

# **DEER HORN METALS INC.**

## **INTERIM FINANCIAL STATEMENTS**

**For the three and nine months ended April 30, 2014**

(Expressed in Canadian Dollars)

## **NOTICE TO READER**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The interim financial statements for the Company as at and for the nine months ended April 30, 2014 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these unaudited interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**DEER HORN METALS INC.**  
**INTERIM STATEMENTS OF FINANCIAL POSITION**  
**(Unaudited - Expressed in Canadian Dollars)**

	Note	Apr. 30, 2014	July 31, 2013
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 80,556	\$ 166,583
Receivables	3	336	823
Prepaid expense		6,322	8,035
Exploration advances	4	4,936	4,936
		92,150	180,377
<b>Equipment</b>	5	-	122
<b>Reclamation deposit</b>	6	82,000	82,000
<b>Exploration and evaluation assets</b>	4	8,250	8,250
		<b>\$ 182,400</b>	<b>\$ 270,749</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 73,602	\$ 262,091
<b>Shareholders' Equity</b>			
Share capital	8	11,347,972	11,097,972
Share subscriptions		-	171,500
Share-based payments reserve	8	1,009,418	1,129,648
Deficit		(12,248,592)	(12,390,462)
		108,798	8,658
		<b>\$ 182,400</b>	<b>\$ 270,749</b>

**Nature of Operations and Going Concern (Note 1)**  
**Subsequent Event (Note 14)**

On behalf of the Board:

"Tyrone Docherty" Director

"Tony Fogarassy" Director

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

**DEER HORN METALS INC.**  
**INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited - Expressed in Canadian Dollars)  
For the three and nine months ended April 30

	Note	Three months ended Apr. 30		Nine months ended Apr. 30	
		2014	2013	2014	2013
<b>EXPENSES</b>					
Depreciation		\$ -	\$ 272	\$ 122	\$ 816
Exploration expenses, net	4	1,200	19,815	4,079	320,813
Investor relations and shareholder information		2,181	45,552	8,798	98,612
Office		2,605	5,436	5,977	15,814
Professional fees		-	2,362	9,588	6,708
Regulatory and filing fees		1,816	11,756	16,024	22,615
Rent		4,000	4,448	10,000	12,983
Salaries and management fees		69,175	103,000	247,950	329,500
Share-based payments	8	-	17,051	-	17,051
Travel		2,000	3,167	8,132	8,966
<b>Operating loss</b>		<b>(82,977)</b>	<b>(212,859)</b>	<b>(310,670)</b>	<b>(833,878)</b>
<b>OTHER ITEM</b>					
Mining tax credit recovered		332,310	-	332,310	-
<b>Gain (loss) and comprehensive gain (loss) for the period</b>		<b>\$ 249,333</b>	<b>\$ (212,859)</b>	<b>\$ 21,640</b>	<b>\$ (833,878)</b>
<b>Gain (loss) per share (Basic and Diluted)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>		<b>151,052,607</b>	<b>98,609,166</b>	<b>150,353,166</b>	<b>98,389,757</b>

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

**DEER HORN METALS INC.**  
**INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited - Expressed in Canadian Dollars)

	Number of common shares	Share Capital	Share Subscriptions	Share-based payments reserve	Deficit	Total shareholders' equity
<b>Balance, July 31, 2012</b>	<b>98,653,166</b>	<b>\$ 10,879,922</b>	<b>\$ -</b>	<b>\$ 1,219,763</b>	<b>\$ (11,565,325)</b>	<b>\$ 534,360</b>
Private placement	5,700,000	258,400	-	26,600	-	285,000
Share issuance costs	-	(9,949)	-	-	-	(9,949)
Share based compensation	-	-	-	17,051	-	17,051
Transfer upon expiration of warrants	-	-	-	(118,258)	118,258	-
Loss and comprehensive loss for the period	-	-	-	-	(833,878)	(833,878)
<b>Balance, April 30, 2013</b>	<b>104,353,166</b>	<b>\$ 11,128,373</b>	<b>\$ -</b>	<b>\$ 1,145,156</b>	<b>\$ (12,280,945)</b>	<b>\$ (7,416)</b>
<b>Balance, July 31, 2013</b>	<b>104,353,166</b>	<b>\$ 11,097,972</b>	<b>\$ 171,500</b>	<b>\$ 1,129,648</b>	<b>\$ (12,390,462)</b>	<b>\$ 8,658</b>
Private placements	50,000,000	250,000	(171,500)	-	-	78,500
Transfer upon expiration of stock options	-	-	-	(120,230)	120,230	-
Loss and comprehensive loss for the period	-	-	-	-	21,640	21,640
<b>Balance, April 30, 2014</b>	<b>154,353,166</b>	<b>\$ 11,347,972</b>	<b>\$ -</b>	<b>\$ 1,009,418</b>	<b>\$ (12,248,592)</b>	<b>\$ 108,798</b>

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

**DEER HORN METALS INC.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
**(Unaudited - Expressed in Canadian Dollars)**  
**For the three and nine months ended April 30,**

	Three months ended Apr. 30		Nine months ended Apr. 30	
	2014	2013	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Gain (loss) for the period	\$ 249,333	\$ (212,859)	\$ 21,640	\$ (833,878)
Items not affecting cash:				
Share-based payments	-	17,051	-	17,051
Amortization	-	272	122	816
Changes in non-cash working capital items				
Decrease (increase) in receivables	7,065	17,080	487	6,468
Decrease (increase) in prepaid expenses	(2,287)	5,898	1,713	13,003
Decrease (increase) in exploration advances	-	-	-	1,632
Increase (decrease) in accounts payable and accrued liabilities	(174,114)	40,470	(188,489)	76,628
Cash flows used in operating activities	79,997	(132,088)	(164,527)	(718,280)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Reclamation deposit recovery	-	-	-	-
Cash flows provided from (used by) investing activities	-	-	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of common shares	-	-	250,000	285,000
Share subscriptions	-	-	(171,500)	
Share issuance costs	-	-	-	(9,949)
Cash flows provided from financing activities	-	-	78,500	275,051
<b>CHANGE IN CASH DURING THE PERIOD</b>	79,997	(132,088)	(86,027)	(443,229)
<b>CASH, beginning of period</b>	559	157,867	166,583	469,008
<b>CASH, end of period</b>	\$ 80,556	\$ 25,779	\$ 80,556	\$ 25,779
<b>Supplemental cash flow information</b>				
Fair value of warrants on share issuance	-	-	-	26,600

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

**DEER HORN METALS INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**April 30, 2014**  
**(Unaudited – Expressed in Canadian Dollars)**

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**NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN**

Deer Horn Metals Inc. (the "Company") was incorporated under the Laws of the Province of British Columbia. The Company owns interests in exploration and evaluation assets in British Columbia and its principal business is the exploration of those assets. 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 and Alberta, Canada and trades on the TSX Venture Exchange under the symbol "DHM".

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing, successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. The Company estimates that additional funding will be required to continue operations over the next 12 months. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

	<b>April 30, 2014</b>	<b>July 31, 2013</b>
<b>Deficit</b>	\$ (12,248,592)	\$ (12,390,462)
<b>Working capital (deficiency)</b>	\$ (18,548)	\$ (81,714)

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

a) **Statement of compliance:**

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the Company, except for the accounting policies which have changed as a result of the adoption of new and revised standards and interpretations which are effective August 1, 2013. These condensed interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the Company's July 31, 2013 annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The financial statements were authorized by the Audit Committee and Board of Directors of the Company on June 27, 2014.

**DEER HORN METALS INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**April 30, 2014**  
**(Unaudited – Expressed in Canadian Dollars)**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Cont'd...)**

b) **Basis of preparation:**

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in below. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The significant accounting policies for the quarter are consistent with those disclosed in the audited annual financial statements for the year ended July 31, 2013 except as specified below. The accompanying interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2013.

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

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods beginning after October 1, 2014, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

*IFRS 9, Financial Instruments- Classification and Measurement*

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 represent principal and interest. Otherwise it is at fair value through profit or loss.

*IFRS 7, Financial Instruments- Disclosure*

Amended to require additional disclosures on transition from IAS 39 to IFRS 9.

**NOTE 3 – RECEIVABLES**

Receivables are comprised of the following:

	<b>Apr. 30, 2014</b>	<b>July 31, 2013</b>
GST Receivable	\$ 336	\$ 823



**DEER HORN METALS INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**April 30, 2014**  
**(Unaudited – Expressed in Canadian Dollars)**

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**NOTE 4 – EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties are in good standing.

Exploration and evaluation assets costs are set out below:

	Deerhorn	Dome South	Total
<b>Balance, April 30, 2014 and July 31, 2013</b>	<b>\$ 8,250</b>	<b>\$ -</b>	<b>\$ 8,250</b>

**Deerhorn**

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.

Guardsmen Resources Inc. (the "Optionor") has acknowledged that the required expenditures have been expended and that 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.

As at April 30, 2014 the Company had provided exploration advances of \$4,936 (July 31, 2013 - \$4,936) on its Deerhorn property.

**Dome South**

During the year ended July 31, 2012, the Company elected to terminate its option and wrote-off all acquisition costs on property.

**Exploration Expenditures**

For the nine months ended:

	Apr. 30, 2014	Apr. 30, 2013
	Deerhorn (Canada)	Deerhorn (Canada)
<b>Exploration Expenses</b>		
Assays and sampling	\$ -	\$ 8,257
Camp and field expense	-	3,937
Drilling and field support	-	68,830
Equipment rental	-	59,335
Geological consulting	1,679	129,210
Travel and accommodation	-	16,636
Other	2,400	34,588
<b>Total Exploration Expenses</b>	<b>\$ 4,079</b>	<b>\$ 320,813</b>

**DEER HORN METALS INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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**(Unaudited – Expressed in Canadian Dollars)**

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**NOTE 5 – EQUIPMENT**

	\$
<b>Cost:</b>	
Balance at July 31, 2013, 2012 and 2011	17,203
<b>Accumulated depreciation:</b>	
Balance at July 31, 2012	15,993
Depreciation	1,088
Balance at July 31, 2013	17,081
Depreciation	122
Balance at Apr. 30, 2014	17,203
<b>Carrying amounts:</b>	
July 31, 2013	122
April 30, 2014	-

**NOTE 6 – RECLAMATION DEPOSIT**

The Company provided funding for deposits totalling \$82,000 (2013 - \$82,000) as security against potential future reclamation work related to the Deerhorn property (Note 4).

**NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	Apr, 30, 2014	July 31, 2013
Trade payables	\$ 73,602	\$ 237,091
Accrued liabilities	-	25,000
	\$ 73,602	\$ 262,091

**NOTE 8 – SHARE CAPITAL**

**Fiscal 2014 Transactions**

During the period ended April 30, 2014, the Company completed a non-brokered private placement for gross proceeds of \$250,000 through the sale of 50,000,000 common shares at a price of \$0.005 per share.

**DEER HORN METALS INC.**  
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**NOTE 8 – SHARE CAPITAL (Cont'd...)**

**Fiscal 2013 Transactions**

During the year ended July 31, 2013, the Company completed a non-brokered private placement for gross proceeds of \$285,000. 3,040,000 flow-through common shares were sold at a price of \$0.05 per share for gross proceeds of \$152,000 and 2,660,000 units were sold at a price of \$0.05 per unit for gross proceeds of \$133,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable into one common share at a price of \$0.10 for a period of three years following the close of private placement. The warrants were attributed a residual value of \$26,600. The flow-through common shares were sold at premium of \$30,400 which was initially recorded as a liability.

**Share-based payments**

A 2013 Stock Option Plan (the "Plan") was approved by the shareholders on April 16, 2013, at the Company's annual general meeting. Under the Plan, 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 5 years. Vesting is not required but may be set on an individual basis as determined by the board of directors.

On March 25, 2013, the Company granted incentive stock options for the purchase of up to 1,000,000 common shares, at a price of \$0.10 per share, and exercisable on or before March 25, 2018, to a director of the Company. The total fair value of options granted using the Black-Scholes option pricing model was \$17,051. A total of \$17,051 was charged to operations, offset to share-based payments reserves. All options vested immediately upon grant.

During the year ended July 31, 2013, 1,175,000 options previously issued with a fair value of \$133,766 as share-based compensation expired or were cancelled. The previously recorded historical fair value of these options was reallocated to deficit.

During the year ended July 31, 2012, the Company granted 1,000,000 stock options. The total fair value of options granted using the Black-Scholes option pricing model was \$118,259. A total of \$118,259 was charged to operations, offset to share-based payments reserves. All options vested immediately upon grant.

**DEER HORN METALS INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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**(Unaudited – Expressed in Canadian Dollars)**

**NOTE 8 – SHARE CAPITAL (Cont'd...)**

**Share-based payments (Cont'd...)**

As at April 30, 2014 the Company had outstanding stock options as follows:

Number outstanding July 31, 2013	Granted	Exercised	Expired/Cancelled	Number outstanding Apr. 30, 2014	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
500,000	-	-	(500,000)	-	\$0.10	Mar. 9, 2014	-
500,000	-	-	-	500,000	\$0.22	July 14, 2014	0.30 yrs
850,000	-	-	(50,000)	800,000	\$0.22	Aug. 28, 2014	0.33 yrs
2,500,000	-	-	(300,000)	2,200,000	\$0.10	May 21, 2015	1.06 yrs
300,000	-	-	(300,000)	-	\$0.10	Oct. 8, 2015	-
2,750,000	-	-	(700,000)	2,050,000	\$0.25	Mar. 11, 2016	1.86 yrs
500,000	-	-	-	500,000	\$0.25	June 24, 2016	2.15 yrs
1,000,000	-	-	-	1,000,000	\$0.10	Mar. 25, 2018	3.90 yrs
8,900,000	-	-	(1,850,000)	7,050,000	\$0.175	(weighted average)	1.48 yrs
			Exercisable	7,050,000	\$0.175	(weighted average)	1.48 yrs

**Warrants**

The exercise price and expiry dates of the warrants outstanding as at April 30, 2014 are set out below:

Exercise price	Number outstanding	Expiry date	Weighted average remaining contractual life
\$0.14 - \$0.17	3,044,000	June 20, 2014	0.38 yrs
\$0.10	2,660,000	October 12, 2015	1.70 yrs
	5,704,000		1.25 yrs

Number outstanding July 31, 2013	Granted	Exercised	Expired/Cancelled	Number outstanding Apr. 30, 2013	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
14,060,000	-	-	(14,060,000)	-	-	Sept. 28, 2013	-
3,044,000	-	-	-	3,044,000	\$0.14-0.17	June 20, 2014	0.13 yrs
2,660,000	-	-	-	2,660,000	\$0.10	October 12, 2015	1.45 yrs
19,764,000	-	-	(14,060,000)	5,704,000	\$0.14	(weighted average)	0.75 yrs

**DEER HORN METALS INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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**(Unaudited – Expressed in Canadian Dollars)**

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**NOTE 9 – RELATED PARTY TRANSACTIONS**

The Company's related parties consist of key management and personnel, which include executive officers and directors of the Company.

The Company incurred the following fees and expenses in connection with compensation of key management personnel:

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<b>Nine months ended April 30,</b>		<b>2014</b>		<b>2013</b>
Management fees paid or accrued to a company controlled by the President	\$	157,500	\$	157,500
Management fees paid or accrued to the CFO or a company controlled by the CFO	\$	22,500	\$	22,500
Management fees paid or accrued to a company controlled by a Director	\$	45,000	\$	45,000
Exploration costs paid or accrued to a private company controlled by a former director	\$	-	\$	190,853

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Included in accounts payable and accrued liabilities is \$63,415 (2013-\$nil) due to key management personnel or companies controlled by key management personnel.

**NOTE 10 – SEGMENTED INFORMATION**

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets in Canada as disclosed in Note 4. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets located in Canada and reclamation deposit receivable posted in Canada.

**NOTE 11 – BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic and diluted loss per share for the nine months April 30, 2014 is based on the gain attributable to common shareholders of \$249,333 (2013 – loss of \$833,878) and a weighted average number of common shares outstanding of 150,353,166 (2013 – 98,389,757).

**DEER HORN METALS INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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**(Unaudited – Expressed in Canadian Dollars)**

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**NOTE 12 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Classification of financial instruments**

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

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

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

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

The Company's financial instruments consist of cash and accounts payable and accrued liabilities.

**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 accounts payable and accrued liabilities 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. 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.

**DEER HORN METALS INC.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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**(Unaudited – Expressed in Canadian Dollars)**

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**NOTE 12 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont`d...)**

**Interest rate risk**

The Company has cash balances. 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 of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**NOTE 13 – CAPITAL MANAGEMENT**

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets 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.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consist of cash on hand, balances with banks and investments in highly liquid instruments. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents as the fair value approximates carrying value. There have been no changes to the Company's approach to capital management during the period ended January 31, 2014. The Company is not subject to externally imposed capital requirements.

**NOTE 14 – SUBSEQUENT EVENT**

On May 14, 2014, the Company announced it had completed a share consolidation, consolidating its currently issued and outstanding 154,353,166 common shares on a ten (10) for one (1) basis, resulting in 15,435,316 post-consolidation shares issued and outstanding.