



DEER HORN CAPITAL INC.

FINANCIAL STATEMENTS

For the six months ended January 31, 2020 and 2019

(Expressed in Canadian Dollars)

NOTICE TO READER

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 second quarter ended January 31, 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.

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

	Note	Jan. 31, 2020	July 31, 2019
Assets			
Current Assets			
Cash		\$ 32,402	\$ 6,212
Receivables	3	5,803	5,064
Prepaid expenses	4	9,970	13,527
		48,175	24,803
Equipment	5	779	863
Reclamation Deposit	6	85,212	85,212
Investment in an associated company	8	1	-
		\$ 134,167	\$ 110,879
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	9	\$ 166,971	\$ 172,942
Loans payable	10	207,000	207,000
Due to related parties	12	258,687	245,234
		632,658	625,176
Shareholders' Deficiency			
Share capital	11	14,618,250	14,509,125
Share-based payments reserve		242,237	236,264
Share subscriptions		88,145	5,250
Deficit		(15,447,123)	(15,264,936)
		(498,491)	(514,297)
		\$ 134,167	\$ 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 six months ended January 31,

	Note	Three months ended January 31,		Six months ended January 31,	
		2020	2019	2020	2019
Operating Expenses					
Advertising and promotion		14,947	65,710	16,655	86,710
Consulting fees		15,000	-	30,000	-
Depreciation	5	41	50	84	103
Interest expense		4,394	5,837	8,788	10,424
Investor relations and shareholder information		8,135	124,594	8,820	210,241
Management fees	11	30,000	30,000	60,000	60,000
Office and miscellaneous		6,893	2,899	14,098	7,625
Professional fees		22,101	-	27,921	-
Regulatory and filing fees		6,506	5,950	9,848	8,600
Share-based payments		5,973	-	5,973	9,810
		(113,990)	(235,040)	(182,187)	(393,513)
Loss and comprehensive loss for the period					
		\$ (113,990)	(235,040)	\$ (182,187)	\$ (393,513)
Basic and diluted loss per share					
		\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.03)
Weighted average shares outstanding					
		16,520,181	13,783,216	16,260,021	13,674,269

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)
Balance, July 31, 2018	13,488,931	\$ 13,941,365	\$ 80,050	\$ 192,734	\$ (14,610,375)	\$ (396,266)
Private placements	2,522,000	649,000	-	-	-	649,000
Share issuance costs – cash	-	(18,480)	-	-	-	(18,840)
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	-	-	-	-	(393,513)	(393,513)
Balance, January 31, 2019	16,010,931	\$ 14,541,505	\$ -	\$ 203,884	\$ 14,974,848	\$ 229,459
Balance, July 31, 2019	16,010,931	\$14,509,125	\$ 5,250	\$ 236,264	\$ (15,264,936)	\$ (514,297)
Shares for Debt	2,182,500	109,125	-	-	-	109,125
Share subscriptions	-	-	82,895	-	-	82,895
Stock options granted	-	-	-	5,973	-	5,973
Loss and comprehensive loss for the period	-	-	-	-	(182,187)	(182,187)
Balance, January 31, 2020	18,193,000	\$ 14,618,250	\$ 88,145	\$ 242,237	\$ (15,447,123)	\$ (498,491)

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 six months ended January 31,

	Six months ended January 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period:	\$ (182,187)	\$ (393,513)
Items not involving cash:		
Depreciation	84	103
Share-based payments	5,973	9,810
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	(739)	(2,524)
Decrease (increase) in prepaid expenses	3,557	214
Increase (decrease) in due to related party	13,453	(45,000)
Increase (decrease) in loans payable	-	25,000
Increase (decrease) in accounts payable and accrued liabilities	(5,971)	(74,894)
Cash flows used in operating activities	(165,830)	(480,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital for debt	109,125	630,520
Share subscriptions received in advance	82,895	(80,050)
Cash flows provided from financing activities	192,020	550,470
Increase (decrease) in cash during period	29,190	69,666
Cash, beginning of period	6,212	38,941
Cash, end of period	\$ 32,402	\$ 108,607

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

DEER HORN CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
For the six months ended January 31, 2020

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.

The financial statements were authorized by the Board of Directors of the Company on March 30, 2020.

NOTE 2 – BASIS OF PRESENTATION

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 six months ended January 31, 2020

NOTE 2 – BASIS OF PRESENTATION *(continued)*

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

	As at Jan. 31, 2020	As at July 31, 2019
Amounts due from the Government of Canada pursuant to GST input tax credits	\$ 5,803	\$ 5,064
Total	\$ 5,803	\$ 5,064

NOTE 4 – PREPAID EXPENSES

	As at Jan. 31, 2020	As at July 31, 2019
Prepaid expenses	\$ 9,970	\$ 13,527
Total	\$ 9,970	\$ 13,527

DEER HORN CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
For the six months ended January 31, 2020

NOTE 5 – EQUIPMENT

Furniture and fixtures	
Cost:	
Balance at January 31, 2020 and July 31, 2018 and 2019	\$ 19,651
Accumulated depreciation:	
Balance at July 31, 2018	18,788
Depreciation	43
Balance at July 31, 2019	18,831
Depreciation	41
Balance at January 31, 2020	\$ 18,872
Carrying amounts:	
July 31, 2019	\$ 863
January 31, 2020	\$ 779

NOTE 6 – RECLAMATION DEPOSIT

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

	As at Jan. 31, 2020	As at July 31, 2019
Reclamation deposit: Deerrhorn property	\$ 85,212	\$ 85,212

NOTE 7 – EXPLORATION AND EVALUATION ASSETS

Deerrhorn property

The Company owns a 50% interest in the Deerrhorn 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 Jan. 31, 2020	As at July 31, 2019
Geological consulting	\$ -	\$ 2,968
Reports, drafting and mapping	-	-
Other	-	4,800
Mining tax credit recovery	-	(9,745)
Total exploration expense (recovery)	\$ -	\$ (1,977)

DEER HORN CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
For the six months ended January 31, 2020

NOTE 8 – 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 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at Jan. 31, 2020	As at July 31, 2019
Trade payables	\$ 107,023	\$ 98,412
Other accrued liabilities	59,948	74,530
Total	\$ 166,971	\$ 172,942

NOTE 10 – 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 \$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

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

b) **Share issuance:**

Fiscal 2020

On January 10, 2020, 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.

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 \$0.10 for a period of 10 years.

As at January 31, 2020, all outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.14.

DEER HORN CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
For the six months ended January 31, 2020

NOTE 11 – SHARE CAPITAL *(continued)*

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

The continuity for stock options for the period ended January 31, 2020, is as follows:

Number outstanding July 31, 2019	Granted	Exercised	Expired/Cancelled	Number outstanding Jan. 31, 2020	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
120,000	-	-	-	120,000	\$0.25	June 16, 2021	1.39
850,000	-	-	-	850,000	\$0.14	April 5, 2028	8.15
-	100,000	-	-	100,000	\$0.05	January 27, 2030	9.71
970,000	100,000	-	-	1,070,000	\$0.14	<i>(weighted average)</i>	6.35
\$0.15	\$0.10	-	-	Exercisable 1,070,000	\$0.14	<i>(weighted average)</i>	6.35

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

Number outstanding July 31, 2018	Granted	Exercised	Expired/Cancelled	Number outstanding Jan. 31, 2019	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
120,000	-	-	-	120,000	\$0.25	June 16, 2021	2.39
850,000	-	-	-	850,000	\$0.14	April 5, 2028	9.19
134,000	-	-	(134,000)	-	-	-	-
1,104,000	-	-	(134,000)	970,000	\$0.15	<i>(weighted average)</i>	8.34
\$0.17	-	-	-	Exercisable 970,000	\$0.15	<i>(weighted average)</i>	8.34

d) **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 2020

During the six-month period ended January 31, 2020, the Company recorded \$5,973 in share-based compensation for options granted to a consultant on January 27, 2020.

Fiscal 2019

During the six-month period ended January 31, 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 six months ended January 31, 2020

NOTE 11 – SHARE CAPITAL *(continued)*

e) **Share-purchase warrants:**

The continuity for share purchase warrants for the period ended January 31, 2020, is as follows:

Number outstanding July 31, 2019	Granted	Exercised	Expired/Cancelled	Number outstanding Jan. 31, 2020	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
-	2,182,500	-	-	2,182,500	\$0.10	January 27, 2022	1.71
100,000	-	-	-	100,000	\$0.60	August 3, 2020	0.51
100,000	-	-	-	100,000	\$0.60	August 13, 2020	0.53
41,000	-	-	-	41,000	\$0.60	August 29, 2020	0.58
400,000	-	-	(400,000)	-	-	November 15, 2019	-
1,640,000	-	-	(1,640,000)	-	-	December 10, 2019	-
2,281,000	2,182,500	-	2,040,000	Exercisable 2,423,500	-	<i>(weighted average)</i>	1.47
\$0.29	-	-	\$0.25	-	\$0.15	-	\$0.15

The continuity for share purchase warrants for the period ended January 31, 2019, is as follows:

Number outstanding July 31, 2018	Granted	Exercised	Expired/Cancelled	Number outstanding Jan. 31, 2019	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
100,000	-	-	-	100,000	\$0.60	January 11, 2018	1.51
100,000	-	-	-	100,000	\$0.60	July 28, 2018	1.53
41,000	-	-	-	41,000	\$0.60	July 29, 2018	1.58
400,000	-	-	-	400,000	\$0.25	November 15, 2019	1.84
1,640,000	-	-	-	1,640,000	\$0.25	December 10, 2019	1.89
241,000	-	-	-	Exercisable 2,281,000	-	<i>(weighted average)</i>	1.84
\$0.60	-	-	-	-	\$0.29	-	1.84

DEER HORN CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS
For the six months ended January 31, 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:

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

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.

Six months ended January 31,	2020	2019
Management fees CEO	\$ 45,000	\$ 45,000
Management fees CFO	15,000	15,000
Consulting fees	30,000	-
Total	\$ 90,000	\$ 60,000

The Company owes amounts to key management personnel as follows:

Six months ended January 31,	2020	2019
Due to key management or companies controlled by key management personnel	\$ 258,687	\$ 158,621
Total	\$ 258,687	\$ 158,621

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

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 \$1,466 no later than five years. The Company recognized \$4,403 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

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)*

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

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 six months ended January 31, 2020

NOTE 16 – CAPITAL MANAGEMENT *(continued)*

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 January 31, 2020. The Company is not subject to externally imposed capital requirements.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent to January 31, 2020, the Company:

- Closed the first tranche of a private placement, issuing 2,300,000 units for aggregate proceeds of \$115,000. 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.
- Completed a debt conversion transaction, issuing 1,600,000 units at a deemed price of \$0.05 per unit to settle \$80,000 debt. 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.
- Closed the second tranche of a private placement, issuing 1,300,000 units for aggregate proceeds of \$65,000. 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.
- Granted 1,050,000 stock options to directors, officers and/or consultants, exercisable at \$0.10 per option share expiring on March 6, 2030.
- Closed the third and final tranche of a private placement, issuing 3,050,000 units for aggregate proceeds of \$152,500. 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.