



DEER HORN CAPITAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended July 31, 2015 and 2014

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Deer Horn Capital Inc.

We have audited the accompanying consolidated financial statements of Deer Horn Capital Inc., which comprise the consolidated statements of financial position as at July 31, 2015 and 2014 and the consolidated 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 Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Deer Horn Capital Inc. as at July 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

November 30, 2015

DEER HORN CAPITAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at July 31,

| | Note | 2015 | 2014 |
|--|------|---------------------|-------------------|
| Assets | | | |
| Current Assets | | | |
| Cash | | \$ 47,350 | \$ 197,670 |
| Receivables | 4 | 45,783 | 3,120 |
| Prepaid expenses | 5 | 57,261 | 4,638 |
| Inventories | 6 | 248,928 | - |
| Exploration advances | | - | 4,936 |
| | | 399,322 | 210,364 |
| Deposits | 7 | 38,322 | - |
| Property and Equipment | 8 | 623,035 | 2,408 |
| Reclamation Deposit | 9 | 85,212 | 82,000 |
| Exploration and Evaluation Assets | 10 | - | 8,250 |
| | | \$ 1,145,891 | \$ 303,022 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 12 | \$ 367,290 | \$ 24,922 |
| Wages and benefits | 13 | 43,856 | - |
| Due to related parties | 14 | 176,324 | 136,705 |
| | | 587,470 | 161,627 |
| Shareholders' Equity | | | |
| Share capital | 15 | 12,800,910 | 11,403,400 |
| Reserves | | 835,765 | 765,920 |
| Deficit | | (13,078,254) | (12,027,925) |
| | | 558,421 | 141,395 |
| | | \$ 1,145,891 | \$ 303,022 |

Nature of Operations and Going Concern (Note 1)

Commitments (Note 19)

Subsequent Events (Note 23)

Approved for issue by the Board of Directors on November 30, 2015

They are signed on the Company's behalf by:

"Tyrone Docherty"
Director

"Tony Fogarassy"
Director

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

DEER HORN CAPITAL INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND
COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian Dollars)

For the years ended July 31,

| | Note | 2015 | 2014 |
|---|------|-----------------------|-------------------|
| Revenue | | | |
| Retail sales | | \$ 207,989 | \$ - |
| Cost of goods sold | | | |
| Purchases | | 142,500 | - |
| Salaries, wages and benefits | | 114,132 | - |
| Other | | 4,662 | - |
| | | <u>(261,294)</u> | <u>-</u> |
| Gross margin (loss) | | <u>(53,305)</u> | <u>-</u> |
| Expenses | | | |
| Advertising and promotion | | 73,223 | 16,918 |
| Consulting fees | 16 | 66,000 | 59,080 |
| Depreciation | 8 | 16,032 | 163 |
| Insurance, licenses, and fees | | 1,787 | - |
| Investor relations and shareholder information | | 13,488 | 4,128 |
| Management fees | 16 | 360,293 | 302,825 |
| Office and miscellaneous | | 35,983 | 8,892 |
| Professional fees | | 153,077 | 34,132 |
| Regulatory and filing fees | | 40,244 | 29,166 |
| Rent, utilities and occupancy costs | | 64,373 | 13,000 |
| Salaries and benefits | | 77,242 | - |
| Share-based payments | 15 | 298,716 | - |
| Start-up costs | | 75,372 | - |
| Supplies | | 12,126 | 1,197 |
| Travel | | 20,040 | 12,421 |
| | | <u>(1,307,996)</u> | <u>(481,922)</u> |
| Operating income (loss) | | <u>(1,361,301)</u> | <u>(481,922)</u> |
| Consulting income | | 6,000 | - |
| Exploration and evaluation, net recovery | 10 | 136,912 | 530,523 |
| Impairment of exploration and evaluation asset | 10 | (8,250) | - |
| Interest income | | 3,212 | 5,636 |
| Loss on sale of intangible asset | 11 | (250,000) | - |
| Income (loss) and comprehensive income (loss) for the year | | <u>\$ (1,473,427)</u> | <u>\$ 54,237</u> |
| Basic and diluted earnings (loss) per share | | <u>\$ (0.06)</u> | <u>\$ -</u> |
| Weighted average shares outstanding | | 23,511,910 | 15,243,536 |

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

DEER HORN CAPITAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

| | Number of Common Shares | Share Capital | Share Subscriptions | Reserves | | | Total Shareholders' Equity |
|---|-------------------------------|----------------------|------------------------|------------------------------------|-------------------------|------------------------|----------------------------------|
| | | | | Share-based Payments Reserve | Contribution Reserve | Deficit | |
| 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 |
| Issued for asset acquisition | 1,000,000 | 50,000 | - | - | - | - | 50,000 |
| Private placements | 15,909,336 | 1,426,801 | - | - | - | - | 1,426,801 |
| Share issue costs – cash | - | (60,064) | - | - | - | - | (60,064) |
| Residual value of warrants | - | (19,227) | - | 19,227 | - | - | - |
| Reversal of expired options | - | - | - | (423,098) | - | 423,098 | - |
| Share-based compensation | - | - | - | 298,716 | - | - | 298,716 |
| Contribution from stakeholder (Notes 15 & 16) | - | - | - | - | 175,000 | - | 175,000 |
| Income (loss) and comprehensive Income (loss) for the year | - | - | - | - | - | (1,473,427) | (1,473,427) |
| Balance, July 31, 2015 | 32,344,653 | \$ 12,800,910 | \$ - | \$ 660,765 | \$ 175,000 | \$ (13,078,254) | \$ 558,421 |

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

DEER HORN CAPITAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended July 31,

| | 2015 | 2014 |
|---|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income (loss) and comprehensive income (loss) for the year | \$ (1,473,427) | \$ 54,237 |
| Items not involving cash: | | |
| Depreciation | 16,032 | 163 |
| Interest income accrued | (3,212) | - |
| Share-based payments | 298,716 | - |
| Write off of exploration and evaluation asset | 8,250 | - |
| Write off of intangible asset | 250,000 | - |
| Changes in non-cash working capital balances: | | |
| Increase in receivables | (42,663) | (2,297) |
| Decrease (increase) in prepaid expenses | (52,623) | 3,397 |
| Decrease (increase) in inventories | (248,928) | - |
| Decrease (increase) in exploration advances | 4,936 | - |
| Increase in wages and benefits payable | 43,856 | - |
| Increase in due to related party | 39,619 | 43,955 |
| Increase (decrease) in accounts payable and accrued liabilities | 221,405 | (144,419) |
| Cash flows used in operating activities | (938,039) | (44,964) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Deposits | (38,322) | - |
| Intangible asset | (200,000) | - |
| Property, plant and equipment purchase | (530,755) | (2,449) |
| Cash flows used in investing activities | (769,077) | (2,449) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issuance of share capital | 1,426,801 | 78,500 |
| Share issuance costs | (45,005) | - |
| Contribution from stakeholder | 175,000 | - |
| Repayment of related party loans | (75,000) | - |
| Proceeds from related party loans | 75,000 | - |
| Cash flows provided from financing activities | 1,556,796 | 78,500 |
| Change in cash during year | (150,320) | 31,087 |
| Cash, beginning of year | 197,670 | 166,583 |
| Cash, end of year | \$ 47,350 | \$ 197,670 |
| Supplemental disclosure with respect to cash flows: | | |
| Transfer expired equity options to deficit | \$ 423,098 | \$ 308,300 |
| Transfer expired equity warrants to share capital | - | 55,428 |
| Allocation of share subscriptions | - | 171,500 |
| Residual value of warrants | 19,227 | - |
| Share issue cost in accounts payable | 15,059 | - |
| Equipment in accounts payable | 105,904 | - |
| Shares issued for intangible asset | 50,000 | - |

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

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Deer Horn Capital Inc. ("Deer Horn" or the "Company") was incorporated under the *Business Corporations Act* (Canada) and continued into British Columbia pursuant to the *Business Corporations Act* (British Columbia, Canada). The consolidated financial statements for the period ended July 31, 2015 include the accounts of Deer Horn and its wholly-owned subsidiary, Bodhi Tree Natural Market Corp., a company incorporated under the laws of British Columbia, Canada. The Company's head office and principal place of business is 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".

The Company has newly entered the natural and organic retailing sector, and has no previous history in this sector. The Company will require additional financing to support the first retail location and to support its plan to further expand into this competitive retail space.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. Management believes that the Company's cash on hand at July 31, 2015, is not sufficient to finance the natural and organic retailing sector and operations through the next twelve months. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing for the substantial capital expenditures required to achieve planned principal operations, including the expansion of the retail sector. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

These factors may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2 – BASIS OF PRESENTATION

Statement of compliance

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

The financial statements were approved and authorized for issue by the Board of Directors of the Company on November 30, 2015.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except the following assets and liabilities which are stated at their fair value: financial instruments classified as fair value through profit and loss ("FVTPL"), financial instruments classified as available for sale and cash settled stock-based compensation plans. Assets held for sale are valued at the lower of their carrying amount and fair value less costs to sell.

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 2 – BASIS OF PRESENTATION *(continued)*

Use of estimates and judgments

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

The Company has applied judgment in its assessment of the appropriateness of consolidation of subsidiaries, the classification of leases as financing or operating and financial instruments, the level of componentization of property, plant and equipment, the determination of cash generating units, the identification of indicators of impairment for property, plant and equipment, and intangible assets, the recognition and measurement of assets acquired and liabilities assumed, and the recognition of provisions.

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

a) Inventories:

Inventories are valued at the lower of cost and estimated net realizable value. Significant estimation or judgment is required in the determination of (i) inventories valued at retail and adjusted to cost; (ii) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet dates; and (iii) estimated inventory provisions associated with vendor allowances and internal charges.

b) Impairment:

Management assesses impairment of non-financial assets such as intangible assets, property and equipment, and exploration and evaluation assets. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate.

c) Income taxes:

Assumptions are applied when management assesses the timing and reversal of temporary differences and estimates the Company's future earnings to determine the recognition of current and deferred income taxes. Judgments are also made by management when interpreting the tax rules in jurisdictions where the Company operates. Note 21 details the current and deferred income tax expense and deferred tax assets and liabilities.

d) Acquisitions:

The Company applies judgment on the recognition and measurement of assets acquired and liabilities assumed, and estimates are utilized to calculate and measure such adjustments. In measuring the fair value of an acquiree's assets and liabilities management uses estimates about future cash flows and discount rates.

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 2 – BASIS OF PRESENTATION *(continued)*

e) Estimated useful lives of equipment:

The estimated useful lives of equipment which are included in the consolidated statements of financial position will impact the amount and timing of the related depreciation included in profit or loss.

f) Share based compensation:

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in assumptions. Changes in the input assumptions can materially affect the fair value estimate of stock options.

g) Recovery of deferred tax assets:

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation:

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

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

b) Inventories:

Retail inventories are valued at the lower of cost and net realizable value. Cost is determined using a weighted average cost using the retail method. The retail method uses the anticipated selling price less normal profit margins, on a weighted average cost basis. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale.

Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or permanent declines in selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Property and Equipment:

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

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

| | |
|-----------------------------------|----------------------------------|
| Computer equipment | 55% declining balance |
| Furniture, fixtures and equipment | 20% declining balance |
| Leasehold improvements | Term of the lease, straight-line |

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.

d) 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.

e) Restoration, rehabilitation and environmental obligations:

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

A liability is recognized for legal obligations relating to the restoration, rehabilitation and retirement of property, plant or equipment obligations arising from the acquisition, construction, development or normal operation of those assets. Such decommissioning liabilities are recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset where one is identifiable is recorded

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements.

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

The Company has no material restoration, rehabilitation and environmental obligations as all environmental disturbances to date has been minimal.

f) Impairment of non-financial assets:

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Long lived tangible and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. The Company has primarily determined a cash generating unit to be an individual store. Corporate assets such as head offices and distribution centres do not individually generate separate cash inflows and are therefore aggregated for testing with the stores they service. When the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as selling and administrative expense immediately in net profit or loss.

Where an impairment loss subsequently reverses, other than related to goodwill the carrying amount of the asset (or cash generating unit) is increased to the revised estimate, but it limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior years. A reversal of impairment loss is recognized immediately in profit or loss.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in 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) Intangibles:

Intangible assets with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives, and are tested for impairment as described in the impairment of non-financial assets policy. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually.

Indefinite life intangible assets are measured at cost less any accumulated impairment losses. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired as described in the impairment of non-financial assets policy.

i) Revenue recognition:

The Company recognizes revenue when the amount can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

Retail segment revenue includes sale of goods and services to customers through retail stores. Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and sales incentives. The Company recognizes revenue at the time the sale is made or service is delivered to its customers.

Customer loyalty discounts are accounted for as a component of the sales transaction in which they are granted, with revenue being recorded as net of these discounts.

j) Vendor allowances:

The Company receives allowances from certain vendors whose products it purchases for resale. These allowances are received for a variety of buying and/or merchandising activities, including vendor programs such as volume purchase allowances, purchase discounts, listing fees and exclusivity allowances. Allowances received from a vendor is a reduction in the cost of the vendor's products and is recognized as a reduction in the cost of merchandise inventories sold and the related inventory when recognized in the consolidated statements of earnings and the consolidated statement of financial position, respectively, when it is probable that they will be received and the amount of the allowance can be reliably estimated.

Certain exceptions apply if the consideration is a payment for assets or services delivered to the vendor or for reimbursement of selling expenses incurred to promote the vendor's products. The consideration is then recognized as a reduction of the expense incurred in profit or loss.

k) Short term employee benefits:

Short term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. Short term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided or capitalized if the service rendered is

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

in connection with the creation of a tangible or intangible asset. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

l) 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.

m) 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.

n) 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.

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.

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o) 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.

p) Financial assets:

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

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

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

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

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

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

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

(iii) Loans and receivables

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

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

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

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(iv) Impairment of financial assets

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

Objective evidence of impairment could include the following:

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

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

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

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

(v) De-recognition of financial assets

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

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

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

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

q) 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.

r) 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.

s) New standards, interpretations and amendments not yet effective:

A number of new standards, amendments to standards and interpretations are not yet effective as of July 31, 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a material effect on the financial statements of the Company.

Effective for annual periods beginning on or after January 1, 2015

IFRS 7, Financial Instruments – Disclosure

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

Effective for annual periods beginning on or after January 1, 2016

IAS 16 & IAS 38, Clarification of Acceptable Methods of Depreciation and Amortization

Amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriated, and (ii) provide a rebuttable presumption for intangible assets.

Effective for annual periods beginning on or after January 1, 2017

IFRS 15, Revenue from Contracts with Customers:

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In May 2015, the International Accounting Standards Board (“IASB”) proposed to defer the effective date to January 1, 2018. Early application of the Standard would still be permitted.

Effective for annual periods beginning on or after January 1, 2018

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

NOTE 4 – RECEIVABLES

| | As at July 31, 2015 | As at July 31, 2014 |
|---|------------------------|------------------------|
| Amounts due from the Government of Canada pursuant to GST input tax credits | \$ 43,498 | \$ 3,120 |
| Amounts due from merchant credit card sales | 2,285 | - |
| Total | \$ 45,783 | \$ 3,120 |

NOTE 5 – PREPAID EXPENSES

| | As at July 31, 2015 | As at July 31, 2014 |
|--------------------|------------------------|------------------------|
| Prepaid insurance | \$ 1,402 | \$ - |
| Prepaid consulting | 50,000 | - |
| Other | 5,859 | 4,638 |
| Total | \$ 57,261 | \$ 4,638 |

NOTE 6 – INVENTORIES

| | As at July 31, 2015 | As at July 31, 2014 |
|-------------------|------------------------|------------------------|
| Goods for sale | \$ 231,375 | \$ - |
| Promotional items | 3,522 | - |
| Supplies | 14,031 | - |
| Total | \$ 248,928 | \$ - |

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 7 – DEPOSITS

| | As at July 31, 2015 | As at July 31, 2014 |
|---|------------------------|------------------------|
| Security deposit on corporate credit card | \$ 20,000 | \$ - |
| Lease deposits – warehouse, store, office | 18,322 | - |
| Total | \$ 38,322 | \$ - |

NOTE 8 – PROPERTY AND EQUIPMENT

| | Tenant improvements | Furniture and fixtures | Store equipment | Office and computer equipment | TOTAL |
|--|------------------------|---------------------------|--------------------|-------------------------------------|-------------------|
| Cost: | | | | | |
| Balance at July 31, 2013 | \$ - | \$ 17,203 | \$ - | \$ - | \$ 17,203 |
| Additions | | 2,449 | | | 2,449 |
| Balance at July 31, 2014 | - | 19,652 | - | - | 19,652 |
| Additions – tenant improvements | 226,459 | - | - | - | 226,459 |
| Additions – office & computers | - | - | - | 70,018 | 70,018 |
| Additions – store equipment | - | - | 282,657 | - | 282,657 |
| Additions – store equipment inventory | - | - | 57,525 | - | 57,525 |
| Total additions | 226,459 | - | 340,182 | 70,018 | 636,659 |
| Balance at July 31, 2015 | \$ 226,459 | \$ 19,652 | \$ 340,182 | \$ 70,018 | \$ 656,311 |
| Accumulated depreciation: | | | | | |
| Balance at July 31, 2013 | \$ - | \$ 17,081 | \$ - | \$ - | \$ 17,081 |
| Depreciation | - | 163 | - | - | 163 |
| Balance at July 31, 2014 | - | 17,244 | - | - | 17,244 |
| Depreciation | 2,930 | 447 | 7,471 | 5,184 | 16,032 |
| Balance at July 31, 2015 | \$ 2,930 | \$ 17,691 | \$ 7,471 | \$ 5,184 | \$ 33,276 |
| Carrying amounts: | | | | | |
| July 31, 2014 | \$ - | \$ 2,408 | \$ - | \$ - | \$ 2,408 |
| July 31, 2015 | \$ 223,529 | \$ 1,961 | \$ 332,711 | \$ 64,834 | \$ 623,035 |

Included in store equipment is \$57,525 of equipment not currently in use and upon which no depreciation has been taken.

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 9 – RECLAMATION DEPOSIT

The Company provided funding for deposits as security against potential future reclamation work related to the Deerhorn property (Note 10).

| | As at July 31, 2015 | | As at July 31, 2014 |
|--|--------------------------------|----|--------------------------------|
| Reclamation deposit: Deerhorn property | \$ 85,212 | \$ | 82,000 |

NOTE 10 – EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets costs are set out below:

| | As at July 31, 2015 | | As at July 31, 2014 |
|-------------------|--------------------------------|----|--------------------------------|
| Deerhorn property | \$ - | \$ | 8,250 |

Deerhorn property

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, 2015 the Company had provided exploration advances of \$nil (July 31, 2014 - \$4,936) on its Deerhorn property.

The Company reviews the carrying values of its exploration and evaluation assets on a regular basis by reference to the project economics including any independent feasibility studies on a property, the timing of the exploration and/or development work, the work programs and the exploration results experienced by the Company. When the carrying value of the asset exceeds its estimated net recoverable amount, an impairment loss is recorded to reflect its decline in value.

The Company performed an impairment test on the Deerhorn exploration and evaluation assets according to IFRS 6 and IAS 36, using the market approach. Entities recognizing exploration and evaluation assets are required to perform an impairment test on those assets when specific facts and circumstances outlined in the standard indicate an impairment test is required.

Based on the impairment testing performed, the Company determined that the exploration and evaluation assets were impaired, and recorded an impairment loss of \$8,250.

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 10 – EXPLORATION AND EVALUATION ASSETS *(continued)*

Exploration and evaluation expenditures

| | As at July 31, 2015 | As at July 31, 2014 |
|---|------------------------|------------------------|
| Geological consulting | \$ - | \$ 1,679 |
| Travel and accommodation | - | 1,556 |
| Other | 6,366 | 3,652 |
| Exploration Expenses | \$ 6,366 | \$ 6,887 |
| Recoverable BC Mining Exploration Tax Credit | (143,278) | (537,410) |
| Total exploration expense (recovery) | \$ (136,912) | \$ (530,523) |

NOTE 11 – PURCHASE OF BC CANNABIS PHARMS LTD.

BC Cannabis Pharms Ltd. (“BC Cannabis”)

On January 7, 2015, the Company acquired the net assets of BC Cannabis, through a purchase agreement with Overdrive Enterprises Ltd. (“Overdrive”). The acquisition included an assignment of leased premises to BC Cannabis, which were then sub-leased to various individuals. In addition, BC Cannabis acquired a portion of a consulting service of Overdrive, which was to provide information and guidance with respect to the cultivation of various strains of medical marijuana plants.

The consideration paid and purchase price allocation has been summarized below:

| | |
|--|------------|
| Consideration: | |
| Cash | \$ 200,000 |
| Common Shares of Deer Horn Capital Corp. – 1,000,000 | 50,000 |
| Total consideration | 250,000 |
| Purchase price allocation: | |
| Intangible asset | \$ 250,000 |

The original purchase agreement contemplated the following payments and share issuances by the Company:

- Payment of \$100,000 upon closing the transaction (paid);
- Issuance of 1,000,000 common shares of the Company at closing (issued at a value of \$50,000), and;
- Payment of \$100,000 within one year of closing the transaction (paid).

On May 29, 2015, the Company determined that it would no longer pursue advancing BC Cannabis and entered into an agreement with Overdrive to sell 100% of the issued and outstanding shares of BC Cannabis back to Overdrive for consideration of one dollar, resulting in a loss on sale of \$250,000.

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 12 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | As at July 31, 2015 | As at July 31, 2014 |
|---|------------------------|------------------------|
| Trade payables and corporate credit card | \$ 300,303 | \$ 10,922 |
| Ecology, recycling, and gift card liabilities | 802 | - |
| Amounts due to the Government of British Columbia pursuant to PST liabilities | 1,185 | - |
| Other accrued liabilities | 65,000 | 14,000 |
| Total | \$ 367,290 | \$ 24,922 |

NOTE 13 – WAGES AND BENEFITS

During the year ended July 31, 2015, the Company incurred wages, salaries, and other short-term benefits of \$268,615 (2014 - \$nil), of which \$114,057 (2014 - \$nil) is in cost of sales; \$77,242 (2014 - \$nil) in operating expense; and \$77,516 (2014 - \$nil) in start-up costs.

Wages and benefits payable consists of the following:

| | As at July 31, 2015 | As at July 31, 2014 |
|-----------------------------------|------------------------|------------------------|
| Salaries and wages payable | \$ 30,793 | \$ - |
| Accrued vacation pay payable | 12,066 | - |
| Accrued Worksafe premiums payable | 997 | - |
| Total | \$ 43,856 | \$ - |

NOTE 14 – DUE TO RELATED PARTIES

During the year ended July 31, 2015, the Company incurred fees with individuals and companies owned, or partly owned, by key management and directors. See Note 16(a).

| | As at July 31, 2015 | As at July 31, 2014 |
|---|------------------------|------------------------|
| Due to key management or companies controlled by key management personnel | \$ 176,324 | \$ 136,705 |
| Total | \$ 176,324 | \$ 136,705 |

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 15 – SHARE CAPITAL

a) **Authorized:** An unlimited number of common shares without par value.

b) **Share issuance:**

Fiscal 2015

On July 27, 2015, the Company completed a non-brokered private placement for gross proceeds of \$27,000 through the issuance of 90,000 units at a price of \$0.30 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for a period of two years at a price of \$0.40 per share in the first year and \$0.50 per share in the second year. The warrants were attributed a fair value of \$9,900.

On May 19, 2015, the Company completed a non-brokered private placement for gross proceeds of \$204,506 through the issuance of 681,668 units at a price of \$0.30 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for a period of two years at a price of \$0.40 per share in the first year and \$0.50 per share in the second year. The warrants were attributed a fair value of \$nil.

On May 4, 2015, the Company completed a non-brokered private placement for gross proceeds of \$279,800 through the issuance of 932,668 common units at a price of \$0.30 per share. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for a period of two years at a price of \$0.40 per share in the first year and \$0.50 in the second year. The Company paid finders' fees of \$14,880 to eligible finders in respect to this non-brokered private placement. The warrants were attributed a fair value of \$9,327.

On March 9, 2015, the Company completed a non-brokered private placement for gross proceeds of \$410,500 through the issuance of 4,105,000 units at a price of \$0.10 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for a period of two years at a price of \$0.15 per share in the first year and \$0.20 per share in the second year. The warrants were attributed a fair value of \$nil.

On January 12, 2015, the Company completed a non-brokered private placement for gross proceeds of \$505,000 through the issuance of 10,100,000 units at a price of \$0.05 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for a period of two years at a price of \$0.10. The warrants were attributed a fair value of \$nil.

Fiscal 2014

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.

c) **Contribution:**

During the year ended July 31, 2015, the Company received a \$175,000 cash contribution from a stakeholder of the Company and has been recorded in contribution reserves. The contribution is non-repayable and does not confer equity interest.

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 15 – SHARE CAPITAL *(continued)*

d) **Stock Options:**

The Company is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company, on a rolling basis. Options may be granted at an exercise price of no less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the board of directors. Options can be granted for a maximum term of five years. Vesting is not required but may be set on an individual basis as determined by the board of directors.

As at July 31, 2015, 1,442,500 of the outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.70.

The continuity for stock options for the year ended July 31, 2015, is as follows:

| Number outstanding July 31, 2014 | Granted | Exercised | Expired/Cancelled | Number outstanding July 31, 2015 | 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 | - | |
| 205,000 | - | - | - | 205,000 | \$2.50 | Mar. 11, 2016 | 0.61 yrs | |
| 50,000 | - | - | - | 50,000 | \$2.50 | June 24, 2016 | 0.90 yrs | |
| 100,000 | - | - | - | 100,000 | \$1.00 | Mar. 25, 2018 | 2.65 yrs | |
| - | 2,275,000 | - | (150,000) | 2,125,000 | \$0.14 | Mar. 10, 2020 | 4.61 yrs | |
| - | 200,000 | - | - | 200,000 | \$0.25 | Mar. 18, 2020 | 4.64 yrs | |
| 655,000 | 2,475,000 | - | (450,000) | 2,680,000 | \$0.49 | <i>(weighted average)</i> | 4.17 yrs | |
| | | | | Exercisable | 1,442,500 | \$0.70 | <i>(weighted average)</i> | 3.78 yrs |

The continuity for stock options for the year ended July 31, 2014, is 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 | <i>(weighted average)</i> | 1.45 yrs | |
| | | | | Exercisable | 655,000 | \$1.73 | <i>(weighted average)</i> | 1.45 yrs |

*Expired subsequent to year end, unexercised.

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 15 – SHARE CAPITAL *(continued)*

During the year ended July 31, 2015, 450,000 options (2014 – 235,000) previously issued with a fair value of \$423,098 (2014 – 308,300) as share-based compensation expired or were cancelled. The previously recorded historical fair value of these options was reallocated to deficit.

e) **Share-based compensation:**

The fair value of each option granted to employees, officers and directors was estimated on the date of grant using the Black-Scholes option pricing model.

Fiscal 2015

During the year ended July 31, 2015, the Company recorded \$298,716 (2014 - \$nil) in share-based compensation expense for options vesting in the period as follows:

- a) vesting portion of options granted on March 10, 2015, of \$257,402; and
- b) vesting portion of options granted on March 18, 2015, of \$41,314.

The fair value of the 2,275,000 options granted on March 10, 2015 with an exercise price of \$0.14, was determined using a risk free interest rate of 0.92%, an expected volatility of 190%, an expected life of 5 years, and an expected dividend of zero for a total fair value of \$305,500 or \$0.134 per option. The options vest as to 25% on grant; and a further 25% on every subsequent 3-month period. Volatility was determined using daily closing share prices over a term equivalent to the expected life of the options.

The fair value of the 200,000 options granted on March 18, 2015 with an exercise price of \$0.25, was determined using a risk free interest rate of 0.74%, an expected volatility of 190%, an expected life of 5 years, and an expected dividend of zero for a total fair value of \$47,997 or \$0.24 per option. The options vest as to 25% on grant; and a further 25% on every subsequent 3-month period. Volatility was determined using daily closing share prices over a term equivalent to the expected life of the options.

Fiscal 2014

During the year ended July 31, 2014, the Company recorded \$nil in share-based compensation.

f) **Share-purchase warrants:**

The continuity for share purchase warrants for the year ended July 31, 2015, is as follows:

| Number outstanding July 31, 2014 | Granted | Exercised | Expired/Cancelled | Number outstanding July 31, 2015 | Exercise price per share | Expiry date | Weighted average remaining contractual life in years |
|----------------------------------|-----------|-----------|-------------------|----------------------------------|--------------------------|---------------------------------|--|
| 266,000 | - | - | - | 266,000 | \$1.00 | October 12, 2015 ⁽¹⁾ | 0.20 yrs |
| - | 5,050,000 | - | - | 5,050,000 | \$0.10 | January 12, 2017 | 1.45 yrs |
| - | 2,052,000 | - | - | 2,052,500 | \$0.10 | March 9, 2017 ⁽²⁾ | 1.61 yrs |
| - | 466,334 | - | - | 466,334 | \$0.40 | May 4, 2017 ⁽³⁾ | 1.76 yrs |
| - | 340,834 | - | - | 340,834 | \$0.40 | May 19, 2017 ⁽³⁾ | 1.80 yrs |
| - | 45,000 | - | - | 45,000 | \$0.40 | July 27, 2017 ⁽³⁾ | 1.99 yrs |
| 266,000 | 7,954,668 | - | - | 8,220,668 | \$0.17 | <i>(weighted average)</i> | 1.49 yrs |

(1) *expired subsequent to year end, unexercised*

(2) *exercise price increases to \$0.20 in year two*

(3) *exercise price increases to \$0.50 in year two*

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15 – SHARE CAPITAL *(continued)*

The continuity for share purchase warrants for the year ended July 31, 2014, is 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 |
|----------------------------------|---------|-----------|--------------------|----------------------------------|--------------------------|---------------------------|--|
| 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 | <i>(weighted average)</i> | 1.20 yrs |

NOTE 16 – RELATED PARTY TRANSACTIONS

- a) The Company's related parties consist of companies with directors and officers in common and companies owned in whole or in part by executive officers, directors or close family members of those individuals as follows:

| Name | Nature of transactions |
|-----------------------------------|---|
| Docherty Capital Corp. | Management fees charged as CEO |
| Docherty Capital Corp. | Travel and expense allowances |
| Saulnier Capital Consulting Corp. | Management fees charged as CFO |
| Dunbar Law Corp. | Management fees |
| The Sutherland Group | Salary and wages, and stakeholder contributions |
| Sean & Kieran Docherty | Rent, consulting fees |

The Company incurred the following fees with individuals and / or companies owned, or partially owned, by key management which the Company defines as officers and directors.

| For the year ended | July 31, 2015 | July 31, 2014 |
|-----------------------------------|---------------|---------------|
| Management fees CEO | \$ 210,000 | \$ 210,000 |
| Travel and expense allowances CEO | 12,000 | 12,000 |
| Management fees CFO | 30,000 | 32,500 |
| Management fees other | 70,000 | 60,000 |
| Salaries and wages | 34,615 | - |
| Share-based compensation | 234,572 | - |
| Total | \$ 591,187 | \$ 314,500 |

DEER HORN CAPITAL INC.
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NOTE 16 – RELATED PARTY TRANSACTIONS *(continued)*

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

| For the year ended | July 31, 2015 | July 31, 2014 |
|--------------------|------------------|------------------|
| Rent | \$ 12,000 | \$ 13,000 |
| Consulting | 66,000 | 57,250 |
| Total | \$ 78,000 | \$ 70,250 |

b) Balances owed to related parties disclosed in Note 14 of these financial statements.

Included in wages and benefits payable is management salaries of \$1,846.

c) During fiscal 2015, the Sutherland Group contributed \$175,000 recorded in reserves.

NOTE 17 – SEGMENTED INFORMATION

The Company operates in two business segments being the operation of retail stores in the natural and organic retailing sector; and, until recently, the acquisition and exploration of exploration and evaluation assets in Canada.

Management has determined that the primary segmental reporting format is by business segment, based on the Company's internal reporting structure. The Company operates principally in two segments: retail operations and head office. The retailing operation consists of retail sales of food products in Maple Ridge, BC.

| As at July 31, 2015 | Retail operations | Head office and corporate | Total |
|------------------------|-------------------|---------------------------|------------------|
| ASSETS: | | | |
| Current Assets | \$ 317,109 | \$ 82,213 | \$ 399,322 |
| Deposits | 38,322 | - | 38,322 |
| Property and Equipment | 621,074 | 1,961 | 623,035 |
| Reclamation Deposit | - | 85,212 | 85,212 |
| Total Assets | 976,505 | 169,386 | 1,145,891 |

LIABILITIES:

| | | | |
|---------------------|------------|------------|------------|
| Current Liabilities | \$ 292,425 | \$ 295,045 | \$ 587,470 |
|---------------------|------------|------------|------------|

| For the year ended July 31, 2015 | Retail operations | Head office and corporate | Total |
|----------------------------------|-------------------|---------------------------|-----------------|
| Revenue | | | |
| Retail sales | 207,989 | - | 207,989 |
| Cost of goods sold | | | |
| Purchases | 142,500 | - | 142,500 |
| Salaries, wages and benefits | 114,132 | - | 114,132 |
| Other | 4,662 | - | 4,662 |
| | (261,294) | - | (261,294) |
| Gross margin (loss) | (53,305) | - | (53,305) |

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended July 31, 2015 and 2014

NOTE 17 – SEGMENTED INFORMATION *(continued)*

| For the year ended July 31, 2015 | Retail operations | Head office and corporate | Total |
|---|----------------------|------------------------------|--------------------|
| Expenses | | | |
| Advertising and promotion | 32,270 | 40,953 | 73,223 |
| Consulting fees | - | 66,000 | 66,000 |
| Depreciation | 15,585 | 447 | 16,032 |
| Insurance, licenses, and fees | 1,787 | - | 1,787 |
| Investor relations and shareholder information | - | 13,488 | 13,488 |
| Management fees | - | 360,293 | 360,293 |
| Office and miscellaneous | 25,590 | 10,393 | 35,983 |
| Professional fees | 8,756 | 144,321 | 153,077 |
| Regulatory and filing fees | - | 40,244 | 40,244 |
| Rent, utilities and occupancy costs | 49,419 | 14,954 | 64,373 |
| Salaries and benefits | 77,242 | - | 77,242 |
| Share-based payments | - | 298,716 | 298,716 |
| Start-up costs | 75,372 | - | 75,372 |
| Supplies | 12,126 | - | 12,126 |
| Travel | 2,959 | 17,081 | 20,040 |
| Expenses | (301,106) | (1,006,890) | (1,307,996) |
| Operating income (loss) | (354,411) | (1,006,890) | (1,361,301) |
| Consulting income | - | 6,000 | 6,000 |
| Exploration and evaluation, net recovery | - | 136,912 | 136,912 |
| Impairment of exploration and evaluation asset | - | (8,250) | (8,250) |
| Interest income | - | 3,212 | 3,212 |
| Impairment of intangible asset | - | (250,000) | (250,000) |
| Income (loss) and comprehensive income (loss) for the year | (354,411) | (1,119,016) | (1,473,427) |

NOTE 18 – BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share for the year ended July 31, 2015 is based on income (loss) attributable to common shareholders of \$(1,473,427) (2014 – \$54,237) and a weighted average number of common shares outstanding of 23,511,910 (2014 – 15,243,536).

NOTE 19 – COMMITMENTS

Leases

The Company leases certain of its retail stores, corporate offices, and other assets under operating lease arrangements. Substantially all of the retail store leases have renewal options for additional terms.

Determining whether a lease arrangement is classified as finance or operating requires judgment with respect to the fair value of the leased asset, the economic life of the lease, the discount rate and the allocation of leasehold interests between the land and building elements of property leases.

DEER HORN CAPITAL INC.
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NOTE 19 – COMMITMENTS *(continued)*

| | 2016 | 2017 | 2018 | 2019 | 2020 ⁽¹⁾ | TOTAL |
|------------------------------|------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| Lease – Head Office | \$ 24,687 | \$ 18,516 | \$ - | \$ - | \$ - | \$ 43,203 |
| Lease – Store ⁽¹⁾ | 137,598 | 144,774 | 148,614 | 155,920 | 118,405 | 705,311 |
| Lease – Warehouse | 21,250 | - | - | - | - | 21,250 |
| | \$183,535 | \$ 163,290 | \$ 148,614 | \$ 155,920 | \$ 118,405 | \$ 769,764 |

(1) – with option to renew

Net Profits Interest

On January 15, 2015, the Company entered into a net profits interest agreement (“NPI Agreement”) with Mr. Lance Sutherland and The Sutherland Group (“Sutherland”). Pursuant to the NPI Agreement, the Company will pay to Sutherland a net profits interest (“NPI”) in each retail organic grocery store that the Company owns and operates in the amount of 20% of the calculated net profits, or net deficiency, as the case may be, of each retail store. The retail NPI will be calculated on each retail store separately, and will be payable 160 days subsequent to the year end of each store. Any carried-forward NPI deficiency from prior years will be accounted for as deductions from the then current years NPI calculation. This NPI does not confer any ownership rights to Sutherland. If a retail store is sold, the net proceeds or profit attributable to the Company on such sale will not be considered net profits for the purposes of the NPI calculation pursuant to the NPI Agreement.

In addition, and pursuant to the NPI Agreement, there will be no NPI calculated or payable to Sutherland until such time as the Company has been repaid any and all loans or other indebtedness from each retail store.

The NPI Agreement is assignable, in whole or in part at the discretion of Sutherland.

NOTE 20 – DEFERRED INCOME TAXES

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

| | 2015 | 2014 |
|--|----------------|-----------|
| Income (loss) for the year | \$ (1,473,427) | \$ 54,237 |
| Expected income tax (recovery) | (383,000) | 14,000 |
| Change in statutory rates, and other | 1,000 | (2,000) |
| Permanent difference | 110,000 | - |
| Expiry of non capital loss | 45,000 | - |
| Share issue cost | (16,000) | - |
| Adjustment to prior year provision versus statutory tax return | (139,000) | - |
| Change in unrecognized deductible temporary differences | 382,000 | (12,000) |
| Deferred income tax recovery | \$ - | \$ - |

DEER HORN CAPITAL INC.
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NOTE 20 – DEFERRED INCOME TAXES *(continued)*

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

| | 2015 | 2014 |
|-----------------------------------|--------------|--------------|
| Share issue costs | \$ 14,000 | \$ 15,000 |
| Allowable capital losses | 512,000 | 480,000 |
| Non-capital losses | 1,699,000 | 1,495,000 |
| Equipment | 5,000 | 1,000 |
| Exploration and evaluation assets | 1,090,000 | 947,000 |
| Unrecognized deferred tax assets | \$ 3,320,000 | \$ 2,938,000 |

The Company has non-capital losses of approximately \$6,535,000 (2014 - \$5,752,000) available for deduction against future taxable income. These losses, if not utilized, will expire through to 2035. The Company has resource expenditures of approximately \$3,289,000 (2014 - \$2,739,000) 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 21 – 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, deposits, accounts payable and accrued liabilities, wages payable, due to related parties, and related party loans.

Fair values

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

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of cash, receivables, deposits, accounts payable and accrued liabilities, wages payable, and due to related parties approximate their fair value because of the short term nature of these instruments.

DEER HORN CAPITAL INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 21 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance. The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances or debt financings. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

Interest rate risk

The Company has cash balances but no external debt. The Company's current policy is to invest excess cash in investment grade short-term demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is marginally exposed to interest rate risk.

Foreign currency risk

The Company is not exposed to foreign currency risk.

Commodity price risk

The Company is 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 retail grocery items and healthy living products, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

DEER HORN CAPITAL INC.
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NOTE 22 – 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 and expand the retail store operations and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing operations and growth, the Company does not pay out dividends at this time. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consists of cash on hand, balances with banks and investments in highly liquid instruments, if any. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents as the fair value approximates carrying value. There have been no changes to the Company's approach to capital management during the year ended July 31, 2015. The Company is not subject to externally imposed capital requirements.

NOTE 23 – SUBSEQUENT EVENTS

Subsequent to July 31, 2015; the Company:

- a) closed a non-brokered private placement and issued 2,000,000 units at a price of \$0.10 per unit for total gross proceeds of \$200,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable for a period of two years at a price of \$0.15 per share. The Company paid an aggregate of \$16,000 in fees to eligible finders in respect to the private placement;
- b) received additional stakeholder contributions of \$40,500;
- c) received loans from related parties totalling \$108,000. These loans are non-interest bearing, have no fixed terms of repayment and are due on demand; and
- d) received a \$25,000 advance pursuant to an insurance claim due to spoiled retail inventory caused by an extended power outage at the Maple Ridge location.