



## **DEER HORN CAPITAL INC.**

### **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the nine months ended April 30, 2017 and 2016**

(Expressed in Canadian Dollars)

(Unaudited)

## **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, 2017 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.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars) *(unaudited)*

	Note	January 31, 2017	July 31, 2016
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 2,694	\$ 57,182
Receivables	3	2,817	19,759
Prepaid expenses	4	1,198	1,198
		<u>6,709</u>	<u>78,139</u>
<b>Property and Equipment</b>	5	1,370	1,598
<b>Reclamation Deposit</b>	6	85,212	85,212
		<u>\$ 93,291</u>	<u>\$ 164,949</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 255,868	\$ 251,142
Loan payable	9	17,000	17,000
Due to related parties	10	227,389	167,246
		<u>500,257</u>	<u>435,388</u>
<b>Loans payable</b>	9	171,272	167,412
		<u>671,529</u>	<u>602,800</u>
<b>Shareholders' Equity (Deficiency)</b>			
Share capital	11	13,445,138	13,445,138
Share-based payments reserve		617,204	617,204
Subscriptions receivable	11	(25,000)	(25,000)
Deficit		(14,615,580)	(14,475,193)
		<u>(578,238)</u>	<u>(437,851)</u>
		<u>\$ 93,291</u>	<u>\$ 164,949</u>

**Nature of Operations and Going Concern (Note 1)**

**Commitments (Note 15)**

**Subsequent Events (Note 18)**

**On behalf of the Board:**

"Tyrone Docherty"  
**Director**

"Tony Fogarassy"  
**Director**

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

**DEER HORN CAPITAL INC.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars) (unaudited)

		Three months ended April 30,		Nine months ended April 30,	
	Note	2017	2016	2017	2016
<b>Revenue</b>					
Retail sales		\$ -	\$ 119,226	\$ -	\$ 486,389
<b>Cost of goods sold</b>					
Purchases		-	109,771	-	355,527
Salaries, wages and benefits		-	71,266	-	303,129
Other		-	3,910	-	10,398
		-	184,947	-	669,054
<b>Gross margin (loss)</b>					
		-	(65,721)	-	(182,665)
<b>Expenses</b>					
Advertising and promotion		-	12,283	<b>3,500</b>	31,139
Consulting fees	12	<b>376</b>	7,893	<b>8,481</b>	93,479
Depreciation and accretion	5, 9	<b>1,715</b>	28,351	<b>4,088</b>	85,066
Insurance, licenses, and fees		-	1,379	-	2,706
Interest and financing fees		-	18,796	-	18,796
Investor relations and shareholder information		<b>205</b>	375	<b>5,340</b>	18,800
Management fees	12	<b>30,000</b>	27,000	<b>90,000</b>	81,000
Office and miscellaneous		<b>19</b>	6,444	<b>1,417</b>	13,334
Professional fees		-	7,079	-	66,131
Regulatory and filing fees		<b>4,067</b>	3,537	<b>13,799</b>	15,881
Rent, utilities and occupancy costs		-	50,444	-	165,236
Repairs and maintenance		-	150	-	1,547
Salaries and benefits		-	19,891	-	79,566
Share-based payments	11	-	-	-	21,139
Supplies		-	10,978	-	27,829
Travel		-	3,050	-	9,249
		<b>(36,382)</b>	(197,650)	<b>(126,625)</b>	(730,898)
<b>Operating income (loss)</b>					
			(263,371)		(913,563)
Interest income		<b>(4,587)</b>	1	<b>(13,762)</b>	9
Insurance proceeds		-	-	-	25,000
Gain on settlement of related party debt		-	-	-	165,850
Write-down of intangible assets		-	-	-	-
<b>Loss and comprehensive loss for the period</b>					
		\$ <b>(40,969)</b>	\$ (263,371)	\$ <b>(140,387)</b>	\$ (722,704)
<b>Basic and diluted loss per share</b>					
		\$ <b>(0.01)</b>	\$ (0.01)	\$ <b>(0.01)</b>	\$ (0.02)
<b>Weighted average shares outstanding</b>					
		<b>37,044,653</b>	37,044,653	<b>34,741,368</b>	34,741,368

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

**DEER HORN CAPITAL INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**  
(Expressed in Canadian Dollars) *(unaudited)*

	Number of common shares	Share Capital	Share Subscriptions	Share-based payments reserve	Stakeholder Contribution Reserve	Deficit	Total shareholders' equity (deficiency)
<b>Balance, July 31, 2015</b>	<b>32,344,653</b>	<b>\$ 12,800,910</b>	<b>\$ -</b>	<b>\$ 660,765</b>	<b>\$ 175,000</b>	<b>\$ (13,078,254)</b>	<b>\$ 558,421</b>
Private Placements	4,700,000	362,000	-	-	-	-	362,000
Share issuance costs	-	(29,311)	-	-	-	-	(29,311)
Transfer upon expiration of warrants	-	26,600	-	(26,600)	-	-	-
Transfer upon expiration of options	-	-	-	(261,785)	-	261,785	-
Share-based compensation	-	-	-	21,139	-	-	21,139
Shareholder contribution	-	-	-	-	69,500	-	69,500
Loss and comprehensive loss for the period	-	-	-	-	-	(722,704)	(722,704)
<b>Balance, April 30, 2016</b>	<b>37,044,653</b>	<b>\$ 13,421,984</b>	<b>\$ -</b>	<b>\$ 393,519</b>	<b>\$ 244,500</b>	<b>\$ (13,539,173)</b>	<b>\$ 295,045</b>
<b>Balance, July 31, 2016</b>	<b>41,444,653</b>	<b>\$ 13,445,138</b>	<b>\$ (25,000)</b>	<b>\$ 387,704</b>	<b>\$ 229,500</b>	<b>\$ (14,475,193)</b>	<b>\$ (437,851)</b>
Loss and comprehensive loss for the period	-	-	-	-	-	(140,387)	(140,387)
<b>Balance, April 30, 2017</b>	<b>41,444,653</b>	<b>\$ 13,445,138</b>	<b>\$ (25,000)</b>	<b>\$ 387,704</b>	<b>\$ 229,500</b>	<b>\$ (14,615,580)</b>	<b>\$ (578,238)</b>

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

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

	Nine months ended April 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) and comprehensive income (loss) for the period	\$ (140,387)	\$ (722,704)
Items not involving cash:		
Depreciation and accretion	4,088	85,066
Share-based payments	-	21,139
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	16,942	19,489
Decrease (increase) in prepaid expenses	-	41,400
Decrease (increase) in inventories	-	37,789
Increase (decrease) in wages and benefits payable	-	(33,181)
Increase (decrease) in due to related parties	60,143	(84,324)
Increase (decrease) in accounts payable and accrued liabilities	4,726	(80,370)
Cash flows used in operating activities	(54,488)	(715,696)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	-	(11,970)
Deposits	-	(7)
Cash flows used in investing activities	-	(11,977)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contribution from stakeholder	-	69,500
Issuance of common shares	-	362,000
Proceeds from related party loans	-	147,700
Proceeds from debentures payable	-	182,000
Share issue costs	-	(29,311)
Cash flows provided from financing activities	-	731,889
<b>Change in cash during the period</b>	<b>(54,488)</b>	<b>4,216</b>
<b>Cash, beginning of period</b>	<b>57,182</b>	<b>47,350</b>
<b>Cash, end of period</b>	<b>\$ 2,694</b>	<b>\$ 51,566</b>

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

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2017**  
*(Unaudited)*

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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 consolidated financial statements for the year ended July 31, 2015 include the accounts of Deer Horn and its wholly-owned subsidiary, Bodhi Tree Natural Market Corp., a company incorporated under the laws of British Columbia, Canada. The Company’s head office and principal place of business is Suite 140, 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”.

During fiscal 2016, the Company ceased operations of its retail grocery segment. Reclassifications as a result of presenting discontinued operations have been summarized in note 14.

These consolidated 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 October 31, 2016, is not sufficient to finance operations through the next twelve months. 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 factors may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

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**Statement of compliance**

These condensed consolidated 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”). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as at and for the year ended July 31, 2016. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements were authorized by the Board of Directors of the Company on November 9, 2017.

**Basis of measurement**

The condensed consolidated interim financial statements are prepared on the historical cost basis, except the following assets and liabilities which are stated at their fair value: financial instruments classified as fair value through profit and loss (“FVTPL”), financial instruments classified as available for sale and cash settled stock-based compensation plans. Assets held for sale are valued at the lower of their carrying amount and fair value less costs to sell.

The significant accounting policies for the quarter are consistent with those disclosed in the audited annual financial statements for the year ended July 31, 2016. The accompanying interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended July 31, 2016.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2017**  
*(Unaudited)*

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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**Use of Estimates and judgments**

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended July 31, 2016.

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

A number of new standards, amendments to standards and interpretations are not yet effective as of January 31, 2017, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

**Effective for annual periods beginning on or after January 1, 2018**

**IFRS 15, Revenue from Contracts with Customers:**

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*. Early application of the Standard would still be permitted.

**IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.**

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

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

**IFRS 16, Leases:**

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



**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the nine months ended April 30, 2017  
(Unaudited)

**NOTE 3 – RECEIVABLES**

	As at April 30, 2017	As at July 31, 2016
Amounts due from the Government of Canada pursuant to GST input tax credits	\$ 2,817	\$ 19,759
<b>Total</b>	<b>\$ 2,817</b>	<b>\$ 19,759</b>

**NOTE 4 – PREPAID EXPENSES**

	As at April 30, 2017	As at July 31, 2016
Other	1,198	1,198
<b>Total</b>	<b>\$ 1,198</b>	<b>\$ 1,198</b>

**NOTE 5 – PROPERTY AND EQUIPMENT**

	Tenant improvements	Furniture and fixtures	Store equipment	Office and computer equipment	TOTAL
<b>Cost:</b>					
<b>Balance at July 31, 2015</b>	226,459	19,652	340,182	70,018	<b>656,311</b>
Additions – store equipment inventory	-	-	11,970	-	<b>11,970</b>
Disposals	-	-	(28,000)	-	<b>(28,000)</b>
Impairment	(226,459)	-	(324,152)	(70,018)	<b>(620,629)</b>
<b>Balance at July 31, 2016</b>	\$ -	\$ 19,652	\$ -	\$ -	<b>\$ 19,652</b>
<b>Balance at April 30, 2017</b>	\$ -	\$ 19,652	\$ -	\$ -	<b>\$ 19,652</b>
<b>Accumulated depreciation:</b>					
<b>Balance at July 31, 2015</b>	2,930	17,691	7,471	5,184	<b>33,276</b>
Depreciation	22,353	363	55,037	35,299	<b>113,052</b>
Impairment	(25,283)	-	(62,508)	(40,483)	<b>(128,274)</b>
<b>Balance at July 31, 2016</b>	\$ -	\$ 18,054	\$ -	\$ -	<b>\$ 18,054</b>
Depreciation	-	228	-	-	<b>156</b>
<b>Balance at April 30, 2017</b>	\$ -	\$ 18,282	\$ -	\$ -	<b>\$ 18,210</b>
<b>Carrying amounts:</b>					
<b>July 31, 2016</b>	\$ -	\$ 1,598	\$ -	\$ -	<b>\$ 1,598</b>
<b>April 30, 2017</b>	\$ -	\$ 1,370	\$ -	\$ -	<b>\$ 1,370</b>

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2017**  
*(Unaudited)*

**NOTE 6 – RECLAMATION DEPOSIT**

The Company provided funding for deposits as security against potential future reclamation work related to the Deerhorn property (Note 7).

	As at April 30, 2017		As at July 31, 2016
Reclamation deposit: Deerhorn property	\$ 85,212	\$	85,212

**NOTE 7 – EXPLORATION AND EVALUATION ASSETS**

**Deerhorn property**

In August 2009, the Company entered into an option agreement with a company related by virtue of common directors, to acquire an initial 50% interest in the Deerhorn property, located in north western British Columbia.

To acquire its interest, the Company was required to incur \$5,000,000 in exploration expenditures.

The Company has earned its initial 50% interest in the property. It may acquire an additional 25% interest by incurring all costs required to bring the property to commercial production.

The Company reviews the carrying values of its exploration and evaluation assets on a regular basis by reference to the project economics including any independent feasibility studies on a property, the timing of the exploration and/or development work, the work programs and the exploration results experienced by the Company. When the carrying value of the asset exceeds its estimated net recoverable amount, an impairment loss is recorded to reflect its decline in value.

In fiscal 2015, the Company performed an impairment test on the Deerhorn exploration and evaluation assets according to IFRS 6 and IAS 36, using the market approach. Entities recognizing exploration and evaluation assets are required to perform an impairment test on those assets when specific facts and circumstances outlined in the standard indicate an impairment test is required.

Based on the impairment testing performed, the Company determined that the exploration and evaluation assets were impaired, and recorded an impairment loss of \$8,250.

**Exploration and evaluation expenditures**

	As at April 30, 2017		As at July 31, 2016
Other	\$ -	\$	1,200
Total exploration expense (recovery)	\$ -	\$	1,200

**NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	As at April 30, 2017		As at July 31, 2016
Trade payables and corporate credit card	\$ 205,388	\$	183,662
Other accrued liabilities	67,480		67,480
Total	\$ 272,868	\$	251,412

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2017**  
*(Unaudited)*

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**NOTE 9 – LOANS PAYABLE**

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During the year ended July 31, 2016, the Company entered into a loan with a third party which is non-interest bearing, unsecured and due on demand, in the principal amount of \$30,000. The Company settled \$13,000 of the loan by issuing 260,000 valued at \$0.085, resulting in a loss on settlement of debt of \$9,100.

The Company also 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 \$13,762 for the nine months ended April 30, 2017 (2016 - \$nil) in relation to the accrued interest on the debenture loans and is included in accounts payable. Finders' fees and closing costs of \$15,904 were incurred with the issuance of the debenture loans. During the period ended January 31, 2017, accretion expense of \$3,860 was recorded.

Subsequent to July 31, 2016, the Company was not in compliance with the terms of the loan.

**NOTE 10 – DUE TO RELATED PARTIES**

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During the period ended April 30, 2017, the Company incurred fees with individuals and companies owned, or partly owned, by key management personnel. See Note 12(a).

	As at April 30, 2017		As at July 31, 2016
Due to key management or companies controlled by key management personnel	\$ 227,389	\$	167,246
Total	\$ 227,389	\$	167,246

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**NOTE 11 – SHARE CAPITAL**

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

b) **Share issuance:**

**Fiscal 2017**

There were no share issuances during the nine month period ended April 30, 2017.

**Fiscal 2016**

On January 11, 2016, the Company closed a non-brokered private placement and issued 2,700,000 units at a price of \$0.06 per unit for total gross proceeds of \$162,000. Each unit consists of one common share and one share purchase warrant. Each whole warrant is exercisable for a period of two years at a price of \$0.10 per share. The Company paid an aggregate of \$12,960 in fees to eligible finders in respect to the private placement.

On November 17, 2015, the Company closed a non-brokered private placement and issued 2,000,000 units at a price of \$0.10 per unit for total gross proceeds of \$200,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable for a period of two years at a price of \$0.15 per share. The Company paid an aggregate of \$16,000 in fees to eligible finders in respect to the private placement, and incurred \$351 in issue costs.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the nine months ended April 30, 2017  
(Unaudited)

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

c) **Shareholder contribution**

During the year ended July 31, 2016, the Company received \$54,500 (2015 - \$175,000) in cash contributions from a stakeholder of the Company and has been recorded in contribution reserves. The contribution is non-repayable and does not confer equity interest.

d) **Stock Options**

The Company is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company, on a rolling basis. Options may be granted at an exercise price of no less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the board of directors. Options can be granted for a maximum term of five years. Vesting is not required but may be set on an individual basis as determined by the board of directors.

As at April 30, 2017, the Company had outstanding stock options as follows:

Number outstanding July 31, 2016	Granted	Exercised	Expired/Cancelled	Number outstanding April 30, 2017	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
100,000	-	-	-	100,000	\$1.00	Mar. 25, 2018	0.90
2,125,000	-	-	-	2,125,000	\$0.14	March 10, 2020	2.86
200,000	-	-	-	200,000	\$0.25	March 18, 2020	2.89
1,000,000	-	-	-	1,000,000	\$0.05	June 16, 2021	4.13
3,425,000	-	-	-	3,425,000	\$0.15	(weighted average)	3.17
\$0.15	-	-	-	Exercisable 3,425,000	\$0.15	(weighted average)	3.17

d) **Stock Options**

During the year ended July 31, 2016, 255,000 options (2015 – 450,000) previously issued with a fair value of \$299,172 (2015 – 423,098) as share-based compensation expired or were cancelled. The previously recorded historical fair value of these options was reallocated to deficit.

e) **Share-based compensation**

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

**Fiscal 2017**

There was no share-based compensation recorded for the nine month period ended April 30, 2017.

**Fiscal 2016**

During the year ended July 31, 2016, the Company recorded \$67,397 in share-based compensation expense for options vesting in the period as follows:

- a) vesting portion of options granted June 16, 2016, of \$18,072; and
- b) vesting portion of options granted March 10, 2015, of \$42,092; and
- c) vesting portion of options granted March 18, 2015, of \$7,233.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2017**  
*(Unaudited)*

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

e) **Share-based compensation** *(continued)*

The fair value of the 1,000,000 options granted on June 16, 2016 with an exercise price of \$0.05, was determined using a risk free interest rate of 0.62%, an expected volatility of 194%, an expected life of 5 years, and an expected dividend of zero for a total fair value of \$48,542 or \$0.048 per option. Volatility was determined using daily closing share prices over a term equivalent to the expected life of the options.

f) **Share-purchase warrants**

The continuity for share purchase warrants for the period ended April 30, 2017, is as follows:

Number outstanding July 31, 2016	Granted	Exercised	Expired/Cancelled	Number outstanding April 30, 2017	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
5,050,000	-	-	(5,050,000)	-	\$0.10	January 12, 2017	-
2,052,000	-	-	(2,052,500)	-	\$0.20	March 9, 2017	-
466,334	-	-	-	<b>466,334</b>	\$0.50	May 4, 2017 <sup>(1)</sup>	0.01
340,834	-	-	-	<b>340,834</b>	\$0.50	May 19, 2017 <sup>(1)</sup>	0.05
45,000	-	-	-	<b>45,000</b>	\$0.50	July 27, 2017 <sup>(1)</sup>	0.24
1,000,000	-	-	-	<b>1,000,000</b>	\$0.15	November 19, 2017	0.55
2,700,000	-	-	-	<b>2,700,000</b>	\$0.10	January 11, 2018	0.70
1,000,000	-	-	-	<b>1,000,000</b>	\$0.10	July 28, 2018	1.24
1,000,000	-	-	-	<b>1,000,000</b>	\$0.10	July 29, 2018	1.24
13,654,168	-	-	(7,102,500)	<b>6,551,668</b>	\$0.14	<i>(weighted average)</i>	0.76
\$0.14	-	-	\$0.10	<b>6,551,668</b>	\$0.16	<i>(weighted average)</i>	0.76

(1) *expired subsequent to period ended April 30, 2017, unexercised*

**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.	Management fees charged as CEO
Docherty Capital Corp.	Travel and expense allowances
Saulnier Capital Consulting Corp.	Management fees charged as CFO
Dunbar Law Corp.	Management fees
The Sutherland Group	Salary and wages, and loans to the Company
Sean & Kieran Docherty	Rent, consulting fees

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 12 – RELATED PARTY TRANSACTIONS** *(continued)*

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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>2017</b>		<b>2016</b>
Management fees CEO	\$	<b>67,500</b>	\$ 58,500
Travel and expense allowances CEO		-	9,000
Management fees CFO		<b>22,500</b>	22,500
Salaries and wages		-	79,566
Share-based compensation		-	21,139
<b>Total</b>	<b>\$</b>	<b>90,000</b>	<b>\$ 190,705</b>

The company incurred the following fees with related parties – other.

<b>Nine months ended April 30,</b>			
	<b>2017</b>		<b>2016</b>
Office rent	\$	-	\$ 9,000
Consulting fees (other)		<b>8,481</b>	36,000
<b>Total</b>	<b>\$</b>	<b>8,481</b>	<b>\$ 45,000</b>

**NOTE 13 – SEGMENTED INFORMATION**

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The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets in Canada. Until May 17, 2016, the Company also operated in the retail grocery segment. The total assets attributable to the geographical locations relate primarily to reclamation deposits posted in Canada.

**DEER HORN CAPITAL INC.**  
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**NOTE 14 – DISCONTINUED OPERATIONS**

During fiscal 2016, as a result of continued losses in the retail segment, the Company ceased operation of the Bodhi Tree store due to significant operating losses and cash flow shortfall. The loss and comprehensive loss for the discontinued component is as follows:

For the nine months ended April 30, 2016	Retail operations	Head office and corporate	Total
<b>Revenue</b>			
Retail sales	\$ 486,389	\$ -	\$ 486,389
<b>Cost of goods sold</b>			
Purchases	355,527	-	355,527
Salaries, wages and benefits	303,129	-	303,129
Other	10,398	-	10,398
	669,054	-	669,054
<b>Gross margin (loss)</b>	(182,665)	-	(182,665)

For the nine months ended April 30, 2016	Retail operations	Head office and corporate	Total
<b>Expenses</b>			
Advertising and promotion	\$ 31,139	\$ -	\$ 31,139
Consulting fees	-	93,479	93,479
Depreciation	84,786	280	85,066
Insurance, licenses, and fees	2,706	-	2,706
Interest and financing fees	-	18,796	18,796
Investor relations and shareholder information	-	18,800	18,800
Management fees	-	81,000	81,000
Office and miscellaneous	11,154	2,180	13,334
Professional fees	27,678	38,453	66,131
Regulatory and filing fees	-	15,881	15,881
Rent, utilities and occupancy costs	157,516	7,720	165,236
Repairs and maintenance	1,547	-	1,547
Salaries and benefits	79,566	-	79,566
Share-based payments	-	21,139	21,139
Supplies	27,829	-	27,829
Travel	249	9,000	9,249
<b>Expenses</b>	(424,170)	(306,728)	(730,898)
<b>Operating income (loss)</b>	(606,835)	(306,728)	(913,563)
Interest income	9	-	9
Insurance recovery	25,000	-	25,000
Gain on settlement of debt	-	165,850	165,850
<b>Income (loss) and comprehensive income (loss) for the period</b>	\$ (581,826)	\$ (140,878)	\$ (722,704)

**DEER HORN CAPITAL INC.**  
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**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

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**Leases**

The Company held certain leases for retail stores, corporate offices, and other assets under operating lease arrangements.

Determining whether a lease arrangement is classified as finance or operating requires judgment with respect to the fair value of the leased asset, the economic life of the lease, the discount rate and the allocation of leasehold interests between the land and building elements of property leases.

**Contingencies**

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

**NOTE 16 – 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, wages payable, 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 cash, receivables, deposits, accounts payable and accrued liabilities, wages payable, 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.



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**NOTE 16 – 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 and receivables. 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 but no external 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 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 17 – 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.

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**NOTE 17 – 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 April 30, 2017. The Company is not subject to externally imposed capital requirements.

**NOTE 18 – SUBSEQUENT EVENTS**

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Subsequent to April 30, 2017, the Company:

- a) received subscriptions receivable of \$25,000.
- b) completed a non-brokered private placement for gross proceeds of \$105,000 through the issuance of 5,250,000 common shares at a price of \$0.02.