

# **Peloton Minerals Corporation**

## **Consolidated Financial Statements**

(Expressed in United States Dollars)

**For the Years Ended December 31, 2017 and 2016**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Peloton Minerals Corporation

We have audited the accompanying consolidated financial statements of Peloton Minerals Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of earnings (loss) and comprehensive earnings (loss), changes in equity (deficiency) and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Peloton Minerals Corporation and its subsidiaries as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

RSM Canada LLP

Chartered Professional Accountants  
Licensed Public Accountants  
April 30, 2018  
Toronto, Ontario

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

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

	December 31, 2017	December 31, 2016
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 172,600	\$ 37,737
HST receivable	14,424	16,162
Prepaid expenses	8,017	7,913
	<b>195,041</b>	61,812
<b>Equipment</b> (Note 4)	<b>77,179</b>	86,259
<b>Reclamation bonds</b> (Note 7)	<b>13,043</b>	13,043
	<b>\$ 285,263</b>	\$ 161,114
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 6 and 13)	\$ 462,072	\$ 321,556
<b>Convertible debenture</b> (Note 8)	<b>45,291</b>	35,097
<b>Derivative liability – convertible debenture</b> (Note 8)	<b>158,649</b>	218,978
<b>Derivative liability – foreign currency warrants</b> (Note 10)	<b>1,065,985</b>	749,221
<b>Deposit for shares to be issued</b> (Note 18)	<b>2,192</b>	-
	<b>1,734,189</b>	1,324,852
<b>Shareholders' Deficiency</b>		
<b>Capital stock</b> (Note 9)	<b>8,964,049</b>	8,688,830
<b>Contributed surplus</b> (Note 10)	<b>1,776,925</b>	1,619,732
<b>Deficit</b>	<b>(12,189,900)</b>	(11,472,300)
	<b>(1,448,926)</b>	(1,163,738)
	<b>\$ 285,263</b>	\$ 161,114

*Nature of Operations and Going Concern (Note 1)*  
*Commitments (Note 16)*  
*Subsequent events (Note 18)*

Approved by the Board

"Edward Ellwood"  
Director (Signed)

"Eric Plexman"  
Director (Signed)

**Peloton Minerals Corporation**  
**Consolidated Statements of Earnings (Loss) and Comprehensive Earnings (Loss)**  
(Expressed in United States Dollars)  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b>Expenses</b>		
Office and administrative costs (Note 13)	\$ 352,785	\$ 438,841
Professional fees	73,157	60,550
Exploration and evaluation expenditures (Note 5)	32,109	226,330
Stock-based compensation (Note 10)	157,193	12,864
Depreciation (Note 4)	9,080	4,540
Foreign exchange	14,598	12,574
	<b>638,922</b>	<b>755,699</b>
<b>Other expenses (income)</b>		
Loss (gain) on revaluation of foreign currency warrants (Note 10)	(2,959)	237,349
Reversal of management and director fees payable (Note 13)	(20,525)	-
Accretion expense (Note 8)	10,195	127,251
(Gain) loss on revaluation of derivative liability (Note 8)	(60,329)	226,220
Fair value of warrants extended (Note 10)	152,296	161,110
	<b>78,678</b>	<b>751,930</b>
<b>Net earnings (loss) and comprehensive earnings (loss)</b>	<b>\$ (717,600)</b>	<b>\$ (1,507,629)</b>

**(Loss) earnings per share (Note 11)**

Basic and diluted	\$ (0.011)	\$ (0.029)
-------------------	------------	------------

**Weighted average number of common shares outstanding (Note 11)**

Basic and diluted	65,169,433	52,478,427
-------------------	------------	------------

**Peloton Minerals Corporation**  
**Consolidated Statements of Changes in Equity (Deficiency)**  
(Expressed in United States Dollars)  
**Years Ended December 31, 2017 and 2016**

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total
	(Note 9)	(Note 9)	(Note 10)		
<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	-	-	-	(1,507,629)	(1,507,629)
Units issued for cash (Note 9)	9,523,488	405,484	-	-	405,484
Allocated to warrants (Note 9)	-	(142,943)	-	-	(142,943)
Debentures converted into shares (Note 8)	3,636,364	249,293	-	-	249,293
Shares issued for mining claims (Note 9)	100,000	5,496	-	-	5,496
Stock-based compensation (Note 10)	-	-	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	-	-	-	(717,600)	(717,600)
Units issued for cash (Note 9)	10,321,771	442,646	-	-	442,646
Allocated to warrants (Note 9)	-	(167,427)	-	-	(167,427)
Stock-based compensation (Note 10)	-	-	157,193	-	157,193
<b>Balance, December 31, 2017</b>	<b>71,796,388</b>	<b>\$ 8,964,049</b>	<b>\$ 1,776,925</b>	<b>\$ (12,189,900)</b>	<b>\$ (1,448,926)</b>

**Peloton Minerals Corporation**  
**Consolidated Statements of Cash Flows**  
(Expressed in United States Dollars)  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Net loss	\$ (717,600)	\$ (1,507,629)
Items not affecting cash:		
(Gain) loss on revaluation of derivative liability	(60,329)	226,220
Loss (gain) on revaluation of foreign currency warrants	(2,959)	237,349
Reversal of management and director fees payable	(20,525)	-
Shares issued for mining claims	-	5,496
Accretion expense	10,194	127,251
Non-cash transaction costs	-	49,545
Depreciation	9,080	4,540
Fair value of warrants extended	152,296	161,110
Stock-based compensation	157,193	12,864
	<b>(472,650)</b>	<b>(683,254)</b>
Net changes in non-cash working capital:		
HST receivable	1,738	(7,387)
Prepaid expenses	(104)	(6,655)
Accounts payable and accrued liabilities	161,041	175,617
	<b>(309,975)</b>	<b>(521,679)</b>
<b>Investing</b>		
Purchase of equipment	-	(3,574)
Proceeds from release of reclamation bond	-	13,113
	-	9,539
<b>Financing</b>		
Proceeds from share issuances, net	442,646	405,484
Proceeds for shares to be issued	2,192	-
Proceeds from issuance of convertible debenture	-	156,840
(Repayment to) advances from a director	-	(12,810)
	<b>444,838</b>	<b>549,514</b>
<b>Net change in cash during the year</b>	<b>134,863</b>	<b>37,374</b>
<b>Cash, beginning of year</b>	<b>37,737</b>	<b>363</b>
<b>Cash, end of year</b>	<b>\$ 172,600</b>	<b>\$ 37,737</b>
<b>Non-cash transactions:</b>		
Shares issued for mining claims	-	5,496
Debentures converted into shares	-	249,293
Warrant extensions	152,296	161,110

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

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

Peloton Minerals Corporation (the "Company" or "Peloton"), formerly Montana Gold Mining Company Inc., 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, incorporated under the laws of the State of Montana on August 28, 2012, Celerity Mineral Corporation, a Canadian corporation, incorporated under the Canada Business Corporations Act on April 25, 2012 and Celerity Subsidiary Corporation, a United States corporation, incorporated under the laws of the State of Montana on August 28, 2012.

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 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 year ended December 31, 2017 the Company had loss of \$717,600 (2016 - \$1,507,629) and, as of that date, the Company had accumulated a deficit of \$12,189,900 (2016 - \$11,472,300), a working capital deficiency of \$267,031 (2016 - \$259,744) and negative cash flows from operations of \$309,975 (2016 - \$521,679). 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 ongoing 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 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 may be material.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

The consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

The consolidated financial statements of the Company were approved by the Board of Directors on April 30, 2018.

A summary of the Company's significant accounting policies under IFRS are presented below. These policies have been consistently applied.

### **Basis of Measurement**

The consolidated financial statements are prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

These consolidated financial statements are presented in United States dollars, which is also the Company's functional currency.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information regarding significant areas of estimation, uncertainty and critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements relate to:

#### *Valuation of stock options and warrants issued*

The fair value valuation of stock options and warrants require that management estimates the inputs used in the Black-Scholes pricing model, such as estimated volatility and life of the stock options based on information at each reporting date, and forfeiture rate for options.

#### *Valuation of the convertible debenture*

Management estimated the fair value of the debt component of the convertible debentures by determining the estimated timing of future debt and interest payments pursuant to the terms of the debt agreement and a discount rate equal to the estimated rate of return for a similar debt instrument but having no conversion features. The amount allocated to the debt and equity components would vary with changes in the estimated cash flows and the discount rate.



**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Basis of Measurement (Cont'd)**

*Valuation of the derivative liability and foreign currency warrants*

The fair value valuation of derivative liability and foreign currency warrants require that the management estimates the inputs used in the Black-Scholes pricing model such as estimated volatility and life of the financial instruments based on information at each reporting period.

*Determination of the functional currency of the Company*

Management has made determinations with respect to its functional currency in accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates," and as such has determined that the functional currency of the Company and its subsidiaries is the United States dollar.

**Basis of Consolidation**

The 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 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.

**Financial Instruments**

The Company recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value with any resultant gain or loss recognized in profit or loss. Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly under other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Financial Instruments (Cont'd)**

All financial liabilities are recognized initially at fair value plus, in the case of loans and debentures, directly attributable transaction costs. Financial liabilities are classified as FVTPL financial liabilities or other financial liabilities, which are subsequently measured at amortized cost using the effective interest rate method.

Classification of these financial instruments is as follows

<u>Financial Instrument</u>	<u>Classification</u>
Cash	FVTPL
Reclamation bonds	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Derivative liability	FVTPL
Foreign currency warrants	FVTPL
Convertible debenture	Other financial liabilities
Deposit for shares to be issued	Other financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are derecognized when the Company's rights to cash flows from the respective assets have expired or have been transferred and the Company has neither exposure to the risks inherent in those assets nor entitlement to rewards from them. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of earnings (loss) and comprehensive earnings (loss).

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The Company's financial instruments measured at fair value on the statement of financial position consist of cash, foreign currency warrants and derivative liability. Cash is measured at level 1 of the fair value hierarchy while foreign currency warrants and derivative liability are measured at level 2 of the fair value hierarchy. There have been no transfers between levels.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Mining Claims - Exploration and Evaluation Expenditures**

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property option payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

**Impairment**

At the end of each reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into cash generating units ("CGU's") for impairment purposes. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of earnings (loss) and comprehensive earnings (loss) for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of earnings (loss) and comprehensive earnings (loss).

**Convertible Debenture**

The convertible debenture is convertible into units in Canadian Dollars and the Company's functional currency is US Dollars. As a result the instrument contains an embedded derivative liability.

The proceeds received on issuance of the Company's convertible debenture are allocated to the host debt and derivative liability components. The fair value of the components is determined based on a relative fair value approach.

The host debt component was discounted using interest rates that would have been applicable to a non-convertible debenture of the Company at the time of issue. The derivative liability feature was measured using the Black-Scholes option pricing model. The derivative liability is fair valued at each statement of financial position date using the Black-Scholes option pricing model.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Convertible Debenture (Cont'd)**

The host debt component accretes up to the principal balance at maturity with the accretion expense included in the consolidated statements of comprehensive income and loss. The host debt component is not re-measured subsequent to initial recognition. The derivative liability component will be reclassified to capital stock on conversion.

**Foreign Currency Translation**

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the consolidated statement of financial position date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in the consolidated statement of earnings (loss) and comprehensive earnings (loss).

Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

**Income Taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date, that are expected to be in effect at the time of utilization of the deferred tax.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Share Capital**

Common shares are classified as equity. Amounts received for units issued are allocated between common shares and warrants by valuing the warrants at fair value and allocating the residual to common shares. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Stock-based Compensation Transactions**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of stock options issued for employee services is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. At each reporting date, the Company revises its estimates of the number of options that are expected to vest, based on the non-market vesting conditions. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued for non-employee services and some or all of the goods or services received by the entity as consideration cannot be reliably measured, they are measured at the fair value of the share-based payment. Otherwise, the stock-based compensation is measured at the fair value of goods or services received.

**Income/Loss Per Share**

The Company presents basic and diluted income/loss per share data for its common shares. Basic income/loss per share is calculated by dividing the loss attributed to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. Diluted income per share does not adjust the loss attributed to the common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Restoration Liabilities**

The Company recognizes the fair value of restoration liabilities related to statutory, contractual or legal obligations associated with the retirement of mining claims in the year in which it is incurred when a reasonable estimate of fair value can be made, in which case the carrying amount of the related mining claim is increased by the same amount as the net present value of the restoration liability. Discount rates using a pre tax rate that reflects the time value of money are used to calculate the net present value. The Company's estimates of such costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures and changes in the net present value.

**Related Party Disclosures**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reasonable estimate can be made of the amount of the obligation. Provisions for legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Provisions (Cont'd)**

Provisions are measured at the present value of the expenditures required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

**Warrants Denominated in a Foreign Currency**

Warrants denominated in a currency different from the functional currency of the Company, called foreign currency warrants in these consolidated financial statements, meet the definition of a derivative financial liability and are fair valued at each statement of financial position date using the Black-Scholes option pricing model, with changes in the fair value recognized in the consolidated statement of earnings (loss) and comprehensive earnings (loss).

Warrants that are issued as compensation for services are presented as contributed surplus and are not subsequently revalued.

**Equipment**

Equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Equipment are depreciated using the straight-line method over the estimated useful life of 10 years and are depreciated from the time they are available for use. The residual value, useful life and depreciation method are reviewed at least annually.

**3. FUTURE ACCOUNTING PRONOUNCEMENTS**

The accounting pronouncements detailed in this note have been issued but are not yet effective. The Company does not expect the impact of applying these standards to be significant on its consolidated financial statements.

- a) *IFRS 9, Financial Instruments* ("IFRS 9") was issued in November 2009 as the first step in its project to replace *IAS 39 'Financial Instruments: Recognition and Measurement'*. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2018, with early adoption permitted.
- b) *IFRS 15, Revenue from contracts with customers* ("IFRS 15") was issued in May 2014 to replace current revenue recognition guidance contained in IAS 18, IAS 11 and related Interpretations. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.
- c) *IFRS 16, Leases* ("IFRS 16") was issued in January 2016 to replace *IAS 17, Leases* and eliminates the classification of leases as either operating or finance leases by the lessee. Classification of leases by the lessor under IFRS 16 continues as either an operating or a finance lease, as was the treatment under IAS 17. The treatment of leases by the lessee will require capitalization of all leases resulting in accounting treatment similar to finance leases under IAS 17. Exemptions for leases of very low value or short term leases will be applicable. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

**4. EQUIPMENT**

<b>Cost</b>	December 31, 2015	Additions	December 31, 2016	Additions	<b>December 31, 2017</b>
Diamond Drilling Equipment	\$87,225	\$ 3,574	\$90,799	\$ -	<b>\$90,799</b>
<b>Accumulated Depreciation</b>	December 31, 2015	Depreciation	December 31, 2016	Depreciation	<b>December 31, 2017</b>
Diamond Drilling Equipment	\$ -	\$4,540	\$4,540	\$9,080	<b>\$13,620</b>
Carrying amount December 31, 2016					\$86,259
<b>Carrying amount December 31, 2017</b>					<b>\$77,179</b>

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

Cumulative spending to date:

	December 31, 2016	Additions	December 31, 2017
Silver Bell St. Lawrence Claims, MT <sup>(a)</sup>	\$ 438,347	\$ 4,398	\$ 442,745
Golden Trail Claims, NV <sup>(b)</sup>	281,262	15,083	296,345
River Stage Claims, ON <sup>(c)</sup>	12,355	6,278	18,633
Independence Valley, NV <sup>(d)</sup>	15,835	6,350	22,185
	<b>\$ 747,799</b>	<b>\$ 32,109</b>	<b>\$ 779,908</b>
	December 31, 2015	Additions	December 31, 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 Nevada State Office) and the local counties in the cumulative approximate amount of \$155 (2016 - \$155) per claim.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

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

(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 (2016 - \$155) per claim.

(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, issued 100,000 common shares (Note 9) of the Company upon the signing of the purchase option agreement. Further, the Company must pay \$5,958 (\$8,000 CDN - paid) 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 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.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	2017	2016
Trade payables	\$ 37,911	\$ 59,696
Accrued liabilities:		
Management and director fees (Note 13)	397,458	235,245
Audit and accounting	26,703	26,615
	<b>\$ 462,072</b>	<b>\$ 321,556</b>



**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

**7. RECLAMATION BONDS**

As at December 31, 2017, a reclamation bond in the amount of \$13,043 (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 December 31, 2017 as the Company has not yet disturbed the land at the Golden Trail property to trigger the recognition of this liability.

**8. 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 the diamond drill rig (Note 4).

If the common shares of the Company trade for ten consecutive 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) Convertible debenture of \$200,000 CDN ("Debenture 2")

On June 23, 2016, the Company closed a \$156,840 (\$200,000 CDN) financing with an arm's length party in the form of a convertible debenture. The \$156,840 loan amount was convertible by the lender at any time up to November 1, 2016 into units priced at \$0.041 (\$0.055 CDN) per unit. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.745 (\$0.10 CDN) per share for up to three years. Prior to the conversion, the Company may repay all or any portion of the loan amount with interest payable at the rate of 1% per month. As the loan amount was not repaid on or before November 1, 2016, it was automatically converted into units. The lender received a transaction fee consisting of 2,850,000 share purchase warrants exercisable at \$0.052 (\$0.07 CDN) expiring July 5, 2019. On December 21, 2016, the Company issued 3,636,364 units, consisting of 3,636,364 common shares and 3,636,364 common share purchase warrants in exchange for the host conversion of the debenture.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

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

(c) Valuation of Debenture 1 and Debenture 2

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 option 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 inputs and assumptions:

Share price	\$0.040 CDN
Expected dividend yield	Nil
Exercise price	\$0.050 - \$0.100 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.

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

Share price	\$0.095 CDN
Expected dividend yield	Nil
Exercise price	\$0.050 - \$0.100 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 was revalued at December 31, 2017 using the Black-Scholes option pricing model with the following inputs and assumptions:

Share price	\$0.08 CDN
Expected dividend yield	Nil
Exercise price	\$0.050 - \$0.100 CDN
Risk free interest rate	0.74 - 0.75%
Expected life	2.61 - 3.12 years
Expected volatility (based on historical prices)	99% - 104%

The units were revalued at \$158,649 resulting in a gain on revaluation of derivative liability of \$60,329.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

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

(c) Valuation of Debenture 1 and Debenture 2

The fair value of the units of Debenture 2 were estimated at the issuance date using the Black-Scholes pricing model with the following inputs and assumptions:

Share price	\$0.070 CDN
Expected dividend yield	Nil
Exercise price	\$0.055 - \$0.100 CDN
Risk free interest rate	0.84%
Expected life	3.36 years
Expected volatility (based on historical prices)	114%

The Company determined the amount relating to the units in the convertible debenture to be \$84,111.

The fair value of the units of Debenture 2 was revalued at December 21, 2016 using the Black-Scholes option pricing model with the following inputs and assumptions:

Share price	\$0.100 CDN
Expected dividend yield	Nil
Exercise price	\$0.055 - \$0.100 CDN
Risk free interest rate	0.72%
Expected life	3.00 years
Expected volatility (based on historical prices)	84%

The units were revalued at \$177,961 resulting in a loss on revaluation of derivative liability of \$93,850.

<b>Convertible Debenture</b>	<b>December 31,</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>22,177</b>	88,494
Conversion into common shares	-	(149,240)
	<b>\$ 45,291</b>	<b>\$ 35,097</b>

The effective interest rate of the convertible debentures is 26.33%.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

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

<b>Derivative Liability</b>	<b>December 31,</b>	
	<b>2017</b>	<b>December 31, 2016</b>
Derivative liability – Debenture 1	\$ 76,886	\$ 76,886
Derivative liability – Debenture 2	-	84,111
Fair value adjustment – Debenture 1	81,763	235,942
Conversion into common shares	-	(100,053)
Conversion into warrants	-	(77,908)
	<b>\$ 158,649</b>	<b>\$ 218,978</b>

**9. CAPITAL STOCK**

Authorized

Unlimited common shares

Issued and outstanding common shares

	<b>Number of Shares</b>	<b>Value</b>
<b>Balance, January 1, 2016</b>	<b>48,214,765</b>	<b>\$ 8,171,500</b>
Units issued for cash <sup>(a)</sup>	9,523,488	405,017
Shares issued for mining claim <sup>(c)</sup>	100,000	5,496
Conversion of convertible debentures <sup>(d)</sup>	3,636,364	249,760
Allocated to warrants <sup>(a)</sup>	-	(142,943)
<b>Balance, December 31, 2016</b>	<b>61,474,617</b>	<b>\$ 8,688,830</b>
Units issued for cash <sup>(b)</sup>	10,321,771	442,646
Allocated to warrants <sup>(b)</sup>	-	(167,427)
<b>Balance, December 31, 2017</b>	<b>71,796,388</b>	<b>\$ 8,964,049</b>

- (a) (i) On April 22, 2016, the Company issued 1,450,000 units with an ascribed value of \$0.05 CDN per unit for proceeds of \$72,500 CDN (\$54,467 USD). 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 April 22, 2019.

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

Share price	\$0.065 CDN
Expected dividend yield	Nil
Exercise price	\$0.100 CDN
Risk free interest rate	0.67%
Expected life	3.0 years
Expected volatility (based on historical prices)	111%

The Company determined the amount relating to the warrants in the unit issuance to be \$21,215.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

**9. CAPITAL STOCK (Cont'd)**

- (a) (ii) On June 10, 2016, the Company issued 1,200,000 units with an ascribed value of \$0.05 CDN per unit for proceeds of \$60,000 CDN (\$46,433 USD). 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 10, 2019.

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

Share price	\$0.060 CDN
Expected dividend yield	Nil
Exercise price	\$0.100 CDN
Risk free interest rate	0.52%
Expected life	3.0 years
Expected volatility (based on historical prices)	86%

The Company determined the amount relating to the warrants in the unit issuance to be \$14,148.

- (iii) On August 5, 2016, the Company issued 5,986,821 units with an ascribed value of \$0.055 CDN per unit for proceeds of \$319,275 CDN (\$255,015 USD). 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 August 5, 2019.

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

Share price	\$0.110 CDN
Expected dividend yield	Nil
Exercise price	\$0.100 CDN
Risk free interest rate	0.52%
Expected life	3.0 years
Expected volatility (based on historical prices)	86%

The Company determined the amount relating to the warrants in the unit issuance to be \$90,820.

- (iv) On December 29 2016, the Company issued 886,667 units with an ascribed value of \$0.075 CDN per unit for proceeds of \$66,500 CDN (\$49,102 USD). 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 \$0.125 CDN up to December 29, 2019.

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

Share price	\$0.095 CDN
Expected dividend yield	Nil
Exercise price	\$0.125 CDN
Risk free interest rate	0.85%
Expected life	3.0 years
Expected volatility (based on historical prices)	91%

The Company determined the amount relating to the warrants in the unit issuance to be \$16,760.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

**9. CAPITAL STOCK (Cont'd)**

- (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 inputs and 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, based on a relative fair value allocation of proceeds to shares and share purchase warrants.

- (ii) On August 31, 2017, the Company issued 4,947,999 units with an ascribed value of \$0.055 CDN per unit for proceeds of \$217,437 (\$272,140 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 August 31, 2020. The private placement included 525,000 common shares which have been designated as flow-through shares. The Company has, subsequent to the year ended December 31, 2017, expensed and renounced qualifying expenditures equal to the commitment amount to the subscriber.

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	\$0.09 CDN
Expected dividend yield	Nil
Exercise price	\$0.10 CDN
Risk free interest rate	0.72%
Expected life	3.0 years
Expected volatility (based on historical prices)	105%

The Company determined the amount relating to the warrants in the unit issuance to be \$83,705, based on a relative fair value allocation of proceeds to shares and share purchase warrants.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

**9. CAPITAL STOCK (Cont'd)**

(b) (Cont'd)

(iii) On December 30, 2017, the Company issued 1,339,682 units with an ascribed value of \$0.055 CDN per unit for proceeds of \$58,426 (\$73,682.50 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 December 31, 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	\$0.08 CDN
Expected dividend yield	Nil
Exercise price	\$0.10 CDN
Risk free interest rate	0.77%
Expected life	3.0 years
Expected volatility (based on historical prices)	102%

The Company determined the amount relating to the warrants in the unit issuance to be \$21,679, based on a relative fair value allocation of proceeds to share and share purchase warrants.

- (c) On June 10, 2016, the Company issued 100,000 common shares with an ascribed value of \$5,496 pursuant to the purchase option agreement entered into on the River Stage property (Note 5).
- (d) On December 21, 2016, the convertible debenture of \$200,000 CDN (Note 8) was automatically converted into 3,636,364 units at \$0.055 CDN per unit. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.10 CDN per share for up to three years.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

**10. 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.

	2017		2016	
	Number of Options	Weighted Average Exercise Price (CDN)	Number of Options	Weighted Average Exercise Price (CDN)
Outstanding, beginning of year	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 year	5,200,000	\$ 0.09	4,750,000	\$ 0.09
Exercisable	5,200,000	\$ 0.09	4,750,000	\$ 0.09

The Company had the following stock options outstanding at December 31, 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>		

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 3.06 years (2016 – 1.51 years).



**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

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

(a) Stock Options (Cont'd)

- (i) On July 15, 2016, the Company granted 500,000 stock options to a consultant performing investor relation services. The stock options are exercisable at \$0.10 CDN per share and expire July 15, 2018. The stock options vest one-quarter immediately and one-quarter each three months after July 15, 2016.

In the absence of a reliable measurement of the services received from the consultant, the transaction has been measured at the fair value of the stock options issued.

The fair value of these stock options of \$14,585 was estimated at the grant date based on the Black-Scholes pricing model, using the following inputs and assumptions:

Stock price	\$0.095 CDN
Expected dividend yield	Nil
Exercise price	\$0.10 CDN
Risk-free interest rate	0.58%
Expected life	2.0 years
Expected volatility (based on historical prices)	76%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

- (ii) 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%

- (iii) 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%

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

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

(a) Stock Options (Cont'd)

(iv) 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. All the stock options vest immediately.

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%

(b) Warrants

The following summarizes the change in foreign currency warrants:

	2017	2016
Balance, beginning of year	\$ 749,221	\$ 37,526
Fair value of warrants issued – April 22, 2016 (Note 9(a)(i))	-	21,215
Fair value of warrants issued – June 10, 2016 (Note 9(a)(ii))	-	14,148
Fair value of warrants issued – July 5, 2016 (Note 8(b))	-	92,385
Fair value of warrants issued – August 5, 2016 (Note 9(a)(iii))	-	90,820
Fair value of warrants issued – December 29, 2016 (Note 9(a)(iv))	-	16,760
Fair value of warrants issued – June 30, 2017 (Note 9(b)(i))	<b>62,043</b>	-
Fair value of warrants issued – August 31, 2017 (Note 9(b)(ii))	<b>83,705</b>	-
Fair value of warrants issued – December 30, 2017 (Note 9(b)(iii))	<b>21,679</b>	-
Fair value of warrants transferred on exercise of convertible debentures (Note 8(b))	-	77,908
Fair value of warrants extended - (Note 10(b)(i))	-	161,110
Fair value of warrants extended – (Note 10(b)(ii))	<b>152,296</b>	-
Fair value adjustment (Note 10(b)(ii))	<b>(2,959)</b>	237,349
Balance, end of year	<b>\$ 1,065,985</b>	<b>\$ 749,221</b>

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

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

(b) Warrants (Cont'd)

(i) During the year ended December 31, 2016, the Company modified the expiry dates of the following outstanding warrants:

- 2,800,000 warrants originally expiring on January 24, 2016 were exercisable until September 12, 2016. These expired unexercised;
- 1,400,000 warrants originally expiring on February 8, 2016 were exercisable until February 8, 2017. These expired unexercised;
- 2,000,000 warrants originally expiring on February 20, 2016 are now exercisable until February 20, 2018;
- 2,000,000 warrants originally expiring on April 24, 2016 were exercisable until April 24, 2017. These expired unexercised;
- 3,250,000 warrants originally expiring on June 19, 2016 are now exercisable until June 19, 2017. These expired unexercised;
- 1,000,000 warrants originally expiring on May 14, 2016 are now exercisable until May 14, 2018; and
- 3,650,000 warrants originally expiring on December 3, 2016 are now exercisable until December 3, 2018.

The incremental fair value of these warrants extended was estimated at \$161,110 using the Black Scholes pricing model with the following inputs and weighted average assumptions:

Share price	\$0.065 - \$0.10 CDN
Expected dividend yield	Nil
Exercise price	\$0.10 - \$0.20 CDN
Risk-free interest rate	0.52% - 0.72%
Expected life (original)	0.01 - 0.16 years
Expected life (extended)	1 – 2.06 years
Expected volatility (extended) (based on historical prices)	65% - 84%

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

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

(b) Warrants (Cont'd)

(ii) During the year ended December 31, 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;
- 1,000,000 warrants originally expiring on December 30, 2017 are now exercisable until December 30, 2019

The incremental fair value of these warrants extended was estimated at \$152,296 using the Black Scholes pricing model with the following inputs and weighted average assumptions:

Share price	\$0.07 - \$0.08 CDN
Expected dividend yield	Nil
Exercise price	\$0.10 CDN
Risk free interest rate	0.55% - 0.77%
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%

The incremental fair value was recorded to foreign currency warrants with an offsetting charge to profit and loss.

(iii) At December 31, 2016, the fair value of the 37,658,997 warrants outstanding was estimated at \$749,221 using the Black-Scholes pricing model with the following weighted average assumptions:

Share price	\$0.095 CDN
Expected dividend yield	Nil
Exercise price	\$0.10 - \$0.20 CDN
Risk-free interest rate	0.43% - 0.73%
Expected life	1.474 years
Expected volatility (based on historical prices)	63% - 87%

At December 31, 2017, the fair value of the 41,330,768 warrants outstanding was estimated at \$1,065,985 using the Black-Scholes pricing model with the following weighted average assumptions:

Share price	\$0.08 CDN
Expected dividend yield	Nil
Exercise price	\$0.10 - \$0.20 CDN
Risk-free interest rate	0.73% - 1.50%
Expected life	1.275 years
Expected volatility (based on historical prices)	88% - 104%

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

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

(b) Warrants (Cont'd)

At December 31, 2017, a gain on revaluation of foreign currency warrants of \$2,959 (2016 – loss of \$237,349) was recognized in the consolidated statement of earnings (loss) and comprehensive earnings (loss).

The Company had the following warrants outstanding at December 31, 2017:

<u>Number of Warrants</u>	<u>Exercise Price (CDN)</u>	<u>Expiry Date</u>
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, 2019
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
4,947,999	\$0.10	August 31, 2020
1,339,682	\$0.10	December 30, 2020
<b>41,330,768</b>		

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

The calculation of basic and diluted loss per share for the year ended December 31, 2017 was based on the loss attributable to common shareholders of \$717,600 (2016 - \$1,346,519) and the weighted average number of common shares outstanding of 65,169,433 (2016 – 52,478,427).

Diluted loss per share did not include the effect of 5,200,000 stock options and 41,330,768 warrants outstanding as they are anti-dilutive.

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

**12. INCOME TAXES**

(a) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal and provincial tax rates with the income tax expense in these consolidated financial statements:

	<b>2017</b>	2016
Loss before income taxes	<b>\$ (717,600)</b>	\$ (1,507,629)
Statutory rate	<b>26.50%</b>	26.50%
Expected income tax recovery	<b>\$ (190,164)</b>	\$ (399,522)
Amounts not (taxable) deductible for tax	<b>28,660</b>	156,827
Stock-based compensation	<b>40,656</b>	3,409
Share issue costs	<b>-</b>	(633)
Impact on foreign exchange	<b>(52,808)</b>	(15,833)
Adjustment to non-capital losses and exploration and evaluation expenditure pool balances	<b>3,656</b>	7,058
Change in deferred tax assets not recognized	<b>170,000</b>	248,694
Income tax expense	<b>\$ -</b>	\$ -

(b) Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	<b>2017</b>	2016
Deferred tax assets (liabilities)		
Non-capital loss carry forwards	<b>\$ 722,000</b>	\$ 572,000
Mining claims - exploration and evaluation expenditures	<b>200,000</b>	180,000
Share issue costs	<b>-</b>	-
	<b>922,000</b>	752,000
Less: Deferred tax assets not recognized	<b>(922,000)</b>	(752,000)
Net deferred income tax asset	<b>\$ -</b>	\$ -

**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

**12. INCOME TAXES (Cont'd)**

(c) Tax Losses

The Company has non-capital losses of approximately \$2,722,800 available in Canada to apply against future taxable income. If not utilized, the non-capital losses will expire as follows:

2028	\$	190,900
2029		103,100
2030		262,800
2031		444,500
2032		399,100
2033		80,100
2034		277,900
2036		536,300
2037		428,100
		<b>\$ 2,722,800</b>

The potential tax benefit relating to these tax losses has not been reflected in these consolidated financial statements.

**13. RELATED PARTY DISCLOSURES**

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 fair value.

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

	2017	2016
Management and director fees <sup>(a)</sup>	<b>\$ 269,553</b>	\$ 266,860
Stock-based compensation	<b>123,409</b>	-

(a) Included in office and administrative costs in the consolidated statements of earnings (loss) and comprehensive earnings (loss).

Other related party balances are listed below:

(a) Included in accounts payable and accrued liabilities is \$397,458 (2016 - \$235,245) of amounts owing to directors and management of the Company for management and director fees.

(b) During the year ended December 31, 2017, the Company reversed \$20,525 of management and director fees owing to directors which were included in accounts payable and accrued liabilities. These management and director fees have been permanently forgiven by the directors.

**14. 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 issued capital stock, contributed surplus and 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 year ended December 31, 2017.

**15. 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.



**Peloton Minerals Corporation**  
**Notes to Consolidated Financial Statements**  
(Expressed in United States Dollars)  
**December 31, 2017 and 2016**

---

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

**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 December 31, 2017 the Company is exposed to currency risk through the following financial assets and liabilities denominated in Canadian dollars:

	<b>2017</b>	<b>2016</b>
Cash	\$ 215,327	\$ 48,937
HST receivable	\$ 18,096	\$ 21,700
Accounts payable and accrued liabilities	\$ 565,704	\$ 370,796

The above balances were translated into US dollars at the year-end rate of \$0.7971 (2016 - \$0.7448) Canadian dollars to every US dollar.

Based on the above net exposures as at December 31, 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 \$14,000 (2016 - \$10,000).

**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 December 31, 2017, the Company has current liabilities of \$462,072 (2016 - \$321,552) due within 12 months and has cash of \$172,600 (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.

**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.

**15. FINANCIAL RISK MANAGEMENT (Cont'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

**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.

**16. COMMITMENTS**

The Company is committed under lease agreements to the payment of amounts totaling \$7,373 until October 2018.

The Company is also required to make payments to the Bureau of Land Management to keep mining claims in good standing as noted in Note 5.

**17. COMPARATIVES**

Certain immaterial 2016 comparatives have been restated to be reflective of the change in presentation used in 2017.

**18. SUBSEQUENT EVENTS**

On January 11, 2018 the Company completed a non-brokered private placement for gross proceeds totaling CDN\$102,750.00 and consisting of 1,868,182 units priced at CDN\$0.055 per unit. Each unit consists of one common share and one common share purchase warrant exercisable for three years at CDN\$0.10. \$2,192 of the private placement proceeds were received during the year ended December 31, 2017.

On April 26, 2018, the Company signed an option agreement with Kinross Gold USA Inc. ("Kinross") on the Company's Independence Valley project in Elko County, Nevada. Under the option agreement, Kinross can earn up to a 51% interest by spending \$2,500,000 in exploration expenditures within four years, with a minimum \$200,000 in expenditures during the first year. Kinross can earn a further 24% interest by spending \$1,500,000 in exploration expenditures in the two years after earning the initial 51%. Should Kinross earn the 75% interest; the parties will then fund future expenditures proportional to their interest. In the event that either party's interest is diluted to 10% or less, that party's interest shall be converted to a 2% net smelter royalty which may be bought down to one 1% for \$1,000,000.