

The following discussion and analysis of the operations, results and financial position of Deer Horn Capital Inc. (formerly Deer Horn Metals Inc.) (the “Company”) for the three months ended October 31, 2014 should be read in conjunction with the unaudited financial statements for the three months ended October 31, 2014 and the audited financial statements for the year ended July 31, 2014, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

This Management Discussion and Analysis (“MD&A”) is dated December 23, 2014 and discloses specified information up to that date. The Company is classified as a “venture issuer” for the purposes of National Instrument 51-102. The Company’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) in Canada. Unless otherwise cited, references to dollar amounts are in Canadian dollars.

The Company is a reporting issuer in each of the provinces of British Columbia and Alberta. Its head office is located at Suite 140 – 1440 Garden Place, Delta, BC, Canada, V2M 3Z2. Its registered records office is located at Suite 1100-736 Granville Street, Vancouver, BC, V67 IG3.

*We recommend that readers consult the “Cautionary Statement” on the last page of this report.*

### **Description of Business**

The Company was incorporated under the Canada Business Corporations Act on April 16, 2004 under the name “Golden Odyssey Mining Inc.” On October 7, 2014 the Company changed its name to Deer Horn Capital Inc. The Company’s strategy is to identify, acquire, explore and develop precious and base metal deposits amenable to low production costs and high operating margins, focusing on properties with low initial entry costs.

### **Overall Performance and Outlook**

Since the year ended July 31, 2008, the Company underwent a significant change in management and direction. The Company no longer focuses on gold properties in the state of Nevada and, effective July 31, 2008, relinquished all property interests in the state of Nevada and closed its Reno, Nevada-based office. During the fiscal year ended July 31, 2012, the Company dissolved its wholly-owned subsidiary, Golden Odyssey Exploration Inc., a company incorporated in the State of Nevada, United States of America. The Company relocated its head-office to Delta, British Columbia, Canada and focused on opportunities in Canada to acquire interests in precious and base metal properties. The Company entered into an option agreement to acquire an interest in the Deer Horn property, located in British Columbia, Canada, in August 2009. The Company continues to seek and evaluate opportunities to participate in similar projects.

### **Company Activity**

During the three months ended October 31, 2014, the Company continued to maintain its Deer Horn property in good standing and evaluate new project opportunities.

### **Deer Horn**

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 Deer Horn property, located in north western British Columbia.

To acquire its interest, the Company was required to incur \$5,000,000 in exploration expenditures. The Company has earned its initial 50% interest in the property. It may acquire an additional 25% interest by incurring all costs required to bring the property to commercial production.

The Company's 2011 work program included 3,772.5 meters of drilling in 55 holes. A total of 49 drillholes targeted the two known and closely-spaced west-trending mineralized structures, the Main Vein and Contact Zone, over a strike length of 875 m in the vicinity of the Deer Horn adit. The other 6 drillholes, along with 1,000 meters of excavator trenching, targeted the historic 'Harrison Scheelite' tungsten occurrence. The Company intends to conduct additional in-fill and step-out drilling as part of its next phase of work on the property in order to potentially expand the existing resource estimates.

In May 2012, the Company announced that it had received initial documents relating to an airborne magnetic and radiometric survey carried out to evaluate the remaining unexplored areas of the property. R.A Lane, P.Geol, the Company's Qualified Person as defined by NI 43-101, subsequently identified a number of anomalies that merited further assessment and field follow-up. In October 2012, the Company completed a 10-day prospecting program to evaluate several of the anomalies. The work program resulted in several new discoveries, including a previously unknown copper zone and an extension of the known near surface high grade gold-silver-tellurium vein system.

In March 2013, the Company announced results of a Preliminary Economic Assessment ("PEA") for the property. The PEA was revised on July 26, 2013. The amended and restated PEA, prepared in accordance with NI 43-101, is available in the Company's disclosure record located on SEDAR ([www.sedar.com](http://www.sedar.com)). The PEA estimated that the project will carry a 14 year mine life with a 2.4 year payback period.

The PEA describes a 74,000 tonnes per year seasonal (six month), open-pit mining operation and conventional flotation mill which would produce a combined gold/silver/tellurium concentrate. The Project may be permitted under the Mines Act of BC as a small mine, without the requirement for a provincial environmental assessment (EA) as the project mining tonnage does not exceed the legislated reviewable project threshold of 75,000 tonnes per year. Waste to ore cut-offs were determined using metal prices of US\$1,466 per ounce gold, US\$27.91 per ounce silver and US\$240 per kilogram tellurium for net smelter return calculations. Net smelter return cut-off for the PEA pit delineated resource was assumed to be \$45/tonne.

The initial capital cost of the Project is estimated to be \$27.8 million. Average mine, process and G&A operating costs over the Project's life (including pre-stripping and waste handling) are estimated to be \$61 per tonne.

A base case economic evaluation was undertaken incorporating historical three-year trailing averages for metal prices as of January 22, 2013. The pre-tax economic results in Canadian dollars are as follows:

	<b>Base Case</b>
NPV @ 5%	\$39.5 million
NPV @ 8%	\$28.7 million
IRR (%)	32
Payback Period (years)	2.4
Metal Prices:	
Gold (US\$/ounce)	1494
Silver (US\$/ounce)	29.1
Tellurium (US\$/kg)	237
US\$/Cdn\$ Exchange Rate	0.9956

**It should be noted that this PEA is preliminary in nature as it includes inferred mineral resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA forecast will be realized or that any of the resources will ever be upgraded to reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability.**

In April 2013, the Company announced that a mineral resource update, prepared in compliance with NI 43-101, showed increased tonnage and higher resources of gold and silver, and an initial resource for tellurium. The estimate, authored by R.A. Lane, P.Geo. and G.H. Giroux, P.Eng., both independent consultants and Qualified Persons as defined by NI 43-101, reported that the updated resource estimate was produced from a data base consisting of 196 diamond drill holes completed from 1944 to 2011 and 42 surface samples. The results within the mineralized zones **at a 1 g/t Au cut-off contain 414,000 tonnes grading 5.12 g/t Au, 157.5 g/t Ag and 160 ppm Te (68,000 ozs of gold, 2.1 million ozs of silver and 66,000 kg of tellurium) in the indicated category and an additional 197,000 tonnes grading 5.04 g/t Au, 146.5 g/t Ag and 137 ppm Te (32,000 ozs of gold, 930,000 ozs of silver and 27,000 kg of tellurium) classed as Inferred.**

Tellurium represents a minor component to the project's economics. The reader should be aware that the confidence in the Tellurium (Te) grade is lower than the confidence in the gold and silver grade. This is because there are no Te assays for approximately half the samples having gold and silver assays.

### **Summary**

Following the Company's earn-in on its 50% interest in the Deer Horn property, the Company's primary focus is to undertake further exploration drilling to potentially upgrade the inferred resource contained in the 14 year mine plan to the indicated or measured categories. The Company is planning to proceed with further in-fill and step-out drilling, engineering and environmental programs to advance the project to a preliminary feasibility stage.

## **Results of Operations**

This review of the Results of Operation should be read in conjunction with the financial statements of the Company for the three months ended October 31, 2014. The Company has no operating revenues and relies on external financing to generate capital. For the three months ended October 31, 2014, the Company had a net loss and comprehensive loss of \$115,135 compared to a loss and comprehensive loss of \$126,586 for the three months ended October 31, 2013.

Most recently the Company's operations have been significantly curtailed due to the financial downturn in the junior mineral exploration industry and the impact on the Company's ability to raise equity capital to finance its ongoing overheads and planned exploration programs. As a result, the Company has significantly reduced discretionary expenditures where possible.

### Expenses

General and administrative expenses totaled \$115,135 for the three months ended October 31, 2014 compared to \$126,586 for the three months ended October 31, 2013. Details of the largest changes and significant general and administrative items are as follows:

Investor relations and shareholder information decreased by \$4,470 to \$305 from \$4,775, professional fees decreased by \$7,838 to \$400 from \$8,238, rent decreased by \$1,000 to \$3,000 from \$4,000, salaries and management fees decreased by \$4,550 to \$88,150 from \$92,700 all compared to prior year as the Company improved efficiency and streamlined operations. There was an increase in regulatory and filing fees of \$8,516 to \$16,642 from \$8,126 due to the costs associated with the Company's listing on the Canadian Securities Exchange, as well as costs relating to the Company's name change.

Net exploration expenses (recoveries) decreased by \$2,879 to \$nil from \$2,879 in the prior year as the Company focused on claims maintenance following completion of a Preliminary Economic Assessment on its Deer Horn property.

### Exploration Expenses

The Company incurred \$nil in exploration expenses during the three months ended October 31, 2014 compared with \$2,879 in 2013. Following the completion of a preliminary economic assessment on its Deer Horn property in 2013, the Company focussed on claims maintenance and has only incurred property maintenance costs to keep its mineral claims in good standing.



**Summary of Quarterly Results**

Quarter Ended	2014	2014	2014	2014	2013	2013	2013	2013
	Oct. 31	July 31	Apr. 30	Jan. 31	Oct. 31	July 31	Apr. 30	Jan. 31
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
<b>G&amp;A Expenses (recoveries)</b>	115,135	(26,961)	(249,333)	101,107	126,586	155,425	212,859	244,102
<b>Option Benefits</b>	-	-	-	-	-	-	17,051	-
<b>Net Loss</b>								
- per share	-	-	-	-	-	-	-	-
- per share (diluted)	-	-	-	-	-	-	-	-
<b>Total Assets</b>	182,975	303,022	182,400	107,181	127,799	270,749	136,192	291,530
<b>Working Capital (Deficiency)</b>	(66,278)	48,737	18,548	(230,785)	(129,678)	(81,714)	(98,060)	97,476
<b>Share Capital:</b>								
<b>Authorized</b>	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
<b>Outstanding</b>	15,435,317	15,435,317	15,435,317	15,435,317	15,435,317	10,435,317	10,435,317	10,435,317
<b>Warrants</b>	266,000	266,000	266,000	570,400	570,400	1,976,400	1,976,400	1,976,400
<b>Options</b>	575,000	655,000	705,000	860,000	890,000	890,000	907,500	907,500

**Liquidity and Capital Resources**

At October 31, 2014 the Company had a working capital deficiency of \$66,278 (July 31, 2013 - \$129,678). The Company had current assets of \$90,437, of which \$72,802 was comprised of cash. Current liabilities totalled \$156,715 and consisted of trade payables.

Future exploration and subsequent development of the Company's properties beyond currently planned expenditures will depend on the Company's ability to obtain additional financing. The Company has limited financial resources and there is no assurance that additional funding will be available which could result in the delay or indefinite postponement of further exploration.

The Company's financial performance is dependent on many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government price fixing and controls and respond to changes in domestic and international political, social, and economic environments. In addition, the availability and cost of funds for exploration, development and production costs are difficult to predict. These changes in events could materially affect the financial performance of the Company.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Related Party Transactions - Key Management Compensation**

Amounts owing to related parties consists of \$142,715 for consulting fees paid or accrued to key management personnel or companies controlled by key management personnel (2013 - \$136,705).

During the period, \$52,500 (2013 - \$52,500) was paid or accrued to a company controlled by the President and CEO, Tyrone Docherty, for services as Director and Officer of the Company, \$15,000 (2013 - \$15,000) was paid or accrued to a company controlled by a Director, Tony Fogarassy, for consulting services, \$3,000 (2013 - \$3,000) was paid or accrued to a company controlled by the President and CEO, Tyrone Docherty, for travel expense allowance and \$7,500 (2013 - \$7,500) was paid or accrued to the CFO or a company controlled by the CFO, Pamela Saulnier for services as an Officer of the Company.

### **Changes in accounting policies:**

Effective August 1, 2014, the Company adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions.

#### *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 Company has concluded that the adoption of IFRIC 21 did not have any impact on its financial statements.

### **Recent accounting pronouncements:**

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") are mandatory for accounting periods after October 31, 2014 or later periods. Many are not applicable or do not have significant impact to the Company and have been excluded from the discussion below. The impact of these new standards on the Company's financial instruments has not yet been determined.

*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.

## **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 (i.e.; as prices) or indirectly (i.e.; 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, 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.



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**Credit risk**

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. 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.

**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.

**OTHER MD&A REQUIREMENTS**

**Additional Disclosure for Venture Issuers without Significant Revenue:**

The following is a breakdown of the material costs incurred:

	<b>Three months ended Oct. 31, 2014</b>	<b>Three months ended Oct. 31, 2013</b>
General and Administration Expenses (recoveries)	<u>\$115,135</u>	<u>\$126,586</u>



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

As at October 31, 2014 and December 23, 2014, the Company had 15,435,317 issued and outstanding common shares.

The following is a summary of stock options outstanding as at October 31, 2014 and December 23, 2014:

<b>Expiry Date</b>	<b>Exercise Price Per Share</b>	<b>Number of Shares Remaining Subject to Options (October 31, 2014)</b>	<b>Number of Shares Remaining Subject to Options (December 23, 2014)</b>
May 21, 2015	\$1.00	220,000	220,000
March 11, 2016	\$2.50	205,000	205,000
June 24, 2016	\$2.50	50,000	50,000
March 25, 2018	\$1.00	100,000	100,000
<b>Total</b>		<b>575,000</b>	<b>575,000</b>

The following is a summary of share purchase warrants outstanding as at October 31, 2014 and December 23, 2014:

<b>Expiry Date</b>	<b>Exercise Price Per Share</b>	<b>Number of Shares Remaining Subject to Warrants (October 31, 2014)</b>	<b>Number of Shares Remaining Subject to Warrants (December 23, 2014)</b>
Oct. 12, 2015	\$1.00	266,000	266,000
<b>Total</b>		<b>266,000</b>	<b>266,000</b>

### **Internal Controls over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company assessed the design of the internal controls over financial reporting as at October 31, 2014 and concluded the following:

- a) Due to the limited number of staff resources, the Company believes there are instances where a lack of segregation of duties exist to provide effective controls; and
- b) Due to the limited number of staff resources, the Company may not have the necessary in-house knowledge to address complex accounting and tax issues that may arise.

The weaknesses and their related risks are not uncommon in a company the size of the Company because of limitations in size and number of staff. The Company believes it has taken steps to mitigate these risks by hiring additional personnel, consulting outside advisors and involving the Audit Committee and Board of Directors in reviews and consultations where necessary.

There have been no changes in the Company's internal controls over financial reporting that occurred during the three months ended October 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

### **Management Responsibility for the Financial Statements**

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these financial statements together with the other financial information included in these filings. The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

### **Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Cautionary Statement**

This MD&A is based on a review of the Company's operations, financial position and plans for the future based on facts and circumstances as of December 23, 2014. Except for historical information or statements of fact relating to the Company, this document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change. These statements involve known and unknown risks, uncertainties, and other factor that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward-looking statements.