued at \$218,978 resulting in a loss on revaluation of derivative liability of \$132,370.

The fair value of the units of Debenture 1 were revalued at June 30, 2017 using the Black-Scholes option pricing model using the following assumptions:

|  |                     |
|--|---------------------|
| Share price                                      | \$0.07 CDN          |
| Expected dividend yield                          | Nil                 |
| Exercise price                                   | \$0.05 - \$0.10 CDN |
| Risk free interest rate                          | 0.69% - 0.74%       |
| Expected life                                    | 3.12 - 3.62 years   |
| Expected volatility (based on historical prices) | 106% - 111%         |

The units were revalued at \$147,272 resulting in a gain on revaluation of derivative liability of \$71,706.

| <b>Convertible Debenture</b>       | <b>June 30,</b>   | <b>December 31,</b> |
|------------------------------------|-------------------|---------------------|
|                                    | <b>2017</b>       | <b>2016</b>         |
| Principal – Debenture 1            | <b>\$ 100,000</b> | \$ 100,000          |
| Principal – Debenture 2            | -                 | 156,840             |
| Derivative liability – Debenture 1 | <b>(76,886)</b>   | (76,886)            |
| Derivative liability – Debenture 2 | -                 | (84,111)            |
| Accretion expense                  | <b>16,756</b>     | 88,494              |
| Conversion into common shares      | -                 | (149,240)           |
|                                    | <b>\$ 39,870</b>  | <b>\$ 35,097</b>    |

**Peloton Minerals Corporation**  
**Notes to Condensed Interim Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**June 30, 2017**  
(unaudited)

**7. CONVERTIBLE DEBENTURE (Cont'd)**

| <b>Derivative Liability</b>         | <b>June 30,</b>   | <b>December 31,</b> |
|-------------------------------------|-------------------|---------------------|
|                                     | <b>2017</b>       | <b>2016</b>         |
| Derivative liability – Debenture 1  | \$ 76,886         | \$ 76,886           |
| Derivative liability – Debenture 2  | -                 | 84,111              |
| Fair value adjustment – Debenture 1 | 70,386            | 235,942             |
| Conversion into common shares       | -                 | (100,053)           |
| Conversion into warrants            | -                 | (77,908)            |
|                                     | <b>\$ 147,272</b> | <b>\$ 218,978</b>   |

**8. CAPITAL STOCK**

Authorized

Unlimited common shares

Issued and outstanding - common shares

|                                      | <b>Number<br/>of Shares</b> | <b>Value</b>        |
|--------------------------------------|-----------------------------|---------------------|
| <b>Balance, December 31, 2015</b>    | <b>48,214,765</b>           | <b>\$ 8,171,500</b> |
| Units issued for cash                | 9,523,488                   | 405,017             |
| Conversion of convertible debentures | 3,636,364                   | 249,760             |
| Shares issued for mining claims      | 100,000                     | 5,496               |
| Allocated to warrants                | -                           | (126,183)           |
| <b>Balance, December 31, 2016</b>    | <b>61,474,617</b>           | <b>\$ 8,688,830</b> |
| Units issued for cash (i)            | 4,034,090                   | 104,740             |
| <b>Balance, June 30, 2017</b>        | <b>65,508,707</b>           | <b>\$ 8,793,570</b> |

- (i) On June 30, 2017, the Company issued 4,034,090 units with an ascribed value of \$0.055 CDN per unit for proceeds of \$166,783 (\$221,875 CDN). Each unit consists of one common share and one share purchase warrant exercisable for 3 years. Each warrant entitles the holder to purchase one share at a price of \$0.10 CDN up to June 30, 2020.

The fair value of these warrants was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

|  |            |
|--|------------|
| Share price                                      | \$0.07 CDN |
| Expected dividend yield                          | Nil        |
| Exercise price                                   | \$0.10 CDN |
| Risk free interest rate                          | 0.67%      |
| Expected life                                    | 3.0 years  |
| Expected volatility (based on historical prices) | 104%       |

The Company determined the amount relating to the warrants in the unit issuance to be \$62,043.

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**9. STOCK OPTIONS AND WARRANTS**

**(a) Stock Options**

The Company has a Stock Option Plan (the "Plan") to provide options for the benefit of employees, directors and third parties. The maximum number of shares allocated to and made available to be issued under the Plan shall not exceed 10% of the common shares issued and outstanding (on a non-diluted basis) at any time. The exercise price of options granted under the Stock Option Plan will be determined by the directors, but will be at least equal to the closing trading price for the common shares for the last trading day prior to the grant and otherwise the fair market price as determined by the Board of Directors. The term of any option granted shall not exceed five years. Except as otherwise provided elsewhere in the Stock Option Plan, the options shall be cumulatively exercisable in installments over the option period at a rate to be fixed by the Board of Directors. The Company will not provide financial assistance to any optionee in connection with the exercise of options.

|                                     | Period ended June 30,<br>2017 |  | Year ended December 31,<br>2016 |  |
|-------------------------------------|-------------------------------|--|---------------------------------|--|
|                                     | Number<br>of<br>Options       | Weighted<br>Average<br>Exercise<br>Price (CDN) | Number<br>of<br>Options         | Weighted<br>Average<br>Exercise<br>Price (CDN) |
| Outstanding, beginning of<br>period | 4,750,000                     | \$ 0.09  | 4,250,000                       | \$ 0.09  |
| Granted                             | 3,050,000                     | \$ 0.10  | 500,000                         | \$ 0.10  |
| Expired                             | (2,600,000)                   | \$ 0.10  | -                               | \$ -   |
| Outstanding, end of period          | <b>5,200,000</b>              | <b>\$ 0.09</b>                                 | 4,750,000                       | \$ 0.09  |
| Exercisable, end of period          | <b>5,200,000</b>              | <b>\$ 0.09</b>                                 | 4,500,000                       | \$ 0.09  |

The Company had the following stock options outstanding at June 30, 2017:

| Number of Options | Exercise Price | Expiry Date       |
|-------------------|----------------|-------------------|
| 500,000           | CDN \$0.100    | July 15, 2018     |
| 1,150,000         | CDN \$0.065    | May 29, 2019      |
| 500,000           | CDN \$0.080    | July 2, 2019      |
| 200,000           | CDN \$0.100    | February 10, 2022 |
| 250,000           | CDN \$0.100    | April 28, 2022    |
| 2,600,000         | CDN \$0.100    | May 18, 2022      |
| <b>5,200,000</b>  |                |                   |

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**9. STOCK OPTIONS AND WARRANTS (Cont'd)**

**(a) Stock Options (Cont'd)**

The above options were not included in the computation of diluted net loss per share as they are anti-dilutive. The weighted average remaining contractual life of these options is 3.57 years (December 31, 2016 – 1.51 years).

On February 10, 2017, the Company granted 200,000 stock options to a consultant. The stock options are exercisable at \$0.10 CDN per share and expire February 10, 2022. All the stock options vest immediately.

The fair value of these stock options of \$8,509 was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

|  |            |
|--|------------|
| Share price                                      | \$0.07 CDN |
| Expected dividend yield                          | Nil        |
| Exercise price                                   | \$0.10 CDN |
| Risk free interest rate                          | 1.11%      |
| Expected life                                    | 5.0 years  |
| Expected volatility (based on historical prices) | 121%       |

On April 28, 2017, the Company granted 250,000 stock options to a consultant. The stock options are exercisable at \$0.10 CDN per share and expire April 28, 2022. All the stock options vest immediately.

The fair value of these stock options of \$10,425 was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

|  |            |
|--|------------|
| Share price                                      | \$0.06 CDN |
| Expected dividend yield                          | Nil        |
| Exercise price                                   | \$0.10 CDN |
| Risk free interest rate                          | 0.86%      |
| Expected life                                    | 5.0 years  |
| Expected volatility (based on historical prices) | 183%       |

On May 18, 2017, the Company granted 2,600,000 stock options to directors and a consultant. The stock options are exercisable at \$0.10 CDN per share and expire May 18, 2022. The stock options vest one fifth immediately and one fifth each year after May 18, 2017.

The fair value of these stock options of \$136,537 was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

|  |             |
|--|-------------|
| Share price                                      | \$0.075 CDN |
| Expected dividend yield                          | Nil         |
| Exercise price                                   | \$0.10 CDN  |
| Risk free interest rate                          | 0.85%       |
| Expected life                                    | 5.0 years   |
| Expected volatility (based on historical prices) | 182%        |

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**9. STOCK OPTIONS AND WARRANTS (Cont'd)**

**(b) Warrants**

The following summarizes the change in warrants denominated in a foreign currency:

|  | <b>Period ended</b>      | Year ended           |
|--|--------------------------|----------------------|
|  | <b>June 30,<br/>2017</b> | December 31,<br>2016 |
| <b>Balance, beginning of period</b>                                      | <b>\$ 749,221</b>        | \$ 37,526            |
| Fair value of warrants issued - April 22, 2016                           | -                        | 21,215               |
| Fair value of warrants issued - June 10, 2016                            | -                        | 14,148               |
| Fair value of warrants issued – July 5, 2016                             | -                        | 92,385               |
| Fair value of warrants issued – August 5, 2016                           | -                        | 90,820               |
| Fair value of warrants issued – December 29, 2016                        | -                        | 16,760               |
| Fair value of warrants issued – June 30, 2017                            | <b>62,043</b>            | -                    |
| Fair value of warrants transferred on exercise of convertible debentures | -                        | 77,908               |
| Fair value of warrants extended (Note 9(b)(i))                           | <b>109,292</b>           | 161,110              |
| Fair value adjustment (Note 9(b)(ii))                                    | <b>(143,752)</b>         | 237,349              |
| <b>Balance, end of period</b>  | <b>\$ 776,804</b>        | \$ 749,221           |

(i) During the period ended June 30, 2017, the Company modified the expiry dates of the following outstanding warrants:

- 2,000,000 warrants originally expiring on March 3, 2017 are now exercisable until March 3, 2019;
- 2,300,505 warrants originally expiring on June 4, 2017 are now exercisable until June 4, 2019;
- 1,310,260 warrants originally expiring on June 28, 2017 are now exercisable until June 28, 2019;

The incremental fair value of these warrants extended was estimated at \$109,292 using the Black Scholes pricing model with the following weighted average assumptions:

|   |                   |
|---|-------------------|
| Share price   | \$0.07 CDN        |
| Expected dividend yield                                     | Nil               |
| Exercise price  | \$0.10 CDN        |
| Risk free interest rate                                     | 0.55% - 0.61%     |
| Expected life (original)                                    | 0.06 - 0.38 years |
| Expected life (extended)                                    | 2.06 - 2.38 years |
| Expected volatility (original) (based on historical prices) | 86% - 109%        |
| Expected volatility (extended) (based on historical prices) | 78% - 104%        |

As this is a capital transaction, the incremental fair value was recorded to foreign currency warrants with an offsetting charge to deficit.



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**9. STOCK OPTIONS AND WARRANTS (Cont'd)**

**(b) Warrants (Cont'd)**

- (ii) At June 30, 2017, the fair value of the 35,043,087 warrants outstanding was estimated at \$776,804 using the Black-Scholes pricing model with the following weighted average assumptions:

|  |                     |
|--|---------------------|
| Share price  | \$0.07 CDN          |
| Expected dividend yield  | Nil                 |
| Exercise price   | \$0.07 - \$0.20 CDN |
| Risk free interest rate  | 0.59% - 0.76%       |
| Weighted average expected life                                       | 1.43 years          |
| Weighted average expected volatility<br>(based on historical prices) | 92% - 111%          |

At June 30, 2017, a gain on revaluation of foreign currency warrants of \$143,752 (June 30, 2016 - loss of \$167,679) was recognized in the interim unaudited consolidated statement of loss and comprehensive loss.

The Company had the following warrants outstanding at June 30, 2017:

| <b>Number of Warrants</b> | <b>Exercise Price (CDN)</b> | <b>Expiry Date</b> |
|---------------------------|-----------------------------|--------------------|
| 2,000,000                 | \$ 0.20                     | February 20, 2018  |
| 1,000,000                 | \$ 0.20                     | May 14, 2018       |
| 3,650,000                 | \$ 0.10                     | December 3, 2018   |
| 2,000,000                 | \$ 0.10                     | March 3, 2019      |
| 2,300,505                 | \$ 0.10                     | June 4, 2019       |
| 1,310,260                 | \$ 0.10                     | June 28, 2019      |
| 1,000,000                 | \$ 0.10                     | December 30, 2017  |
| 1,338,380                 | \$ 0.10                     | May 20, 2018       |
| 400,000                   | \$ 0.10                     | December 7, 2018   |
| 1,450,000                 | \$ 0.10                     | April 22, 2019     |
| 1,200,000                 | \$ 0.10                     | June 10, 2019      |
| 5,986,821                 | \$ 0.10                     | August 5, 2019     |
| 2,850,000                 | \$ 0.07                     | June 23, 2019      |
| 3,636,364                 | \$ 0.10                     | December 21, 2019  |
| 886,667                   | \$0.125                     | December 29, 2019  |
| 4,034,090                 | \$0.10                      | June 30, 2020      |
| <b>35,043,087</b>         |                             |                    |

**10. EARNINGS (LOSS) PER SHARE**

The calculation of basic and diluted earnings (loss) per share for the period ended June 30, 2017 was based on the loss attributable to common shareholders of \$143,365 (June 30, 2016 - loss of \$480,675) and the weighted average number of common shares outstanding of 61,474,617 (June 30, 2016 - 48,911,174).

Diluted loss per share did not include the effect of 5,200,000 stock options and 35,043,087 warrants outstanding as they are anti-dilutive.

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**11. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

Remuneration of Directors and key management of the Company was as follows:

|   | <b>June 30,</b>   | June 30,   |
|---|-------------------|------------|
|   | <b>2017</b>       | 2016       |
| Management and director fees <sup>(i)</sup> | <b>\$ 131,288</b> | \$ 130,460 |

(i) Included in office and administrative costs in the interim unaudited consolidated statements of loss and comprehensive loss.

Other related party balances are listed below:

(a) Included in accounts payable and accrued liabilities is approximately \$334,325 (December 31, 2016 - \$235,245) of amounts owing to directors of the Company for management and director fees.

**12. CAPITAL RISK MANAGEMENT**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes capital stock, contributed surplus, deficit and foreign currency warrants in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further exploration on its properties. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, debt or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended June 30, 2017.

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**13. FINANCIAL RISK MANAGEMENT**

The Company is exposed to a variety of financial risks by virtue of its activities. In particular market risk (composed of currency risk), liquidity risk, fair value risk, interest risk and credit risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

**(a) Market Risk**

(i) Currency risk

The Company operates internationally and is exposed to foreign exchange risk from the Canadian Dollar. Foreign exchange risk arises from purchase transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

As at June 30, 2017 the Company is exposed to currency risk through the following financial assets and liabilities denominated in Canadian dollars:

|  | <b>June 30,</b> | December 31, |
|--|-----------------|--------------|
|  | <b>2017</b>     | 2016         |
| Cash                                     | \$ 145,151      | \$ 48,937    |
| HST Receivable                           | \$ 11,000       | \$ 21,700    |
| Accounts payable and accrued liabilities | \$ 471,462      | \$ 370,796   |

The above balances were translated into US dollars at the period-end rate of \$0.7706 (December 31, 2016 - \$0.7448) Canadian dollars to every US dollar.

Based on the above net exposures as at June 30, 2017, assuming that all other variables remain constant, a +/- 5% change in the Canadian dollar against the United States dollar would result in an increase/decrease in net loss of approximately \$12,000.

**(b) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at June 30, 2017, the Company has current liabilities of \$413,413 (December 31, 2016 - \$321,556) due within 12 months and has cash of \$117,187 (December 31, 2016 - \$37,737) to meet its current obligations. As a result the Company has liquidity risk and is dependent on raising additional capital to fund operations.

**13. FINANCIAL RISK MANAGEMENT (Cont'd)**

**(c) Fair Value Risk**

The carrying values of reclamation bonds, accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments. The estimated fair values of convertible debt also approximate carrying values due to the fact that effective interest rates are not significantly different from market rates. The estimated fair value of warrants are subject to fluctuations based on the inputs and assumptions used to value them.

**(d) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk is primarily related to the Company's interest bearing debt on its consolidated statement of financial position. The Company does not have any debt with variable interest rates, thereby minimizing the Company's exposure to cash flow interest rate risk.

**(e) Credit Risk**

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash. The Company reduces its credit risk by maintaining its primary bank accounts at large financial institutions.

**14. COMMITMENTS**

The Company is committed under lease agreements to the payment of amounts totaling \$6,270 until October 2017.

The Company is also required to make payments to the BLM to keep mining claims in good standing as noted in Note 4.