



DEER HORN CAPITAL INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended October 31, 2015 and 2014

(Expressed in Canadian Dollars)

(unaudited)

NOTICE TO READER

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

The condensed consolidated interim financial statements for the Company for the first quarter ended October 31, 2015 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.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars) *(unaudited)*

	Note	October 31, 2015	July 31, 2015
Assets			
Current Assets			
Cash		\$ 6,990	\$ 47,350
Receivables	3	22,672	45,783
Prepaid expenses	4	24,089	57,261
Inventories	5	231,609	248,928
		285,360	399,322
Deposits	6	38,326	38,322
Property and Equipment	7	594,675	623,035
Reclamation Deposit	8	85,212	85,212
		\$ 1,003,573	\$ 1,145,891
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	9	\$ 334,487	\$ 367,290
Wages and benefits	10	30,482	43,856
Due to related parties	11	154,621	176,324
		519,590	587,470
Shareholders' Equity			
Share capital	12	12,827,510	12,800,910
Reserves		873,125	835,765
Deficit		(13,216,652)	(13,078,248)
		483,983	558,421
		\$ 1,003,573	\$ 1,145,891

Nature of Operations and Going Concern (Note 1)

Commitments (Note 16)

Subsequent Events (Note 19)

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on December 23, 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 condensed consolidated interim financial statements.

DEER HORN CAPITAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF
LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars) *(unaudited)*
For the three months ended October 31,

	Note	2015	2014
Revenue			
Retail sales		\$ 196,491	\$ -
Cost of goods sold			
Purchases		124,443	-
Salaries, wages and benefits		133,301	-
Other		2,812	-
		<u>260,556</u>	<u>-</u>
Gross margin (loss)		<u>(64,065)</u>	<u>-</u>
Expenses			
Advertising and promotion		9,945	-
Consulting fees	13	42,000	10,150
Depreciation	7	28,360	120
Insurance, licenses, and fees		1,726	-
Investor relations and shareholder information		17,019	305
Management fees	13	27,000	78,000
Office and miscellaneous		2,601	3,227
Professional fees		7,620	400
Regulatory and filing fees		3,752	16,642
Rent, utilities and occupancy costs		58,755	3,000
Repairs and maintenance		1,017	-
Salaries and benefits		31,148	-
Share-based payments	12	23,460	-
Supplies		7,598	-
Travel		3,189	3,291
		<u>(265,190)</u>	<u>(115,135)</u>
Operating income (loss)		<u>(329,255)</u>	<u>(115,135)</u>
Interest income		7	-
Insurance proceeds		25,000	-
Gain on settlement of related party debt	11	165,850	-
Loss and comprehensive loss for the period		<u>\$ (138,398)</u>	<u>\$ (115,135)</u>
Basic and diluted loss per share		<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average shares outstanding		32,344,653	15,243,536

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

DEER HORN CAPITAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars) *(unaudited)*
For the three months ended October 31,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) and comprehensive income (loss) for the period	\$ (138,398)	\$ (115,135)
Items not involving cash:		
Depreciation	28,360	120
Share-based payments	23,460	-
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	23,111	(4,941)
Decrease (increase) in prepaid expenses	33,172	-
Decrease (increase) in inventories	17,319	-
Increase (decrease) in wages and benefits payable	(13,374)	-
Increase (decrease) in due to related parties	(129,703)	-
Increase (decrease) in accounts payable and accrued liabilities	(32,803)	(4,912)
Cash flows used in operating activities	(188,856)	(124,868)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	(4)	-
Cash flows used in investing activities	(4)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution from stakeholder	40,500	-
Proceeds from related party loans	108,000	-
Cash flows provided from financing activities	148,500	-
Change in cash during the period	(40,360)	(124,868)
Cash, beginning of period	47,350	197,670
Cash, end of period	6,990	72,802

Supplemental disclosure with respect to cash flows:

Transfer expired equity options to deficit	\$	-	\$	14,400
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The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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

	Number of Common Shares	Share Capital	Share Subscriptions	Reserves			Total Shareholders' Equity
				Share-based Payments Reserve	Contribution Reserve	Deficit	
Balance, July 31, 2014	15,435,317	\$ 11,403,400	\$ -	\$ 765,920	\$ -	\$ (12,027,925)	\$ 141,395
Transfer upon expiration of options	-	-	-	(14,400)	-	14,400	-
Income (loss) and comprehensive Income (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

	Number of Common Shares	Share Capital	Share Subscriptions	Reserves			Total Shareholders' Equity
				Share-based Payments Reserve	Contribution Reserve	Deficit	
Balance, July 31, 2015	32,344,653	\$ 12,800,910	\$ -	\$ 660,765	\$ 175,000	\$ (13,078,254)	\$ 558,421
Transfer upon expiration of warrants	-	26,600	-	(26,600)	-	-	-
Share-based compensation	-	-	-	23,460	-	-	23,460
Contribution from stakeholder (Notes 15 & 16)	-	-	-	-	40,500	-	40,500
Income (loss) and comprehensive Income (loss) for the period	-	-	-	-	-	(138,398)	(138,398)
Balance, October 31, 2015	32,344,653	\$ 12,827,510	\$ -	\$ 657,625	\$ 215,500	\$ (13,216,652)	\$ 483,983

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

DEER HORN CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended October 31, 2015
(Unaudited)

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). These condensed consolidated interim financial statements for the period ended October 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 condensed consolidated interim 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 October 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 – SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as at and for the year ended July 31, 2015. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements were authorized by the Audit Committee and Board of Directors of the Company on December 23, 2015.

Basis of measurement

The condensed consolidated interim 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended October 31, 2015
(Unaudited)

NOTE 2 – BASIS OF PRESENTATION *(continued)*

Basis of measurement *(continued)*

The significant accounting policies for the quarter are consistent with those disclosed in the audited annual financial statements for the year ended July 31, 2015. The accompanying interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2015.

Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended July 31, 2015

New standards, interpretations and amendments not yet effective:

A number of new standards, amendments to standards and interpretations are not yet effective as of October 31, 2015, and have not been applied in preparing these condensed consolidated interim 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, 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*.

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.

DEER HORN CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended October 31, 2015
(Unaudited)

NOTE 3 – RECEIVABLES

	As at Oct. 31, 2015	As at July 31, 2015
Amounts due from the Government of Canada pursuant to GST input tax credits	\$ 18,752	\$ 43,498
Amounts due from merchant credit card sales	3,920	2,285
Total	\$ 22,672	\$ 45,783

NOTE 4 – PREPAID EXPENSES

	As at Oct. 31, 2015	As at July 31, 2015
Prepaid insurance	\$ 801	\$ 1,402
Prepaid consulting	20,000	50,000
Other	3,288	5,859
Total	\$ 24,089	\$ 57,261

NOTE 5 – INVENTORIES

	As at Oct. 31, 2015	As at July 31, 2015
Goods for sale	\$ 213,916	\$ 231,375
Promotional items	1,762	3,522
Supplies	15,931	14,031
Total	\$ 231,609	\$ 248,928

NOTE 6 – DEPOSITS

	As at Oct. 31, 2015	As at July 31, 2015
Security deposit on corporate credit card	\$ 20,004	\$ 20,000
Lease deposits – warehouse, store, office	18,322	18,322
Total	\$ 38,326	\$ 38,322

DEER HORN CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended October 31, 2015
(Unaudited)

NOTE 7 – PROPERTY AND EQUIPMENT

	Tenant improvements	Furniture and fixtures	Store equipment	Office and computer equipment	TOTAL
Cost:					
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
Additions	-	-	-	-	-
Balance at Oct. 31, 2015	\$ 226,459	\$ 19,652	\$ 340,182	\$ 70,018	\$ 656,311
Accumulated depreciation:					
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
Depreciation	5,588	98	13,759	8,915	28,360
Balance at Oct. 31, 2015	\$ 8,518	\$ 17,789	\$ 21,230	\$ 14,099	\$ 61,636
Carrying amounts:					
July 31, 2015	\$ 223,529	\$ 1,961	\$ 332,711	\$ 64,834	\$ 623,035
October 31, 2015	\$ 217,941	\$ 1,863	\$ 318,952	\$ 55,919	\$ 594,675

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended October 31, 2015
(Unaudited)

NOTE 8 – RECLAMATION DEPOSIT

The Company provided funding for deposits as security against potential future reclamation work related to the Deerhorn property (Note 9).

	As at Oct. 31, 2015	As at July 31, 2015
Reclamation deposit: Deerhorn property	\$ 85,212	\$ 85,212

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at Oct. 31, 2015	As at July 31, 2015
Trade payables and corporate credit card	\$ 268,155	\$ 300,303
Ecology, recycling, and gift card liabilities	996	802
Amounts due to the Government of British Columbia pursuant to PST liabilities	336	1,185
Other accrued liabilities	65,000	65,000
Total	\$ 334,487	\$ 367,290

NOTE 10 – WAGES AND BENEFITS

During the period ended Oct. 31, 2015, the Company incurred wages, salaries, and other short-term benefits of \$164,449 (2014 - \$nil), of which \$133,301 (2014 - \$nil) is in cost of sales; and \$31,148 (2014 - \$nil) in operating expense.

Wages and benefits payable consists of the following:

	As at Oct. 31, 2015	As at July 31, 2015
Salaries and wages payable	\$ 12,404	\$ 30,793
Accrued vacation pay payable	16,916	12,066
Accrued Worksafe premiums payable	1,162	997
Total	\$ 30,482	\$ 43,856

DEER HORN CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended October 31, 2015
(Unaudited)

NOTE 11 – DUE TO RELATED PARTIES

During the three-month period ended Oct. 31, 2015, the Company incurred fees with individuals and companies owned, or partly owned, by key management and directors. See Note 13(a).

During the three-month period ended October 31, 2015, the Company and certain related party creditors agreed to reduce outstanding debts incurred in periods prior to August 1, 2015, as follows:

Related party	Reduction of debt	
Docherty Capital Corp. – management fees CEO	\$	81,850
Dunbar Law Corp. – management fees		84,000
TOTAL related party fees reduced	\$	165,850

In addition, during the three-month period ended October 31, 2015, the Company borrowed funds from related companies or individuals for a total of \$108,000. These short-term loans bear no interest, and have no specific terms of repayment.

	As at Oct. 31, 2015		As at July 31, 2015	
Due to key management or companies controlled by key management personnel	\$	154,621	\$	176,324
Total	\$	154,621	\$	176,324

NOTE 12 – SHARE CAPITAL

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

b) **Share issuance:**

Fiscal 2016

There were no share issuances during the three-month period ended October 31, 2015.

Fiscal 2015

There were no share issuances during the three-month period ended October 31, 2014.

c) **Shareholder contribution**

During the period ended October 31, 2015, the Company received a \$40,500 cash contribution from a stakeholder of the Company and this has been recorded in contribution reserves. The contribution is non-repayable and does not confer equity interest.

DEER HORN CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended October 31, 2015
(Unaudited)

NOTE 12 – 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 October 31, 2015, 2,098,750 of the outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.56.

As at October 31, 2015, the Company had outstanding stock options as follows:

Number outstanding July 31, 2015	Granted	Exercised	Expired/Cancelled	Number outstanding July 31, 2015	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
205,000	-	-	-	205,000	\$2.50	Mar. 11, 2016	0.36 yrs
50,000	-	-	-	50,000	\$2.50	June 24, 2016	0.65 yrs
100,000	-	-	-	100,000	\$1.00	Mar. 25, 2018	2.40 yrs
2,125,000	-	-	-	2,125,000	\$0.14	March 10, 2020	4.36 yrs
200,000	-	-	-	200,000	\$0.25	March 18, 2020	4.38 yrs
2,680,000	-	-	-	2,680,000	\$0.40	<i>(weighted average)</i>	3.91 yrs
			Exercisable	2,098,750	\$0.56	<i>(weighted average)</i>	3.78 yrs

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 2016

During the three-month period ended October 31, 2015, the Company recorded \$23,460 (2014 - \$nil) in share-based compensation expense for options vesting in the period.

DEER HORN CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited)

NOTE 12 – SHARE CAPITAL (continued)

f) **Share-purchase warrants**

The continuity for share purchase warrants for the period ended October 31, 2015, is as follows:

Number outstanding July 31, 2015	Granted	Exercised	Expired/Cancelled	Number outstanding Oct. 31, 2015	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
266,000	-	-	(266,000)	-	\$1.00	October 12, 2015	-
5,050,00	-	-	-	5,050,000	\$0.10	January 12, 2017	1.20 yrs
2,052,000	-	-	-	2,052,500	\$0.10	March 9, 2017 ⁽¹⁾	1.36 yrs
466,334	-	-	-	466,334	\$0.40	May 4, 2017 ⁽²⁾	1.51 yrs
340,834	-	-	-	340,834	\$0.40	May 19, 2017 ⁽²⁾	1.55 yrs
45,000	-	-	-	45,000	\$0.40	July 27, 2017 ⁽²⁾	1.74 yrs
8,220,668	-	-	(266,000)	7,954,668	\$0.13	(weighted average)	1.28 yrs

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

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

NOTE 13 – 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 loans to the Company
Sean Docherty	Office rent
Kieran Docherty	Consulting fees

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

Three months ended October 31,	2015	2014
Management fees CEO	\$ 19,500	\$ 52,500
Travel and expense allowances CEO	3,000	3,000
Management fees CFO	7,500	7,500
Management fees other	-	15,000
Salaries and wages	31,148	-
Share-based compensation	23,460	-
Total	\$ 84,608	\$ 78,000

DEER HORN CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended October 31, 2015
(Unaudited)

NOTE 13 – RELATED PARTY TRANSACTIONS (continued)

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

For the three months ended October 31,	2015	2014
Rent	\$ 3,000	\$ 3,000
Consulting	12,000	57,250
Total	\$ 15,000	\$ 70,250

b) Balances owed to related parties are disclosed in Note 11 of these financial statements.

Included in wages and benefits payable is management salaries of \$2,428.

NOTE 14 – 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 October 31, 2015	Retail operations	Head office and corporate	Total
ASSETS:			
Current Assets	\$ 252,858	\$ 32,502	\$ 285,360
Deposits	38,326	-	38,326
Property and Equipment	592,811	1,864	594,675
Reclamation Deposit	-	85,212	85,212
Total Assets	883,995	119,578	1,003,573

LIABILITIES:

Current Liabilities	\$ 236,759	\$ 282,831	\$ 519,590
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For the three months ended October 31, 2015	Retail operations	Head office and corporate	Total
Revenue			
Retail sales	\$ 196,491	\$ -	\$ 196,491
Cost of goods sold			
Purchases	124,443	-	124,443
Salaries, wages and benefits	133,301	-	133,301
Other	2,812	-	2,812
	260,556	-	260,556
Gross margin (loss)	(64,065)	-	(64,065)

DEER HORN CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended October 31, 2015
(Unaudited)

NOTE 14 – SEGMENTED INFORMATION *(continued)*

For the three months ended October 31, 2015	Retail operations	Head office and corporate	Total
Expenses			
Advertising and promotion	\$ 9,945	\$ -	\$ 9,945
Consulting fees	-	42,000	42,000
Depreciation	28,262	98	28,360
Insurance, licenses, and fees	1,726	-	1,726
Investor relations and shareholder information	-	17,019	17,019
Management fees	-	27,000	27,000
Office and miscellaneous	2,482	119	2,601
Professional fees	7,620	-	7,620
Regulatory and filing fees	-	3,752	3,752
Rent, utilities and occupancy costs	55,014	3,741	58,755
Repairs and maintenance	1,017	-	1,017
Salaries and benefits	31,148	-	31,148
Share-based payments	-	23,460	23,460
Supplies	7,598	-	7,598
Travel	189	3,000	3,189
Expenses	(145,001)	(120,189)	(265,190)
Operating income (loss)	(209,066)	(120,189)	(329,255)
Interest income	7	-	7
Insurance recovery	25,000	-	25,000
Gain on settlement of debt	-	165,850	165,850
Income (loss) and comprehensive income (loss) for the period	\$ (184,059)	\$ 45,661	\$ (138,398)

NOTE 15 – BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share for the three-month period ended October 31, 2015 is based on the loss attributable to common shareholders of \$138,398 (2014 – \$115,135) and a weighted average number of common shares outstanding of 32,344,653 (2014 – 15,435,317).

DEER HORN CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months ended October 31, 2015
(Unaudited)

NOTE 16 – 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.

Fiscal year	2016	2017	2018	2019	2020⁽¹⁾	TOTAL
Lease – Head Office	\$ 24,687	\$ 8,229	\$ -	\$ -	\$ -	\$ 32,916
Lease – Store ⁽¹⁾	72,533	74,800	79,333	81,600	27,200	335,466
Lease – Warehouse	30,000	8,750	-	-	-	38,750
	<u>\$127,220</u>	<u>\$ 91,779</u>	<u>\$ 79,333</u>	<u>\$ 81,600</u>	<u>\$ 27,200</u>	<u>\$ 407,132</u>

(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 17 – 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

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NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

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, and due to related parties.

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.

Financial instrument risk exposure and risk management

All aspects of the Company's risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended July 31, 2015.

NOTE 18 – 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 19 – SUBSEQUENT EVENTS

On November 17, 2015, the Company 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.