DEER HORN CAPITAL INC.

FINANCIAL STATEMENTS

For the years ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Deer Horn Capital Inc.

Opinion

We have audited the accompanying financial statements of Deer Horn Capital Inc. (the "Company"), which comprise the statements of financial position as at July 31, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits 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 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 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company has incurred ongoing losses and has a shareholders' deficiency. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management's 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 a 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 Guy Thomas.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

November 28, 2019

DEER HORN CAPITAL INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at July 31,

	Note	2019	2018
Assets			
Current Assets			
Cash		**$ 6,212**	$ 38,941
Receivables	4	**5,064**	4,257
Prepaid expenses	5	**13,527**	46,385
		24,803	89,583
Equipment	6	**863**	1,060
Reclamation Deposit	7	**85,212**	85,212
Investment in an associated company	9	**1**	-
		$ 110,879	$ 175,855
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	10	**$ 172,942**	$ 161,460
Loans payable	11	**207,000**	207,000
Due to related parties	13	**245,234**	203,621
		625,176	572,081
Shareholders' Deficiency			
Share capital	12	**14,509,125**	13,941,365
Share-based payments reserve		**236,264**	192,734
Share subscriptions		**5,250**	80,050
Deficit		**(15,264,936)**	(14,610,375)
		(514,297)	(396,226)
		$ 110,879	$ 175,855

Nature of Operations and Going Concern (Note 1)
Commitments and contingencies (Note 15)

On behalf of the Board:

"Tyrone Docherty"
Director

"Tony Fogarassy"
Director

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

DEER HORN CAPITAL INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended July 31

	Note	2019	2018
Expenses			
Advertising and promotion		$ 370,354	$ 18,200
Consulting fees	13	30,000	-
Depreciation	6	197	241
Exploration and evaluation expenditures (recovery)	8	(1,977)	32,174
Interest expense	11	18,826	22,822
Investor relations and shareholder information		23,357	31,742
Management fees	13	120,000	122,600
Office and miscellaneous		26,474	6,380
Professional fees		53,753	51,982
Regulatory and filing fees		19,382	51,778
Share-based payments (recovery)	12	(1,176)	163,610
Travel		13,425	-
		(672,615)	(501,529)
Gain on dissolution of subsidiary	3	-	21,849
Loss and comprehensive loss for the year		$ (672,615)	$ (479,680)
Basic and diluted loss per share		$ (0.04)	$ (0.04)
Weighted average shares outstanding		15,921,106	10,774,136

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

DEER HORN CAPITAL INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)

	Number of common shares	Share Capital	Share Subscriptions	Share-based payments reserve	Stakeholder Contribution Reserve	Deficit	Total shareholders' equity (deficiency)
Balance, July 31, 2017	**8,288,931**	**$ 13,464,365**	**$ -**	**$ 277,988**	**$ 229,500**	**$ (14,609,059)**	**$ (637,206)**
Private placements	2,900,000	290,000	-	-	-	-	290,000
Share issuance costs	-	(43,000)	-	-	-	-	(43,000)
Shares issued in settlement of debt	2,300,000	230,000	-	-	-	–	230,000
Share subscriptions	-	-	80,050	-	-	–	80,050
Reversal of expired options	-	-	-	(248,864)	-	248,864	-
Share-based payments	-	-	-	163,610	-	-	163,610
Shareholder contribution allocated to deficit upon wind-up of subsidiary	-	-	-	-	(229,500)	229,500	-
Loss and comprehensive loss for the year	-	-	-	-	-	(479,680)	(479,680)
Balance, July 31, 2018	**13,488,931**	**$13,941,365**	**$ 80,050**	**$ 192,734**	**$ -**	**$ (14,610,375)**	**$ (396,226)**
Private placements	2,522,000	649,000	(80,050)	-	-	-	568,950
Share issuance costs – cash	-	(18,480)	-	-	-	-	(18,480)
Share subscriptions	-	-	5,250	-	-	-	5,250
Residual value of warrants	-	(62,760)	-	62,760	-	-	-
Reversal of expired options	-	-	-	(18,054)	-	18,054	-
Share-based compensation	-	-	-	(1,176)	-	-	(1,176)
Loss and comprehensive loss for the year	-	-	-	-	-	(672,615)	(672,615)
Balance, July 31, 2019	**16,010,931**	**$ 14,509,125**	**$ 5,250**	**$ 236,264**	**$ -**	**$ (15,264,936)**	**$ (514,297)**

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

DEER HORN CAPITAL INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended July 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (672,615)	$ (479,680)
Items not involving cash:		
Depreciation	197	241
Share-based payments	(1,176)	163,610
Interest expense	18,826	7,583
Gain on dissolution of subsidiary	-	(21,849)
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	(807)	13
Decrease (increase) in prepaid expenses	32,858	(39,176)
Increase (decrease) in due to related party	41,613	58,500
Increase (decrease) in accounts payable and accrued liabilities	22,656	(51,542)
Cash flows used in operating activities	(558,448)	(362,300)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Cheona	(1)	-
Cash flows used in financing activities	(1)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	568,950	290,000
Share issuance costs	(48,480)	-
Loan proceeds	25,000	25,000
Loan repayment	(25,000)	-
Share subscriptions received in advance	5,250	80,050
Cash flows provided from financing activities	525,720	395,050
Increase (decrease) in cash during year	(32,729)	32,750
Cash, beginning of year	38,941	6,191
Cash, end of year	$ 6,212	$ 38,941

Supplemental disclosure with respect to cash flows:		
Cash paid for interest	-	36,400
Cash paid for income taxes	-	-
Supplemental non-cash investing and financing activities:		
Transfer expired equity options to deficit	$ 18,054	$ 248,864
Shares issued for debt settlement	-	230,000
Stakeholder contribution allocated to deficit	-	229,500
Share issue costs included in accounts payable	13,000	43,000
Shares issued for share subscriptions received in advance	80,250	-

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

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Deer Horn Capital Inc. ("Deer Horn" or the "Company") was incorporated under the *Business Corporations Act* (Canada) and continued into British Columbia pursuant to the *Business Corporations Act* (British Columbia, Canada). The Company's head office and principal place of business is 381 – 1440 Garden Place, Delta, British Columbia, Canada. The Company is a reporting issuer in the provinces of British Columbia, Alberta and Ontario, Canada and trades on the Canadian Securities Exchange under the symbol "DHC". The Company owns interests in exploration and evaluation assets in British Columbia and its principal business is the exploration of those assets.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. Management believes that the Company's cash on hand at July 31, 2018, is not sufficient to finance operations through the next twelve months. The Company has incurred ongoing losses and has a shareholders' deficiency. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2 – BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these financial statements are based on the IFRS issued and outstanding as at the date the Board of Directors approved these financial statements for issue.

The financial statements were authorized by the Audit Committee and Board of Directors of the Company on November 28, 2019.

Basis of measurement

These financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The use of estimates, judgments and assumptions are all interrelated. 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.

NOTE 2 – BASIS OF PRESENTATION *(continued)*

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the financial statements are summarized below. Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates.

a) **Recovery of deferred tax assets:**

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of consolidation:**

Control exists when the Company possess power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any income and expenses arising from intercompany transactions, are eliminated in preparing consolidated financial statements.

Earnings or losses and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The Company consolidated its wholly owned subsidiary, Bodhi Tree Natural Market Corp. ("Bodhi"), up until the day of dissolution in May 2018. Upon dissolution, the Company recognized a gain of $21,849.

b) **Equipment:**

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the declining balance basis at the following annual rates:

Furniture, fixtures and equipment	20% declining balance

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) **Exploration and evaluation assets:**

Upon acquiring the legal right to explore an exploration and evaluation asset, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures are expensed as incurred.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

d) **Restoration, rehabilitation and environmental obligations:**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

A liability is recognized for legal obligations relating to the restoration, rehabilitation and retirement of property, plant or equipment obligations arising from the acquisition, construction, development or normal operation of those assets. Such decommissioning liabilities are recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset where one is identifiable is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements.

It is possible that the Company's estimate of its ultimate reclamation liabilities could change as a result of changes in regulations; the extent of environmental remediation required or completed and the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised.

e) **Related party transactions:**

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.

f) **Share-based compensation:**

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The fair value is measured at grant date and each tranche is recognized over the year during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based compensation to non-employees, who are not providing similar services to employees, are measured at the grant date by using the fair value of the goods or services when received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured.

g) **Income taxes:**

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. No deferred tax assets have been recognized for the years presented.

h) **Earnings (loss) per share:**

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

i) **Financial instruments:**

The Company adopted IFRS 9 as of August 1, 2019.

Non-derivative Financial Instruments
Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has substantially transferred all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) **Financial instruments (*continued)*:**

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Fair Value Through Profit or Loss
A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in profit or loss. Gains and losses arising from changes in fair value are presented in profit or loss within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Financial Liabilities
Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company's financial liabilities include trade and other payables which are classified at amortized cost.

The Company has completed a detailed assessment of its financial instruments as at August 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Reclamation deposit	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

The adoption of this standard did not have a material impact on the Company's consolidated financial statements but resulted in certain additional disclosures. The carrying value and measurement of all financial instruments remains unchanged as of August 1, 2018 as a result of the adoption of this new standard.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) **Financial instruments (*continued)*:**

Impairment of financial assets
Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in profit or loss. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in profit or loss.

Impairment of non-financial assets
The Company's assets are reviewed for indications of impairment at each statement of financial position's date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of the other assets the unit on a pro-rata basis.

j) *Provisions*
Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

k) *Investment in associated company*
The Company accounts for its long term investments in affiliated companies over which it has significant influence using the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

k) *Investment in associated company (continued)*
The Company assesses its equity investments for impairment if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated. Objective evidence of impairment of equity investments include:

- Significant financial difficulty of the associated companies;
- Becoming probable that the associated companies will enter bankruptcy or other financial reorganization; or,
- National or local economic conditions that correlate with defaults of the associated companies.

l) *Valuation of equity units issued in private placements*
The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the day prior to the issuance date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in reserves.

m) **New standards, interpretations and amendments not yet effective:**

New standards, amendments to standards and interpretations are not yet effective as of July 31, 2019, and have not been applied in preparing these financial statements. The new standard is not expected to have a significant effect on the financial statements of the Company, other than increased note disclosure.

Effective for annual periods beginning on or after January 1, 2019:

IFRS 16, *Leases:*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

NOTE 4 – RECEIVABLES

	As at July 31, 2019	As at July 31, 2018
Amounts due from the Government of Canada pursuant to GST input tax credits	**$ 5,064**	$ 4,257
Total	**$ 5,064**	$ 4,257

NOTE 5 – PREPAID EXPENSES

	As at July 31, 2019	As at July 31, 2018
Prepaid expenses	**$ 13,527**	$ 46,385
Total	**$ 13,527**	$ 46,385

NOTE 6 – EQUIPMENT

Furniture and fixtures	
Cost:	
Balance at July 31, 2019, 2018 and 2017	$ 19,651
Accumulated depreciation:	
Balance at July 31, 2017	18,350
Depreciation	241
Balance at July 31, 2018	18,591
Depreciation	197
Balance at July 31, 2019	$ 18,788
Carrying amounts:	
July 31, 2018	$ 1,060
July 31, 2019	$ 863

NOTE 7 – RECLAMATION DEPOSIT

The Company provided funding for deposits as security against potential future reclamation work related to the Deerhorn property (Note 8).

	As at July 31, 2019	As at July 31, 2018
Reclamation deposit: Deerhorn property	**$ 85,212**	$ 85,212

NOTE 8 – EXPLORATION AND EVALUATION ASSETS

Deerhorn property

The Company owns a 50% interest in the Deerhorn property, located in north western British Columbia, acquired from a company related by virtue of common directors. It may acquire an additional 25% interest by incurring all costs required to bring the property to commercial production.

Exploration and evaluation expenditures

	As at July 31, 2019	As at July 31, 2018
Geological consulting	**$ 2,968**	$ 21,940
Reports, drafting and mapping	**-**	3,600
Other	**4,800**	6,634
Mining tax credit recovery	**(9,745)**	-
Total exploration expense (recovery)	**$ (1,977)**	$ 32,174

NOTE 9 – INVESTMENT IN AN ASSOCIATED COMPANY

The Company has a 49% investment in a private company, Cheona Metals Inc., which is classified as a long-term investment and measured at its cost of $1 (2018 - $nil) as it does not have a quoted price on an active market and its fair value cannot be reliably measured

NOTE 10 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at July 31, 2019	As at July 31, 2018
Trade payables	**$ 98,412**	$ 128,877
Other accrued liabilities	**74,530**	32,583
Total	**$ 172,942**	$ 161,460

NOTE 11 – LOANS PAYABLE

In fiscal 2016 the Company issued debenture loans in the principal amount of $182,000. The loans bear an annual interest rate of 10% and mature on March 2, 2021. The Company recorded interest expense of $18,155 (2018 - $18,350) in relation to the accrued interest on the debenture loans and is included in accounts payable and accrued liabilities.

In fiscal 2018, the Company made the required interest payments under the loan agreements, however the Company has not received a waiver of the previous breach of terms, accordingly, the loans are presented as current. Interest payments for the further periods remain outstanding. The Company is therefore currently in default for interest payments due.

Other loans payable by the Company of $25,000 are unsecured, do not bear interest and are without fixed repayment terms. During fiscal 2019, the Company received and repaid $25,000 of other loans payable.

NOTE 12 – SHARE CAPITAL

a) **Authorized:** An unlimited number of common shares without par value.

b) **Share issuance:**

Fiscal 2019

On August 3, 2018, the Company completed the first tranche of a non-brokered private placement, issuing 200,000 units at a price of $0.50 per unit for total proceeds of $100,000, of which $80,050 was received in fiscal 2018. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.60 per share for a period of two years. The Company paid a finder's fee of $3,000 in connection with the first tranche closing. A value of $18,000 was attributed to the warrant portion of the units.

On August 13, 2018, the Company completed the second tranche of a non-brokered private placement, issuing 200,000 units at a price of $0.50 per unit for total proceeds of $100,000. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable at $0.60 per share for a period of two years. A value of $30,000 was attributed to the warrant portion of the units.

On August 29, 2018, the Company completed the third and final tranche of a non-brokered private placement, issuing 82,000 units at a price of $0.50 per unit for total proceeds of $41,000. Each unit consisted of one common share and one-half of one common share purchase warrant with each whole warrant exercisable at $0.60 per share for a period of two years. A value of $14,760 was attributed to the warrant portion of the units.

On November 15, 2018, the Company completed the first tranche of a non-brokered private placement, issuing 400,000 units at a price of $0.20 per unit for total proceeds of $80,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.25 per share for a period of one year.

On December 10, 2018, the Company completed the second and final tranche of a non-brokered private placement, issuing 1,640,000 units at a price of $0.20 per unit for total proceeds of $328,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.25 per share for a period of one year. The Company paid commissions of $18,480 in connection with the second tranche.

NOTE 12 – SHARE CAPITAL *(continued)*

b) **Share issuance (continued):**

Fiscal 2018

On August 16, 2017, the Company completed a non-brokered private placement for total gross proceeds of $120,000 through the issuance of 1,200,000 common shares at a price of $0.10 per share.

On March 27, 2018, the Company completed a debt settlement transaction pursuant to which it issued 2,300,000 common shares with a fair value of $437,000 to settle $230,000 of debt.

On March 27, 2018, the Company completed the first tranche of a non-brokered private placement, issuing 1,200,000 common shares at a price of $0.10 per share for total proceeds of $120,000.

On April 19, 2018, the Company completed the second and final tranche of a non-brokered private placement, issuing 500,000 common shares at a price of $0.10 per share for total proceeds of $50,000.

c) **Shareholder contribution**

During the years ended July 2016 and 2015, the Company received a total of $229,500 in cash contributions from a stakeholder of the Company and was recorded in contribution reserves. The contribution is non-repayable and does not confer equity interest.

During fiscal 2018, in relation to the dissolution of Bodhi, the stakeholder contribution was re-allocated to deficit.

d) **Stock Options**

The Company is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company, on a rolling basis. Options may be granted at an exercise price of no less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the board of directors. Options can be granted for a maximum term of ten years. Vesting may be set on an individual basis as determined by the board of directors.

As at July 31, 2019, all outstanding stock options were vested and exercisable, with a weighted average exercise price of $0.15.

The continuity for stock options for the year ended July 31, 2019, is as follows:

Number outstanding July 31, 2018	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2019**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
120,000	-	-	-	**120,000**	$0.25	June 16, 2021	1.89
850,000	-	-	-	**850,000**	$0.14	April 5, 2028	8.69
134,000	-	-	(134,000)	**-**	-	April 27, 2023	-
1,104,000	-	-	(134,000)	**970,000**	$0.15	*(weighted average)*	7.85
				Exercisable			
$0.17	-	-	$0.25	**970,000**	$0.15	*(weighted average)*	7.85

NOTE 12 – SHARE CAPITAL *(continued)*

d) **Stock Options *(continued)*:**

The continuity for stock options for the year ended July 31, 2018, is as follows:

Number outstanding July 31, 2017	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2018**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
20,000	-	-	(20,000)	**-**	-	Mar. 25, 2018	-
325,000	-	-	(325,000)	**-**	-	Mar. 10, 2020	-
120,000	-	-	-	**120,000**	$0.25	June 16, 2021	2.89
-	850,000	-	-	**850,000**	$0.14	April 5, 2028	9.69
-	134,000	-	-	**134,000**	$0.25	April 27, 2023	4.73
465,000	984,000	-	(345,000)	**1,104,000**	$0.17	*(weighted average)*	8.35
$0.77	0.15	-	0.95	Exercisable **1,003,500**	$0.16	*(weighted average)*	8.35

During the year ended July 31, 2019, 134,000 options (2018 – 345,000) previously issued with a fair value of $29,040 (2018 – $248,864) expired or were cancelled. The previously recorded historical fair value of these options was reallocated to deficit.

e) **Share-based compensation**

The fair value of each option granted to employees, officers and directors was estimated on the date of grant using the Black-Scholes option pricing model.

Fiscal 2019

During the year ended July 31, 2019, the Company recorded $4,315 in share based compensation for the vesting of options granted April 27, 2018, and due to cancellation of options, reversed $5,491 for unvested options to profit or loss and $18,054 for vested options to deficit.

Fiscal 2018

During the year ended July 31, 2018, the Company recorded $144,379 in share based compensation for the vesting of options granted April 5, 2018.

The fair value of the 850,000 options granted on April 5, 2018 with an exercise price of $0.14, was determined using a risk free interest rate of 2.21%, an expected volatility of 207%, an expected life of 10 years, and an expected dividend of zero for a total fair value of $144,339 or $0.17 per option.

The Company also recorded $19,231 in share based compensation for the vesting of options granted April 27, 2018. The fair value of the 134,000 options granted April 27, 2018 with an exercise price of $0.27, was determined using a risk free interest rate of 2.21%, an expected volatility of 273%, an expected life of 5 years, and an expected dividend of zero for a total fair value of $36,107 or $0.27 per option, which vest over a one-year period.

NOTE 12 – SHARE CAPITAL *(continued)*

f) **Share-purchase warrants:**

The continuity for share purchase warrants for the year ended July 31, 2019, is as follows:

Number outstanding July 31, 2018	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2019**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
-	100,000	-	-	**100,000**	$0.60	August 3, 2020	1.01
-	100,000	-	-	**100,000**	$0.60	August 13, 2020	1.01
-	41,000	-	-	**41,000**	$0.60	August 29, 2020	1.08
-	400,000	-	-	**400,000**	$0.25	November 15, 2019	0.29*
-	1,640,000	-	-	**1,640,000**	$0.25	December 10, 2019	0.36
-	2,281,000	-	-	Exercisable **2,281,000**	$0.28	*(weighted average)*	0.42
-	$0.29	-	-	$0.29	-	-	-

*expired subsequent to year end, unexercised.

The continuity for share purchase warrants for the year ended July 31, 2018, is as follows:

Number outstanding July 31, 2017	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2018**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
200,000	-	-	(200,000	**-**	-	November 19, 2017	-
540,000	-	-	(540,000)	**-**	-	January 11, 2018	-
200,000	-	-	(200,000)	**-**	-	July 28, 2018	-
200,000	-	-	(200,000)	**-**	-	July 29, 2018	-
1,140,000	-	-	(1,140,000)	**-**	-	*(weighted average)*	-
$0.54	-	-	$0.54	Exercisable **-**	-	*(weighted average)*	-

NOTE 13 – RELATED PARTY TRANSACTIONS

a) The Company's related parties consist of companies with directors and officers in common and companies owned in whole or in part by executive officers, directors or close family members of those individuals as follows:

Name	**Nature of transactions**
Docherty Capital Corp. (Tyrone Docherty)	Management fees charged as CEO, expense allowances
Saulnier Business Consulting LLP (Pamela Saulnier)	Management fees charged as CFO, expense allowances
Dunbar Law Corporation (Tony Fogarassy)	Consulting fees charged by a director, expense allowances

NOTE 13 – RELATED PARTY TRANSACTIONS *(continued)*

The Company incurred the following fees with individuals and / or companies owned, or partially owned, by key management which the Company defines as officers and directors.

For the year ended	**July 31, 2019**	July 31, 2018
Management fees CEO	**$ 90,000**	**$ 90,000**
Management fees CFO	**30,000**	**30,000**
Consulting fees	**30,000**	**-**
Share-based compensation	**-**	**144,379**
Total	**$ 150,000**	**$ 264,379**

The Company owes amounts to key management personnel as follows:

	As at July 31, 2019	As at July 31, 2018
Due to key management or companies controlled by key management personnel	**$ 245,234**	$ 203,621
Total	**$ 245,234**	$ 203,621

Balances owed to related parties are unsecured and non-interest bearing.

NOTE 14 – SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets in Canada, as described in note 8. The total assets attributable to the geographical locations relate primarily to reclamation deposits posted in Canada.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Leases

The Company has an operating lease for a corporate vehicle. Minimum lease payments are $8,256 for one year, and $6,192 for five years. The Company recognized $8,786 as lease expense during the year, included in office and miscellaneous.

Contingencies

The Company may be involved in legal proceedings from time to time, arising in the ordinary course of its business. Management of the Company is not currently aware of any claims or actions that would materially affect the Company’s reported financial position or results from operations.

NOTE 16 – DEFERRED INCOME TAXES

A reconciliation of current income taxes at statutory rates with reported taxes is as follows:

		2019		2018
Loss for the year	**$**	**(672,615)**	$	(479,680)
Expected income tax (recovery)		**(182,000)**		(128,000)
Change in statutory rates, and other		**(57,000)**		(136,000)
Permanent difference		**-**		43,000
Dissolution of Bodhi Tree		**-**		63,000
Share issue cost		**(5,000)**		(11,000)
Change in unrecognized deductible temporary differences		**244,000**		169,000
Deferred income tax recovery	**$**	**-**	$	-

The significant components of the Company's deferred tax assets that have not been included on the statement of financial positions are as follows:

		2019		2018
Share issue costs	**$**	**14,000**	$	18,000
Allowable capital losses		**513,000**		513,000
Non-capital losses		**2,673,000**		2,422,000
Equipment		**2,000**		2,000
Exploration and evaluation assets		**1,053,000**		1,056,000
Unrecognized deferred tax assets	**$**	**4,255,000**	$	4,011,000

The Company has non-capital losses of approximately $9,900,000 (2018 - $7,865,000) available for deduction against future taxable income. These losses, if not utilized, will expire through to 2039. The Company has resource expenditures of approximately $3,093,000 (2018 - $3,113,000) available for deduction against future taxable income. Deferred tax benefits which may arise as a result of these tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Classification of financial instruments

Financial instruments measured at fair value are classified into one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value ("FV") hierarchy has the following levels:

Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and

Level 3- inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company`s financial instruments consist of cash, receivables, deposits, accounts payable and accrued liabilities, loans payable and due to related parties.

Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, deposits, accounts payable and accrued liabilities, loans payable and due to related parties approximate their fair value because of the short term nature of these instruments.

Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance. The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash, receivables and deposits. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances or debt financings. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Interest rate risk

The Company has cash balances and debt. The Company's current policy is to invest excess cash in investment grade short-term demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is marginally exposed to interest rate risk.

Foreign currency risk

The Company is not exposed to foreign currency risk.

Commodity price risk

The Company is nominally exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

NOTE 18 – CAPITAL MANAGEMENT

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company does not pay out dividends at this time. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consists of cash on hand, balances with banks and investments in highly liquid instruments, if any. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents as the fair value approximates carrying value. There have been no changes to the Company's approach to capital management during the year ended July 31, 2019. The Company is not subject to externally imposed capital requirements.