



## **DEER HORN CAPITAL INC.**

### **CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended July 31, 2017 and 2016**

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Deer Horn Capital Inc.

We have audited the accompanying consolidated financial statements of Deer Horn Capital Inc., which comprise the consolidated statements of financial position as at July 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Deer Horn Capital Inc. as at July 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Deer Horn Capital Inc.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

November 28, 2017

**DEER HORN CAPITAL INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

As at July 31,

	Note	2017	2016
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 6,191	\$ 57,182
Receivables	4	4,270	19,759
Prepaid expenses	5	7,209	1,198
		<u>17,670</u>	<u>78,139</u>
<b>Property and Equipment</b>	6	<b>1,301</b>	<b>1,598</b>
<b>Reclamation Deposit</b>	7	<b>85,212</b>	<b>85,212</b>
		<u>\$ 104,183</u>	<u>\$ 164,949</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	9	\$ 234,268	\$ 251,142
Loans payable	10	199,000	17,000
Due to related parties	12	308,121	167,246
		<u>741,389</u>	<u>435,388</u>
<b>Loans payable</b>	10	<b>-</b>	<b>167,412</b>
		<u>741,389</u>	<u>602,800</u>
<b>Shareholders' Equity (Deficiency)</b>			
Share capital	11	13,464,365	13,445,138
Share-based payments reserve		507,488	617,204
Subscriptions receivable	11	-	(25,000)
Deficit		(14,609,059)	(14,475,193)
		<u>(637,206)</u>	<u>(437,851)</u>
		<u>\$ 104,183</u>	<u>\$ 164,949</u>

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

**Commitments** (Note 15)

**Subsequent Event** (Note 19)

**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)  
**For the years ended July 31**

	Note	2017	2016
<b>Expenses</b>			
Advertising and promotion		\$ 3,500	\$ 27,066
Consulting fees	12	8,480	49,000
Depreciation	6	297	364
Finance fees	10	14,588	1,316
Interest expense	10	18,350	7,479
Investor relations and shareholder information		5,460	9,296
Management fees	12	120,000	192,711
Office and miscellaneous		14,340	2,232
Professional fees		20,000	98,807
Regulatory and filing fees		19,340	17,560
Rent, utilities and occupancy costs		-	8,720
Share-based payments	11,12	30,471	67,397
		<b>(254,826)</b>	<b>(481,948)</b>
Gain on forgiveness of debt	12	-	165,850
Exploration and evaluation, net of recovery	8	-	(1,200)
Loss on settlement of debt	11	-	(74,000)
<b>Loss from continuing operations</b>		<b>(254,826)</b>	<b>(391,298)</b>
Loss from discontinued operations	14	-	(801,426)
Impairment of equipment of discontinued operations	14	-	(518,073)
		-	(1,319,499)
<b>Loss and comprehensive loss for the year</b>		<b>\$ (254,826)</b>	<b>\$ (1,710,797)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.01)</b>	<b>\$ (0.05)</b>
<b>Basic and diluted loss per share from continuing operations</b>		<b>(0.01)</b>	<b>(0.01)</b>
<b>Basic and diluted loss per share from discontinued operations</b>		<b>-</b>	<b>(0.04)</b>
<b>Weighted average shares outstanding</b>		<b>41,444,653</b>	<b>35,465,782</b>

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)

	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	6,700,000	462,000	(25,000)	-	-	-	437,000
Shares for debt	2,400,000	194,000	-	-	-	-	194,000
Share issue costs – cash	-	(38,372)	-	-	-	-	(38,372)
Residual value of warrants	-	26,600	-	(26,600)	-	-	-
Reversal of expired options	-	-	-	(313,858)	-	313,858	-
Share-based compensation	-	-	-	67,397	-	-	67,397
Shareholder contribution	-	-	-	-	54,500	-	54,500
Loss and comprehensive loss for the year	-	-	-	-	-	(1,710,797)	(1,710,797)
<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>
Share subscriptions receivable	-	-	25,000	-	-	-	25,000
Transfer upon expiration of warrants	-	19,227	-	(19,227)	-	-	-
Reversal of expired options	-	-	-	(120,960)	-	120,960	-
Share-based compensation	-	-	-	30,471	-	-	30,471
Loss and comprehensive loss for the year	-	-	-	-	-	(254,826)	(254,826)
<b>Balance, July 31, 2017</b>	<b>41,444,653</b>	<b>\$ 13,464,365</b>	<b>\$ -</b>	<b>\$ 277,988</b>	<b>\$ 229,500</b>	<b>\$ (14,609,059)</b>	<b>\$ (637,206)</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)  
**For the years ended July 31,**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss from continuing operations	\$ (254,826)	\$ (391,298)
Items not involving cash:		
Depreciation	297	364
Share-based payments	30,471	67,397
Finance charges	14,588	-
Interest expense	18,350	-
Loss on shares issued for debt	-	74,000
Gain on forgiveness of debt	-	(165,850)
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	15,489	(26,024)
Decrease (increase) in prepaid expenses	(6,011)	49,419
Increase in due to related party	140,875	196,772
Increase (decrease) in accounts payable and accrued liabilities	(35,224)	180,531
Cash flows used in operating activities	(75,991)	37,359
Operating cash flows from discontinued operation (note 15)	-	(694,097)
	(75,991)	(656,738)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investing activities of discontinued operations (note 15)	-	16,030
Cash flows provided by investing activities	-	16,030
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	-	437,000
Share issuance costs	-	(38,372)
Financing activities of discontinued operations (note 15)	-	54,500
Proceeds of loans	-	197,412
Receipt of share subscriptions receivable	25,000	-
Cash flows provided from financing activities	25,000	650,540
<b>Increase (decrease) in cash during year</b>	<b>(50,991)</b>	<b>9,832</b>
<b>Cash, beginning of year</b>	<b>57,182</b>	<b>47,350</b>
		\$
<b>Cash, end of year</b>	<b>\$ 6,191</b>	<b>57,182</b>
<b>Supplemental disclosure with respect to cash flows:</b>		
Transfer expired equity options to deficit	\$ 120,960	\$ 313,858
Transfer expired equity warrants to share capital	19,227	26,600
Shares issued for debt settlement	-	120,000
Allocation of long-term debt to current	182,000	-

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

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended July 31, 2017 and 2016**

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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 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 4672 Kensington 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”.

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 July 31, 2017, 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 – BASIS OF PRESENTATION**

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**Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these financial statements are based on the IFRS issued and outstanding as at the date the Board of Directors approved these financial statements for issue.

The financial statements were authorized by the Audit Committee and Board of Directors of the Company on November 28, 2017.

**Basis of measurement**

The consolidated 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.

**Use of estimates and judgments**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The use of estimates, judgments and assumptions are all interrelated. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Company has applied judgment in its assessment of the appropriateness of consolidation of subsidiaries.



**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended July 31, 2017 and 2016**

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

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Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the consolidated financial statements are summarized below. Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates.

**a) Recovery of deferred tax assets:**

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES**

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**a) Basis of consolidation:**

The financial statements for the Company include the accounts of the Company and all of its subsidiaries from the date control was acquired. Control exists when the Company possess power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Earnings or losses and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

**b) Property and Equipment:**

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the declining balance basis at the following annual rates:

Furniture, fixtures and equipment	20% declining balance
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An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended July 31, 2017 and 2016**

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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**c) Exploration and evaluation assets:**

Upon acquiring the legal right to explore an exploration and evaluation asset, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures are expensed as incurred.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

**d) Restoration, rehabilitation and environmental obligations:**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

A liability is recognized for legal obligations relating to the restoration, rehabilitation and retirement of property, plant or equipment obligations arising from the acquisition, construction, development or normal operation of those assets. Such decommissioning liabilities are recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset where one is identifiable is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements.

It is possible that the Company's estimate of its ultimate reclamation liabilities could change as a result of changes in regulations; the extent of environmental remediation required or completed and the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised.

**e) Related party transactions:**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**f) Share-based compensation:**

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended July 31, 2017 and 2016**

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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The fair value is measured at grant date and each tranche is recognized over the year during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based compensation to non-employees, who are not providing similar services to employees, are measured at the grant date by using the fair value of the goods or services when received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured.

**g) Income taxes:**

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. No deferred tax assets have been recognized for the years presented.

**h) Earnings (loss) per share:**

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**i) Financial assets:**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: fair value through profit or loss (“FVTPL”); available for sale; held to maturity; or loans and receivables.

**(i) Financial assets at fair value through profit or loss (“FVTPL”)**

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designated as effective hedges. Assets in this category include cash.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in operations. Attributable transaction costs are recognized in operations when incurred.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended July 31, 2017 and 2016**

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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(ii) Financial assets available for sale (“AFS”)

Financial assets available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss (“OCI”) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Financial assets AFS are initially recognized, and subsequently carried at fair value with changes recognized in OCI. Attributable acquisition transaction costs, if any, are recognized in the initial fair value.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include receivables and deposits.

Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is used to determine the amortized cost of loans and receivables and to allocate interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of all financial assets, excluding receivables, is directly reduced by the impairment loss. The carrying value of receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended July 31, 2017 and 2016**

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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For financial assets measured at amortized cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through operations to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(v) **De-recognition of financial assets**

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all of the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

j) **Financial Liabilities:**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Company has classified accounts payable and accrued liabilities, loans payable, and due to related parties as other financial liabilities.

k) **Share capital:**

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

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

A number of new standards, amendments to standards and interpretations are not yet effective as of July 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 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.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended July 31, 2017 and 2016**

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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***IFRS 2 Share-based Payment***

IFRS 2 was amended in June 2016, clarifying the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled.

**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.

**NOTE 4 – RECEIVABLES**

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	<b>As at July 31, 2017</b>	<b>As at July 31, 2016</b>
Amounts due from the Government of Canada pursuant to GST input tax credits	\$ 4,270	\$ 19,759
Total	\$ 4,270	\$ 19,759

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**NOTE 5 – PREPAID EXPENSES**

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	<b>As at July 31, 2017</b>	<b>As at July 31, 2016</b>
Prepaid insurance	\$ 7,209	\$ 1,198
Total	\$ 7,209	\$ 1,198

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**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended July 31, 2017 and 2016

**NOTE 6 – 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>	\$ -	\$ 19,652	\$ -	\$ -	\$ 19,652
<b>Balance at July 31, 2016</b>	\$ -	\$ 19,652	\$ -	\$ -	\$ 19,652
<b>Balance at July 31, 2017</b>	\$ -	\$ 19,652	\$ -	\$ -	\$ 19,652
<b>Accumulated depreciation:</b>					
<b>Balance at July 31, 2015</b>	\$ -	17,691	-	-	17,691
Depreciation	-	363	-	-	363
<b>Balance at July 31, 2016</b>	-	18,054	-	-	18,054
Depreciation	-	297	-	-	297
<b>Balance at July 31, 2017</b>	\$ -	\$ 18,351	\$ -	\$ -	\$ 18,351
<b>Carrying amounts:</b>					
<b>July 31, 2016</b>	\$ -	\$ 1,598	\$ -	\$ -	\$ 1,598
<b>July 31, 2017</b>	\$ -	\$ 1,301	\$ -	\$ -	\$ 1,301

**NOTE 7 – RECLAMATION DEPOSIT**

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

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

**NOTE 8 – EXPLORATION AND EVALUATION ASSETS**

**Deerhorn property**

The Company owns a 50% interest in the Deerhorn property, located in north western British Columbia, acquired from a company related by virtue of common directors. It may acquire an additional 25% interest by incurring all costs required to bring the property to commercial production.

**Exploration and evaluation expenditures**

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



**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended July 31, 2017 and 2016**

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

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	<b>As at July 31, 2017</b>	<b>As at July 31, 2016</b>
Trade payables and corporate credit card	<b>\$ 154,268</b>	\$ 183,662
Other accrued liabilities	<b>80,000</b>	67,480
Total	<b>\$ 234,268</b>	\$ 251,142

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**NOTE 10 – LOANS PAYABLE**

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. During fiscal 2016 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 \$18,350 (2016 - \$7,479) 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 and was amortized to profit or loss in fiscal 2017 as the Company was not in compliance with the terms of the loan.

**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 year ended July 31, 2017.

**Fiscal 2016**

On November 13, 2015, the Company completed a non-brokered private placement for gross proceeds of \$200,000 through the issuance of 2,000,000 units at a price of \$0.10 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for a period of two years at a price of \$0.15 per share. The warrants were attributed a fair value of \$nil.

On January 11, 2016, the Company completed a non-brokered private placement for gross proceeds of \$162,000 through the issuance of 2,700,000 units at a price of \$0.06 per unit. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share for a period of two years at a price of \$0.10 per share. The warrants were attributed a fair value of \$nil.

On April 18, 2016, the Company issued 400,000 common shares with a value of \$24,000 to settle debt of \$20,000.

On July 28, 2016, the Company issued 2,000,000 units with a value of \$170,000 to settle debt of \$100,000, resulting in a loss on settlement of debt of \$70,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for a period of two years at a price of \$0.10 per share. The warrants were attributed a fair value of \$nil.



**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 11 – SHARE CAPITAL** *(continued)*

On July 29, 2016, the Company completed a non-brokered private placement for gross proceeds of \$100,000 through the issuance of 2,000,000 units at a price of \$0.05 per unit, of which \$25,000 was recorded as subscriptions receivable (received during fiscal 2017). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for a period of two years at a price of \$0.10 per share. The warrants were attributed a fair value of \$nil.

**c) Shareholder contribution**

During the year ended July 31, 2017, the Company received \$nil (2016 - \$54,500) 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 may be set on an individual basis as determined by the board of directors.

As at July 31, 2017, 2,325,000 of the outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.15.

The continuity for stock options for the year ended July 31, 2017, is as follows:

Number outstanding July 31, 2016	Granted	Exercised	Expired/Cancelled	Number outstanding July 31, 2017	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
100,000	-	-	-	<b>100,000</b>	\$1.00	Mar. 25, 2018	0.90
2,125,000	-	-	(500,000)	<b>1,625,000</b>	\$0.14	March 10, 2020	2.86
200,000	-	-	(200,000)	-	\$0.25	March 18, 2020	2.89
1,000,000	-	-	(400,000)	<b>600,000</b>	\$0.05	June 16, 2021	4.13
3,425,000	-	-	(1,100,000)	<b>2,325,000</b>	\$0.15	<i>(weighted average)</i>	2.85
\$0.15	-	-	0.13	<b>2,325,000</b>	\$0.15	<i>(weighted average)</i>	2.85

The continuity for stock options for the year ended July 31, 2016, is as follows:

Number outstanding July 31, 2015	Granted	Exercised	Expired/Cancelled	Number outstanding July 31, 2016	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
205,000	-	-	(205,000)	-	\$2.50	Mar. 11, 2016	-
50,000	-	-	(50,000)	-	\$2.50	June 24, 2016	-
100,000	-	-	-	<b>100,000</b>	\$1.00	Mar. 25, 2018	1.65
2,125,000	-	-	-	<b>2,125,000</b>	\$0.14	March 10, 2020	3.61
200,000	-	-	-	<b>200,000</b>	\$0.25	March 18, 2020	3.64
-	1,000,000	-	-	<b>1,000,000</b>	\$0.05	June 16, 2021	4.88
2,680,000	1,000,000	-	(255,000)	<b>3,425,000</b>	\$0.15	<i>(weighted average)</i>	3.93
\$0.40	\$0.05	-	\$2.50	<b>2,675,000</b>	\$0.17	<i>(weighted average)</i>	3.66

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended July 31, 2017 and 2016**

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

d) **Stock Options**

During the year ended July 31, 2017, 1,100,000 options (2016 – 255,000) previously issued with a fair value of \$120,960 (2016 – 299,172) 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**

During the year ended July 31, 2017, the Company recorded \$30,471 in share-based compensation expense for the vesting of options granted June 16, 2016.

**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.

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 year ended July 31, 2017, is as follows:

Number outstanding July 31, 2016	Granted	Exercised	Expired/Cancelled	Number outstanding July 31, 2017	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
5,050,000	-	-	(5,050,000)	-	-	January 12, 2017	-
2,052,000	-	-	(2,052,000)	-	-	March 9, 2017	-
466,334	-	-	(466,334)	-	-	May 4, 2017	-
340,834	-	-	(340,834)	-	-	May 19, 2017	-
45,000	-	-	(45,000)	-	-	July 27, 2017	-
1,000,000	-	-	-	<b>1,000,000</b>	\$0.15	November 19, 2017	0.30*
2,700,000	-	-	-	<b>2,700,000</b>	\$0.10	January 11, 2018	0.45
1,000,000	-	-	-	<b>1,000,000</b>	\$0.10	July 28, 2018	0.99
1,000,000	-	-	-	<b>1,000,000</b>	\$0.10	July 29, 2018	0.99
13,654,168	-	-	(7,954,168)	<b>5,700,000</b>	\$0.11	<i>(weighted average)</i>	0.61
\$0.14	-	-	\$0.17	<b>5,700,000</b>	\$0.11	<i>(weighted average)</i>	0.61

\* Expired subsequent to year-end unexercised.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended July 31, 2017 and 2016

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

The continuity for share purchase warrants for the year ended July 31, 2016, is as follows:

Number outstanding July 31, 2015	Granted	Exercised	Expired/Cancelled	Number outstanding July 31, 2016	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
266,000	-	-	(266,000)	-	\$1.00	October 12, 2015	-
5,050,000	-	-	-	<b>5,050,000</b>	\$0.10	January 12, 2017	0.45
2,052,000	-	-	-	<b>2,052,500</b>	\$0.20	March 9, 2017	0.61
466,334	-	-	-	<b>466,334</b>	\$0.50	May 4, 2017	0.76
340,834	-	-	-	<b>340,834</b>	\$0.50	May 19, 2017	0.80
45,000	-	-	-	<b>45,000</b>	\$0.50	July 27, 2017	0.99
-	1,000,000	-	-	<b>1,000,000</b>	\$0.15	November 19, 2017	1.30
-	2,700,000	-	-	<b>2,700,000</b>	\$0.10	January 11, 2018	1.45
-	1,000,000	-	-	<b>1,000,000</b>	\$0.10	July 28, 2018	1.99
-	1,000,000	-	-	<b>1,000,000</b>	\$0.10	July 29, 2018	1.99
8,220,668	5,700,000	-	(266,000)	<b>13,654,668</b>	\$0.14	<i>(weighted average)</i>	0.98
\$0.20	\$0.11	-	\$1.00	Exercisable <b>13,654,668</b>	\$0.14	<i>(weighted average)</i>	0.98

**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

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.

For the year ended	July 31, 2017	July 31, 2016
Management fees CEO	\$ 90,000	\$ 90,000
Management fees CFO	30,000	30,000
Management fees other	-	5,000
Salaries and wages	-	29,724
Share-based compensation	16,759	46,016
Total	\$ 136,759	\$ 200,740

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

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended July 31, 2017 and 2016**

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**NOTE 12 – RELATED PARTY TRANSACTIONS** *(continued)*

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<b>For the year ended</b>	<b>July 31, 2017</b>	<b>July 31, 2016</b>
Rent	\$ -	\$ 7,000
Consulting	4,000	32,000
Share-based compensation	-	925
<b>Total</b>	<b>\$ -</b>	<b>\$ 39,925</b>

	<b>As at July 31, 2017</b>	<b>As at July 31, 2016</b>
Due to key management or companies controlled by key management personnel	\$ 308,121	\$ 167,246
<b>Total</b>	<b>\$ 308,121</b>	<b>\$ 167,246</b>

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

- b) Subscription receivable includes \$15,000 due from a director of the Company
- c) During the year ended July 31, 2016, two directors forgave debt of \$165,850.

**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, as described in note 8. 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.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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 year ended July 31,	2017	2016
<b>Revenue</b>		
Retail sales	-	643,675
<b>Cost of goods sold</b>		
Purchases	-	341,921
Salaries, wages, and benefits	-	390,599
Other	-	220,891
	-	(953,411)
<b>Gross Margin</b>	-	(309,736)
<b>Expenses</b>		
Advertising and promotion	-	43,927
Depreciation	-	112,689
Insurance, licenses, and fees	-	4,835
Office and miscellaneous	-	22,005
Professional fees	-	34,134
Rent, utilities and occupancy costs	-	224,471
Salaries and benefits	-	32,831
Start-up costs	-	-
Supplies	-	44,775
Travel	-	345
<b>Expenses</b>	-	(520,012)
<b>Operating loss</b>	-	(829,748)
Insurance proceeds	-	28,322
Impairment of equipment of discontinued operations	-	(518,073)
<b>Loss from discontinued operations</b>	-	(1,319,499)

Cash flows for the retail discontinued operation for 2017 and 2016 are as follows:

For the year ended July 31,	2017	2016
<b>Cash inflow (outflow)</b>		
Operating activities	-	(694,097)
Investing activities	-	16,030
Financing activities	-	54,500
<b>Net cash outflow for the year</b>	-	(623,567)

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

**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 – DEFERRED INCOME TAXES**

A reconciliation of current income taxes at statutory rates with reported taxes is as follows:

	2017	2016
Loss for the year	\$ (254,826)	\$ (1,710,797)
Expected income tax (recovery)	(66,000)	(445,000)
Change in statutory rates, and other	(2,000)	(21,000)
Permanent difference	8,000	18,000
Share issue cost	-	(14,000)
Change in unrecognized deductible temporary differences	60,000	462,000
Deferred income tax recovery	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the statement of financial positions are as follows:

	2017	2016
Share issue costs	\$ 16,000	\$ 22,000
Allowable capital losses	490,000	490,000
Non-capital losses	2,162,000	2,097,000
Equipment	154,000	153,000
Exploration and evaluation assets	1,020,000	1,020,000
Unrecognized deferred tax assets	\$ 3,842,000	\$ 3,782,000

The Company has non-capital losses of approximately \$8,315,000 (2016 - \$7,992,000) available for deduction against future taxable income. These losses, if not utilized, will expire through to 2037. The Company has resource expenditures of approximately \$3,074,000 (2016 - \$3,074,000) available for deduction against future taxable income. Deferred tax benefits which may arise as a result of these tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

**NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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**Classification of financial instruments**

Financial instruments measured at fair value are classified into one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value (“FV”) hierarchy has the following levels:

Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices); and

Level 3- inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company’s financial instruments consist of cash, receivables, deposits, accounts payable and accrued liabilities, loans payable and due to related parties.

**Fair values**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of cash, 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.

**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.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)*

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**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 18 – 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.

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 year ended July 31, 2017. The Company is not subject to externally imposed capital requirements.

**NOTE 19 – SUBSEQUENT EVENT**

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Subsequent to July 31, 2017, the Company completed two non-brokered private placements for gross proceeds of \$120,000 through the issuance of 6,000,000 common shares at a price of \$0.02.