



## **DEER HORN CAPITAL INC.**

### **FINANCIAL STATEMENTS**

**For the nine months ended April 30, 2020 and 2019**

(Expressed in Canadian Dollars)

## **NOTICE TO READER**

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

The condensed consolidated interim financial statements for the Company for the third quarter ended April 30, 2020 have been prepared by and are the responsibility of the Company's management.

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

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**DEER HORN CAPITAL INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars) *(unaudited)*

	Note	April 30, 2020	July 31, 2019
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 107,163	\$ 6,212
Receivables	3	8,847	5,064
Prepaid expenses	4	22,549	13,527
		<b>138,559</b>	24,803
<b>Equipment</b>	5	740	863
<b>Reclamation Deposit</b>	6	85,212	85,212
<b>Investment in an associated company</b>	8	1	-
		<b>\$ 224,512</b>	\$ 110,879
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	9	\$ 147,738	\$ 172,942
Loans payable	10	207,000	207,000
Due to related parties	12	173,563	245,234
		<b>528,301</b>	625,176
<b>Shareholders' Deficiency</b>			
Share capital	11	14,803,212	14,509,125
Share-based payments reserve		548,085	236,264
Share subscriptions		5,250	5,250
Deficit		(15,660,336)	(15,264,936)
		<b>(303,789)</b>	(514,297)
		<b>\$ 224,512</b>	\$ 110,879

**Nature of Operations and Going Concern** (Note 1)  
**Commitments and Contingencies** (Note 14)  
**Subsequent Events** (Note 17)

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) *(unaudited)*  
**For the nine months ended April 30,**

	Note	Three months ended April 30,		Nine months ended April 30,	
		2020	2019	2020	2019
<b>Operating Expenses</b>					
Advertising and promotion		57,452	42,831	74,107	129,541
Consulting fees		25,000	15,000	55,000	15,000
Depreciation	5	39	48	123	151
Interest expense		4,394	4,587	13,182	15,011
Investor relations and shareholder information		4,075	22,985	12,895	233,226
Management fees	11	30,000	30,000	90,000	90,000
Office and miscellaneous		6,528	18,325	20,626	25,950
Professional fees		150	4,628	28,071	4,628
Regulatory and filing fees		7,266	6,825	17,114	15,425
Share-based payments		78,309	-	84,282	9,810
		(213,213)	(145,229)	(395,400)	(548,742)
<b>Loss and comprehensive loss for the period</b>					
		\$ (213,213)	\$ (145,229)	\$ (395,400)	\$ (548,742)
<b>Basic and diluted loss per share</b>					
		\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)
<b>Weighted average shares outstanding</b>					
		18,631,364	14,550,382	18,371,204	14,441,435

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	Deficit	Total shareholders' equity (deficiency)
<b>Balance, July 31, 2018</b>	<b>13,488,931</b>	<b>\$ 13,941,365</b>	<b>\$ 80,050</b>	<b>\$ 192,734</b>	<b>\$ (14,610,375)</b>	<b>\$ (396,226)</b>
Private placements	2,522,000	649,000	-	-	-	649,000
Share issuance costs – cash	-	(18,480)	-	-	-	(18,480)
Share subscriptions	-	-	(80,050)	-	-	(80,050)
Residual value of warrants	-	(30,380)	-	30,080	-	-
Reversal of expired options	-	-	-	(29,040)	29,040	-
Share-based payments	-	-	-	9,810	-	9,810
Loss and comprehensive loss for the period	-	-	-	-	(548,742)	(548,742)
<b>Balance, April 30, 2019</b>	<b>16,010,931</b>	<b>\$ 14,541,505</b>	<b>\$ -</b>	<b>\$ 203,884</b>	<b>\$ 15,130,077</b>	<b>\$ (384,688)</b>
<b>Balance, July 31, 2019</b>	<b>16,010,931</b>	<b>\$14,509,125</b>	<b>\$ 5,250</b>	<b>\$ 236,264</b>	<b>\$ (15,264,936)</b>	<b>\$ (514,297)</b>
Private placements	6,650,000	332,500	-	-	-	332,500
Shares for Debt	2,182,500	189,125	-	-	-	189,125
Stock options granted	-	-	-	84,282	-	84,282
Residual value of warrants	-	(227,538)	-	227,539	-	-
Loss and comprehensive loss for the period	-	-	-	-	(395,400)	(395,400)
<b>Balance, April 30, 2020</b>	<b>24,843,431</b>	<b>\$ 14,803,212</b>	<b>\$ 5,250</b>	<b>\$ 548,085</b>	<b>\$ (15,660,336)</b>	<b>\$ (303,789)</b>

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

**DEER HORN CAPITAL INC.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	<b>Nine months ended</b>	
	<b>April 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period:	\$ (395,400)	\$ (548,742)
Items not involving cash:		
Depreciation	123	151
Share-based payments	84,282	9,810
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	(3,782)	(6,628)
Decrease (increase) in prepaid expenses	(9,022)	19,674
Increase (decrease) in due to related party	(71,671)	(22,112)
Increase (decrease) in loans payable	-	25,000
Increase (decrease) in accounts payable and accrued liabilities	(25,204)	(55,412)
Cash flows used in operating activities	(420,674)	(578,259)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital for debt	189,125	630,520
Private placements	332,500	(80,050)
Cash flows provided from financing activities	521,625	550,470
<b>Increase (decrease) in cash during period</b>	<b>100,951</b>	<b>(27,789)</b>
<b>Cash, beginning of period</b>	<b>6,212</b>	<b>38,941</b>
<b>Cash, end of period</b>	<b>\$ 107,163</b>	<b>\$ 11,152</b>

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

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2020**

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**NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN**

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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.

The financial statements were authorized by the Board of Directors of the Company on June 26, 2020.

**NOTE 2 – BASIS OF PRESENTATION**

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**Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard, 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”), on a basis consistent with the accounting policies disclosed in the audited financial statements for the year ended July 31, 2019, except for newly adopted accounting policies as noted below.

These unaudited condensed interim financial statements should be read in conjunction with the most recently issued annual audited financial statements of the Company, which include information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies were presented as Note 3 to the financial statements for the year ended July 31, 2019 and have been consistently applied in the preparation of these unaudited condensed interim financial statements.

**Adoption of new accounting policies**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The standard listed below include only those which the Company reasonably expects may be applicable to the Company at a future date.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2020**

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**NOTE 2 – BASIS OF PRESENTATION** *(continued)*

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Effective August 1, 2019, the following standards were adopted by and have had no material impact on the financial statements:

- IFRS 16, Leases: The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 replaced IAS 17 Leases and this standard substantially carries forward the lessor accounting requirement of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company has elected not to apply IFRS 16 to leases with a term of less than 12 months or leases where the underlying asset is of low value. Adoption of this standard did not have a significant measurement impact on the Company's financial statements.

**NOTE 3 – RECEIVABLES**

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	<b>As at April 30, 2020</b>	<b>As at July 31, 2019</b>
Amounts due from the Government of Canada pursuant to GST input tax credits	\$ 8,847	\$ 5,064
Total	\$ 8,847	\$ 5,064

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**NOTE 4 – PREPAID EXPENSES**

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	<b>As at April 30, 2020</b>	<b>As at July 31, 2019</b>
Prepaid expenses	\$ 22,549	\$ 13,527
Total	\$ 22,549	\$ 13,527

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**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2020**

**NOTE 5 – EQUIPMENT**

Furniture and fixtures	
<b>Cost:</b>	
<b>Balance at April 30, 2020 and July 31, 2018 and 2019</b>	\$ 19,651
<b>Accumulated depreciation:</b>	
<b>Balance at July 31, 2018</b>	18,591
Depreciation	197
<b>Balance at July 31, 2019</b>	18,788
Depreciation	123
<b>Balance at April 30, 2020</b>	\$ 18,911
<b>Carrying amounts:</b>	
<b>July 31, 2019</b>	\$ 863
<b>April 30, 2020</b>	\$ 740

**NOTE 6 – RECLAMATION DEPOSIT**

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

	As at April 30, 2020	As at July 31, 2019
Reclamation deposit: Deerhorn property	\$ 85,212	\$ 85,212

**NOTE 7 – 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 April 30, 2020	As at July 31, 2019
Geological consulting	\$ -	\$ 2,968
Reports, drafting and mapping	-	-
Other	-	4,800
Mining tax credit recovery	-	(9,745)
<b>Total exploration expense (recovery)</b>	<b>\$ -</b>	<b>\$ (1,977)</b>

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2020**

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**NOTE 8 – INVESTMENT IN AN ASSOCIATED COMPANY**

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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 (2019 - \$1) as it does not have a quoted price on an active market and its fair value cannot be reliably measured

**NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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	As at April 30, 2020	As at July 31, 2019
Trade payables	\$ 83,396	\$ 98,412
Other accrued liabilities	64,342	74,530
Total	\$ 147,738	\$ 172,942

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**NOTE 10 – LOANS PAYABLE**

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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 \$4,394 (2019 - \$4,394) 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 11 – SHARE CAPITAL**

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

b) **Share issuance:**

**Fiscal 2020**

On January 10, 2020, the Company completed a debt settlement transaction, issuing 2,182,500 units at a deemed price of \$0.05 per unit to retire \$108,125 of existing debt payable to consultants, lenders and other creditors, including insiders. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.10 per share for a period of two years. A value of \$75,079 was attributed to the warrant portion of the units.

On February 19, 2020, the Company completed the first tranche of a non-brokered private placement, issuing 2,300,000 units at a price of \$0.05 per unit for total proceeds of \$115,000. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.10 per share for a period of two years. No value was attributed to the warrant portion of the units.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2020**

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**NOTE 11 – SHARE CAPITAL**

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

On February 19, 2020, the Company completed a debt settlement transaction, issuing 1,600,000 units at a deemed price of \$0.05 per unit to retire \$80,000 of existing debt payable to insiders. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.10 per share for a period of two years. A value of \$152,459 was attributed to the warrant portion of the units.

On February 26, 2020, the Company completed the second tranche of a non-brokered private placement, issuing 1,300,000 units at a price of \$0.05 per unit for total proceeds of \$65,000. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.10 per share for a period of two years. No value was attributed to the warrant portion of the units.

On March 13, 2020, the Company completed the third and final tranche of a non-brokered private placement, issuing 3,050,000 units at a price of \$0.05 per unit for total proceeds of \$152,500. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.10 per share for a period of two years. No value was attributed to the warrant portion of the units.

**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.

**c) 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.

On January 27, 2020, the Company granted 100,000 stock options to a consultant. The stock options are exercisable at a price of \$0.05 for a period of 10 years.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2020**

**NOTE 11 – SHARE CAPITAL**

**c) Stock Options (continued):**

On March 6, 2020, the Company granted 1,050,000 stock options to directors, officers and consultants. The stock options are exercisable at a price of \$0.10 for a period of 10 years.

As at April 30, 2020, all outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.12.

The continuity for stock options for the period ended April 30, 2020, is as follows:

Number outstanding July 31, 2019	Granted	Exercised	Expired/Cancelled	Number outstanding April 30, 2020	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
120,000	-	-	-	<b>120,000</b>	\$0.25	June 16, 2021	1.14
850,000	-	-	-	<b>850,000</b>	\$0.14	April 5, 2028	7.90
-	100,000	-	-	<b>100,000</b>	\$0.05	January 27, 2030	9.46
-	1,050,000	-	-	<b>1,050,000</b>	\$0.10	March 6, 2030	9.83
970,000	1,150,000	-	-	<b>2,120,000</b>		<i>(weighted average)</i>	8.55
					\$0.12		
				Exercisable			
\$0.15	\$0.10	-	-	<b>2,120,000</b>	\$0.12	<i>(weighted average)</i>	8.55

The continuity for stock options for the year ended April 30, 2019, is as follows:

Number outstanding July 31, 2018	Granted	Exercised	Expired/Cancelled	Number outstanding April 30, 2019	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
120,000	-	-	-	<b>120,000</b>	\$0.25	June 16, 2021	2.14
850,000	-	-	-	<b>850,000</b>	\$0.14	April 5, 2028	8.94
134,000	-	-	(134,000)	-	-	-	-
1,104,000	-	-	(134,000)	<b>970,000</b>	\$0.15	<i>(weighted average)</i>	8.10
				Exercisable			
\$0.17	-	-	-	<b>970,000</b>	\$0.15	<i>(weighted average)</i>	8.10

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 2020**

During the nine-month period ended April 30, 2020, the Company recorded \$84,282 in share-based compensation for options granted to directors, officers and consultants.

**Fiscal 2019**

During the nine-month period ended April 30, 2019, the Company recorded \$9,810 in share-based compensation for vesting of options granted to a consultant in the prior fiscal year. The options were subsequently cancelled following termination of the consultant's services.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2020**

**NOTE 11 – SHARE CAPITAL** *(continued)*

**d) Share-purchase warrants:**

The continuity for share purchase warrants for the period ended April 30, 2020, is as follows:

Number outstanding July 31, 2019	Granted	Exercised	Expired/Cancelled	Number outstanding April 30, 2020	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
-	3,050,000	-	-	<b>3,050,000</b>	\$0.10	March 13, 2022	1.87
-	1,300,000	-	-	<b>1,300,000</b>	\$0.10	February 26, 2022	1.83
-	1,600,000	-	-	<b>1,600,000</b>	\$0.10	February 19, 2022	1.81
-	2,300,000	-	-	<b>2,300,000</b>	\$0.10	February 19, 2022	1.81
-	2,182,500	-	-	<b>2,182,500</b>	\$0.10	January 27, 2022	1.71
100,000	-	-	-	<b>100,000</b>	\$0.60	August 3, 2020	0.28
100,000	-	-	-	<b>100,000</b>	\$0.60	August 13, 2020	0.28
41,000	-	-	-	<b>41,000</b>	\$0.60	August 29, 2020	0.33
400,000	-	-	(400,000)	-	-	November 15, 2019	-
1,640,000	-	-	(1,640,000)	-	-	December 10, 2019	-
2,281,000	10,432,500	-	(2,040,000)	<b>10,673,500</b>	-	<i>(weighted average)</i>	1.74
\$0.29	\$0.10	-	\$0.25	Exercisable <b>10,673,500</b>	\$0.11	-	\$0.11

**e) Share-purchase warrants:**

The continuity for share purchase warrants for the period ended April 30, 2019, is as follows:

Number outstanding July 31, 2018	Granted	Exercised	Expired/Cancelled	Number outstanding April 30, 2019	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
-	100,000	-	-	<b>100,000</b>	\$0.60	January 11, 2018	1.51
-	100,000	-	-	<b>100,000</b>	\$0.60	July 28, 2018	1.53
-	41,000	-	-	<b>41,000</b>	\$0.60	July 29, 2018	1.58
-	400,000	-	-	<b>400,000</b>	\$0.25	November 15, 2019	1.84
-	1,640,000	-	-	<b>1,640,000</b>	\$0.25	December 10, 2019	1.89
-	2,281,000	-	-	<b>2,281,000</b>	-	<i>(weighted average)</i>	1.84
-	\$0.60	-	-	Exercisable <b>10,673,500</b>	\$0.29	-	1.84

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2020**

**NOTE 12 – 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:

<b>Name</b>	<b>Nature of transactions</b>
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
Allen Schwabe	Director's fees
Wear Wolfen Design Ltd. (Matt Wayrynen)	Director's fees

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.

<b>Nine months ended April 30,</b>	<b>2020</b>	<b>2019</b>
Management fees CEO	\$ 67,500	\$ 67,500
Management fees CFO	22,500	22,500
Consulting fees	45,000	15,000
Director's fees	10,000	-
<b>Total</b>	<b>\$ 145,000</b>	<b>\$ 105,000</b>

The Company owes amounts to key management personnel as follows:

<b>Nine months ended April 30,</b>	<b>2020</b>	<b>2019</b>
Due to key management or companies controlled by key management personnel	\$ 173,563	\$ 181,509
<b>Total</b>	<b>\$ 173,563</b>	<b>\$ 181,509</b>

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

**NOTE 13 – 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 7. The total assets attributable to the geographical locations relate primarily to reclamation deposits posted in Canada.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

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**Leases**

The Company has an operating lease for a corporate vehicle. The total non-cancellable minimum lease payments are \$8,796 not later than one year, and \$733 no later than five years. The Company recognized \$6,597 as lease expense during the period, 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 15 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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**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.

**NOTE 15 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)*

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**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.

**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 16 – CAPITAL MANAGEMENT**

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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.



**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2020**

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**NOTE 16 – CAPITAL MANAGEMENT** *(continued)*

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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 period ended April 30, 2020. The Company is not subject to externally imposed capital requirements.

**NOTE 17 – SUBSEQUENT EVENTS**

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Subsequent to April 30, 2020, the Company:

- Closed a private placement, issuing 2,000,000 units for aggregate proceeds of \$120,000. Each unit is comprised of one common share and one common share purchase warrants exercisable at \$0.10 per warrant share for a period of two years.
- The Company acquired a 49% interest in a private company, Cheona Health Inc., whose focus is to assist Canada and Indigenous communities through the provision of health testing kits for detection of infectious diseases.
- In March 2020 the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which continues to spread, has adversely affected workforces, economies, and financial markets, leading to an economic downturn. It has also disrupted the normal operations of many businesses, and it is not possible for the Company to estimate the duration or magnitude of these adverse conditions.