DEER HORN CAPITAL INC.

(Formerly Deer Horn Metals Inc.)

FINANCIAL STATEMENTS

For the years ended July 31, 2014 and 2013

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Deer Horn Capital Inc.
(formerly Deer Horn Metals Inc.)

We have audited the accompanying financial statements of Deer Horn Capital Inc. (formerly Deer Horn Metals Inc.), which comprise the statements of financial position as at July 31, 2014 and 2013 and the statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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.

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Deer Horn Capital Inc. (formerly Deer Horn Metals Inc.) as at July 31, 2014 and 2013 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 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 (formerly Deer Horn Metals Inc.) ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

November 26, 2014

DEER HORN CAPITAL INC.
(Formerly Deer Horn Metals Inc.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	July 31, 2014	July 31, 2013
Assets			
Current Assets			
Cash		$ 197,670	$ 166,583
Receivables	3	3,120	823
Prepaid expense		4,638	8,035
Exploration advances	4	4,936	4,936
		210,364	180,377
Equipment	5	2,408	122
Reclamation deposit	6	82,000	82,000
Exploration and evaluation assets	4	8,250	8,250
		$ 303,022	**$ 270,749**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 161,627	$ 262,091
Shareholders' Equity			
Share capital	8	11,403,400	11,097,972
Share subscriptions		-	171,500
Share-based payments reserve	8	765,920	1,129,648
Deficit		(12,027,925)	(12,390,462)
		141,395	8,658
		$ 303,022	**$ 270,749**

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 15)

On behalf of the Board:

"Tyrone Docherty" **Director** ***"Tony Fogarassy"*** **Director**

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

DEER HORN CAPITAL INC.
(Formerly Deer Horn Metals Inc.)
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)
For the years ended July 31

	Note	2014	2013
Expenses			
Depreciation		$ 163	$ 1,088
Exploration expenses (recoveries), net	4	(530,523)	326,393
Investor relations and shareholder information		20,986	102,832
Office		10,149	16,780
Professional fees		34,132	34,843
Regulatory and filing fees		29,166	24,592
Rent		13,000	14,976
Salaries and management fees		361,905	432,654
Share-based payments	8	-	17,051
Travel		12,421	18,094
Operating income (loss)		48,601	(989,303)
Interest income		5,636	-
Settlement of flow-through premium liability	8	-	30,400
Income (loss) and comprehensive income (loss) for the year		$ 54,237	$ (958,903)
Basic and diluted earnings (loss) per share		$ -	$ (0.01)
Weighted average shares outstanding		15,243,536	10,321,316

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

DEER HORN CAPITAL INC.
(Formerly Deer Horn Metals Inc.)
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of common shares	Share Capital	Share Subscriptions	Share-based payments reserve	Deficit	Total shareholders' equity
Balance, July 31, 2012	**9,865,317**	**$ 10,879,922**	**$ -**	**$ 1,219,763**	**$ (11,565,325)**	**$ 534,360**
Private placements	570,000	258,400	-	26,600	-	285,000
Flow-through share premium	-	(30,400)	-	-	-	(30,400)
Share issuance cost	-	(9,950)	-	-	-	(9,950)
Share subscriptions	-	-	171,500	-	-	171,500
Share-based compensation	-	-	-	17,051	-	17,051
Transfer upon expiration/ cancellation of options	-	-	-	(133,766)	133,766	-
Loss and comprehensive loss for the year	-	-	-	-	(958,903)	(958,903)
Balance, July 31, 2013	**10,435,317**	**$ 11,097,972**	**$ 171,500**	**$ 1,129,648**	**$ (12,390,462)**	**$ 8,658**
Private placements	5,000,000	250,000	(171,500)	-	-	78,500
Transfer upon expiration of stock options	-	-	-	(308,300)	308,300	-
Transfer upon expiration of warrants	-	55,428	-	(55,428)	-	-
Income (loss) and comprehensive Income (loss) for the year	-	-	-	-	54,237	54,237
Balance, July 31, 2014	**15,435,317**	**$ 11,403,400**	**$ -**	**$ 765,920**	**$ (12,027,925)**	**$ 141,395**

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

DEER HORN CAPITAL INC.
(Formerly Deer Horn Metals Inc.)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended July 31,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) and comprehensive income (loss) for the year	$ 54,237	$ (958,903)
Items not involving cash:		
Share-based payments	-	17,051
Depreciation	163	1,088
Settlement of flow-through premium liability	-	(30,400)
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	(2,297)	8,617
Decrease (increase) in prepaid expenses	3,397	16,829
Decrease (increase) in exploration advances	-	1,632
Increase (decrease) in accounts payable and accrued liabilities	(100,464)	195,111
Cash flows used in operating activities	(44,964)	(748,975)
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchase	(2,449)	-
Cash flows used in financing activities	(2,449)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	78,500	285,000
Share subscriptions	-	171,500
Share issuance costs	-	(9,950)
Cash flows provided from financing activities	78,500	446,550
Change in cash during year	31,087	(302,425)
Cash, beginning of year	166,583	469,008
Cash, end of year	$ 197,670	$ 166,583

Supplemental disclosure with respect to cash flows:		
Transfer expired equity options to deficit	308,300	133,766
Transfer expired equity warrants to share capital	55,428	-
Allocation of share subscriptions	171,500	-
Premium on flow-through shares as liability	-	30,400
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Deer Horn Capital Inc. (the "Company") was incorporated under the *Business Corporations Act* (Canada) and continued into British Columbia pursuant to the *Business Corporations Act* (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, Alberta and Ontario, Canada and trades on the Canadian Securities Exchange under the symbol "DHC". On October 7, 2014, the Company changed its name from Deer Horn Metals Inc., and on May 14, 2014 consolidated its share capital on a 10:1 basis. All share and per share amounts have been restated to reflect the share consolidation.

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.

		July 31, 2014		July 31, 2013
Deficit	$	(12,027,925)	$	(12,390,463)
Working capital (deficiency)	$	48,737	$	(81,714)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

a) **Statement of compliance:**

These financial statements have been prepared in accordance with IAS 1 "Presentation of Financial Statements" ("IAS 1") using accounting policies consistent 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 financial statements were authorized by the Audit Committee and Board of Directors of the Company on November 26, 2014.

b) **Basis of presentation:**

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.

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

c) **Functional and presentation currency:**

These financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency determination was conducted through an analysis of the consideration factors indentified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the financial reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

d) **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:

Computer equipment	20%

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.

e) **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 incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are recognized in profit or loss as incurred, net of recoveries.

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.

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

f) **Provisions:**

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the year which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized rehabilitation obligations are amortized over the life of the remaining assets. At the end of each period, the liability is increased to reflect the passage of time (interest expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes rehabilitation obligations on a site-by-site basis when it can be reliably estimated. Rehabilitation expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

g) **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.

h) **Significant accounting estimates and judgments:**

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected.

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

i) <u>Recoverability of the carrying value of the Company's exploration and evaluation assets</u> – Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

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

h) **Significant accounting estimates and judgments (cont'd…):**

Critical accounting estimates

i) Share-based compensation – The fair value of share-based payments is determined using the Black-Scholes Option pricing model. Such option pricing models require the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.

ii) Deferred income taxes – Judgment is required in determining whether deferred income 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.

i) **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.

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.

j) **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 recorded whereby deferred tax is 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.

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

j) **Income taxes (cont'd…):**

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.

k) **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.

l) **Financial assets:**

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

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash and reclamation deposit are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At July 31, 2014 and 2013 the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

m) **Financial liabilities:**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At July 31, 2014 and 2013, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

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

n) **Impairment:**

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

o) **Flow-through shares:**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

p) **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.

q) **New standards, amendments and interpretations adopted:**

As of August 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any effect on its financial statements.

IFRS 7, Financial Instruments: Disclosures, was amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities.

IFRS 13, Fair Value Measurement and Disclosure Requirement

Provides single source guidance on how to measure fair value where its use is already required or permitted by others IFRS and enhances disclosure requirements for information about fair value measurements.

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

q) **New standards, amendments and interpretations adopted (cont'd...):**

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued.

IFRS 7, Financial Instruments: Disclosures, will be amended to require additional disclosures on transition from IAS 39 and IFRS 9, and is effective for annual periods beginning on or after January 1, 2015.

IFRS 9 Financial Instruments (Revised)

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the exiting derecognition requirements from IAS 39 *Financial instruments: recognition and measurement.* The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is tentatively effective for annual periods beginning on or after January 1, 2018.

IAS 32 (Amendment)

New standard that clarifies requirements for offsetting financial assets and financial liabilities.

IAS 36 (Amendment)

This amendment addresses the disclosure of information regarding the recoverable amount of impairment assets as the amount is based on fair value less costs of disposal.

IFRIC 21

This is an interpretation of IAS 37, *Provisions, contingent liabilities and contingent assets.* IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event, known as an obligating event. The interpretation clarifies that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The impact of these new standards on the Company's financial instruments has not yet been determined.

NOTE 3 – RECEIVABLES

Receivables are comprised of the following:

	July 31, 2014	July 31, 2013
GST Receivable	$ 3,120	$ 823

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	Total
Balance, July 31, 2014 and 2013	**$ 8,250**	**$ 8,250**

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.

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

Exploration Expenditures

For the years ended:

	2014	2013
	Deerhorn (Canada)	**Deerhorn (Canada)**
Exploration Expenses		
Assays and sampling	$ -	$ 8,256
Camp and field expense	-	3,937
Drilling and field support	-	68,830
Equipment rental	-	59,356
Geological consulting	1,679	131,050
Reports, drafting and maps	-	7,829
Travel and accommodation	1,556	16,635
Other	3,652	30,500
Exploration Expenses	**$ 6,887**	**$ 326,393**
Recoverable BC Mining Exploration Tax Credit	(537,410)	-
Total Exploration Expenses	**$ (530,523)**	**$ 326,393**

NOTE 5 – EQUIPMENT

	$
Cost:	
Balance at July 31, 2013 and 2012	**17,203**
Additions	2,449
Balance at July 31, 2014	**19,652**
Accumulated depreciation:	
Balance at July 31, 2012	**15,993**
Depreciation	1,088
Balance at July 31, 2013	**17,081**
Depreciation	163
Balance at July 31, 2014	**17,244**
Carrying amounts:	
July 31, 2013	**122**
July 31, 2014	**2,408**

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

	July 31, 2014	July 31, 2013
Trade payables	$ 147,627	$ 237,091
Accrued liabilities	14,000	25,000
	$ 161,627	$ 262,091

NOTE 8 – SHARE CAPITAL

The Company's share capital consists of an unlimited number of common shares without par value.

In May 2014, the Company effected a share consolidation of its share capital on a 10 for 1 basis, consolidating its 154,353,166 currently outstanding common shares to 15,435,317 common shares. All references to common stock in the financial statements have been changed to reflect the share consolidation.

Fiscal 2014 Transactions

During the year ended July 31, 2014, the Company completed a non-brokered private placement for gross proceeds of $250,000 through the sale of 5,000,000 common shares at a price of $0.05 per common share.

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. 304,000 flow-through common shares were sold at a price of $0.50 per share for gross proceeds of $152,000 and 266,000 units were sold at a price of $0.50 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 $1.00 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 2014 Stock Option Plan (the "Plan") was approved by the shareholders on July 21, 2014, at the Company's annual general and special 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 five years. Vesting is not required but may be set on an individual basis as determined by the board of directors.

No incentive stock options were granted during the year ended July 31, 2014.

During the year ended July 31, 2014, 235,000 options previously issued with a fair value of $308,300 as share-based compensation expired or were cancelled. The previously recorded historical fair value of these options was reallocated to deficit.

On March 25, 2013, the Company granted incentive stock options for the purchase of up to 100,000 common shares, at a price of $1.00 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, 117,500 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.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2014	**2013**
Dividend yield	-	Nil
Expected volatility	-	100%
Risk free rate of return	-	1.36%
Expected life	-	5 years

NOTE 8 – SHARE CAPITAL (Cont'd…)

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

As at July 31, 2014 the Company had outstanding stock options as follows:

Number outstanding July 31, 2013	Granted	Exercised	Expired/ Cancelled	Number outstanding July 31, 2014	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
50,000	-	-	(50,000)	-	$1.00	Mar. 9, 2014	-
50,000	-	-	(50,000)	-	$2.20	July 14, 2014	-
85,000	-	-	(5,000)	80,000	$2.20	Aug. 28, 2014	0.08 yrs*
250,000	-	-	(30,000)	220,000	$1.00	May 21, 2015	0.81 yrs
30,000	-	-	(30,000)	-	$1.00	Oct. 8, 2015	-
275,000	-	-	(70,000)	205,000	$2.50	Mar. 11, 2016	1.61 yrs
50,000	-	-	-	50,000	$2.50	June 24, 2016	1.90 yrs
100,000	-	-	-	100,000	$1.00	Mar. 25, 2018	3.65 yrs
890,000	-	-	(235,000)	655,000	$1.73	(weighted average)	1.45 yrs
			Exercisable	655,000	$1.73	(weighted average)	1.45 yrs

*Expired subsequent to year end, unexercised.

The weighted average fair value per option granted during the year ended July 31, 2014 was $nil (2013 - $0.02).

As at July 31, 2013 the Company had outstanding stock options as follows:

Number outstanding July 31, 2012	Granted	Exercised	Expired/ Cancelled	Number outstanding July 31, 2013	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
17,500	-	-	(17,500)	-	$1.00	May 29, 2013	-
50,000	-	-	-	50,000	$1.00	Mar. 9, 2014	0.61 yrs
50,000	-	-	-	50,000	$2.20	July 14, 2014	0.95 yrs
85,000	-	-	-	85,000	$2.20	Aug. 28, 2014	1.08 yrs
250,000	-	-	-	250,000	$1.00	May 21, 2015	1.81 yrs
30,000	-	-	-	30,000	$1.00	Oct. 8, 2015	2.19 yrs
275,000	-	-	-	275,000	$2.50	Mar. 11, 2016	2.61 yrs
50,000	-	-	-	50,000	$2.50	June 24, 2016	2.90 yrs
100,000	-	-	(100,000)	-	$1.80	Oct. 6 2016	-
-	100,000	-	-	100,000	$1.00	Mar. 25, 2018	4.65 yrs
907,500	100,000	-	(117,500)	890,000	$1.70	(weighted average)	2.26 yrs
			Exercisable	890,000	$1.70	(weighted average)	2.26 yrs

NOTE 8 – SHARE CAPITAL (Cont'd…)

Warrants

The exercise price and expiry dates of the warrants outstanding as at July 31, 2014 are set out below:

Exercise price	Number outstanding	Expiry date	Weighted average remaining contractual life
$1.00	266,000	October 12, 2015	1.20 yrs
	266,000		1.20 yrs

Number outstanding July 31, 2013	Granted	Exercised	Expired/ Cancelled	Number outstanding July 31, 2014	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
1,406, 000	-	-	(1,406,000)	-	$1.00	Sept. 28, 2013	-
304,400	-	-	(304,400)	-	$1.40-1.70	June 20, 2014	-
266,000	-	-	-	266,000	$1.00	October 12, 2015	1.20 yrs
1,976,400	-	-	(1,710,400)	266,000	$1.10	(weighted average)	1.20 yrs

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:

Year ended July 31,		2014		2013
Management fees paid or accrued to a company controlled by the President and CEO	$	210,000	$	210,000
Management fees paid or accrued to the CFO or a company controlled by the CFO	$	32,500	$	30,000
Travel expense allowance paid or accrued to a company controlled by the President and CEO	$	12,000	$	12,000
Management fees paid or accrued to a company controlled by a Director	$	60,000	$	60,000

Included in accounts payable and accrued liabilities is $136,705 (2013 - $93,821) 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 EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share for the year ended July 31, 2014 is based on income attributable to common shareholders of $54,237 (2013 – ($958,903)) and a weighted average number of common shares outstanding of 15,243,536 (2013 – 10,321,317).

NOTE 12 – DEFERRED INCOME TAXES

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

	2014	2013
Income (loss) for the year	$ 54,237	$ (958,903)
Expected income tax (recovery)	14,000	(243,000)
Change in statutory rates, impact of investment tax credit and other	(2,000)	27,000
Permanent difference	-	12,000
Impact of flow-through shares	-	39,000
Share issue cost	-	(3,000)
Change in unrecognized deductible temporary differences	(12,000)	168,000
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:

	2014	2013
Share issue costs	$ 15,000	$ 29,000
Allowable capital losses	480,000	480,000
Non-capital losses	1,495,000	1,344,000
Equipment	1,000	1,000
Exploration and evaluation assets	947,000	1,096,000
Unrecognized deferred tax assets	$ 2,938,000	$ 2,950,000

The Company has non-capital losses of approximately $5,752,000 (2013 - $5,167,000) available for deduction against future taxable income. These losses, if not utilized, will expire through to 2034. The Company has resource expenditures of approximately $2,739,000 (2013 - $3,322,000) 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 13 – 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, receivables 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 receivables and 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.

NOTE 13 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont`d…)

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.

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 14 – 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.

NOTE 15 – CAPITAL MANAGEMENT (Cont`d...)

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 consists 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 year ended July 31, 2014. The Company is not subject to externally imposed capital requirements.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent to July 31, 2014, the Company:

a) continued under the Federal laws of Canada to the Province of British Columbia under the *Business Corporations Act* (BC).

b) listed its common shares on the Canadian Securities Exchange and voluntarily delisted its common shares from the TSX Venture Exchange.

c) changed its name to "Deer Horn Capital Inc." and commenced trading under the new name on the Canadian Securities Exchange with the new trading symbol "DHC".