



## **DEER HORN CAPITAL INC.**

### **CONDENSED INTERIM FINANCIAL STATEMENTS**

**For the three months ended October 31, 2018 and 2017**

(Expressed in Canadian Dollars)

## **NOTICE TO READER**

---

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

The condensed consolidated interim financial statements for the Company for the first quarter ended October 31, 2018 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these unaudited interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

---

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

	Note	Oct. 31, 2018	July 31, 2018
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 26,918	\$ 38,941
Receivables	3	13,385	4,257
Prepaid expenses	4	109,482	46,385
		<b>149,785</b>	<b>89,583</b>
<b>Equipment</b>	5	<b>1,007</b>	<b>1,060</b>
<b>Reclamation Deposit</b>	6	<b>85,212</b>	<b>85,212</b>
		<b>\$ 236,004</b>	<b>\$ 175,855</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 172,322	\$ 161,460
Loans payable	9	232,000	207,000
Due to related parties	11	215,621	203,621
		<b>619,943</b>	<b>572,081</b>
<b>Shareholders' Deficiency</b>			
Share capital	10	14,151,985	13,941,365
Share-based payments reserve		232,924	192,734
Share subscriptions		-	80,050
Deficit		(14,768,848)	(14,610,375)
		<b>(383,939)</b>	<b>(396,226)</b>
		<b>\$ 236,004</b>	<b>\$ 175,855</b>

**Nature of Operations and Going Concern** (Note 1)  
**Commitments and contingencies** (Note 13)  
**Subsequent Events** (Note 16)

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) *(unaudited)*  
**For the three months ended October 31,**

	Note	2018	2017
<b>Expenses</b>			
Advertising and promotion		\$ 21,000	\$ -
Depreciation	5	53	65
Interest expense	9	4,587	4,587
Investor relations and shareholder information		85,647	3,559
Management fees	11	30,000	30,000
Office and miscellaneous		4,726	580
Professional fees		-	296
Regulatory and filing fees		2,650	24,936
Share-based payments	10,11	9,810	-
		<b>(158,473)</b>	<b>(64,023)</b>
<b>Loss and comprehensive loss for the period</b>		<b>\$ (158,473)</b>	<b>\$ (64,023)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average shares outstanding</b>		<b>10,883,083</b>	<b>7,142,560</b>

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)
<b>Balance, July 31, 2016</b>	<b>8,288,931</b>	<b>\$ 13,445,138</b>	<b>\$ (25,000)</b>	<b>\$ 387,704</b>	<b>\$ 229,000</b>	<b>\$ (14,475,193)</b>	<b>\$ (437,851)</b>
Loss and comprehensive loss for the period	-	-	-	-	-	(57,921)	(57,921)
<b>Balance, October 31, 2017</b>	<b>8,288,931</b>	<b>\$ 13,445,138</b>	<b>\$ (25,000)</b>	<b>\$ 387,704</b>	<b>\$ 229,500</b>	<b>\$ (14,533,114)</b>	<b>\$ (495,772)</b>
<b>Balance, July 31, 2018</b>	<b>13,488,931</b>	<b>\$13,941,365</b>	<b>\$ 80,050</b>	<b>\$ 192,734</b>	<b>\$ -</b>	<b>\$ (14,610,375)</b>	<b>\$ (396,226)</b>
Private placements	482,000	241,000	-	-	-	-	241,000
Share subscriptions	-	-	(80,050)	-	-	-	(80,050)
Residual value of warrants	-	(30,380)	-	30,380	-	-	-
Share-based compensation	-	-	-	9,810	-	-	9,810
Loss and comprehensive loss for the year	-	-	-	-	-	(158,473)	(158,473)
<b>Balance, October 31, 2018</b>	<b>13,970,931</b>	<b>\$ 14,151,985</b>	<b>\$ -</b>	<b>\$ 232,924</b>	<b>\$ -</b>	<b>\$ (14,768,848)</b>	<b>\$ (383,939)</b>

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 three months ended October 31,**

	<b>2018</b>	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period:	\$ (158,473)	\$ (254,826)
Items not involving cash:		
Depreciation	53	65
Share-based payments	9,810	-
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	(9,128)	(426)
Decrease (increase) in prepaid expenses	(63,097)	405
Increase (decrease) in due to related party	12,000	38,000
Increase (decrease) in loans payable	25,000	-
Increase (decrease) in accounts payable and accrued liabilities	10,862	(84,187)
Cash flows used in operating activities	(172,973)	(110,166)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of share capital	241,000	105,000
Share subscriptions received in advance	(80,050)	-
Cash flows provided from financing activities	160,950	105,000
<b>Increase (decrease) in cash during period</b>	(12,023)	(5,166)
<b>Cash, beginning of period</b>	38,941	6,191
<b>Cash, end of period</b>	\$ 26,918	\$ 1,025

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

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three months ended October 31, 2018**

---

**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 October 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 – SIGNIFICANT ACCOUNTING POLICIES**

---

**Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual consolidated financial statements as at and for the year ended July 31, 2018. 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 Board of Directors of the Company on December 31, 2018.

**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.

The significant accounting policies for the quarter are consistent with those disclosed in the audited annual financial statements for the year ended July 31, 2018. The accompanying interim financial statements should be read in conjunction with the Company’s audited financial statements for the year ended July 31, 2018.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three months ended October 31, 2018**

---

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

---

**Use of Estimates and judgments**

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, 2018.

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

A number of new standards, amendments to standards and interpretations are not yet effective as of October 31, 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 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 3 – RECEIVABLES**

---

	As at Oct. 31, 2018	As at July 31, 2018
Amounts due from the Government of Canada pursuant to GST input tax credits	\$ 13,385	\$ 4,257
Total	\$ 13,385	\$ 4,257

---



**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three months ended October 31, 2018**

**NOTE 4 – PREPAID EXPENSES**

	As at Oct. 31, 2018	As at July 31, 2018
Prepaid expenses	\$ 109,482	\$ 46,385
Total	\$ 109,482	\$ 46,385

**NOTE 5 – EQUIPMENT**

Furniture and fixtures	
<b>Cost:</b>	
<b>Balance at October 31, 2018 and July 31, 2018 and 2017</b>	\$ 19,652
<b>Accumulated depreciation:</b>	
<b>Balance at July 31, 2017</b>	18,351
Depreciation	241
<b>Balance at July 31, 2018</b>	18,592
Depreciation	53
<b>Balance at October 31, 2018</b>	\$ 18,645
<b>Carrying amounts:</b>	
<b>July 31, 2018</b>	\$ 1,060
<b>October 31, 2018</b>	\$ 1,007

**NOTE 6 – RECLAMATION DEPOSIT**

The Company provided funding for deposits as security against potential future reclamation work related to the Deerhorn property (Note 7).

	As at Oct. 31, 2018	As at July 31, 2018
Reclamation deposit: Deerhorn property	\$ 85,212	\$ 85,212

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three months ended October 31, 2018**

---

**NOTE 7 – 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**

	<b>As at Oct. 31, 2018</b>		<b>As at July 31, 2018</b>
Geological consulting	\$ -	\$	21,940
Reports, drafting and mapping	-		3,600
Other	-		6,634
Total exploration expense	<b>\$ -</b>	<b>\$</b>	<b>32,174</b>

---

**NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

---

	<b>As at Oct. 31, 2018</b>		<b>As at July 31, 2018</b>
Trade payables	<b>\$ 135,151</b>	\$	128,877
Other accrued liabilities	<b>37,171</b>		32,583
Total	<b>\$ 172,322</b>	<b>\$</b>	<b>161,460</b>

---

**NOTE 9 – 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.

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 \$4,587 (2017 - \$4,587) 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 10 – SHARE CAPITAL**

---

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

b) **Share issuance:**

**Fiscal 2019**

On August 29, 2018, the Company completed the second tranche of a non-brokered private placement, issuing 82,000 units at a price of \$0.50 per unit for total proceeds of \$41,000. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.60 per share for a period of two years.

On August 13, 2018, the Company completed the second tranche of a non-brokered private placement, issuing 200,000 units at a price of \$0.50 per unit for total proceeds of \$100,000. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.60 per share for a period of two years.

On August 3, 2018, the Company completed the first tranche of a non-brokered private placement, issuing 200,000 units at a price of \$0.50 per unit for total proceeds of \$100,000. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.60 per share for a period of two years. The Company paid a finder's fee of \$3,000 in connection with the first tranche closing.

**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.

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.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three months ended October 31, 2018**

**NOTE 10 – SHARE CAPITAL** *(continued)*

As at October 31, 2018, 1,037,200 of the outstanding stock options were vested and exercisable, with a weighted average exercise price of \$0.17.

The continuity for stock options for the period ended October 31, 2018, is as follows:

Number outstanding July 31, 2018	Granted	Exercised	Expired/Cancelled	Number outstanding Oct. 31, 2018	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
120,000	-	-	-	<b>120,000</b>	\$0.25	June 16, 2021	2.64
850,000	-	-	-	<b>850,000</b>	\$0.14	April 5, 2028	9.44
134,000	-	-	-	<b>134,000</b>	\$0.25	April 27, 2023	4.48
1,104,000	-	-	-	<b>1,104,000</b>	\$0.17	<i>(weighted average)</i>	7.53
				Exercisable			
\$0.17	-	-	-	<b>1,037,200</b>	\$0.17	<i>(weighted average)</i>	7.53

The continuity for stock options for the period ended October 31, 2017, is as follows:

Number outstanding July 31, 2017	Granted	Exercised	Expired/Cancelled	Number outstanding Oct. 31, 2017	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
20,000	-	-	-	<b>20,000</b>	\$5.00	Mar. 25, 2018	0.63
425,000	-	-	-	<b>425,000</b>	\$0.70	March 10, 2020	2.59
120,000	-	-	-	<b>120,000</b>	\$0.25	June 16, 2021	3.86
565,000	-	-	-	<b>565,000</b>	\$0.75	<i>(weighted average)</i>	2.81
				Exercisable			
\$0.75	-	-	-	<b>565,000</b>	\$0.75	<i>(weighted average)</i>	2.81

**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 2019**

During the period ended October 31, 2018, the Company recorded \$9,810 in share based compensations for the vesting of options granted April 27, 2018.

**Fiscal 2018**

There was no share-based compensation recorded for the three-month period ended October 31, 2017.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three months ended October 31, 2018**

**NOTE 10 – SHARE CAPITAL** *(continued)*

f) **Share-purchase warrants**

The continuity for share purchase warrants for the period ended October 31, 2018, is as follows:

Number outstanding July 31, 2018	Granted	Exercised	Expired/Cancelled	Number outstanding Oct. 31, 2018	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
-	100,000	-	-	<b>100,000</b>	\$0.60	August 3, 2020	1.76
-	100,000	-	-	<b>100,000</b>	\$0.60	August 13, 2020	1.78
-	41,000	-	-	<b>41,000</b>	\$0.60	August 29, 2018	1.83
-	241,000	-	-	<b>241,000</b>	-	<i>(weighted average)</i>	1.78
-	\$0.60	-	-	Exercisable <b>241,000</b>	\$0.60	<i>(weighted average)</i>	1.78

The continuity for share purchase warrants for the period ended October 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
540,000	-	-	-	<b>540,000</b>	\$0.50	January 11, 2018	0.45
200,000	-	-	-	<b>200,000</b>	\$0.50	July 28, 2018	0.99
200,000	-	-	-	<b>200,000</b>	\$0.50	July 29, 2018	0.99
2,730,832	-	-	(1,590,832)	<b>1,140,000</b>	\$0.55	<i>(weighted average)</i>	0.61
\$0.70	-	-	\$0.85	Exercisable <b>1,140,000</b>	\$0.55	<i>(weighted average)</i>	0.61

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three months ended October 31, 2018**

---

**NOTE 11 – 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, 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.

<b>Three months ended October 31,</b>	<b>2018</b>	<b>2017</b>
Management fees CEO	\$ 22,500	\$ 22,500
Management fees CFO	7,500	7,500
<b>Total</b>	<b>\$ 30,000</b>	<b>\$ 30,000</b>

The Company owes amounts to key management personnel as follows:

<b>Three months ended October 31,</b>	<b>2018</b>	<b>2017</b>
Due to key management or companies controlled by key management personnel	\$ 207,621	\$ 268,621
<b>Total</b>	<b>\$ 207,621</b>	<b>\$ 268,621</b>

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

**NOTE 12 – 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.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three months ended October 31, 2018**

---

**NOTE 13 – 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 14 – 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.

**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three months ended October 31, 2018**

---

**NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

---

**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 15 – 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 period ended October 31, 2018. The Company is not subject to externally imposed capital requirements.

**NOTE 16 – SUBSEQUENT EVENTS**

---

Subsequent to October 31, 2018, the Company:

- a) 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 two years from the date of issuance.



**DEER HORN CAPITAL INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three months ended October 31, 2018**

---

**NOTE 18 – SUBSEQUENT EVENTS** *(continued)*

---

- b) Completed the second tranche of a non-brokered private placement, issuing 1,640,000 units at a price of \$0.20 per unit for proceeds of \$328,000. 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 two years from the date of issuance. The Company paid commissions of \$18,480 in connection with the second tranche of private placement.