



## **DEER HORN CAPITAL INC.**

### **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For the nine months ended April 30, 2016 and 2015**

(Expressed in Canadian Dollars)

*(unaudited)*

## **NOTICE TO READER**

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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 third quarter ended April 30, 2016, 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.

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**DEER HORN CAPITAL INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars) *(unaudited)*

|  | Note | April 30,<br>2016 | July 31,<br>2015    |
|--|------|-------------------|---------------------|
| <b>Assets</b>                            |      |                   |                     |
| <b>Current Assets</b>                    |      |                   |                     |
| Cash                                     |      | \$ 51,566         | \$ 47,350           |
| Receivables                              | 3    | 26,294            | 45,783              |
| Prepaid expenses                         | 4    | 15,861            | 57,261              |
| Inventories                              | 5    | 211,139           | 248,928             |
|  |      | <b>304,860</b>    | <b>399,322</b>      |
| <b>Deposits</b>                          | 6    | <b>38,329</b>     | <b>38,322</b>       |
| <b>Property and Equipment</b>            | 7    | <b>549,939</b>    | <b>623,035</b>      |
| <b>Reclamation Deposit</b>               | 8    | <b>85,212</b>     | <b>85,212</b>       |
|  |      | <b>\$ 978,340</b> | <b>\$ 1,145,891</b> |
| <b>Liabilities</b>                       |      |                   |                     |
| <b>Current Liabilities</b>               |      |                   |                     |
| Accounts payable and accrued liabilities | 9    | \$ 286,920        | \$ 367,290          |
| Wages and benefits                       | 10   | 10,675            | 43,856              |
| Due to related parties                   | 11   | 239,700           | 176,324             |
|  |      | <b>537,295</b>    | <b>587,470</b>      |
| <b>Non-Current Liabilities</b>           |      |                   |                     |
| Debentures payable                       | 12   | 182,000           | -                   |
| <b>Shareholders' Equity</b>              |      |                   |                     |
| Share capital                            | 13   | 13,160,199        | 12,800,910          |
| Reserves                                 |      | 638,019           | 835,765             |
| Deficit                                  |      | (13,539,173)      | (13,078,248)        |
|  |      | <b>259,045</b>    | <b>558,421</b>      |
|  |      | <b>\$ 978,340</b> | <b>\$ 1,145,891</b> |

**Nature of Operations and Going Concern** (Note 1)

**Commitments** (Note 17)

**Subsequent Events** (Note 20)

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on June 28, 2016.

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)*

|   | Note | Three months ended<br>April 30, |                     | Nine months ended<br>April 30, |                     |
|---|------|---------------------------------|---------------------|--------------------------------|---------------------|
|   |      | 2016                            | 2015                | 2016                           | 2015                |
| <b>Revenue</b>                                    |      |                                 |                     |                                |                     |
| Retail sales                                      |      | \$ 119,226                      | \$ -                | \$ 486,389                     | \$ -                |
| <b>Cost of goods sold</b>                         |      |                                 |                     |                                |                     |
| Purchases   |      | 109,771                         | -                   | 355,527                        | -                   |
| Salaries, wages and benefits                      |      | 71,266                          | -                   | 303,129                        | -                   |
| Other   |      | 3,910                           | -                   | 10,398                         | -                   |
|   |      | <b>184,947</b>                  | <b>-</b>            | <b>669,054</b>                 | <b>-</b>            |
| <b>Gross margin (loss)</b>                        |      | <b>(65,721)</b>                 | <b>-</b>            | <b>(182,665)</b>               | <b>-</b>            |
| <b>Expenses</b>                                   |      |                                 |                     |                                |                     |
| Advertising and promotion                         |      | 12,283                          | -                   | 31,139                         | -                   |
| Consulting fees                                   | 14   | 7,893                           | -                   | 93,479                         | -                   |
| Depreciation                                      | 7    | 28,351                          | 5,364               | 85,066                         | 5,599               |
| Exploration expenses                              |      | -                               | 1,250               | -                              | 2,680               |
| Insurance, licenses, and fees                     |      | 1,379                           | -                   | 2,706                          | -                   |
| Interest and financing fees                       |      | 18,796                          | -                   | 18,796                         | -                   |
| Investor relations and shareholder information    |      | 375                             | 27,008              | 18,800                         | 40,818              |
| Management fees                                   | 14   | 27,000                          | 151,801             | 81,000                         | 340,951             |
| Office and miscellaneous                          |      | 6,444                           | 11,347              | 13,334                         | 18,426              |
| Professional fees                                 |      | 7,079                           | 12,416              | 66,131                         | 69,362              |
| Regulatory and filing fees                        |      | 3,537                           | 5,792               | 15,881                         | 29,711              |
| Rent, utilities and occupancy costs               |      | 50,444                          | 6,500               | 165,236                        | 11,500              |
| Repairs and maintenance                           |      | 150                             | -                   | 1,547                          | -                   |
| Salaries and benefits                             |      | 19,891                          | -                   | 79,566                         | -                   |
| Share-based payments                              | 13   | -                               | 89,367              | 21,139                         | 89,367              |
| Supplies  |      | 10,978                          | -                   | 27,829                         | -                   |
| Travel  |      | 3,050                           | 7,141               | 9,249                          | 13,583              |
|   |      | <b>(197,650)</b>                | <b>(317,986)</b>    | <b>(730,898)</b>               | <b>(621,997)</b>    |
| <b>Operating income (loss)</b>                    |      | <b>(263,371)</b>                | <b>(317,986)</b>    | <b>(913,563)</b>               | <b>(621,997)</b>    |
| Interest income                                   |      | 1                               | -                   | 9                              | -                   |
| Insurance proceeds                                |      | -                               | -                   | 25,000                         | -                   |
| Gain on settlement of related party debt          | 11   | -                               | -                   | 165,850                        | -                   |
| Write-down of intangible assets                   |      | -                               | (261,800)           | -                              | (261,800)           |
| <b>Loss and comprehensive loss for the period</b> |      | <b>\$ (263,371)</b>             | <b>\$ (579,786)</b> | <b>\$ (722,704)</b>            | <b>\$ (883,797)</b> |
| <b>Basic and diluted loss per share</b>           |      | <b>\$ (0.01)</b>                | <b>\$ (0.03)</b>    | <b>\$ (0.02)</b>               | <b>\$ (0.04)</b>    |
| <b>Weighted average shares outstanding</b>        |      | <b>37,044,653</b>               | <b>20,180,150</b>   | <b>34,741,368</b>              | <b>19,987,667</b>   |

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)*

|   | Nine months ended<br>April 30, |                  |
|---|--------------------------------|------------------|
|   | 2016                           | 2015             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                                |                  |
| Income (loss) and comprehensive income (loss) for the period    | \$ (722,704)                   | \$ (883,797)     |
| Items not involving cash:                                       |                                |                  |
| Depreciation  | 85,066                         | 5,599            |
| Share-based payments  | 21,139                         | 89,367           |
| Write-down of intangible assets                                 | -                              | 261,800          |
| Changes in non-cash working capital balances:                   |                                |                  |
| Decrease (increase) in receivables                              | 19,489                         | (64,055)         |
| Decrease (increase) in prepaid expenses                         | 41,400                         | (126,744)        |
| Decrease (increase) in inventories                              | 37,789                         | -                |
| Increase (decrease) in wages and benefits payable               | (33,181)                       | -                |
| Increase (decrease) in due to related parties                   | (84,324)                       | -                |
| Increase (decrease) in accounts payable and accrued liabilities | (80,370)                       | 67,856           |
| Cash flows used in operating activities                         | <b>(715,696)</b>               | <b>(649,974)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                                |                  |
| Acquisition of equipment  | (11,970)                       | (229,995)        |
| Deposits  | (7)                            | -                |
| Investment in intangible assets                                 | -                              | (211,800)        |
| Cash flows used in investing activities                         | <b>(11,977)</b>                | <b>(441,795)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |                                |                  |
| Contribution from stakeholder                                   | 69,500                         | -                |
| Issuance of common shares                                       | 362,000                        | 915,500          |
| Share subscriptions   | -                              | 63,000           |
| Proceeds from related party loans                               | 147,700                        | -                |
| Proceeds from debentures payable                                | 182,000                        | -                |
| Share issue costs   | (29,311)                       | (20,675)         |
| Cash flows provided from financing activities                   | <b>731,889</b>                 | <b>957,825</b>   |
| <b>Change in cash during the period</b>                         | <b>4,216</b>                   | <b>(133,944)</b> |
| <b>Cash, beginning of period</b>                                | <b>47,350</b>                  | <b>197,670</b>   |
| <b>Cash, end of period</b>                                      | <b>\$ 51,566</b>               | <b>\$ 63,726</b> |

**Supplemental disclosure with respect to cash flows:**

|   |    |         |    |         |
|---|----|---------|----|---------|
| Issuance of common shares for asset acquisition | \$ | -       | \$ | 50,000  |
| Transfer expired equity options to deficit      |    | 261,785 |    | 14,400  |
| Transfer expired warrants to share capital      |    | 26,600  |    | -       |
| Fair value of warrants on share issuance        |    | -       |    | 224,150 |

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<br>Common<br>Shares | Share Capital        | Reserves                |                         |                        | Total<br>Shareholders'<br>Equity |
|--|-------------------------------|----------------------|-------------------------|-------------------------|------------------------|----------------------------------|
|  |                               |                      | Share-based<br>Payments | Contribution<br>Reserve | Deficit                |                                  |
| Balance, July 31, 2014                                 | 15,435,317                    | \$ 11,403,400        | \$ 765,920              | \$ -                    | \$ (12,027,925)        | \$ 141,395                       |
| Private placements                                     | 14,205,000                    | 691,350              | 224,150                 | -                       | -                      | 915,500                          |
| Share subscriptions                                    | -                             | 63,000               | -                       | -                       | -                      | 63,000                           |
| Share issue costs                                      | -                             | (20,675)             | -                       | -                       | -                      | (20,675)                         |
| Transfer upon expiration of options                    | -                             | -                    | (14,400)                | -                       | 14,400                 | -                                |
| Share-based compensation                               | -                             | -                    | 89,367                  | -                       | -                      | 89,367                           |
| Issuance of shares pursuant to an asset<br>acquisition | 1,000,000                     | 50,000               | -                       | -                       | -                      | 50,000                           |
| Loss and comprehensive loss for the period             | -                             | -                    | -                       | -                       | (883,797)              | (883,797)                        |
| <b>Balance, April 30, 2015</b>                         | <b>30,640,317</b>             | <b>\$ 12,187,075</b> | <b>\$ 1,065,037</b>     | <b>\$ -</b>             | <b>\$ (12,897,322)</b> | <b>\$ 354,790</b>                |

|  | Number of<br>Common<br>Shares | Share Capital        | Reserves                           |                         |                        | Total<br>Shareholders'<br>Equity |
|--|-------------------------------|----------------------|------------------------------------|-------------------------|------------------------|----------------------------------|
|  |                               |                      | Share-based<br>Payments<br>Reserve | Contribution<br>Reserve | Deficit                |                                  |
| Balance, July 31, 2015                           | 32,344,653                    | \$ 12,800,910        | \$ 660,765                         | \$ 175,000              | \$ (13,078,254)        | \$ 558,421                       |
| Private placements                               | 4,700,000                     | 362,000              | -                                  | -                       | -                      | 362,000                          |
| Share issue costs                                | -                             | (29,311)             | -                                  | -                       | -                      | (29,311)                         |
| Transfer upon expiration of warrants             | -                             | 26,600               | (26,600)                           | -                       | -                      | -                                |
| Transfer upon expiration of options              | -                             | -                    | (261,785)                          | -                       | 261,785                | -                                |
| Share-based compensation                         | -                             | -                    | 21,139                             | -                       | -                      | 21,139                           |
| Contribution from stakeholder<br>(Notes 15 & 16) | -                             | -                    | -                                  | 69,500                  | -                      | 69,500                           |
| Loss and comprehensive loss for the period       | -                             | -                    | -                                  | -                       | (722,704)              | (722,704)                        |
| <b>Balance, April 30, 2016</b>                   | <b>37,044,653</b>             | <b>\$ 13,421,984</b> | <b>\$ 393,519</b>                  | <b>\$ 244,500</b>       | <b>\$ (13,539,173)</b> | <b>\$ 295,045</b>                |

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 nine months ended April 30, 2016**  
*(Unaudited)*

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**NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN**

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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 April 30, 2016 include the accounts of Deer Horn and its wholly-owned subsidiary, Bodhi Tree Natural Market Corp. (“Bodhi”), 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 April 30, 2016, is not sufficient to finance planned 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. 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**

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**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 June 28, 2016.

**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 nine months ended April 30, 2016**  
*(Unaudited)*

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**NOTE 2 – BASIS OF PRESENTATION** *(continued)*

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**Basis of measurement** *(continued)*

The significant accounting policies for the interim periods 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 April 30, 2016, 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 de-recognition 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 nine months ended April 30, 2016  
*(Unaudited)*

**NOTE 3 – RECEIVABLES**

|   | As at Apr. 30,<br>2016 | As at July 31,<br>2015 |
|---|------------------------|------------------------|
| Amounts due from the Government of Canada pursuant to GST input tax credits | \$ 17,344              | \$ 43,498              |
| Amounts due from merchant credit card sales                                 | 8,950                  | 2,285                  |
| <b>Total</b>  | <b>\$ 26,294</b>       | <b>\$ 45,783</b>       |

**NOTE 4 – PREPAID EXPENSES**

|                    | As at Apr. 30,<br>2016 | As at July 31,<br>2015 |
|--------------------|------------------------|------------------------|
| Prepaid insurance  | \$ 7,620               | \$ 1,402               |
| Prepaid consulting | 3,675                  | 50,000                 |
| Other              | 4,566                  | 5,859                  |
| <b>Total</b>       | <b>\$ 15,861</b>       | <b>\$ 57,261</b>       |

**NOTE 5 – INVENTORIES**

|                   | As at Apr. 30,<br>2016 | As at July 31,<br>2015 |
|-------------------|------------------------|------------------------|
| Goods for sale    | \$ 196,958             | \$ 231,375             |
| Promotional items | -                      | 3,522                  |
| Supplies          | 14,181                 | 14,031                 |
| <b>Total</b>      | <b>\$ 211,139</b>      | <b>\$ 248,928</b>      |

**NOTE 6 – DEPOSITS**

|   | As at Apr. 30,<br>2016 | As at July 31,<br>2015 |
|---|------------------------|------------------------|
| Security deposit on corporate credit card | \$ 20,007              | \$ 20,000              |
| Lease deposits – warehouse, store, office | 18,322                 | 18,322                 |
| <b>Total</b>                              | <b>\$ 38,329</b>       | <b>\$ 38,322</b>       |

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the nine months ended April 30, 2016  
*(Unaudited)*

**NOTE 7 – PROPERTY AND EQUIPMENT**

|                                   | Tenant<br>improvements | Furniture and<br>fixtures | Store<br>equipment | Office and<br>computer<br>equipment | TOTAL      |
|-----------------------------------|------------------------|---------------------------|--------------------|-------------------------------------|------------|
| <b>Cost:</b>                      |                        |                           |                    |                                     |            |
| <b>Balance at July 31, 2014</b>   | \$ -                   | \$ 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 equip inventory | -                      | -                         | 57,525             | -                                   | 57,525     |
| Total additions                   | 226,459                | -                         | 340,182            | 70,018                              | 636,659    |
| <b>Balance at July 31, 2015</b>   | 226,459                | 19,652                    | 340,182            | 70,018                              | 656,311    |
| Additions – store equip inventory | -                      | -                         | 11,970             | -                                   | 11,970     |
| <b>Balance at Apr. 30, 2016</b>   | \$ 226,459             | \$ 19,652                 | \$ 352,152         | \$ 70,018                           | \$ 668,281 |
| <b>Accumulated depreciation:</b>  |                        |                           |                    |                                     |            |
| <b>Balance at July 31, 2014</b>   | \$ -                   | \$ 17,244                 | \$ -               | \$ -                                | \$ 17,244  |
| Depreciation                      | 2,930                  | 447                       | 7,471              | 5,184                               | 16,032     |
| <b>Balance at July 31, 2015</b>   | 2,930                  | 17,691                    | 7,471              | 5,184                               | 33,276     |
| Depreciation                      | 16,764                 | 280                       | 41,277             | 26,745                              | 85,066     |
| <b>Balance at Apr. 30, 2016</b>   | \$ 19,694              | \$ 17,971                 | \$ 48,748          | \$ 31,929                           | \$ 118,342 |
| <b>Carrying amounts:</b>          |                        |                           |                    |                                     |            |
| <b>July 31, 2015</b>              | \$ 223,529             | \$ 1,961                  | \$ 332,711         | \$ 64,834                           | \$ 623,035 |
| <b>April 30, 2016</b>             | \$ 206,765             | \$ 1,681                  | \$ 303,404         | \$ 38,089                           | \$ 549,939 |

Included in store equipment is \$69,295 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 nine months ended April 30, 2016**  
*(Unaudited)*

**NOTE 8 – RECLAMATION DEPOSIT**

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

|  | As at Apr. 30,<br>2016 | As at July 31,<br>2015 |
|--|------------------------|------------------------|
| Reclamation deposit: Deerhorn property | \$ 85,212              | \$ 85,212              |

**NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|   | As at Apr. 30,<br>2016 | As at July 31,<br>2015 |
|---|------------------------|------------------------|
| Trade payables and corporate credit card                                      | \$ 281,698             | \$ 300,303             |
| Ecology, recycling, and gift card liabilities                                 | 1,173                  | 802                    |
| Amounts due to the Government of British Columbia pursuant to PST liabilities | 1,157                  | 1,185                  |
| Accrued interest on debentures  | 2,892                  | -                      |
| Other accrued liabilities   | -                      | 65,000                 |
| <b>Total</b>  | <b>\$ 286,920</b>      | <b>\$ 367,290</b>      |

**NOTE 10 – WAGES AND BENEFITS**

During the nine-month period ended April 30, 2016, the Company incurred wages, salaries, and other short-term benefits of \$382,695 (2014 - \$nil), of which \$303,129 (2014 - \$nil) is in cost of sales; and \$79,566 (2014 - \$nil) in operating expense.

Wages and benefits payable consists of the following:

|                                   | As at Apr. 30,<br>2016 | As at July 31,<br>2015 |
|-----------------------------------|------------------------|------------------------|
| Salaries and wages payable        | \$ -                   | \$ 30,793              |
| Accrued vacation pay payable      | 10,410                 | 12,066                 |
| Accrued Worksafe premiums payable | 265                    | 997                    |
| <b>Total</b>                      | <b>\$ 10,675</b>       | <b>\$ 43,856</b>       |

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the nine months ended April 30, 2016**  
*(Unaudited)*

**NOTE 11 – DUE TO RELATED PARTIES**

During the three and nine-month periods ended April 30, 2016, the Company incurred fees with individuals and companies owned or partly owned by key management and directors. See Note 13(a).

During the nine-month period ended April 30, 2016, the Company and certain related party creditors agreed to reduce outstanding debts incurred in periods prior to August 1, 2015, as follows:

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

In addition, during the nine-month period ended April 30, 2016, the Company borrowed funds from related companies or individuals for a total of \$159,700. During the same period, \$12,000 of these loans were repaid. These short-term loans bear no interest, and have no specific terms of repayment.

|   | <b>As at Apr. 30,<br/>2016</b> | <b>As at July 31,<br/>2015</b> |
|---|--------------------------------|--------------------------------|
| Due to key management or companies controlled by key management personnel – as trade payables | \$ 92,000                      | \$ 176,324                     |
| Due to other related parties  | 21,700                         | -                              |
| Due to key management or companies controlled by key management personnel – as loans          | 126,000                        | -                              |
| <b>Total</b>  | <b>\$ 239,700</b>              | <b>\$ 176,324</b>              |

**NOTE 12 – DEBENTURES PAYABLE**

On March 3, 2016, the Company closed a private debt financing consisting of \$182,000 of Series “A” 10% senior secured debentures of the Company being sold at a purchase price of \$1,000 per debenture. These debentures carry an interest rate of 10% per annum payable annually, in arrears, and will mature five (5) years after their issue date, but may be repaid in whole or in part without penalty or charge at any time after the first anniversary of their issue date. A condition of these debentures is that at least 91% of the net proceeds received from this financing (net of any finder’s fees that may be paid) will be used for the operations of Bodhi. The balance of funds may be used for Bodhi’s operations or for the Company’s general working capital. The debenture holders will be granted a first priority security interest over substantially all of the assets of Bodhi.

The Company paid \$14,560 in finder’s fees in relation to this debenture financing.

As at April 30, 2016, interest of \$2,892 was accrued on the debentures, and is included in accounts payable and accrued liabilities.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**NOTE 13 – SHARE CAPITAL**

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

b) **Share issuance:**

**Fiscal 2016**

On January 11, 2016, the Company closed a non-brokered private placement and issued 2,700,000 units at a price of \$0.06 per unit for total gross proceeds of \$162,000. Each unit consists of one common share and one share purchase warrant. Each whole warrant is exercisable for a period of two years at a price of \$0.10 per share. The Company paid an aggregate of \$12,960 in fees to eligible finders in respect to the private placement.

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, and incurred \$351 in issue costs.

**Fiscal 2015**

In March 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 \$123,150.

In January 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 \$0.10 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable for a period of two years at a price of \$0.10 per share. The warrants were attributed a fair value of \$101,000. The Company paid an aggregate of \$10,000 in fees to eligible finders in respect to the private placement.

c) **Shareholder contribution**

During the period ended April 30, 2016, the Company received a \$69,500 in cash contributions from a stakeholder of the Company, and these funds have been recorded in contribution reserves. These contributions are non-repayable and do not confer an equity interest.

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 April 30, 2016, 2,475,000 of the outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.23.

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**NOTE 13 – SHARE CAPITAL** *(continued)*

d) **Stock Options** *(continued)*

As at April 30, 2016, the Company had outstanding stock options as follows:

| Number outstanding July 31, 2015 | Granted | Exercised | Expired/Cancelled | Number outstanding Apr. 30, 2016 | Exercise price per share | Expiry date               | Weighted average remaining contractual life in years |
|----------------------------------|---------|-----------|-------------------|----------------------------------|--------------------------|---------------------------|--|
| 205,000                          | -       | -         | 205,000           | -                                | -                        | Mar. 11, 2016             | -  |
| 50,000                           | -       | -         | -                 | <b>50,000</b>                    | \$2.50                   | June 24, 2016             | 0.15 yrs   |
| 100,000                          | -       | -         | -                 | <b>100,000</b>                   | \$1.00                   | Mar. 25, 2018             | 1.90 yrs   |
| 2,125,000                        | -       | -         | -                 | <b>2,125,000</b>                 | \$0.14                   | March 10, 2020            | 3.86 yrs   |
| 200,000                          | -       | -         | -                 | <b>200,000</b>                   | \$0.25                   | March 18, 2020            | 3.88 yrs   |
| 2,680,000                        | -       | -         | 205,000           | <b>2,475,000</b>                 | \$0.23                   | <i>(weighted average)</i> | 3.71 yrs   |
|                                  |         |           | Exercisable       | <b>2,475,000</b>                 | \$0.23                   | <i>(weighted average)</i> | 3.71 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 nine-month period ended April 30, 2016, the Company recorded \$21,139 in share-based compensation expense for options vesting in the period.

During the nine-month period ended April 30, 2016, options previously issued with a fair value of \$261,785 as share-based compensation expired. The previously recorded historical fair value of these options was reallocated to deficit.

**Fiscal 2015**

During the nine-month period ended April 30, 2015, the Company recorded \$89,367 in share-based compensation expense for options granted and vesting in the period.

On March 18, 2015, the Company granted incentive stock options for the purchase of up to 200,000 common shares, at a price of \$0.25 per share, and exercisable on or before March 18, 2020, to a consultant of the Company. The total fair value of options was \$48,548. The options vest over a period of twelve months, as follows: 25% upon grant and 25% per quarter thereafter. A total of \$12,137 was charged to operations, offset to share-based payments reserves.

On March 10, 2015, the Company granted incentive stock options for the purchase of up to 2,275,000 common shares, at a price of \$0.14 per share, and exercisable on or before March 10, 2020, to directors, officers and consultants of the Company. The total fair value of options granted using the Black-Scholes option pricing model was \$308,917. The options vest over a period of twelve months, as follows: 25% upon grant and 25% per quarter thereafter. A total of \$77,230 was charged to operations, offset to share-based payments reserves.

During the period ended April 30, 2015, 80,000 options previously issued with a fair value of \$14,400 as share-based compensation expired. The previously recorded historical fair value of these options was reallocated to deficit.

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**NOTE 13 – SHARE CAPITAL** *(continued)*

e) **Share-based compensation** *(continued)*

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the nine-month period ended April 30, 2015:

|                          |                 |
|--------------------------|-----------------|
| Dividend Yield           | Nil             |
| Expected volatility      | 193.3% - 194.5% |
| Risk free rate of return | 0.77% - 0.78%   |
| Expected life            | 5 years         |
| Fair value               | \$0.13 - \$0.24 |

f) **Share-purchase warrants**

The continuity for share purchase warrants for the period ended April 30, 2016, is as follows:

| Number outstanding July 31, 2015 | Issued    | Exercised | Expired/Cancelled | Number outstanding Apr. 30, 2016 | Exercise price per share | Expiry date                  | Weighted average remaining life in yrs |
|----------------------------------|-----------|-----------|-------------------|----------------------------------|--------------------------|------------------------------|--|
| 266,000                          | -         | -         | (266,000)         | -                                | \$1.00                   | October 12, 2015             | -                                      |
| 5,050,000                        | -         | -         | -                 | <b>5,050,000</b>                 | \$0.10                   | January 12, 2017             | 0.70 yrs                               |
| 2,052,000                        | -         | -         | -                 | <b>2,052,500</b>                 | \$0.20                   | March 9, 2017 <sup>(1)</sup> | 0.86 yrs                               |
| 466,334                          | -         | -         | -                 | <b>466,334</b>                   | \$0.40                   | May 4, 2017 <sup>(2)</sup>   | 1.01 yrs                               |
| 340,834                          | -         | -         | -                 | <b>340,834</b>                   | \$0.40                   | May 19, 2017 <sup>(2)</sup>  | 1.05 yrs                               |
| 45,000                           | -         | -         | -                 | <b>45,000</b>                    | \$0.40                   | July 27, 2017 <sup>(2)</sup> | 1.24 yrs                               |
| -                                | 1,000,000 | -         | -                 | <b>1,000,000</b>                 | \$0.15                   | November 17, 2017            | 1.55 yrs                               |
| -                                | 2,700,000 | -         | -                 | <b>2,700,000</b>                 | \$0.10                   | January 11, 2018             | 1.70 yrs                               |
| 8,220,668                        | 3,700,000 | -         | (266,000)         | <b>11,654,668</b>                | \$0.14                   | <i>(weighted average)</i>    | 1.06 yrs                               |

(1) exercise price increased to \$0.20 on March 9, 2016

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

**DEER HORN CAPITAL INC.**  
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**NOTE 14 – 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:

| <b>Name</b>                       | <b>Nature of transactions</b>          |
|-----------------------------------|--|
| 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 other                  |
| The Sutherland Group              | Salary, wages and loans to the Company |
| Sean Docherty                     | Office rent                            |
| Kieran Docherty                   | Consulting fees (other)                |

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.

|                                   | <b>Three months ended Apr. 30,</b> |                  | <b>Nine months ended April 30,</b> |                   |
|-----------------------------------|------------------------------------|------------------|------------------------------------|-------------------|
|                                   | <b>2016</b>                        | <b>2015</b>      | <b>2016</b>                        | <b>2015</b>       |
| Management fees CEO               | \$ 19,500                          | \$ 52,500        | \$ 58,500                          | \$ 157,500        |
| Travel and expense allowances CEO | 3,000                              | 3,000            | 9,000                              | 9,000             |
| Management fees CFO               | 7,500                              | 7,500            | 22,500                             | 22,500            |
| Management fees other             | -                                  | 15,000           | -                                  | 45,000            |
| Salaries and wages                | 19,891                             | -                | 79,566                             | -                 |
| Share-based compensation          | -                                  | -                | 21,139                             | -                 |
| <b>Total</b>                      | <b>\$ 49,891</b>                   | <b>\$ 78,000</b> | <b>\$ 190,705</b>                  | <b>\$ 234,000</b> |

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

|                         | <b>Three months ended Apr. 30,</b> |                  | <b>Nine months ended April 30,</b> |                  |
|-------------------------|------------------------------------|------------------|------------------------------------|------------------|
|                         | <b>2016</b>                        | <b>2015</b>      | <b>2016</b>                        | <b>2015</b>      |
| Office rent             | \$ -                               | \$ 3,000         | \$ 6,000                           | \$ 9,000         |
| Consulting fees (other) | 4,000                              | 12,000           | 28,000                             | 36,000           |
| <b>Total</b>            | <b>\$ 4,000</b>                    | <b>\$ 15,000</b> | <b>\$ 34,000</b>                   | <b>\$ 45,000</b> |

- b) Balances owed to related parties are disclosed in Note 11 of these financial statements.  
 Included in wages and benefits payable are management salaries of \$nil.

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**NOTE 15 – SEGMENTED INFORMATION**

The Company operates in two business segments being the operation of retail stores in the natural and organic retailing sector, and 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.

| <b>As at April 30, 2016</b> | <b>Retail operations</b> | <b>Head office and corporate</b> | <b>Total</b>      |
|-----------------------------|--------------------------|----------------------------------|-------------------|
| <b>ASSETS:</b>              |                          |                                  |                   |
| Current Assets              | \$ 275,702               | \$ 29,158                        | \$ 304,860        |
| Deposits                    | 38,322                   | -                                | 38,322            |
| Property and Equipment      | 548,257                  | 1,682                            | 549,939           |
| Reclamation Deposit         | -                        | 85,212                           | 85,212            |
| <b>Total Assets</b>         | <b>\$ 862,288</b>        | <b>\$ 116,052</b>                | <b>\$ 978,340</b> |
| <b>LIABILITIES:</b>         |                          |                                  |                   |
| Current Liabilities         | \$ 168,619               | \$ 368,676                       | \$ 537,295        |
| Debentures Payable          | -                        | 182,000                          | 182,000           |
| <b>Total Liabilities</b>    | <b>\$ 168,619</b>        | <b>\$ 550,676</b>                | <b>\$ 719,295</b> |

| <b>For the nine months ended April 30, 2016</b> | <b>Retail operations</b> | <b>Head office and corporate</b> | <b>Total</b>     |
|---|--------------------------|----------------------------------|------------------|
| <b>Revenue</b>                                  |                          |                                  |                  |
| Retail sales                                    | \$ 486,389               | \$ -                             | \$ 486,389       |
| <b>Cost of goods sold</b>                       |                          |                                  |                  |
| Purchases                                       | 355,527                  | -                                | 355,527          |
| Salaries, wages and benefits                    | 303,129                  | -                                | 303,129          |
| Other   | 10,398                   | -                                | 10,398           |
|   | 669,054                  | -                                | 669,054          |
| <b>Gross margin (loss)</b>                      | <b>(182,665)</b>         | <b>-</b>                         | <b>(182,665)</b> |

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*(Unaudited)*

**NOTE 15 – SEGMENTED INFORMATION** *(continued)*

| For the nine months ended April 30, 2016                            | Retail<br>operations | Head office<br>and corporate | Total               |
|---|----------------------|------------------------------|---------------------|
| <b>Expenses</b>   |                      |                              |                     |
| Advertising and promotion   | \$ 31,139            | \$ -                         | \$ 31,139           |
| Consulting fees   | -                    | 93,479                       | 93,479              |
| Depreciation  | 84,786               | 280                          | 85,066              |
| Insurance, licenses, and fees                                       | 2,706                | -                            | 2,706               |
| Interest and financing fees   | -                    | 18,796                       | 18,796              |
| Investor relations and shareholder information                      | -                    | 18,800                       | 18,800              |
| Management fees   | -                    | 81,000                       | 81,000              |
| Office and miscellaneous  | 11,154               | 2,180                        | 13,334              |
| Professional fees   | 27,678               | 38,453                       | 66,131              |
| Regulatory and filing fees  | -                    | 15,881                       | 15,881              |
| Rent, utilities and occupancy costs                                 | 157,516              | 7,720                        | 165,236             |
| Repairs and maintenance   | 1,547                | -                            | 1,547               |
| Salaries and benefits   | 79,566               | -                            | 79,566              |
| Share-based payments  | -                    | 21,139                       | 21,139              |
| Supplies  | 27,829               | -                            | 27,829              |
| Travel  | 249                  | 9,000                        | 9,249               |
| <b>Expenses</b>   | <b>(424,170)</b>     | <b>(306,728)</b>             | <b>(730,898)</b>    |
| <b>Operating income (loss)</b>                                      | <b>(606,835)</b>     | <b>(306,728)</b>             | <b>(913,563)</b>    |
| Interest income   | 9                    | -                            | 9                   |
| Insurance recovery  | 25,000               | -                            | 25,000              |
| Gain on settlement of debt  | -                    | 165,850                      | 165,850             |
| <b>Income (loss) and comprehensive income (loss) for the period</b> | <b>\$ (581,826)</b>  | <b>\$ (140,878)</b>          | <b>\$ (722,704)</b> |

**NOTE 16 – BASIC AND DILUTED EARNINGS (LOSS) PER SHARE**

The calculation of basic and diluted earnings (loss) per share for the three and nine-month period ended April 30, 2016 is as follows:

|                                     | Three months ended<br>April 30, |              | Nine months ended<br>April 30, |              |
|-------------------------------------|---------------------------------|--------------|--------------------------------|--------------|
|                                     | 2016                            | 2015         | 2016                           | 2015         |
| Comprehensive loss for the period   | \$ (263,370)                    | \$ (579,786) | \$ (722,704)                   | \$ (883,797) |
| Basic and diluted loss per share    | \$ (0.01)                       | \$ (0.03)    | \$ (0.02)                      | \$ (0.04)    |
| Weighted average shares outstanding | 37,044,653                      | 20,180,150   | 34,741,368                     | 19,987,667   |

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**NOTE 17 – 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.

| <b>Fiscal year</b>                  | <b>2016</b>      | <b>2017</b>      | <b>2018</b>      | <b>2019</b>      | <b>2020<sup>(1)</sup></b> | <b>TOTAL</b>      |
|-------------------------------------|------------------|------------------|------------------|------------------|---------------------------|-------------------|
| Lease – Head office                 | \$ 24,687        | \$ 8,229         | \$ -             | \$ -             | \$ -                      | \$ 32,916         |
| Lease – Retail store <sup>(1)</sup> | 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 18 – 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 debentures payable.

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**NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(continued)*

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**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 19 – CAPITAL MANAGEMENT**

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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 20 – SUBSEQUENT EVENTS**

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- a) On May 17, 2016, the Company announced it would cease operations of the Bodhi Natural Market store in Maple Ridge, BC;
- b) On June 16, 2016, the Company granted incentive stock options for the purchase of up to 1,000,000 common shares, at a price of \$0.05 per share, and exercisable on or before June 16, 2021, to directors, officers and consultants of the Company; and
- c) On June 24, 2016, 50,000 incentive stock options expired, unexercised.