



# Hemlo Explorers

**(formerly Canadian Orebodies Inc.)**

**Condensed Interim Financial Statements**

**Three Months Ended April 30, 2020**

**(unaudited)**

**(expressed in Canadian dollars)**

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## **Notice of non-review of condensed interim financial statements**

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In accordance with National Instrument 51-102 Continuous Disclosure Obligations of the Canadian Securities Administrators, notice is given that the condensed interim financial statements for the three month period ended April 30, 2020 have not been reviewed by the Company's auditors.

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**Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)**  
**Condensed Interim Statements of Financial Position**  
(unaudited and expressed in Canadian dollars)

	April 30, 2020	January 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents <i>(note 5)</i>	\$ 1,385,980	\$ 414,762
Accounts receivable	17,515	20,444
Prepaid expenses	10,641	9,968
Exploration advances	2,000	2,000
<b>Total Assets</b>	<b>\$ 1,416,136</b>	<b>\$ 447,174</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 47,077	\$ 67,413
Deferred premium on flow-through shares <i>(note 11)</i>	192,922	-
	239,999	67,413
<b>Shareholders' Equity</b>		
Share capital <i>(note 7)</i>	30,149,322	29,197,027
Contributed surplus <i>(note 8)</i>	6,449,376	6,361,051
Accumulated deficit	(35,422,561)	(35,178,317)
	1,176,137	379,761
<b>Total Equity and Liabilities</b>	<b>\$ 1,416,136</b>	<b>\$ 447,174</b>

Subsequent events *(note 14)*

The accompanying notes are an integral part of the condensed interim financial statements.

**Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)**  
**Condensed Interim Statements of Operations and Comprehensive Loss**  
(unaudited and expressed in Canadian dollars)

For the three months ended April 30,	2020	2019
<b>Expenses</b>		
Exploration expenditures <i>(note 6)</i>	\$ 57,068	\$ 679,729
Management and administrative services <i>(note 12)</i>	50,573	95,747
Professional and consulting fees	18,419	3,569
Shareholder information	17,367	9,004
Office and administration	17,352	15,923
Share based compensation <i>(note 8 and 12)</i>	88,325	-
Premium on flow-through shares income <i>(note 11)</i>	(4,078)	(120,685)
Interest income	(782)	(6,658)
<b>Net loss and comprehensive loss for the period</b>	<b>(244,244)</b>	<b>(676,629)</b>
<b>Basic and diluted net loss per share <i>(note 10)</i></b>	<b>\$ (0.01)</b>	<b>\$ (0.04)</b>

The accompanying notes are an integral part of the condensed interim financial statements.

**Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)**  
**Condensed Interim Statements of Cash Flows**  
(unaudited and expressed in Canadian dollars)

For the three months ended April 30,	2020	2019
<b>Operating Activities</b>		
<b>Net loss</b>	\$ (244,244)	\$ (676,629)
Items not affecting cash and cash equivalents from operating activities:		
Interest income	(782)	(6,658)
Share based compensation	88,325	-
Premium on flow-through shares income	(4,078)	(120,685)
<b>Changes in non-cash working capital items</b>		
Accounts receivable	2,929	(58,247)
Prepaid expenses	(673)	(3,428)
Exploration advances	-	2,800
Accounts payable and accrued liabilities	(20,336)	16,030
	(178,859)	(846,817)
<b>Financing Activities</b>		
Issue of common shares	1,174,000	-
Share issue costs	(24,705)	-
	1,149,295	-
<b>Investing Activities</b>		
Interest income	782	6,658
<b>Net change in cash and cash equivalents</b>	971,218	(840,159)
<b>Cash and cash equivalents, beginning of period</b>	414,762	2,269,903
<b>Cash and cash equivalents, end of period</b>	\$ 1,385,980	\$ 1,429,744

The accompanying notes are an integral part of the condensed interim financial statements.

**Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)**  
**Condensed Interim Statements of Changes in Equity**  
(unaudited and expressed in Canadian dollars)

	<u>Share Capital</u>		<u>Reserves</u>			<u>Total</u>
	<u>Number of shares</u>	<u>Amount</u>	<u>Contributed surplus</u>	<u>Warrants</u>	<u>Accumulated deficit</u>	
<b>Balance, January 31, 2019</b>	<b>17,966,150</b>	<b>\$ 29,197,027</b>	<b>\$ 6,336,442</b>	<b>\$ 24,609</b>	<b>\$ (33,446,179)</b>	<b>\$ 2,111,899</b>
Net loss and comprehensive loss for the period	-	-	-	-	(676,629)	(676,629)
<b>Balance, April 30, 2019</b>	<b>17,966,150</b>	<b>\$ 29,197,027</b>	<b>\$ 6,336,442</b>	<b>\$ 24,609</b>	<b>\$ (34,122,808)</b>	<b>\$ 1,435,270</b>
Fair value of warrants expired	-	-	24,609	(24,609)	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(1,055,509)	(1,055,509)
<b>Balance, January 31, 2020</b>	<b>17,966,150</b>	<b>\$ 29,197,027</b>	<b>\$ 6,361,051</b>		<b>\$ (35,178,317)</b>	<b>\$ 379,761</b>
Private placements ( <i>note 7</i> )	3,256,667	1,174,000	-	-	-	1,174,000
Flow-through share premium ( <i>note 11</i> )	-	(197,000)	-	-	-	(197,000)
Cost of issue of private placements	-	(24,705)	-	-	-	(24,705)
Share-based compensation ( <i>note 8</i> )	-	-	88,325	-	-	88,325
Net loss and comprehensive loss for the period	-	-	-	-	(244,244)	(244,244)
<b>Balance, April 30, 2020</b>	<b>21,222,817</b>	<b>\$ 30,149,322</b>	<b>\$ 6,449,376</b>	<b>\$ -</b>	<b>\$ (35,422,561)</b>	<b>\$ 1,176,137</b>

The accompanying notes are an integral part of the condensed interim financial statements.

## **Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)**

### **Notes to the Condensed Interim Financial Statements**

For the three months ended April 30, 2020

(unaudited and expressed in Canadian dollars)

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#### **1. Nature of Operations**

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Hemlo Explorers Inc. (the "Company"), formerly known as Canadian Orebodies Inc., was incorporated pursuant to the provision of the Business Corporations Act (of Alberta) on January 10, 2008 ("Inception Date"). On July 21, 2008, the Company was authorized to continue its operations from the jurisdiction of Alberta to Ontario. On May 20, 2020, the Company changed its name from Canadian Orebodies Inc. to Hemlo Explorers Inc. and consolidated its share capital on a three for one basis (note 14c). Its principal business activity is the exploration of mineral properties. The address of the Company's registered office is 141 Adelaide Street West, Suite 301, Toronto, Ontario M5H 3L5. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the cumulative expenditures on mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of such properties.

#### **2. Basis of Presentation and Statement of Compliance**

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These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the IASB. Accordingly, they do not include all of the information required for full annual financial statements as required by IFRS. These condensed interim financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended January 31, 2020.

These condensed interim financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business, and on a historical cost basis except for the revaluation of certain financial instruments. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim financial statements were approved by the Board of Directors on June 25, 2020.

#### **3. Significant Accounting Policies**

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The financial framework and accounting policies applied in the preparation of these unaudited condensed interim financial statements are consistent with those as disclosed in the most recently completed audited annual financial statements for the year ended January 31, 2020.

##### **(a) Changes in accounting policies**

The Company did not adopt any new accounting policies during the three months ended April 30, 2020.

**Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)****Notes to the Condensed Interim Financial Statements**

For the three months ended April 30, 2020

(unaudited and expressed in Canadian dollars)

**4. Critical Accounting Estimates and Significant Judgements**

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. The financial statements include judgments and estimates which, by their nature, are uncertain, and actual outcomes could differ. The impacts of such judgments and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

The preparation of these financial statements required the following critical accounting estimates and significant judgments:

- (i) the calculation of the fair value of warrants and stock options requires the use of estimates of inputs in the Black-Scholes option pricing model (notes 8 and 9).

**5. Cash and Cash Equivalents**

Cash and cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

	<b>April 30, 2020</b>	<b>January 31, 2020</b>
Cash	\$ 94,053	\$ 123,617
Money market instruments	1,291,927	291,145
Cash and cash equivalents	<b>\$ 1,385,980</b>	<b>\$ 414,762</b>

**6. Mineral Properties and Exploration Expenditures**

The total cumulative expenditures, net of recoveries, on each property in the Company's mineral property portfolio are as follows:

	<b>Hemlo North Limb</b>	<b>Pic (Wire Lake)</b>	<b>Belcher Islands Iron</b>	<b>Other Properties</b>	<b>Total</b>
<b>January 31, 2019</b>	<b>\$ 936,690</b>	<b>\$ 4,850,889</b>	<b>\$ 14,208,520</b>	<b>\$ -</b>	<b>\$ 19,996,099</b>
Expenditures	2,859	1,460,746	3,678	900	1,468,183
<b>January 31, 2020</b>	<b>\$ 939,549</b>	<b>\$ 6,311,635</b>	<b>\$ 14,212,198</b>	<b>\$ 900</b>	<b>\$ 21,464,282</b>
Expenditures	900	56,168	-	-	57,068
<b>April 30, 2020</b>	<b>\$ 940,449</b>	<b>\$ 6,367,803</b>	<b>\$ 14,212,198</b>	<b>\$ 900</b>	<b>\$ 21,521,350</b>

## **Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)**

### **Notes to the Condensed Interim Financial Statements**

For the three months ended April 30, 2020

(unaudited and expressed in Canadian dollars)

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## **6. Mineral Properties and Exploration Expenditures - continued**

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### **Hemlo North Limb Project**

On May 24, 2016, the Company purchased a 100% interest in 135 claim units comprising 2,160 hectares approximately 40 kilometers northeast of Marathon, Ontario. As consideration, the Company paid a total of \$25,000 in cash and issued 41,666 common shares valued at \$25,000. In addition, the vendors retain a 1% Net Smelter Return ("NSR") royalty on the purchased claims.

In addition to the purchased claims, the Company staked 303 claim units totaling 4,848 hectares. In April 2018, the Company's 438 claim units converted to a total of 589 mining claim cells.

### **Pic Project (formerly referred to as Wire Lake Project)**

#### *Staked Claims*

In addition to the option and property purchases described below, the Company has staked 985 mining claim cells that form a portion of the Pic Project.

#### *Wire Lake Property*

On October 7, 2016, the Company entered into an option agreement with All-Terrain Track Sales & Services Ltd. ("ATTSS") to acquire a 100% interest in 251 claim units (now 866 claim cells) comprising 4,047 hectares approximately 15 kilometers northeast of Marathon, Ontario. On signing, the Company paid \$40,000 in cash and issued 26,042 common shares valued at \$25,000. The option agreement calls for the Company to make additional cash payments to ATTSS totaling \$550,000 over the following five anniversary dates of the option agreement as detailed below:

- (i) 2017 - \$100,000; (paid)
- (ii) 2018 - \$100,000; (paid)
- (iii) 2019 - \$100,000; (paid)
- (iv) 2020 - \$150,000; and
- (v) 2021 - \$100,000.

ATTSS may elect to receive payment in common shares of the Company in lieu of cash at their discretion. Upon completion of the option agreement, the Company will grant ATTSS a 2% NSR royalty, one-half of which may be bought back for a lump sum payment of \$1,000,000.

#### *Black Raven Property*

On April 23, 2017, the Company entered into an acquisition agreement (the "Acquisition Agreement") with StrikePoint Gold Inc. ("StrikePoint") to acquire a 100% interest in 415 claim units (now 576 claim cells) (the "Black Raven Property") totaling 6,640 hectares located adjacent to the Company's Wire Lake Property. Pursuant to the Acquisition Agreement, the Company paid \$15,000 cash on signing, and issued 416,667 common shares valued at \$587,500. Additionally, the Company issued 83,333 share purchase warrants, valued at \$40,025, entitling StrikePoint to acquire up to 83,333 common shares at a price of \$1.89 per share for a period of 12 months.



## **Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)**

### **Notes to the Condensed Interim Financial Statements**

For the three months ended April 30, 2020

(unaudited and expressed in Canadian dollars)

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## **6. Mineral Properties and Exploration Expenditures - continued**

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### **Pic Project - continued**

In conjunction with the Acquisition Agreement, on April 23, 2017 the Company executed a termination and assumption agreement (the "Termination and Assumption Agreement") with the underlying optionors of the Black Raven Property in order to terminate the underlying option agreement, discharge a future milestone payment and assume the underlying royalty obligations. The Termination and Assumption Agreement called for the Company to issue 66,667 common shares on signing to the Optionors, valued at \$94,000, and assume a 2.5% NSR royalty. The royalty agreement provides that 1.5% of the NSR royalty may be bought back by the Company at any time upon payment of \$1,500,000, or in increments of 0.5% NSR royalty for \$500,000 each.

### *Goodchild Property*

On February 20, 2018, the Company purchased the Goodchild Lake mining property (the "Goodchild Property") from the court-appointed receiver of Century Mining Corporation ("Century") for a cash payment of \$40,000, the assumption of Century's three percent (3%) net smelter returns royalty obligations in respect of the Goodchild Property and the payment of a portion of the receiver's expenses associated with the transaction. In connection with the purchase, the Company also entered into an agreement with Teck Resources Limited ("Teck") to terminate certain rights Teck had in relation to the Goodchild Property in exchange for the granting to Teck of a one-half of one percent (0.5%) net smelter returns royalty in respect of the Goodchild Property. The Company also entered into an agreement with the existing net smelter returns royalty holders on the Goodchild Property to vary the terms on which the royalty may be bought down. In exchange for the issuance of 13,333 shares of the Company, valued at \$12,000, the Company obtained the right to purchase up to two-thirds of the royalty for \$1,500,000.

### *Benton Property*

On August 16, 2018, the Company completed the acquisition of the "Goodchild Lake" mining claims (the "Benton Property") from Benton Resources Inc. ("Benton"). The Benton Property consists of 31 claim cells totaling approximately 500 hectares, and covers a prospective trend adjacent to the northwest portion of the Company's 100% owned Black Raven Property. As consideration for the purchase, the Company issued Benton 33,333 common shares in the capital stock of the Company valued at \$27,000 and granted Benton a 1.5% net smelter returns royalty ("NSR"). The Company will have the option to buy-down 50% of the NSR at any time for the sum of \$750,000.

### **Belcher Islands Iron Project**

On February 14, 2011, the Company entered into a non-arm's length Purchase Agreement (the "Agreement") to acquire up to a 100% legal and beneficial interest in the Inuit Owned Lands Mineral Exploration Agreement (the "NTI Agreement") with Nunavut Tunngavik Incorporated ("NTI") which covers the Haig Inlet Iron Project with an area of approximately 1,226 hectares, located on the Belcher Islands, Nunavut, Canada (the "Property"). The Company now holds a 100% interest in the NTI Agreement and the vendors retain a 3% gross overriding royalty, of

## **Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)**

### **Notes to the Condensed Interim Financial Statements**

For the three months ended April 30, 2020

(unaudited and expressed in Canadian dollars)

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## **6. Mineral Properties and Exploration Expenditures - continued**

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### **Belcher Islands Iron Project - continued**

which one-third can be purchased by the Company for a maximum of \$3,000,000. In addition to the lands acquired under the Agreement, the Company staked 29 claims covering 21,816 hectares of Municipal Land.

### **Hawkins Property Royalty Interest**

The Company has a 0.5% NSR royalty on the Hawkins property, which covers 1,536 hectares located in the Hawkins and Walls Townships. The Hawkins property is owned by Pavey Ark Minerals Inc. and under option to E2Gold Inc.

## **7. Share Capital**

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### **Authorized share capital**

On March 3, 2020, the Company closed a non-brokered private placement that raised aggregate gross proceeds of \$1,174,000 through the sale of 1,640,000 common shares (the "Shares") at a price of \$0.30 per Share, 283,333 flow-through common shares (the "FT Shares") at a price of \$0.36 per FT Share, and 1,333,334 flow-through common shares (the "Premium FT Shares") at a price of \$0.435 per Premium FT Share. The Company paid cash finders' fees of \$13,140 in connection with the financing.

At April 30, 2020, the authorized share capital consisted of an unlimited number of common shares and the issued share capital amounted to 21,222,817 common shares for \$30,149,322. The common shares do not have a par value. All issued shares are fully paid. All references to outstanding common shares, options, and warrants are presented on a post-consolidation basis after giving effect to the share consolidation on May 20, 2020 (note 14c).

### **Exercise of Warrants**

During the periods ended April 30, 2020 and 2019, no share purchase warrants were exercised.

## **8. Share Options**

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The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of five years with vesting requirements at the discretion of the Board of Directors.

**Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)****Notes to the Condensed Interim Financial Statements**

For the three months ended April 30, 2020

(unaudited and expressed in Canadian dollars)

**8. Share Options - continued**

The Company records a charge to the statements of operations and comprehensive loss using the Black-Scholes fair valuation option pricing model with respect to a share option grant. The valuation is dependent on a number of estimates, including the risk-free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

On March 9, 2020, the Company granted 505,000 share options to directors, officers, and consultants of the Company, vesting immediately, and exercisable at \$0.30 per share for a period of five years from the date of issuance. The value ascribed to the 505,000 share options granted was estimated at \$88,325 using the Black-Scholes model for option pricing. The assumptions used to determine the value were: stock price - \$0.24; expected dividend yield - 0%; weighted expected volatility - 103.53%; risk-free interest rate - 0.53% and an expected life of 5 years.

The following table reflects the continuity of share options for the year ended January 31, 2020 and three months ended April 30, 2020:

	<b>Options</b>	<b>Weighted avg. exercise price</b>
Balance, January 31, 2019	1,424,167	\$ 0.72
Balance, January 31, 2020	1,424,167	\$ 0.72
Granted	505,000	0.30
<b>Balance, April 30, 2020</b>	<b>1,929,167</b>	<b>\$ 0.61</b>

The following table reflects the actual share options issued, exercisable, and outstanding as at April 30, 2020.

<b>Expiry date</b>	<b>Options</b>	<b>Exercise price</b>
August 1, 2020	120,833	\$ 0.60
August 1, 2020	166,667	0.75
June 1, 2021	433,334	0.60
February 3, 2022	603,333	0.75
April 11, 2022	66,667	1.41
July 4, 2023	33,333	0.84
March 9, 2025	505,000	0.30
	<b>1,929,167</b>	<b>\$ 0.61</b>

**Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)****Notes to the Condensed Interim Financial Statements**

For the three months ended April 30, 2020

(unaudited and expressed in Canadian dollars)

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**9. Warrants**

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The Company had no warrants outstanding as at April 30, 2020. The following table reflects the continuity of warrants for the year ended January 31, 2020 and three months ended April 30, 2020:

	<b>Number of warrants</b>	<b>Allocated value</b>
Balance, January 31, 2019	71,571	\$ 24,609
Expired	(71,571)	(24,609)
Balance, January 31, 2020	-	\$ -
<b>Balance, April 30, 2020</b>	<b>-</b>	<b>\$ -</b>

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**10. Loss Per Common Share**

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The following table sets forth the computation of basic and diluted loss per share for the three months ended April 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Loss attributable to common shareholders	\$ (244,244)	\$ (676,629)
Weighted-average common shares outstanding - basic and diluted	20,064,891	17,966,150
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.04)</b>

Diluted loss per share does not include the effect of share options and warrants outstanding if their effect is anti-dilutive.

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**11. Deferred Premium on Flow-through Shares**

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To the extent that the Company issues common shares to subscribers on a flow-through basis at a premium to the market value of non-flow-through common shares, any such premium is recorded as a liability on the Company's statement of financial position at the time of subscription. This liability is reduced, on a pro-rata basis, as the Company fulfills its expenditure renunciation obligation associated with such flow-through share issuances, with an offsetting amount recognized as income.

**Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)****Notes to the Condensed Interim Financial Statements**

For the three months ended April 30, 2020

(unaudited and expressed in Canadian dollars)

**11. Deferred Premium on Flow-through Shares - continued**

<b>Balance, January 31, 2019</b>	<b>\$ 137,809</b>
Premium recognized in loss from operations	(137,809)
<b>Balance, January 31, 2020</b>	<b>\$ -</b>
Flow-through financing premium - March 3, 2020	197,000
Premium recognized in loss from operations	(4,078)
<b>Balance, April 30, 2020</b>	<b>\$ 192,922</b>

As at April 30, 2020, the Company had approximately \$667,884 in flow-through expenditure obligations to incur by December 31, 2021.

**12. Related Party Transactions and Balances****(a) Director and executive management compensation**

Directors and executive management's compensation for the three months ended April 30, 2020 and 2019 consisted of the following:

	<b>2020</b>	<b>2019</b>
Salary	\$ 39,908	\$ 94,314
Consulting fees	9,375	-
Employment benefits	1,290	1,433
Fair value of stock options	83,952	-
	<b>\$ 134,525</b>	<b>\$ 95,747</b>

Directors and executive management received the following stock options during the three months ended April 30, 2020:

<b>Expiry date</b>	<b>Number of options</b>	<b>Exercise price</b>	<b>Stock price at grant</b>	<b>Risk-free interest rate</b>	<b>Expected life</b>	<b>Volatility factor</b>	<b>Fair value</b>
March 9, 2025	480,000	\$ 0.30	\$ 0.24	0.53 %	5.0	104 %	\$ 0.175

## Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)

### Notes to the Condensed Interim Financial Statements

For the three months ended April 30, 2020

(unaudited and expressed in Canadian dollars)

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## 12. Related Party Transactions and Balances - continued

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### (b) Director and executive management transactions

The aggregate value of transactions and outstanding balances relating to entities over which directors and executive management have control or significant influence were as follows:

Account	Note	Transaction value		Balance outstanding	
		3 months ended Apr. 30,		as at Apr. 30,	
		2020	2019	2020	2019
Management and administrative services	(i)	\$ 9,375	\$ -	\$ -	\$ -

- (i) The Company paid consulting fees to Brian Michael Howlett & Associates Inc., a corporation controlled by Brian Howlett, the Company's CEO and a member of the Board of Directors.

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## 13. Capital Risk Management

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The Company's capital is composed of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended April 30, 2020. The Company is not subject to externally imposed capital requirements.

### Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)**

**Notes to the Condensed Interim Financial Statements**

For the three months ended April 30, 2020

(unaudited and expressed in Canadian dollars)

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**13. Capital Risk Management - continued**

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**Financial risk factors - continued**

**(a) Credit risk**

The Company's credit risk is primarily attributable to accounts receivable which consist primarily of Harmonized Sales Tax receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote.

**(b) Liquidity risk**

The Company is currently in the exploration stage and has not commenced commercial operations. As at the date of issue of these financial statements, the Company had an accumulated deficit of \$35,422,561. As at April 30, 2020, the Company was not yet generating operating cash flows, but had working capital of \$1,176,137 (January 31, 2020: \$ 379,761). Within this amount, it had a cash balance of \$1,385,980 (January 31, 2020: \$ 414,762) to settle current liabilities of \$239,999 (January 31, 2020: \$ 67,413).

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to fund its liabilities as they become due. All of the Company's financial liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The Company may be required to obtain additional capital to continue its progress toward recovering the amount expended on its mineral properties, and although success in this regard is not assured, management is of the opinion that additional capital can be raised as required for the foreseeable future.

**(c) Market risk**

**(i) Interest rate risk**

The Company has cash balances and no interest-bearing debt. Interest rate risk is remote.

**(ii) Price risk**

The Company is indirectly exposed to price risk with respect to the price of both precious and base metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity. 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. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

**(d) Fair Value**

The fair values of the Company's cash and cash equivalents, accounts receivable and accounts payable approximate their carrying values because of the short term-nature of these instruments.

## **Hemlo Explorers Inc. (formerly Canadian Orebodies Inc.)**

### **Notes to the Condensed Interim Financial Statements**

For the three months ended April 30, 2020

(unaudited and expressed in Canadian dollars)

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#### **13. Capital Risk Management - continued**

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##### **Financial risk factors - continued**

*(e) Sensitivity analysis*

Based on management's knowledge and experience of the financial markets, the Company believes a 50% change in equity prices is "reasonably possible" over a twelve month period. As at April 30, 2020, the Company held no marketable securities and as such net income (loss) would not be impacted by such moves in equity prices.

#### **14. Subsequent Events**

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- (a)* On May 8, 2020, the Company closed the purchase of the West Hemlo and North Hemlo properties (collectively, the "Properties") from O3 Mining Inc. ("O3") in the Hemlo mining district of Ontario (the "Transaction"). At closing, the Company issued 850,000 common shares to O3, valued at \$229,500, subject to a statutory hold period expiring on September 9, 2020. If in the future the Company publishes a feasibility study in respect of the Properties that contains at least 2,000,000 ounces of gold categorized as Probable Mineral Reserves, Proven Mineral Reserves or a combination thereof, then the Company shall pay a discovery bonus of \$1,000,000 in cash or shares, at the Company's option, to O3 within ten days of such publication.
- (b)* On May 19, 2020, the Company granted an aggregate of 100,000 share options to employees and consultants of the Company under the terms of the Company's incentive stock option plan. The options are exercisable at a price of \$0.45 per share for a period of five years, vested immediately, and are subject to a four month hold period from the date of issuance thereof.
- (c)* On May 20, 2020, the Company changed its name from Canadian Orebodies Inc. to Hemlo Explorers Inc. and consolidated its share capital on a three for one basis (the "Consolidation"). The Consolidation affected all of the Company's common shares and share options issued and outstanding. At the time of the Consolidation, the number of common shares and the number and exercise price of all share options were adjusted to reflect the Consolidation. All figures in these financial statements are presented after giving effect to the Consolidation.