



October 31, 2018

TO OUR SHAREHOLDERS,

I'm happy to report we've enjoyed a productive and positive year at Deer Horn Capital. With the recently-signed Letter of Intent on the Colorado Klondike tellurium property, we're entering an exciting new phase for the Company. As we work to complete this acquisition, I want to share the vision and strategy that both management and the board believe will help drive Deer Horn forward in the years to come.

Our Focus: Tellurium

We are building Deer Horn Capital into a unique junior mining company. While hundreds (if not thousands) of juniors explore for precious metals, specialty metals and/or base metals, we're exploring successfully for one of the world's *rarest* metals—tellurium. As far as we can determine, we are one of the very few, if not the only, exploration company in the world focused on doing so.

Our Vision

Our vision is to help solve some of the world's most pressing problems by providing minerals, primarily tellurium, vital to a low-carbon economy and for new, emerging technologies related to the advancement of fresh water, renewable energy and information processing. Other important metals include gold, silver, copper and tungsten—all found at our Deer Horn tellurium property in British Columbia.

Our Mission

Our mission is to build a portfolio of exceptional tellurium properties in mining-friendly and politically stable jurisdictions. We will explore and advance these properties, then vend them to majors and/or tellurium suppliers. We may also develop and mine projects on our own.

Optioning the Colorado Klondike Property aligns well with this mission. Not only is Colorado a pro-mining jurisdiction with excellent, modern infrastructure, we can explore the property up to 11 months per year. It's also situated in one of Colorado's prime gold districts, with a number of large, successful mines in the region. These features alone make the asset a strategic and valuable addition to our portfolio.

Deer Horn's Exceptional Capital Structure

With less than 13 million shares outstanding (14.8 million shares fully diluted), our capital structure remains exceptional for a junior company with an advanced mineral asset. Although we must raise fresh capital to move ahead with our vision and mission, we will strive to maintain this advantage.

Management and insiders hold a significant portion of the outstanding share capital. Be assured that we have an important stake in the success of this company, and we are determined to realize the vision and mission outlined above.

The Opportunity for Tellurium

Why have we focused on tellurium? Because demand for the metal is growing, and most predictions point to continued demand growth. Yet the metal has been largely ignored by the mineral exploration industry.

Tellurium is a key component in cadmium-telluride (CdTe) solar panels, a technology that is advancing rapidly and supplying vast amounts of clean, renewable energy worldwide. Recent improvements in CdTe

thin film construction continue to raise the technology's solar efficiency. As a result, CdTe now represents the second-most utilized solar cell material in the world behind silicon.

But solar energy is just the start for tellurium. New, highly-advanced applications are emerging regularly. Crucial energy reductions for water desalination, more efficient batteries, lightning-fast computers and better transistors represent just some of the tellurium uses that scientists are advancing. Each of these applications offer promise for solving crucial world problems, aligning with our vision.

Potential Supply Issues for Tellurium

About 90% of the world's tellurium comes from copper refining. With declining grades, copper producers are turning to different methods that don't recover tellurium. We can't predict the long-term impact this change will have on tellurium supplies. However, tellurium users like First Solar Inc. have long sought primary sources of tellurium that leave them less vulnerable to supply disruptions.

In fact, in the mid 2000s, First Solar established its own raw materials division that was acquiring primary tellurium properties not dependent on copper refining. They had a team looking worldwide for high-quality tellurium properties. One of these properties was Colorado Klondike. Our recently-signed Letter of Intent to option this property was negotiated with members of that same First Solar team.

First Solar shut down their raw materials division after deciding to focus on manufacturing and sales, leaving excellent properties like Colorado Klondike available.

Looking Ahead for Deer Horn

Looking ahead, we are in discussions with purchasers and users of tellurium who have expressed interest, both in the tellurium resources at our Deer Horn Property in British Columbia and in our negotiations regarding the Colorado Klondike Property. At the same time, we continue investigating other tellurium prospects, primarily in North America, to add to our portfolio.

I am most grateful for the support of our shareholders and board. I look forward to sharing more good news in the near future.

Tyrone Docherty,
President and CEO

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