DEER HORN CAPITAL INC.

(Formerly Deer Horn Metals Inc.)

INTERIM FINANCIAL STATEMENTS

For the three months ended October 31, 2014

(Expressed in Canadian Dollars)

NOTICE TO READER

Pursuant to National Instrument 51-102, Part 4, subsection 4.3subsection 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 for the first quarter ended October 31, 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 CAPITAL INC.
(Formerly Deer Horn Metals Inc.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	Oct. 31, 2014	July 31, 2014
Assets			
Current Assets			
Cash		$ 72,802	$ 197,670
Receivables	**3**	8,061	3,120
Prepaid expense		4,638	4,638
Exploration advances	**4**	4,936	4,936
		90,437	210,364
Equipment	**5**	2,288	2,408
Reclamation deposit	**6**	82,000	82,000
Exploration and evaluation assets	**4**	8,250	8,250
		$ 182,975	**$ 303,022**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**7**	$ 156,715	$ 161,627
Shareholders' Equity			
Share capital	**8**	11,403,400	11,403,400
Share-based payments reserve	**8**	751,520	765,920
Deficit		(12,128,660)	(12,027,925)
		26,260	141,395
		$ 182,975	**$ 303,022**

Nature of Operations and Going Concern (Note 1)
Subsequent Events (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 CAPITAL INC.
(Formerly Deer Horn Metals Inc.)
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)
For the three months ended October 31

	Note	2014	2013
Expenses			
Depreciation		$ 120	$ 122
Exploration expenses, net	4	-	2,879
Investor relations and shareholder information		305	4,775
Office		3,227	2,614
Professional fees		400	8,238
Regulatory and filing fees		16,642	8,126
Rent		3,000	4,000
Salaries and management fees		88,150	92,700
Travel		3,291	3,132
Operating loss		(115,135)	(126,586)
Loss and comprehensive loss for the period		$ (115,135)	$ (126,586)
Basic and diluted loss per share		$ -	$ -
Weighted average shares outstanding		15,243,536	11,571,317

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, 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
Loss and comprehensive loss for the period	-	-	-	-	(126,586)	(126,586)
Balance, October 31, 2013	**15,435,317**	**$ 11,347,972**	**$ -**	**$ 1,129,648**	**$ (12,517,048)**	**$ (39,428)**
Balance, July 31, 2014	**15,435,317**	**$ 11,403,400**	**$ -**	**$ 765,920**	**$ (12,027,925)**	**$ 141,395**
Transfer upon expiration of stock options	-	-	-	(14,400)	14,400	-
Loss and comprehensive loss for the period	-	-	-	-	(115,135)	(115,135)
Balance, October 31, 2014	**15,435,317**	**$ 11,403,400**	**$ -**	**$ 751,520**	**$ (12,128,660)**	**$ 26,260**

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 three months ended October 31

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) and comprehensive income (loss) for the year	$ (115,135)	$ (126,586)
Items not involving cash:		
Depreciation	120	122
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	(4,941)	(4,028)
Decrease (increase) in prepaid expenses	-	1,390
Increase (decrease) in accounts payable and accrued liabilities	(4,912)	(94,864)
Cash flows used in operating activities	(124,868)	(223,966)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	-	250,000
Share subscriptions	-	(171,500)
Share issuance costs	-	(9,950)
Cash flows provided from financing activities	-	446,550
Change in cash during period	(124,868)	(302,425)
Cash, beginning of period	197,670	469,008
Cash, end of period	$ 72,802	$ 166,583

Supplemental disclosure with respect to cash flows:		
Transfer expired equity options to deficit	14,400	-
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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

(Unaudited – Expressed in Canadian Dollars)

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.

		Oct. 31, 2014		July 31, 2014
Deficit	$	(12,128,660)	$	(12,027,925)
Working capital (deficiency)	$	(66,278)	$	48,737

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 December 23, 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...)

b) **Basis of presentation: (cont'd...)**

The significant accounting policies for the quarter are consistent with those disclosed in the audited annual financial statements for the year ended July 31, 2014 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, 2014.

c) **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.

d) **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.

(Unaudited – Expressed in Canadian Dollars)

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

d) **Recent accounting pronouncements:**

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.

NOTE 3 – RECEIVABLES

Receivables are comprised of the following:

	Oct. 31, 2014	July 31, 2014
GST Receivable	$ 8,061	$ 3,120

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

(Unaudited – Expressed in Canadian Dollars)

NOTE 4 – EXPLORATION AND EVALUATION ASSETS (Cont'd...)

Exploration Expenditures

For the years ended:

	Oct. 31 2014 Deerhorn (Canada)	Oct. 31 2013 Deerhorn (Canada)
Exploration Expenses		
Geological consulting	$ -	$ 1,679
Other	-	1,200
Total Exploration Expenses	**$ -**	**$ 2,879**

NOTE 5 – EQUIPMENT

	$
Cost:	
Balance at July 31, 2014 and 2013	**19,652**
Additions	-
Balance at Oct. 31, 2014	**19,652**
Accumulated depreciation:	
Balance at July 31, 2013	**17,081**
Depreciation	163
Balance at July 31, 2014	**17,244**
Depreciation	**120**
Balance, Oct. 31, 2014	**17,364**
Carrying amounts:	
July 31, 2014	**2,408**
Oct. 31, 2014	**2,288**

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

	Oct. 31, 2014	July 31, 2014
Trade payables	$ 142,715	$ 147,627
Accrued liabilities	14,000	14,000
	$ 156,715	$ 161,627

(Unaudited – Expressed in Canadian Dollars)

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.

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 period ended October 31, 2014.

During the period ended October 31, 2014, 80,000 options previously issued with a fair value of $14,400 as share-based compensation expired. The previously recorded historical fair value of these options was reallocated to deficit.

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.

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

Number outstanding July 31, 2014	Granted	Exercised	Expired/ Cancelled	Number outstanding Oct. 31, 2014	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
80,000	-	-	(80,000)	-	$2.20	Aug. 28, 2014	-
220,000	-	-	-	220,000	$1.00	May 21, 2015	0.56 yrs
205,000	-	-	-	205,000	$2.50	Mar. 11, 2016	1.36 yrs
50,000	-	-	-	50,000	$2.50	June 24, 2016	1.65 yrs
100,000	-	-	-	100,000	$1.00	Mar. 25, 2018	3.40 yrs
655,000	-	-	(80,000)	575,000	$1.66	(weighted average)	1.64 yrs
			Exercisable	575,000	$1.66	(weighted average)	1.64 yrs

(Unaudited – Expressed in Canadian Dollars)

NOTE 8 – SHARE CAPITAL (Cont'd…)

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

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

Warrants

The exercise price and expiry dates of the warrants outstanding as at October 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, 2014	Granted	Exercised	Expired/ Cancelled	Number outstanding Oct. 31, 2014	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
266,000	-	-	-	266,000	$1.00	October 12, 2015	0.95 yrs
266,000	-	-	-	266,000	$1.00	(weighted average)	0.95 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:

Three months ended October 31,		**2014**		**2013**
Management fees paid or accrued to a company controlled by the President and CEO	$	52,500	$	52,500
Management fees paid or accrued to the CFO or a company controlled by the CFO	$	7,500	$	7,500
Travel expense allowance paid or accrued to a company controlled by the President and CEO	$	3,000	$	3,000
Management fees paid or accrued to a company controlled by a Director	$	15,000	$	15,000

Included in accounts payable and accrued liabilities is $142,715 (2013 - $122,250) 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 three months ended October 31, 2014 is based on the loss attributable to common shareholders of $115,135 (2013 – $126,586) and a weighted average number of common shares outstanding of 15,435,317 (2013 – 11,571,317).

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, 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.

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

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.

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.

NOTE 13 – CAPITAL MANAGEMENT (Cont`d...)

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 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 period ended October 31, 2014. The Company is not subject to externally imposed capital requirements.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to October 31, 2014, the Company:

- announced that it had signed a letter of intent to acquire a lease of MMAR medical marijuana production facility for consideration of $200,000 and 1,000,000 common share at closing. The Company also announced that it intended to raise up to $500,000 by way of a non-brokered private placement.

- Announced that it had signed a definitive asset purchase agreement pursuant to the letter of intent to acquire a lease of an MMAR medical marijuana production facility. The Company also announced that it had increased the proposed non-brokered private placement to raise up to $750,000.