DEER HORN CAPITAL INC.

FINANCIAL STATEMENTS

For the years ended July 31, 2018 and 2017

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Deer Horn Capital Inc.

We have audited the accompanying financial statements of Deer Horn Capital Inc., which comprise the statements of financial position as at July 31, 2018 and 2017 and the statements of loss and comprehensive loss, changes in deficiency, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Deer Horn Capital Inc. as at July 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

November 28, 2018

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

	Note		2018		2017
Assets					
Current Assets					
Cash		$	38,941	$	6,191
Receivables	4		4,257		4,270
Prepaid expenses	5		46,385		7,209
			89,583		17,670
Equipment	6		1,060		1,301
Reclamation Deposit	7		85,212		85,212
		$	175,855	$	104,183
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	9	$	161,460	$	234,268
Loans payable	10		207,000		199,000
Due to related parties	12		203,621		308,121
			572,081		741,389
Shareholders' Deficiency					
Share capital	11		13,941,365		13,464,365
Share-based payments reserve			192,734		507,488
Share subscriptions	18		80,050		-
Deficit			(14,610,375)		(14,609,059)
			(396,226)		(637,206)
		$	175,855	$	104,183

Nature of Operations and Going Concern (Note 1)
Commitments and contingencies (Note 14)
Subsequent Events (Note 18)

On behalf of the Board:

" Tyrone Docherty "
Director

"Tony Fogarassy "
Director

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

DEER HORN CAPITAL INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended July 31

	Note	2018	2017
Expenses			
Advertising and promotion		$ 18,200	$ 3,500
Consulting fees	12	-	8,480
Depreciation	6	241	296
Finance fees	10	-	14,588
Interest expense	10	22,822	18,350
Investor relations and shareholder information		31,742	5,460
Management fees	12	122,600	120,000
Office and miscellaneous		6,380	14,341
Professional fees		51,982	20,000
Regulatory and filing fees		51,778	19,340
Share-based payments	11,12	163,610	30,471
		(469,355)	(254,826)
Gain on dissolution of subsidiary	3	21,849	-
Exploration and evaluation expenditures	8	(32,174)	-
Loss and comprehensive loss for the year		$ (479,680)	$ (254,826)
Basic and diluted loss per share		$ (0.04)	$ (0.03)
Weighted average shares outstanding		10,774,136	8,288,930

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

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

	Number of common shares	Share Capital	Share Subscriptions	Share-based payments reserve	Stakeholder Contribution Reserve	Deficit	Total shareholders' equity (deficiency)
Balance, July 31, 2016	**8,288,931**	**$ 13,445,138**	**$ (25,000)**	**$ 387,704**	**$ 229,000**	**$ (14,475,193)**	**$ (437,851)**
Share subscriptions receivable	-	-	25,000	-	-	-	25,000
Transfer upon expiration of warrants	-	19,227	-	(19,227)	-	-	-
Reversal of expired options	-	-	-	(120,960)	-	120,960	-
Share-based compensation	-	-	-	30,471	-	-	30,471
Loss and comprehensive loss for the year	-	-	-	-	-	(254,826)	(254,826)
Balance, July 31, 2017	**8,288,931**	**$ 13,464,365**	**$ -**	**$ 277,988**	**$ 229,500**	**$ (14,609,059)**	**$ (637,206)**
Private placements	2,900,000	247,000	-	-	-	-	247,000
Shares issued in settlement of debt	2,300,000	230,000	-	-	-	-	230,000
Share subscriptions	-	-	80,050	-	-	-	80,050
Reversal of expired options	-	-	-	(248,864)	-	248,864	-
Share-based compensation	-	-	-	163,610	-	-	163,610
Shareholder contribution allocated to deficit upon wind-up of subsidiary	-	-	-	-	(229,500)	229,500	-
Loss and comprehensive loss for the year	-	-	-	-	-	(479,680)	(479,680)
Balance, July 31, 2018	**13,488,931**	**$ 13,941,365**	**$ 80,050**	**$ 192,734**	**$ -**	**$ (14,610,375)**	**$ (396,226)**

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

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

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(479,680)	$	(254,826)
Items not involving cash:				
Depreciation		241		297
Share-based payments		163,610		30,471
Finance charges		-		14,588
Interest expense		7,583		18,350
Gain on dissolution of subsidiary		(21,849)		-
Changes in non-cash working capital balances:				
Decrease (increase) in receivables		13		15,489
Decrease (increase) in prepaid expenses		(39,176)		(6,011)
Increase (decrease) in due to related party		58,500		140,875
Increase (decrease) in accounts payable and accrued liabilities		(51,542)		(35,224)
Cash flows used in operating activities		(362,300)		(75,991)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of share capital		290,000		-
Receipt of share subscriptions receivable		-		25,000
Loan proceeds		25,000		-
Share subscriptions received in advance		80,050		-
Cash flows provided from financing activities		395,050		25,000
Increase (decrease) in cash during year		32,750		(50,991)
Cash, beginning of year		6,191		57,182
Cash, end of year	$	38,941	$	6,191

		2018		2017
Cash paid for income taxes		-		-
Cash paid for interest		36,400		-
Supplemental disclosure with respect to cash flows:				
Transfer expired equity options to deficit	$	248,864	$	120,960
Transfer expired equity warrants to share capital		-		19,227
Shares issued for debt settlement		230,000		-
Allocation of long-term debt to current		-		182,000
Stakeholder contribution allocated to deficit		229,500		-
Share issue costs included in accounts payable		43,000		-

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

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

Deer Horn Capital Inc. ("Deer Horn" or the "Company") was incorporated under the *Business Corporations Act* (Canada) and continued into British Columbia pursuant to the *Business Corporations Act* (British Columbia, Canada). The financial statements 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, until its dissolution in May 2018. The Company's head office and principal place of business is 4672 Kensington 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 owns interests in exploration and evaluation assets in British Columbia and its principal business is the exploration of those assets.

During fiscal 2018, the Company completed a share consolidation on a five to one basis. All share and per share amounts have been restated to reflect the share consolidation.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. Management believes that the Company's cash on hand at July 31, 2018, is not sufficient to finance operations through the next twelve months. The Company has incurred ongoing losses and has a shareholders' deficiency. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing. 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 material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2 – BASIS OF PRESENTATION

Statement of compliance

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

The financial statements were authorized by the Audit Committee and Board of Directors of the Company on November 28, 2018.

Basis of measurement

The 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.

Use of estimates and judgments

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

NOTE 2 – BASIS OF PRESENTATION *(continued)*

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

a) **Recovery of deferred tax assets:**

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of consolidation:**

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

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

The Company consolidated its wholly owned subsidiary, Bodhi, up until the day of dissolution in May 2018. Upon dissolution, the Company recognized a gain of $21,849.

b) **Equipment:**

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

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

Furniture, fixtures and equipment	20% declining balance

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) **Exploration and evaluation assets:**

Upon acquiring the legal right to explore an exploration and evaluation asset, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures are expensed as incurred.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

d) **Restoration, rehabilitation and environmental obligations:**

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

A liability is recognized for legal obligations relating to the restoration, rehabilitation and retirement of property, plant or equipment obligations arising from the acquisition, construction, development or normal operation of those assets. Such decommissioning liabilities are recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset where one is identifiable is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements.

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

e) **Related party transactions:**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

f) **Share-based compensation:**

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The fair value is measured at grant date and each tranche is recognized over the year during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based compensation to non-employees, who are not providing similar services to employees, are measured at the grant date by using the fair value of the goods or services when received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured.

g) **Income taxes:**

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. No deferred tax assets have been recognized for the years presented.

h) **Earnings (loss) per share:**

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

i) **Financial assets:**

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

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

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

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(ii) Financial assets available for sale ("AFS")

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

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

(iii) Loans and receivables

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

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

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

(iv) Impairment of financial assets

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

Objective evidence of impairment could include the following:

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

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

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(v) De-recognition of financial assets

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

j) **Financial Liabilities:**

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

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

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

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

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

k) **Share capital:**

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

l) **New standards, interpretations and amendments not yet effective:**

A number of new standards, amendments to standards and interpretations are not yet effective as of July 31, 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, other than increased note disclosure.

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

IFRS 2 *Share-based Payment*

IFRS 2 was amended in June 2016, clarifying the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled.

Effective for annual periods beginning on or after January 1, 2019

IFRS 16, *Leases:*

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

NOTE 4 – RECEIVABLES

	As at July 31, 2018	As at July 31, 2017
Amounts due from the Government of Canada pursuant to GST input tax credits	**$ 4,257**	$ 4,270
Total	**$ 4,257**	$ 4,270

NOTE 5 – PREPAID EXPENSES

	As at July 31, 2018	As at July 31, 2017
Prepaid expenses	**$ 46,385**	$ 7,209
Total	**$ 46,385**	$ 7,209

NOTE 6 – EQUIPMENT

Furniture and fixtures	
Cost:	
Balance at July 31, 2018, 2017 and 2016	$ 19,652
Accumulated depreciation:	
Balance at July 31, 2016	18,054
Depreciation	296
Balance at July 31, 2017	18,350
Depreciation	241
Balance at July 31, 2018	$ 18,591

NOTE 6 – EQUIPMENT *(continued)*

Carrying amounts:		
July 31, 2017	$	1,302
July 31, 2018	$	1,060

NOTE 7 – RECLAMATION DEPOSIT

The Company provided funding for deposits as security against potential future reclamation work related to the Deerhorn property (Note 8).

	As at July 31, 2018	As at July 31, 2017
Reclamation deposit: Deerhorn property	**$ 85,212**	$ 85,212

NOTE 8 – EXPLORATION AND EVALUATION ASSETS

Deerhorn property

The Company owns a 50% interest in the Deerhorn property, located in north western British Columbia, acquired from a company related by virtue of common directors. It may acquire an additional 25% interest by incurring all costs required to bring the property to commercial production.

Exploration and evaluation expenditures

	As at July 31, 2018	As at July 31, 2017
Geological consulting	**$ 21,940**	$ -
Reports, drafting and mapping	**3,600**	-
Other	**6,634**	-
Total exploration expense	**$ 32,174**	$ -

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at July 31, 2018	As at July 31, 2017
Trade payables	**$ 128,877**	$ 154,268
Other accrued liabilities	**32,583**	80,000
Total	**$ 161,460**	$ 234,268

NOTE 10 – LOANS PAYABLE

During the year ended July 31, 2016, the Company entered into a loan with a third party which was non-interest bearing, unsecured and due on demand. The remaining principal balance of $17,000 was settled during fiscal 2018 as the Company issued 170,000 common shares with a fair value of $17,000. An additional $25,000 was received in July 2018 from the creditor on the same terms and remains payable.

NOTE 10 – LOANS PAYABLE *(continued)*

In fiscal 2016 the Company issued debenture loans in the principal amount of $182,000. The loans bear an annual interest rate of 10% and mature on March 2, 2021. The Company recorded interest expense of $18,155 (2017 - $18,350) in relation to the accrued interest on the debenture loans and is included in accounts payable and accrued liabilities. Finders' fees and closing costs of $15,904 were incurred with the issuance of the debenture loans and was fully amortized to profit or loss in fiscal 2017 as the Company was not in compliance with the terms of the loan.

In fiscal 2018, the Company made the required interest payments under the loan agreements, however the Company has not received a waiver of the previous breach of terms, accordingly, the loans are presented as current.

NOTE 11 – SHARE CAPITAL

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

b) **Share issuance:**

Fiscal 2018

On August 16, 2017, the Company completed a non-brokered private placement for total gross proceeds of $120,000 through the issuance of 1,200,000 common shares at a price of $0.10 per share.

On March 27, 2018, the Company completed a debt settlement transaction pursuant to which it issued 2,300,000 common shares with a fair value of $437,000 to settle $230,000 of debt.

On March 27, 2018, the Company completed the first tranche of a non-brokered private placement, issuing 1,200,000 common shares at a price of $0.10 per share for total proceeds of $120,000.

On April 19, 2018, the Company completed the second and final tranche of a non-brokered private placement, issuing 500,000 common shares at a price of $0.10 per share for total proceeds of $50,000.

Fiscal 2017

There were no share issuances during the year ended July 31, 2017.

c) **Shareholder contribution**

During the years ended July 2016 and 2015, the Company received a total of $229,500 in cash contributions from a stakeholder of the Company and has been recorded in contribution reserves. The contribution is non-repayable and does not confer equity interest.

During fiscal 2018, in relation to the dissolution of Bodhi, the stakeholder contribution was re-allocated to deficit.

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 ten years. Vesting may be set on an individual basis as determined by the board of directors.

NOTE 11 – SHARE CAPITAL *(continued)*

As at July 31, 2018, 1,003,500 of the outstanding stock options were vested and exercisable, with a weighted average exercise price of $0.16.

The continuity for stock options for the year ended July 31, 2018, is as follows:

Number outstanding July 31, 2017	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2018**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
20,000	-	-	(20,000)	**-**	-	Mar. 25, 2018	-
325,000	-	-	(325,000)	**-**	-	Mar. 10, 2020	-
120,000	-	-	-	**120,000**	$0.25	June 16, 2021	2.89
-	850,000	-	-	**850,000**	$0.14	April 5, 2028	9.69
-	134,000	-	-	**134,000**	$0.25	April 27, 2023	4.73
465,000	984,000	-	(345,000)	**1,104,000**	$0.17	*(weighted average)*	8.35
				Exercisable			
$0.77	0.15	-	0.95	**1,003,500**	$0.16	*(weighted average)*	8.35

The continuity for stock options for the year ended July 31, 2017, is as follows:

Number outstanding July 31, 2016	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2017**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
20,000	-	-	-	**20,000**	$5.00	Mar. 25, 2018	0.9
425,000	-	-	(100,000)	**325,000**	$0.70	March 10, 2020	2.86
40,000	-	-	(40,000)	**-**	$1.25	March 18, 2020	2.89
200,000	-	-	(80,000)	**120,000**	$0.25	June 16, 2021	4.13
685,000	-	-	(220,000)	**465,000**	$0.77	*(weighted average)*	2.85
				Exercisable			
$0.75	-	-	$0.65	**465,000**	$0.77	*(weighted average)*	2.85

d) **Stock Options**

During the year ended July 31, 2018, 345,000 options (2017 – 220,000) previously issued with a fair value of $248,864 (2017 – $299,172) expired or were cancelled. The previously recorded historical fair value of these options was reallocated to deficit.

e) **Share-based compensation**

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

Fiscal 2018

During the year ended July 31, 2018, the Company recorded $144,379 in share based compensation for the vesting of options granted April 5, 2018.

The fair value of the 850,000 options granted on April 5, 2018 with an exercise price of $0.14, was determined using a risk free interest rate of 2.21%, an expected volatility of 207%, an expected life of 10 years, and an expected dividend of zero for a total fair value of $144,339 or $0.17 per option.

NOTE 11 – SHARE CAPITAL *(continued)*

The Company also recorded $19,231 in share based compensation for the vesting of options granted April 27, 2018. The fair value of the 134,000 options granted April 27, 2018 with an exercise price of $0.27, was determined using a risk free interest rate of 2.21%, an expected volatility of 273%, an expected life of 5 years, and an expected dividend of zero for a total fair value of $36,107 or $0.27 per option, which vest over a one-year period.

Fiscal 2017

During the year ended July 31, 2017, the Company recorded $30,471 in share-based compensation expense for the vesting of options granted June 16, 2016.

f) **Share-purchase warrants**

The continuity for share purchase warrants for the year ended July 31, 2018, is as follows:

Number outstanding July 31, 2017	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2018**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
200,000	-	-	(200,000	**-**	-	November 19, 2017	-
540,000	-	-	(540,000)	**-**	-	January 11, 2018	-
200,000	-	-	(200,000)	**-**	-	July 28, 2018	-
200,000	-	-	(200,000)	**-**	-	July 29, 2018	-
1,140,000	-	-	(1,140,000)	**-**	-	*(weighted average)*	-
$0.54	-	-	$0.54	Exercisable **-**	-	*(weighted average)*	-

The continuity for share purchase warrants for the year ended July 31, 2017, is as follows:

Number outstanding July 31, 2016	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2017**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
1,010,000	-	-	(1,010,000)	**-**	-	January 12, 2017	-
410,400	-	-	(410,400)	**-**	-	March 9, 2017	-
93,266	-	-	(93,266)	**-**	-	May 4, 2017	-
68,166	-	-	(68,166)	**-**	-	May 19, 2017	-
9,000	-	-	(9,000)	**-**	-	July 27, 2017	-
200,000	-	-	-	**200,000**	$0.75	November 19, 2017	0.30
540,000	-	-	-	**540,000**	$0.50	January 11, 2018	0.45
200,000	-	-	-	**200,000**	$0.50	July 28, 2018	0.99
200,000	-	-	-	**200,000**	$0.50	July 29, 2018	0.99
2,730,832	-	-	(1,590,832)	**1,140,000**	$0.55	*(weighted average)*	0.61
$0.70	-	-	$0.85	Exercisable **1,140,000**	$0.55	*(weighted average)*	0.61

NOTE 12 – 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, expense allowances
Pamela Saulnier	Management fees charged as CFO, expense allowances

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

For the year ended	July 31, 2018	July 31, 2017
Management fees CEO	$ 90,000	$ 90,000
Management fees CFO	30,000	30,000
Share-based compensation	144,379	16,759
Total	$ 264,379	$ 136,759

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

For the year ended	July 31, 2018	July 31, 2017
Consulting	-	4,000

The Company owes amounts to key management personnel as follows:

	As at July 31, 2018	As at July 31, 2017
Due to key management or companies controlled by key management personnel	$ 203,621	$ 308,121
Total	$ 203,621	$ 308,121

Balances owed to related parties are unsecured and non-interest bearing.

NOTE 13 – SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets in Canada, as described in note 8. The total assets attributable to the geographical locations relate primarily to reclamation deposits posted in Canada.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Leases

The Company holds an operating lease for a corporate vehicle. The total non-cancellable minimum lease payments are include $8,256 not later than one year, and $14,448, later than one year and not later than five years. The Company recognized $2,478 as lease expense during the year, included in office and miscellaneous.

Contingencies

The Company may be involved in legal proceedings from time to time, arising in the ordinary course of its business. Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations.

NOTE 15 – DEFERRED INCOME TAXES

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

		2018		**2017**
Loss for the year	**$**	**(479,680)**	$	(254,826)
Expected income tax (recovery)		**(128,000)**		(66,000)
Change in statutory rates, and other		**(136,000)**		(2,000)
Permanent difference		**43,000**		8,000
Dissolution of Bodhi Tree		**63,000**		-
Share issue cost		**(11,000)**		-
Change in unrecognized deductible temporary differences		**169,000**		60,000
Deferred income tax recovery	**$**	**-**	$	-

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

		2018		**2017**
Share issue costs	**$**	**18,000**	$	16,000
Allowable capital losses		**513,000**		490,000
Non-capital losses		**2,422,000**		2,162,000
Equipment		**2,000**		154,000
Exploration and evaluation assets		**1,056,000**		1,020,000
Unrecognized deferred tax assets	**$**	**4,011,000**	$	3,842,000

The Company has non-capital losses of approximately $8,972,000 (2017 - $8,315,000) available for deduction against future taxable income. These losses, if not utilized, will expire through to 2038. The Company has resource expenditures of approximately $3,105,000 (2017 - $3,074,000) available for deduction against future taxable income. Deferred tax benefits which may arise as a result of these tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

NOTE 16 – 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, loans 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 receivables, deposits, accounts payable and accrued liabilities, loans 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

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

Credit risk

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

Liquidity risk

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

NOTE 16 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Interest rate risk

The Company has cash balances and debt. The Company's current policy is to invest excess cash in investment grade short-term demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is marginally exposed to interest rate risk.

Foreign currency risk

The Company is not exposed to foreign currency risk.

Commodity price risk

The Company is nominally exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

NOTE 17 – 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 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.

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, 2018. The Company is not subject to externally imposed capital requirements.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent to July 31, 2018, the Company:

a) Completed the first tranche of a non-brokered private placement, issuing 200,000 units at a price of $0.50 per unit for proceeds of $100,000, of which $80,050 is included as subscriptions received in advance as of July 31, 2018. Each unit comprises one common share and one half share purchase warrant, with each whole warrant exercisable at a price of $0.60 for a period of two years from the date of issuance.

NOTE 18 – SUBSEQUENT EVENTS *(continued)*

b) Completed the second tranche of a non-brokered private placement, issuing 200,000 units at a price of $0.50 per unit for proceeds of $100,000. Each unit comprises one common share and one half share purchase warrant, with each whole warrant exercisable at a price of $0.60 for a period of two years from the date of issuance.
c) Completed the third tranche of a non-brokered private placement, issuing 82,000 units at a price of $0.50 per unit for proceeds of $41,000. Each unit comprises one common share and one half share purchase warrant, with each whole warrant exercisable at a price of $0.60 for a period of two years from the date of issuance.
d) Completed the first tranche of a non-brokered private placement, issuing 400,000 units at a price of $0.20 per unit for proceeds of $80,000. Each unit comprises one common share and one share purchase warrant, with each warrant exercisable at a price of $0.25 for a period of one year from the date of issuance.