Peloton Minerals Corporation

Consolidated Financial Statements

(Expressed in United States Dollars)

For the Years Ended December 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Peloton Minerals Corporation

Opinion

We have audited the consolidated financial statements of Peloton Minerals Corporation, (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the Consolidated financial statements, which indicates that the Company incurred a net loss of $1,247,880 and had negative cash flows from operations of $441,052 during the year ended December 31, 2020 and, as of that date, the Company had an accumulated deficit of $14,147,942, and working capital of $18,923. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's discussion and analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management discussion and analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen McCourt.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 29, 2021
Toronto, Ontario

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

	December 31, 2020	December 31, 2019
Assets		
Current		
Cash	**$ 497,338**	$ 52,895
HST receivable	**8,955**	1,686
Prepaid expenses	**19,302**	18,318
	525,595	72,899
Equipment (Note 4)	**49,939**	59,019
Reclamation bonds (Note 6)	**30,845**	15,060
	$ 606,379	$ 146,978
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 7 and 13)	**$ 409,335**	$ 353,560
Convertible debenture (Note 8)	**97,337**	-
	506,672	353,560
Convertible debenture (Note 8)	**-**	75,427
Derivative liability – convertible debenture (Note 8)	**130,024**	125,100
Derivative liability - foreign currency warrants (Note 10)	**1,625,276**	831,794
	2,261,972	1,385,881
Shareholders' Deficiency		
Capital stock (Note 9)	**10,259,963**	9,629,754
Contributed surplus (Note 10)	**2,232,386**	2,031,405
Deficit	**(14,147,942)**	(12,900,062)
	(1,655,593)	(1,238,903)
	$ 606,379	$ 146,978

Nature of Operations and Going Concern (Note 1)
Commitments (Note 16)

Approved by the Board **"Edward Ellwood"** Director **(Signed)** **"Eric Plexman"** Director **(Signed)**

See accompanying notes.

Peloton Minerals Corporation
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in United States Dollars)
Years Ended December 31, 2020 and 2019

	2020	2019
Expenses		
Office and administrative costs (Note 13)	**$ 420,106**	$ 345,365
Professional fees	**85,793**	107,709
Exploration and evaluation expenditures (Note 5)	**99,447**	216,231
Stock-based compensation (Note 10)	**183,943**	149,052
Depreciation (Note 4)	**9,080**	9,080
Foreign exchange loss	**6,042**	22,837
	804,411	850,274
Other expenses (income)		
Loss (gain) on revaluation of foreign currency warrants (Note 10)	**279,238**	(678,824)
Reversal of management and director fees payable (Note 13)	**(82,271)**	(233,592)
Accretion expense (Note 8)	**21,910**	16,978
Loss (gain) on revaluation of derivative liability (Note 8)	**4,924**	(55,336)
Fair value of warrants extended (Note 10)	**219,668**	416,603
	443,469	(534,171)
Net loss and comprehensive loss	**$ (1,247,880)**	$ (316,103)

Loss per share (Note 11)		
Basic and diluted	**$ (0.014)**	$ (0.004)

Weighted average number of common shares outstanding (Note 11)		
Basic and diluted	**90,671,676**	80,232,286

Peloton Minerals Corporation
Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in United States Dollars)
Years Ended December 31, 2020 and 2019

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total
	(Note 9)	(Note 9)	(Note 10)		
Balance, January 1, 2019	**77,544,175**	**$ 9,274,295**	**$ 1,882,353**	**$(12,583,959)**	**$(1,427,311)**
Net loss and comprehensive loss	-	-	-	(316,103)	(316,103)
Units issued for cash (Note 9)	7,027,179	524,457	-	-	524,457
Allocated to warrants (Note 9)	-	(174,188)	-	-	(174,188)
Exercise of warrants (Note 9)	50,000	5,190	-	-	5,190
Stock-based compensation (Note 10)	-	-	149,052	-	149,052
Balance, December 31, 2019	**84,621,354**	**$ 9,629,754**	**$ 2,031,405**	**$(12,900,062)**	**$(1,238,903)**
Net loss and comprehensive loss	-	-	-	(1,247,880)	(1,247,880)
Units issued for cash (Note 9)	15,439,560	860,778	-	-	860,778
Units issued for exploration services (Note 9)	720,000	40,543	-	-	40,543
Allocated to warrants (Note 9)	-	(305,467)	-	-	(305,467)
Units issuance fees (Note 9)	-	(9,096)	-	-	(9,096)
Broker units (Note 9 and 10)	-	(17,038)	17,038	-	-
Exercise of warrants (Note 9)	637,727	60,489	-	-	60,489
Stock-based compensation (Note 10)	-	-	183,943	-	183,943
Balance, December 31, 2020	**101,418,641**	**$ 10,259,963**	**$ 2,232,386**	**$(14,147,942)**	**$(1,655,593)**

Peloton Minerals Corporation
Consolidated Statements of Cash Flows
(Expressed in United States Dollars)
Years Ended December 31, 2020 and 2019

	2020	2019
Cash provided by (used in)		
Operations		
Net loss	**$ (1,247,880)**	$ (316,103)
Items not affecting cash:		
Loss (gain) on revaluation of derivative liability	**4,924**	(55,336)
Loss (gain) on revaluation of foreign currency warrants	**279,238**	(678,824)
Reversal of management and director fees payable	**(82,271)**	(233,592)
Accretion expense	**21,910**	16,978
Depreciation	**9,080**	9,080
Fair value of warrants extended	**219,668**	416,603
Stock-based compensation	**183,943**	149,052
Services compensated with shares	**40,543**	-
	(570,845)	(692,142)
Net changes in non-cash working capital:		
HST receivable	**(7,269)**	4,075
Prepaid expenses	**(984)**	(11,916)
Accounts payable and accrued liabilities	**138,046**	114,478
	(441,052)	(585,505)
Investing		
Reclamation bonds	**(15,785)**	-
	(15,785)	-
Financing		
Proceeds from share issuances, net	**901,280**	528,230
	901,280	528,230
Net change in cash during the year	**444,443**	(57,275)
Cash, beginning of year	**52,895**	110,170
Cash, end of year	**$ 497,338**	$ 52,895
Non-cash transactions:		
Warrant extensions	**$ 219,668**	$ 416,603
Shares for services	**$ 40,543**	$ -

See accompanying notes

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 five wholly-owned subsidiary corporations, GT Subsidiary Corporation (previously Montana Gold Subsidiary Corporation), a United States corporation, incorporated under the laws of the State of Montana on August 28, 2012, SBSL Subsidiary Corporation, a United States corporation, incorporated under the laws of the State of Montana on October 15, 2018, Celerity Mineral Corporation, a Canadian corporation, incorporated under the Canada Business Corporations Act on April 25, 2012, TC Subsidiary Corporation (previously Celerity Subsidiary Corporation), a United States corporation, incorporated under the laws of the State of Montana on August 28, 2012 and IV Subsidiary Corporation, a United States corporation, incorporated under the laws of the State of Montana on December 11, 2020. The head office and principal address of the Company is 380 Wellington Street, 6th Floor, London City Centre, Tower B, London, Ontario, N6A 5B5.

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.

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. During the year ended December 31, 2020 the Company had a net loss of $1,247,880 (2019 - $316,103) and negative cash flows from operations of $441,052 (2019 - $585,505). As of that date, the Company had accumulated a deficit of $14,147,942 (2019 - $12,900,062) and a working capital of $18,923 (2019 – Deficiency of $280,661)

As is common with exploration companies, the Company's ability to continue as a going concern is dependent upon obtaining necessary equity financing 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. However, there can be no assurances that the Company will be able to obtain financing especially in light of the duration and impact that COVID-19 outbreak could have and the efficacy of the government and central bank interventions. These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

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 29, 2021.

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 and subsidiaries' 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.

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), TC Subsidiary Corporation (previously Celerity Subsidiary Corporation) (United States), SBSL Subsidiary Corporation, GT Subsidiary Corporation (previously Montana Gold Subsidiary Corporation) (United States) and IV 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 plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

The classification and measurement approach for financial assets reflect the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- The financial asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

Classification and measurement of the financial instruments is as follows

Financial Instrument	Classification
Cash	Amortized cost
Reclamation bonds	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Derivative liability – convertible debenture	FVTPL
Derivative liability - foreign currency warrants	FVTPL
Convertible debenture	Amortized cost

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 loss and comprehensive 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Level 3: This level includes valuations based on inputs which are unobservable, 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 foreign currency warrants and derivative liability. Foreign currency warrants and derivative liability are measured at level 2 of the fair value hierarchy. There have been no transfers between levels.

Under IFRS 9, the Company apply a forward-looking expected credit loss ("ECL") model, at each balance sheet date, to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments.

The three-stage approach to recognizing ECL under IFRS 9 is intended to reflect the increase in credit risks of a financial instrument and are:

- Stage 1 is comprised of all financial instruments that have not had a significant increase in credit risks since initial recognition or that have low credit risk at the reporting date. The Company recognizes an impairment loss for those financial instrument at an amount equal to twelve month expected credit loss following the balance sheet date.
- Stage 2 is comprised of all financial instruments that have had a significant increase in credit risks since initial recognition but that do not have objective evidence of a credit loss event. The Company recognizes an impairment loss for those financial instruments at an amount equal to the lifetime expected credit losses.
- Stage 3 is comprised of all financial instruments that have objective evidence of impairment at the reporting date. The Company recognizes an impairment loss for those financial instruments at an amount equal to the lifetime expected credit losses.

Impairment losses are recorded in the consolidated statement of comprehensive income with the carrying amount of the financial asset reduced through the use of impairment allowance accounts.

The Company reverses impairment losses on financial assets carried at amortized cost when the decrease in impairment can be objectively related to an event occurring after the impairment loss was initially recognized.

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 exploration and evaluation activities 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 income (loss) and comprehensive income (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 loss and comprehensive 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.

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 derivative liability component will be reclassified to capital stock on conversion.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 income (loss) and comprehensive income (loss).

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 based on relative fair value method. 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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 income (loss) and comprehensive income (loss).

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

(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively. The Company is currently evaluating the impact of these amendments on its consolidated financial statements and will apply the amendments from the effective date.

4. EQUIPMENT

Cost	December 31, 2018	Additions	December 31, 2019	Additions	**December 31, 2020**
Diamond Drilling Equipment	$90,799	$ -	$90,799	$ -	**$90,799**

Accumulated Depreciation	December 31, 2018	Depreciation	December 31, 2019	Depreciation	**December 31, 2020**
Diamond Drilling Equipment	$22,700	$9,080	$31,780	$9,080	**$40,860**

Carrying amount December 31, 2019	$59,019
Carrying amount December 31, 2020	**$49,939**

(Expressed in United States Dollars)

5. MINING CLAIMS - EXPLORATION AND EVALUATION EXPENDITURES

Cumulative spending to date:

	December 31, 2019	Additions	December 31, 2020
Silver Bell St. Lawrence Claims, MT [a]	**$ 463,040**	**$ 331**	**$ 463,371**
Golden Trail Claims, NV [b]	**501,990**	**35,165**	**537,155**
River Stage Claims, ON [c]	**48,548**	**-**	**48,548**
Independence Valley, NV [d]	**26,435**	**10,263**	**36,698**
Texas Canyon, NV [e]	**28,757**	**12,496**	**41,253**
Examination of potential property acquisition	**15,068**	**41,192**	**56,260**
	$ 1,083,838	**$ 99,447**	**$ 1,183,285**

	December 31, 2018	Additions	December 31, 2019
Silver Bell St. Lawrence Claims, MT [a]	$ 453,559	$ 9,481	$ 463,040
Golden Trail Claims, NV [b]	312,015	189,975	501,990
River Stage Claims, ON [c]	48,548	-	48,548
Independence Valley, NV [d]	22,185	4,250	26,435
Texas Canyon, NV [e]	20,959	7,798	28,757
Examination of potential property acquisition	10,341	4,727	15,068
	$ 867,607	$ 216,231	$ 1,083,838

(a) Silver Bell St. Lawrence

The Company holds 100% interest in the Silver Bell St. Lawrence ("SBSL") property consisting of 10 (December 31, 2019 - 10) mining claims. These claims are subject to a 2% net smelter royalty to an arm's-length party.

The Company also holds 100% interest in 20 (December 31, 2019 - 20) 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) in the amount of $165 (2019 - $165) per claim.

On March 15, 2019, the Company, through its wholly owned subsidiary, SBSL Subsidiary Corporation, signed an exploration agreement with Frederick Private Equity Corporation ("Frederick PEC") on the Silver Bell St. Lawrence Gold Project. Under the agreement, Frederick PEC may earn up to 75% interest in the Project by spending a total of US$2,000,000 in exploration expenditures within six years and making annual option payments.

On April 26, 2019, African Metals Corporation ("AFR") announced that it had entered into an agreement with Frederick PEC whereby it may acquire initially a 51% interest in the Silver Bell St. Lawrence Project from Frederick PEC. As part of that transaction, AFR has agreed to expend a minimum of US$200,000 in exploration expenditures in the first year.

There is a common director between the Company and Frederick PEC and AFR who recused himself from the approval process of the transactions.

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

(b) Golden Trail

The Company holds 100% interest in the Golden Trail property consisting of 44 (December 31, 2019 - 44) 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 $177 (2019 - $177) per claim.

(c) River Stage

The Company allowed its option on the River Stage Property, Rainy River, Ontario to lapse rather than make a final $25,000 CDN option payment due in May 2019 under an option to purchase agreement on the property. The Company has no further interest in the property.

(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 is called 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 $177 (2019 - $165) per claim.

On April 17, 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 (subsequently extended to October 1, 2019). 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 brought down to 1% for $1,000,000. Kinross has elected to terminate the option agreement, thereby returning the property 100% to Peloton, including the additional 31 claims staked by Kinross within the area of influence. These additional 31 claims were not renewed by the Company during the quarter.

(e) Texas Canyon

During February 2018, the Company acquired by staking a 44-mineral claim package comprising approximately 909.04 acres and located in Elko County, Nevada, about five miles west of the Company's Golden Trail Project. The mineral claim package is called the Texas Canyon 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 $177 (2019 - $177) per claim.

(Expressed in United States Dollars)

6. RECLAMATION BONDS

As at December 31, 2020, a reclamation bond is being held by the Bureau of Land Management ("BLM") in the amount of $17,302 (2019 - $15,060) on the Golden Trail property and $13,543 (2019 - $Nil) on the Independence Valley property. The Company has not recorded a restoration liability as at December 31, 2020 as the Company has not yet disturbed the land at the Golden Trail property and the Independence Valley property to trigger the recognition of this liability.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2020	2019
Trade payables	**$ 12,599**	$ 18,538
Accrued liabilities:		
Management and director fees (Note 13)	**367,283**	306,151
Audit and accounting	**29,453**	28,871
	$ 409,335	$ 353,560

8. CONVERTIBLE DEBENTURE

(a) Convertible debenture of $100,000 USD

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 $0.039 ($0.05 CDN) per Unit. Each warrant will entitle the holder to acquire one additional common share at a price of $0.079 ($0.10 CDN) per share until August 11, 2020. Since the conversion into Unit did not happen by August 11, 2020, the warrant component has expired and the debenture is now only convertible into shares.

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 $0.157 ($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.

(Expressed in United States Dollars)

8. CONVERTIBLE DEBENTURE (Cont'd)

(b) Valuation of debenture

The conversion rate of the units and the warrants to be issued on conversion of the above convertible debenture 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 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%

On the date of issuance, 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 was revalued at December 31, 2019 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	1.56 – 1.66%
Expected life	0.61 - 1.12 years
Expected volatility (based on historical prices)	72% - 82%

On December 31, 2019, the units were revalued at $125,100 resulting in a gain on revaluation of derivative liability of $55,336.

The fair value of the units of debenture was revalued at December 31, 2020 using the Black-Scholes option pricing model with the following inputs and assumptions:

Share price	$0.115 CDN
Expected dividend yield	Nil
Exercise price	$0.050 CDN
Risk free interest rate	0.24%
Expected life	0.12 year
Expected volatility (based on historical prices)	66%

On December 31, 2020, the units were revalued at $130,024 resulting in a loss on revaluation of derivative liability of $4,924.

(Expressed in United States Dollars)

8. CONVERTIBLE DEBENTURE (Cont'd)

Convertible Debenture	**December 31, 2020**	December 31, 2019
Principal – debenture	**$ 100,000**	$ 100,000
Derivative liability – debenture	**(76,886)**	(76,886)
Accretion expense	**74,223**	52,313
	$ 97,337	$ 75,427

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

Derivative Liability	**December 31, 2020**	December 31, 2019
Derivative liability – debenture (fair value on issuance date)	**$ 76,886**	$ 76,886
Fair value adjustment – debenture	**53,138**	48,214
	$ 130,024	$ 125,100

9. CAPITAL STOCK

Authorized

Unlimited common shares

Issued and outstanding common shares

	Number of Shares	**Value**
Balance, January 1, 2019	**77,544,175**	**$ 9,274,295**
Units issued for cash[(a)]	7,027,179	524,457
Allocated to warrants [(a)]	-	(174,188)
Exercise of warrants [(b)]	50,000	5,190
Balance, December 31, 2019	**84,621,354**	**$ 9,629,754**
Units issued for cash[(c)]	15,439,560	860,778
Units issued for exploration services[(c)]	720,000	40,543
Allocated to warrants [(c)]	-	(305,467)
Share issuance costs [(c)]	-	(26,134)
Exercise of warrants [(d)]	637,727	60,489
Balance, December 31, 2020	**101,418,641**	**$ 10,259,963**

(a) (i) On March 15, 2019, the Company issued 1,060,625 units at $0.10 CDN per unit for proceeds of $80,729 ($106,062 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 $0.15 CDN up to March 15, 2022.

(Expressed in United States Dollars)

9. CAPITAL STOCK (Cont'd)

Authorized (Cont'd)

(a) (i) (Cont'd)

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	$0.10 CDN
Expected dividend yield	Nil
Exercise price	$0.15 CDN
Risk free interest rate	1.29%
Expected life	3.0 years
Expected volatility (based on historical prices)	96%

The Company determined the amount relating to the warrants in the unit issuance to be $27,069, based on a relative fair value allocation on proceeds to shares and share purchase warrants.

(a) (ii) On July 12, 2019, the Company issued 733,529 units at $0.10 CDN per unit for proceeds of $55,390 ($73,353 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 $0.15 CDN up to July 12, 2022.

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	$0.10 CDN
Expected dividend yield	Nil
Exercise price	$0.15 CDN
Risk free interest rate	1.40%
Expected life	3.0 years
Expected volatility (based on historical prices)	93%

The Company determined the amount relating to the warrants in the unit issuance to be $18,781, based on a relative fair value allocation on proceeds to shares and share purchase warrants.

(iii) On September 19, 2019, the Company issued 5,233,025 units at $0.10 CDN per unit for proceeds of $388,338 ($523,303 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 $0.15 CDN up to September 19, 2022.

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	$0.15 CDN
Risk free interest rate	1.46%
Expected life	3.0 years
Expected volatility (based on historical prices)	94%

The Company determined the amount relating to the warrants in the unit issuance to be $128,338, based on a relative fair value allocation on proceeds to shares and share purchase warrants.

(Expressed in United States Dollars)

9. CAPITAL STOCK (Cont'd)

(b) During the fiscal year ended December 30, 2019, 50,000 common shares were issued upon the exercise of 50,000 warrants for proceeds of $3,773 ($5,000 CDN). The fair value of the warrants at the time of exercise of $1,417 has also been transferred to capital stock.

(c) (i) On May 7, 2020, the Company issued 3,258,264 units at $0.075 CDN per unit for proceeds of $173,363 ($244,370 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 $0.125 CDN up to May 7, 2023.

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	$0.075 CDN
Expected dividend yield	Nil
Exercise price	$0.125 CDN
Risk free interest rate	1.58%
Expected life	3.0 years
Expected volatility (based on historical prices)	89%

The Company determined the amount relating to the warrants in the unit issuance to be $54,385, based on a relative fair value allocation on proceeds to shares and share purchase warrants.

(ii) On August 20, 2020, the Company issued 7,934,629 units at $0.075 CDN per unit for proceeds of $445,553 ($595,097 CDN), of which 720,000 units were issued for exploration services of $40,543 ($54,000 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 $0.125 CDN up to August 20, 2023.

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	$0.110 CDN
Expected dividend yield	Nil
Exercise price	$0.125 CDN
Risk free interest rate	1.51%
Expected life	3.0 years
Expected volatility (based on historical prices)	85%

The Company determined the amount relating to the warrants in the unit issuance to be $153,607, based on a relative fair value allocation on proceeds to shares and share purchase warrants.

(iii) On October 16, 2020, the Company issued 4,966,667 units at $0.075 CDN per unit for proceeds of $282,405 ($372,500 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 $0.125 CDN up to October 16, 2023.

(Expressed in United States Dollars)

9. CAPITAL STOCK (Cont'd)

(c) (iii) (Cont'd)

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	$0.12 CDN
Expected dividend yield	Nil
Exercise price	$0.125 CDN
Risk free interest rate	1.44%
Expected life	3.0 years
Expected volatility (based on historical prices)	83%

The Company determined the amount relating to the warrants in the unit issuance to be $97,475, based on a relative fair value allocation on proceeds to shares and share purchase warrants.

The Company paid a finder's fee consisting of $9,096 ($12,000 CDN) in cash and 160,000 broker warrants with each broker warrant exercisable at $0.075 within three years to purchase additional private placement units consisting of one common share and one common share purchase warrant exercisable for three years at $0.125.

The fair value of these broker warrants of $17,038 was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

Share price	$0.12 CDN
Expected dividend yield	Nil
Exercise price	$0.075 - $0.125 CDN
Risk free interest rate	1.44%
Expected life	3.0 years
Expected volatility (based on historical prices)	83%

(d) During the year ended December 31, 2020, 637,727 common shares were issued upon the exercise of 637,727 warrants for proceeds of $49,598 ($63,773 CDN). The fair value of the warrants at the time of exercise of $10,891 has also been transferred to capital stock.

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.

(Expressed in United States Dollars)

10. STOCK OPTIONS AND WARRANTS (Cont'd)

(a) Stock Options (Cont'd)

	2020		2019	
	Number of Options	**Weighted Average Exercise Price (CDN)**	Number of Options	Weighted Average Exercise Price (CDN)
Outstanding, beginning of year	**7,250,000**	**$ 0.10**	6,200,000	$ 0.10
Granted	**2,800,000**	**$ 0.13**	2,700,000	$ 0.10
Expired	**-**	**$ -**	(1,650,000)	$ 0.07
Cancelled	**(250,000)**	**$ 0.10**	-	$ -
Outstanding, end of year	**9,800,000**	**$ 0.11**	7,250,000	$ 0.10
Exercisable	**9,800,000**	**$ 0.11**	7,250,000	$ 0.10

The Company had the following stock options outstanding at December 31, 2020:

Number of Options	**Exercise Price**	**Expiry Date**
200,000	CDN $0.100	February 10, 2022
250,000	CDN $0.100	April 28, 2022
2,350,000	CDN $0.100	May 18, 2022
1,000,000	CDN $0.120	May 30, 2023
500,000	CDN $0.100	December 5, 2023
100,000	CDN $0.100	February 1, 2024
2,600,000	CDN $0.100	June 7, 2024
500,000	CDN $0.100	June 7, 2024
150,000	CDN $0.120	October 15, 2025
2,150,000	CDN $0.135	December 18, 2025
9,800,000		

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 (2019 – 3.38 years).

(i) On February 1, 2019, the Company granted 100,000 stock options to a consultant. The stock options are exercisable at $0.10 CDN per share and expire February 1, 2024. All the stock options vest immediately.

The fair value of these stock options of $5,771 was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

Share price	$0.10 CDN
Expected dividend yield	Nil
Exercise price	$0.10 CDN
Risk free interest rate	1.24%
Expected life	5.0 years
Expected volatility (based on historical prices)	102%

(Expressed in United States Dollars)

10. STOCK OPTIONS AND WARRANTS (Cont'd)

(a) Stock Options (Cont'd)

(ii) On June 7, 2019, 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 June 7, 2024. All the stock options vest immediately.

The fair value of these stock options of $143,281 was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

Share price	$0.10 CDN
Expected dividend yield	Nil
Exercise price	$0.10 CDN
Risk free interest rate	1.25%
Expected life	5.0 years
Expected volatility (based on historical prices)	97%

(iii) On September 14, 2020, the Company granted 500,000 stock options to directors and officers. The stock options are exercisable at $0.10 CDN per share and expire June 7, 2024. All the stock options vest immediately.

The fair value of these stock options of $24,114 was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

Share price	$0.10 CDN
Expected dividend yield	Nil
Exercise price	$0.10 CDN
Risk free interest rate	1.46%
Expected life	3.73 years
Expected volatility (based on historical prices)	92%

(iv) On October 15, 2020, the Company granted 150,000 stock options to a consultant. The stock options are exercisable at $0.12 CDN per share and expire October 15, 2025. All the stock options vest immediately.

The fair value of these stock options of $9,427 was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

Share price	$0.12 CDN
Expected dividend yield	Nil
Exercise price	$0.12 CDN
Risk free interest rate	1.25%
Expected life	5.0 years
Expected volatility (based on historical prices)	90%

(v) On December 18, 2020, the Company granted 2,150,000 stock options to directors. The stock options are exercisable at $0.135 CDN per share and expire December 18, 2025. All the stock options vest immediately.

(Expressed in United States Dollars)

10. STOCK OPTIONS AND WARRANTS (Cont'd)

(a) Stock Options (Cont'd)

(v) (Cont'd)

The fair value of these stock options of $150,402 was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

Share price	$0.13 CDN
Expected dividend yield	Nil
Exercise price	$0.135 CDN
Risk free interest rate	1.23%
Expected life	5.0 years
Expected volatility (based on historical prices)	90%

(b) Warrants

The following summarizes the change in foreign currency warrants:

		2020		2019
Balance, beginning of year	**$**	**831,794**	$	921,244
Fair value of warrants issued – March 15, 2019 (Note 9(a)(i))		**-**		27,069
Fair value of warrants issued – July 12, 2019 (Note 9(a)(ii))		**-**		18,781
Fair value of warrants issued – September 19, 2019 (Note 9(a)(iii))		**-**		128,338
Fair value of warrants issued – May 7, 2020 (Note 9(c)(i))		**54,385**		-
Fair value of warrants issued – August 20, 2020 (Note 9(c)(ii))		**153,607**		-
Fair value of warrants issued – October 16, 2020 (Note 9(c)(iii))		**97,475**		-
Fair value of warrants transferred on exercise of convertible debentures (Note 9(d) and 9(b))		**(10,891)**		(1,417)
Fair value of warrants extended - (Note 10(b)(ii) and 10(b)(i))		**219,668**		416,603
Fair value adjustment (Note 10(b)(iii))		**279,238**		(678,824)
Balance, end of year	**$**	**1,625,276**	$	831,794

(i) During the year ended December 31, 2019, the Company modified the expiry dates of the following outstanding warrants:

- 1,450,000 warrants originally expiring on April 22, 2019 are now exercisable until April 22, 2021;
- 1,200,000 warrants originally expiring on June 10, 2019 are now exercisable until June 10, 2021;
- 5,926,821 warrants originally expiring on August 5, 2019 are now exercisable until August 5, 2021
- 3,636,364 warrants originally expiring on December 21, 2019 are now exercisable until December 21, 2021
- 886,667 warrants originally expiring on December 29, 2019 are now exercisable until December 29, 2021

(Expressed in United States Dollars)

10. STOCK OPTIONS AND WARRANTS (Cont'd)

(b) Warrants (Cont'd)

(i) (Cont'd)

The incremental fair value of these warrants extended was estimated at $416,603 using the Black Scholes pricing model with the following inputs and weighted average assumptions:

Share price	$0.09 - 0.10 CDN
Expected dividend yield	Nil
Exercise price	$0.10 – 0.125 CDN
Risk free interest rate	1.59% - 1.67%
Expected life (original)	0.04 – 0.07 years
Expected life (extended)	2.04 – 2.07 years
Expected volatility (original) (based on historical prices)	0% - 57%
Expected volatility (extended) (based on historical prices)	82% - 93%

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

(ii) During the year ended December 31, 2020, the Company modified the expiry dates of the following outstanding warrants:

- 4,034,090 warrants originally expiring on June 30, 2020 are now exercisable until June 30, 2022;
- 4,827,999 warrants originally expiring on August 31, 2020 are now exercisable until August 31, 2022;

The incremental fair value of these warrants extended was estimated at $219,668 using the Black Scholes pricing model with the following inputs and weighted average assumptions:

Share price	$0.08 - 0.09 CDN
Expected dividend yield	Nil
Exercise price	$0.10 CDN
Risk free interest rate	0.26% - 1.59%
Expected life (original)	0.07 – 0.13 years
Expected life (extended)	2.07 – 2.13 years
Expected volatility (original) (based on historical prices)	24% - 42%
Expected volatility (extended) (based on historical prices)	79% - 81%

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

(Expressed in United States Dollars)

10. STOCK OPTIONS AND WARRANTS (Cont'd)

(b) Warrants (Cont'd)

(iii) At December 31, 2019, the fair value of the 35,008,209 warrants outstanding was estimated at $831,794 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 - $0.15 CDN
Risk-free interest rate	1.56% - 1.79%
Expected life	1.56 years
Expected volatility (based on historical prices)	71% - 86%

At December 31, 2020, the fair value of the 49,428,087 warrants outstanding was estimated at $1,625,276 using the Black-Scholes pricing model with the following weighted average assumptions:

Share price	$0.115 CDN
Expected dividend yield	Nil
Exercise price	$0.10 - $0.15 CDN
Risk-free interest rate	0.22% - 1.33%
Expected life	1.26 years
Expected volatility (based on historical prices)	61% - 85%

At December 31, 2020, a loss on revaluation of foreign currency warrants of $279,238 (2019 – gain of $678,824) was recognized in the consolidated statement of loss and comprehensive loss.

The Company had the following warrants outstanding at December 31, 2020:

Number of Warrants	Exercise Price (CDN)	Expiry Date
1,450,000	$ 0.10	April 22, 2021
1,200,000	$ 0.10	June 10, 2021
5,876,821	$ 0.10	August 5, 2021
3,636,364	$ 0.10	December 21, 2021
886,667	$0.125	December 29, 2021
4,034,090	$0.10	June 30, 2022
4,827,999	$0.10	August 31, 2022
1,868,182	$0.10	January 12, 2021
1,160,000	$0.15	July 17, 2021
1,301,225	$0.15	December 6, 2021
1,060,625	$0.15	March 15, 2022
733,529	$0.15	July 12, 2022
5,233,025	$0.15	September 19, 2022
3,258,264	$0.125	May 7, 2023
7,934,629	$0.125	August 20, 2023
4,966,667	$0.125	October 16, 2023
49,428,087		

(Expressed in United States Dollars)

10. STOCK OPTIONS AND WARRANTS (Cont'd)

(c) Broker Warrants

As at December 31, 2020, there were 160,000 (2019 – Nil) broker warrants outstanding with each broker warrant exercisable at $0.075 until October 16, 2023 to purchase one additional private placement units consisting of one common share and one common share purchase warrant exercisable for three years at $0.125.

11. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2020 was based on the loss attributable to common shareholders of $1,247,880 (2019 - $316,103) and the weighted average number of common shares outstanding of 90,671,676 (2019 – 80,232,286).

Diluted loss per share did not include the effect of 9,800,000 stock options, 49,428,087 warrants and 160,000 broker warrants outstanding as they are anti-dilutive.

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:

	2020	2019
Loss before income taxes	**$ (1,247,880)**	$ (316,103)
Statutory rate	**26.50%**	26.50%
Expected income tax recovery	**$ (330,688)**	$ (83,767)
Amounts not (taxable) deductible for tax	**140,105**	(77,438)
Stock-based compensation	**48,263**	39,499
Impact on foreign exchange	**(32,116)**	(42,873)
Adjustment to non-capital losses and exploration and evaluation expenditure pool balances	**(2,564)**	16,579
Change in deferred tax assets not recognized	**177,000**	148,000
Income tax expense	**$ -**	$ -

(Expressed in United States Dollars)

12. INCOME TAXES (Cont'd)

(b) Deferred Income Taxes

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

	2020	2019
Deferred tax assets		
Non-capital loss carry forwards	**$ 990,000**	$ 857,000
Mining claims - exploration and evaluation expenditures	**307,000**	271,000
Convertible debt	**(1,000)**	(7,000)
Share issuance costs	**2,000**	-
	1,298,000	1,121,000
Less: Deferred tax assets not recognized	**(1,298,000)**	(1,121,000)
Net deferred income tax asset	**$ -**	$ -

(c) Tax Losses

The Company has non-capital losses of approximately $3,734,000 available in Canada to apply against future taxable income. If not utilized, the non-capital losses will expire as follows:

2028	$ 188,000
2029	102,000
2030	259,000
2031	438,000
2032	393,000
2033	79,000
2034	274,000
2036	528,000
2037	427,000
2038	374,000
2039	244,000
2040	428,000
	$ 3,734,000

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.

(Expressed in United States Dollars)

13. RELATED PARTY DISCLOSURES (Cont'd)

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

		2020		2019
Management and director fees [(a)]	**$**	**265,496**	$	261,248
Stock-based compensation		**174,517**		132,260

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

Other related party balances are listed below:

(a) Included in accounts payable and accrued liabilities is $367,283 (2019 - $306,151) of amounts owing to directors and management of the Company for management and director fees.

(b) During the year ended December 31, 2020, the Company reversed $82,271 (2019 - $233,592) 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, 2020.

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.

15. FINANCIAL RISK MANAGEMENT (Cont'd)

Market Risk

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, 2020 the Company is exposed to currency risk through the following financial assets and liabilities denominated in Canadian dollars:

		2020 (CDN$)		2019 (CDN$)
Cash	**$**	**185,229**	$	15,913
Accounts payable and accrued liabilities	**$**	**510,802**	$	447,533

The above balances were translated into US dollars at the year-end rate of 0.7854 (2019 - 0.7699) Canadian dollars to every US dollar.

Based on the above net exposures as at December 31, 2020, 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 $13,000 (2019 - $17,000).

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, 2020, the Company has current liabilities of $506,672 (2019 - $353,560) due within 12 months and has cash of $497,338 (2019 - $52,895) to meet its current obligations. As a result, the Company has liquidity risk and is dependent on raising additional capital to fund operations.

The convertible debenture is due on demand upon six months' notice in writing but the holder has not yet submitted a notice in writing demanding payment.

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 values of warrants are subject to fluctuations based on the inputs and assumptions used to value them.

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.

15. FINANCIAL RISK MANAGEMENT (Cont'd)

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 totalling $1,485 until October 2021.

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.