

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)  
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

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**Dated: NOVEMBER 29, 2017**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The following interim Management Discussion and Analysis ("MD&A") reports on the operating results, financial condition and business risks of DLC Holdings Corp. (formerly Desmond Investments Ltd.) ("DLC" or the "Company") and is designed to help the reader understand the results of operations and financial condition of the Company as at and for the nine months ended September 30, 2017. This interim MD&A serves as an update from the Company's annual MD&A as at and for the year ended December 31, 2016. This interim MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"), together with the condensed consolidated unaudited interim financial statements for the nine months ended September 30, 2017, which were prepared in accordance with IFRS and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting (collectively referred to as the "Financial Statements"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings. These Financial Statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in this filing. The Board of Directors' approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

---

unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward looking statements include but are not limited to statements concerning:

- The Company's success at completing future financings
- The Company's strategies and objectives
- The Company's cost reductions and other financial operating objectives
- The availability of qualified employees for business operations
- General business and economic conditions
- The Company's ability to meet its financial obligations as they become due
- The positive cash flows and financial viability of its operations
- The Company's ability to manage growth
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward-looking statements. The forward-looking statements contained in this document are made as of the date of this MD&A.

## **CORPORATE OVERVIEW**

The Company was incorporated pursuant to the provisions of the British Columbia Business Corporations Act on March 25, 2011 and is listed for trading on the TSX Venture Exchange ("Exchange") under the symbol DLC. The Company's head office address is 1600 – 609 Granville Street, Vancouver, British Columbia, Canada V7Y 1C3 and its registered and records office address is 2200 – 885 West Georgia Street, Vancouver, British Columbia V6C 3E8.

On April 17, 2014, the Company completed its QT with the acquisition of EmVest nuts (Pty) Ltd. ("EmVest") by way of a share exchange agreement, whereby EmVest became a wholly owned subsidiary of the Company. Following this acquisition, the Company changed the name of its wholly owned South-African subsidiary from EmVest Nuts (Pty) Ltd to Superior Macadamias (Pty) Ltd ("Superior Macs"). Superior Macs is a company incorporated pursuant to the laws of South Africa whose principle operations constitute the processing and sale of macadamia nuts from a wholly owned processing facility based in the Mpumalanga Province of South Africa.

On February 2, 2017, the Company changed its name from Desmond Investments Ltd., to DLC Holdings Corp.

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

---

**OUTLOOK AND PROPOSED TRANSACTION**

The Company's principle operations currently consist of the processing and sale of macadamia nuts from a wholly owned processing facility based in the Mpumalanga Province of South Africa.

In addition to the macadamia processing activities, the Company is actively pursuing strategic growth opportunities. On December 22, 2014, the Company entered into a definitive share purchase agreement ("the "Vos Agreement") to acquire all the shares of AP Vos & Sons (Pty) Limited and its related companies ("Vos"). Vos and its related companies are private, family owned and operated, farming operations comprising 1,300 hectares mixed fruit and macadamia nut orchards in South Africa, located close to DLC's existing macadamia nut processing factory. In conjunction with the Vos Agreement, on March 2, 2015, the Company entered into definitive share purchase agreement (the "Qeton Agreement") to acquire all of the shares of Qeton Ltd., a private Irish company.

During fiscal 2015 and 2016 DLC's processing facility was leased to Vos and continues to be leased to them in 2017. However, as was announced on February 3, 2017, the Company has elected not to proceed with its acquisition of Vos and Qeton Ltd. The Company is continuing to seek strategic growth opportunities.

On September 5, 2017 the Company announced that it has entered into four definitive share purchase agreements (the "Share Purchase Agreements") each dated August 22, 2017, to acquire 60.5% of the issued and outstanding share capital of Ceniako Ltd. (a private corporation duly incorporated under the laws of Cyprus); and to acquire 100% of the issued and outstanding share capital of Craven House Industries Ltd. (a private corporation duly incorporated under the laws of Ireland). The Share Purchase Agreements are to be completed concurrently, and will together form a transaction that will constitute a reverse takeover.

Pursuant to the terms of each applicable share purchase agreement, the Company has agreed to issue 28,902,845 common shares of the Company in consideration for 60.5% of Ceniako Ltd.; 35,845,252 common shares of the Company in consideration for 100% of Craven House Industries Ltd.; and up to an additional 4,770,750 common shares of the Company in the event Superior Macs does not meet certain EBITDA targets, or is sold for less than US\$2.5 million.

Upon completion of the transaction, the Company will control ≈2,500 hectares of land as well as ≈10km of direct beach / water-front real estate facing the South Atlantic Ocean in Brazil. DLC intends to utilise the land to further its investment in the agricultural land and food processing industry.

The completion of the transaction is subject to a number of conditions, including, but not limited to, the receipt of all required shareholder, regulatory and third party consents, including exchange acceptance, and satisfaction of other customary closing conditions.

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

**SELECTED ANNUAL INFORMATION<sup>1</sup>**

Annual information for the latest annual fiscal period from date of inception is outline below:

	<b>For the year ended December 31, 2016</b>	<b>For the year ended December 31, 2015</b>	<b>For the year ended December 31, 2014</b>
<b>Loss and comprehensive loss</b>	\$ (110,068)	\$ (445,924)	\$ (273,682)
<b>Loss per share</b>	\$ (0.01)	\$ (0.03)	\$ (0.02)
<b>Total assets</b>	\$ 943,478	\$ 852,300	\$ 1,179,565
<b>Total liabilities</b>	\$ 401,976	\$ 187,030	\$ 224,071

<sup>1</sup>The information presented is derived from the Company's annual audited Financial Statements for which the financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS").

<sup>2</sup>The weighted average number of common shares outstanding used for the calculation of loss per share excludes the common shares held in escrow that were contingently cancellable (see Share Capital section for further details of the escrow terms).

**SUMMARY OF QUARTERLY RESULTS<sup>1,2</sup>**

	<b>3rd Quarter Ended September 30, 2017</b>	<b>2nd Quarter Ended June 30, 2017</b>	<b>1st Quarter Ended March 31, 2017</b>	<b>4th Quarter Ended December 31, 2016</b>
Net loss	\$ (26,668)	\$ (18,859)	\$ (101,225)	\$ (63,929)
Income/(Loss) and comprehensive income/(loss) for the period	\$ (58,172)	\$ (13,971)	\$ (100,335)	\$ 50,510
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
	<b>3rd Quarter Ended September 30, 2016</b>	<b>2nd Quarter Ended June 30, 2016</b>	<b>1st Quarter Ended March 31, 2016</b>	<b>4<sup>th</sup> Quarter Ended December 31, 2015</b>
Net loss	\$ (22,496)	\$ (25,129)	\$ (80,600)	\$ (179,964)
Loss and comprehensive loss for the period	\$ (24,243)	\$ (6,906)	\$ (129,429)	\$ (238,565)
Loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)

<sup>1</sup> - Financial information prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting.

<sup>2</sup> - Numbers have been rounded to the next decimal for presentation purposes.

The losses for fiscal 2015, 2016 and 2017 relate to filing, transfer agent and professional fees associated with maintaining a public company together with due diligence costs associated with the Vos acquisition.

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

---

**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017**

The following is an analysis of the Company's operating results for the three months ended September 30, 2017, and includes a comparison against the three months ended September 30, 2016.

**Expenses:**

**Operating expenses** for the three months ended September 30, 2017 were \$18,873 compared to \$18,360 for the same period in the previous year.

**General and administration expenses** for the three months ended September 30, 2016 were \$36,712 compared to \$16,198 for the same period in the previous year.

**Finance costs** for the three months ended September 30, 2017 were \$2,275 compared to \$13,618 for same period in the previous year. These costs relate to interest on Superior Mac's bank indebtedness balance which bears interest at prime plus 0.6% per annum.

**Other income**, consisting of incidental income earned through the provision of administrative and lab services to related companies, for the three months ended September 30, 2017 was \$31,192 compared to \$25,680 for same period in the previous year.

**Foreign exchange loss** for the three months ended September 30, 2017 was \$31,504 compared to \$1,747 for same period in the previous year. The current period's result reflects the foreign exchange impact of the Company's RAND dollar cash balances.

**Loss and comprehensive loss for the period**

As a result of the activities discussed above, the Company experienced a net loss for the three months ended September 30, 2017 of \$26,668 (comprehensive loss of \$58,172) as compared to net loss of \$22,496 (comprehensive loss of \$1,747) for same period in the previous year; representing an increase of \$4,172 (comprehensive loss increases of \$33,929).

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

---

**RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

The following is an analysis of the Company's operating results for the nine months ended September 30, 2017, and includes a comparison against the nine months ended September 30, 2016.

**Expenses:**

**Operating expenses** for the nine months ended September 30, 2017 were \$117,350 compared to \$100,356 for the same period in the previous year.

**General and administration expenses** for the nine months ended September 30, 2017 were \$106,490 compared to \$87,792 for the same period in the previous year.

**Finance costs** for the nine months ended September 30, 2017 were \$17,586 compared to \$13,618 for same period in the previous year. These costs relate to interest on Superior Mac's bank indebtedness balance which bears interest at prime plus 0.6% per annum.

**Other income**, consisting of incidental income earned through the provision of administrative and lab services to related companies, for the nine months ended September 30, 2017 was \$94,675 compared to \$73,541 for same period in the previous year.

**Foreign exchange loss** for the nine months ended September 30, 2017 was \$25,726 compared to \$32,353 for same period in the previous year. The current period's result reflects the foreign exchange impact of the Company's RAND dollar cash balances.

**Loss and comprehensive loss for the period**

As a result of the activities discussed above, the Company experienced a net loss for the nine months ended September 30, 2017 of \$146,751 (comprehensive loss of \$172,477) as compared to net loss of \$128,225 (comprehensive loss of \$160,578) for same period in the previous year; representing an increase of \$18,526 (\$11,899 increase in comprehensive loss).

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)  
 INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

---

**SHARE CAPITAL**

**Authorized:** Unlimited common shares without par value  
 Unlimited preferred shares without par value

**Issued and outstanding:**

As at December 31, 2016, September 30, 2017 and as at the date of this report, the Company had 15,356,676 and 4,545,455 preferred shares issued and outstanding.

On April 17, 2014, the Company issued 4,545,455 non-voting restricted preferred shares ("Preferred Shares") in connection with the acquisition of Superior Macs. The Preferred Shares are convertible into common shares of the Company on a 1 for 1 basis. The Preferred Shares, and the common shares which they are convertible into (together, the "Superior Mac Shares"), were subject to an escrow agreement. 10% were released upon completion of the Company's QT, and the remaining 90% were released on an equal basis every 6 months thereafter. As of September 30, 2017, all of the Superior Mac Shares have been released from escrow.

**Escrow shares:**

In addition to the escrow provisions relation to the Superior Macs Shares, a total of 10,000,000 of the Company's common shares were held in escrow prior to completion of the QT. 10% of the escrow shares were released on a pro-rata basis to the shareholders upon final acceptance of the Company's QT by the Exchange, which occurred on April 25, 2014, and the remainder of these escrowed shares were released in six equal tranches of 15% every six months thereafter for a period of 36 months.

<b>Balance, December 31, 2016 and March 31, 2017</b>		<b>1,500,000</b>
Released on April 25, 2017	15%	(1,500,000)
<b>Balance, as at September 30, 2017 and the date of this MD&amp;A</b>		<b>-</b>

**Warrants**

A summary of warrant activity is as follows:

<b>Issue Date</b>	<b>Number of warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>Balance, December 31, 2016, September 30, 2017 and the date of this MD&amp;A</b>	<b>2,856,675</b>	<b>\$0.20</b>	<b>April 17, 2018</b>

At the date of this MD&A, warrants outstanding are as follows:

<b>Grant Date</b>	<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry date</b>	<b>Remaining contractual life (years)</b>
April 17, 2014	2,856,675	\$0.20	April 17, 2018	0.38

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

---

**Stock Options:**

The Company has a stock option plan under which it is authorized to grant up to 1,200,000 options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option can equal the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

A summary of the Company's stock option activity is as follow:

	<b>Number of Options outstanding and exercisable</b>	<b>Exercise Price</b>
<b>Balance, December 31, 2016</b>	1,200,000	\$0.15
<b>Expired</b>	(1,200,000)	\$ (0.15)
<b>Balance, September 30, 2017 and as at the date of this MD&amp;A</b>	-	-

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions may have a material effect on the fair value of the Company's stock options.

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

---

**LIQUIDITY AND CAPITAL RESOURCES**

The Company defines capital as consisting of shareholder's equity (comprised of issued share capital, deficit, and accumulated other comprehensive cost) and cash. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at September 30, 2017, the Company does not have any long term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants.

The Company incurred a comprehensive loss of \$172,477 for the nine months ended September 30, 2017 (for the nine months ended September 30, 2016 - \$160,578). During the nine months ended September 30, 2017, the Company's operations consumed cash of \$31,356 (for the nine months ended September 30, 2016 - \$20,277). These activities, together with \$18,601 losses in cash due to foreign exchange movements, resulted in an overall decrease of \$29,127 in cash for the period; leaving the Company with a cash balance of \$48,448 as at September 30, 2017.

At September 30, 2017, the Company has \$66,885 in working capital deficiency. The Company has insufficient funds from which to finance its operating requirements and debt repayments within the next year. The Company's ability to finance its future operating requirements is significantly dependent on the Company's ability to achieve profitable returns from its operating activities. Without these returns, the Company will remain dependent upon its existing cash balances, collection of its receivables and other possible sources of cash; such as the exercise of stock options, the exercise of warrants, new shares issuances, and/or future debt financing. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company. These facts cast doubt about the Company's ability to continue as a going concern.

The Financial Statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. The accompanying financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate, adjustments may be necessary to the carrying amounts and/or classification of assets and/or liabilities and the reported expenses in these financial statements. Such adjustments could be material.

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

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## **RISKS AND UNCERTAINTIES**

### **Foreign Operations**

All or substantially all of the Company's operations are located in South Africa, and as a result, the Company's operations are exposed to various levels of political, social, economic, and other risks and uncertainties associated with operating in foreign jurisdictions. These risks and uncertainties include, but are not limited to: changing and unstable political, social and financial conditions, war, terrorism, civil disputes, protests, riots, insurrection, labour unrest, corruption, robbery, production and price controls, import or export controls, currency exchange and currency transfer controls, currency remittances, changes in taxation, government regulations and policies that may restrict employment and the supply of goods and services to citizens and other specific groups, arbitrary nullification of existing licenses, concessions, permits, contracts and other property rights, arbitrary mandates to address shifts in political, social and financial policies and attitudes that directly or indirectly affect the Company's business operations, financial condition or prospects, nationalism and isolationism, trade embargoes, higher rates of inflation, unstable monetary policies, unstable foreign exchange rates and uncertainties with respect to local legal system and respect of the rule of law. The occurrence of or adverse change in these or similar matters will likely have an adverse effect on the business, operations, financial condition of the Company, including but not limited to the loss, destruction, damage and injury to property and personnel, an impairment, reduction, cessation of operations, the loss of potential opportunities, increased costs and inefficiencies and reduced financial results and flexibility. In addition, failure to comply with anti-corruption and anti-bribery legislation of Canada and other jurisdictions may result in significant fines, penalties and other sanctions.

### **Agricultural Business**

The Company's inputs and outputs are tied to agricultural processes and commodity prices and are therefore exposed to a high degree of risk, often characterized by potential disruption that could result in total crop failure, seasonal windows, perishable inventories, commodity pricing and low margins which require economies of scale and efficiencies for optimal results. In particular, small changes in commodity pricing can have disproportionate effects on profitability and financial results. There can be no assurances that the Company outputs can be sold at prices generating sufficient return on investment or cash flows, and that any operational or financial results can, in subsequent years, be repeated, sustained, or improved upon.

### **Disruptions**

The Company is subject to both natural and man-made disruptions to its operations, including but not limited to drought, storms, frost and other adverse weather conditions, fires, floods, insect swarms, pestilence, crop failure and other acts of God, industrial accidents, strikes, lock-outs, labour shortages, power shortages, fuel shortages, title or access disputes, including aboriginal or native disputes, wars, terrorism, civil disputes, protests, riots, insurrection, governmental regulations or requirements restricting or otherwise adversely altering free market or normal operations and other adverse events or occurrences beyond the control of the Company. These or similar matters may have a direct impact on farming operations which provide the Company inputs but may also have an indirect impact on other aspects of the Company's business such as transportation, storage, food processing and distribution, marketing and sales efforts, monetary payments. The occurrence of or an adverse change in these or similar matters will likely have an adverse effect on the business, operations, financial condition, financial

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

---

results and prospects of the Company. There can be no assurances that these disruptions will not occur, that any such disruption would not be of indefinite duration, and that any such disruption will not result in the loss of an entire seasonal crop yield or complete failure of the Company's business.

**Insurance**

It may not be possible for the Company to fully insure itself against all operational risks and losses, and the Company may ultimately decide or be forced to not take out various insurance policies due to high premiums or for other reasons. Should such uninsured damages or losses occur, they could have a substantial adverse affect on the Company, including the complete failure of the business.

**Competition**

The Company competes with a number of companies for personnel, land acquisitions, equipment, raw materials, services and sales contracts. These companies may have greater financial resources, established and diversified operations, history, goodwill, and other factors that will give them a competitive advantage over the Company. There can be no assurances that the Company will be able to secure resources, services and sales in an environment of increased competition by such competitors.

**Government Regulation**

The Company's Superior Macs operations will be subject to government legislation, policies and controls. These may include but are not limited to regulations in respect of land use, water use and irrigation rights, fertilizer, hormone, pesticide and antibiotic controls, food inspections, food standards and other environmental and health and safety laws. In addition, any delays in receiving any necessary license, concession, permit or other regulatory approval may cause operational delays resulting in, among other things, inefficiencies, increased costs and untenable crop schedules. The exercise of discretion by government authorities under existing regulations, modification of existing regulations and the implementation of new regulations affecting the industry are beyond the control of the Company and could have an adverse impact on the business, operations, financial condition, financial results and prospects of the Company.

Failure to comply with applicable laws and regulations may result in enforcement actions resulting in forfeiture of property, payment of administrative, civil and criminal fines and penalties, payment of damages and compensation, and the imposition of corrective measures requiring capital and other expenditures, changes in procedures or other remedial actions.

**Environmental Exposure**

Superior Macs operations have the potential to affect surrounding lands. In the event that Superior Macs operations result in loss or damage to neighbouring landowners or other affected persons, Superior Macs may be required to compensate those affected and to take remedial actions that would require significant expenditures, changes in procedures or other remedial actions, which individually or in the aggregate could have an adverse impact on the business, operations, financial condition, financial results and prospects of the Company.

**Exchange rate Fluctuations**

The Company reports its financial statements in Canadian dollars. In contrast, all or substantially all of its operations are located in South Africa, and thus its operational currency is the South African Rand. In

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

---

addition, certain of its input costs and sales may be denominated in other currencies, such as the US dollar. As a result, fluctuations in exchange rates, which can be volatile, can have a material effect on working capital, cash flow and reported financial condition and financial results.

**Lack of Dividend Policy**

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

**Possible Dilution to Present and Prospective Shareholders**

The Company may from time to time issue equity securities to finance its operations, acquisitions and other working capital requirements. The issuance of equity securities will result in the dilution of the equity interests of existing shareholders. There can be no assurances that equity securities can in any instance be issued on terms favourable or acceptable to the Company, as the case may be, and if such issuance is nonetheless required, the result will be additional and possibly excessive dilution to the equity interests of existing shareholders.

**Dependence of Key Personnel**

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

**Lack of Trading**

A listing of the Common Shares on the Exchange is not a guarantee of liquidity. If an active trading market for the Common Shares does not develop, the liquidity of the Common Shares may be limited and it may be difficult if not impossible for a holder of Common Shares to sell Common Shares. There can be no assurances that an active trading market for the Common Shares will develop or if developed will be sustained for any period of time.

# **DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**

## **INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

---

#### **Volatility of Share Price**

Market prices for shares of TSX Venture Exchange companies are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company's shares.

## **FINANCIAL INSTRUMENTS**

#### **Fair Value**

Receivable is classified as loans and receivables and is measured at amortized cost. Accounts payable and accrued liabilities, bank indebtedness, due to related party and taxes payable are classified as other liabilities and are measured at amortized cost. The Fair values of its receivables, accounts payable and accrued liabilities, bank indebtedness, and due to related party approximate their carrying values due to their short term maturity. The Company's other financial instrument, cash under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities.

#### **Financial Risks Factors**

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

##### **I. Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At September 30, 2017, the Company has working capital deficiency of \$66,885 (December 31, 2016 - \$22,031). This is insufficient to fund the Company's operating costs for the next year. The Company's ability to finance its future operating requirements is significantly dependent on the Company's ability to achieve profitable returns on its operating activities. Without these returns, the Company will remain dependent upon the continued financial support of its debtors and shareholders. The Company, as at September 30, 2017 is exposed to liquidity risk.

##### **II. Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities and bank indebtedness that are denominated in US dollars and South African RAND. A 1% fluctuation in the US/dollar against the Canadian dollar exchange rate would have an insignificant impact on the Company's cash balance and foreign exchange gain or loss for the period.

##### **III. Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company places its cash with institutions of high-credit

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

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worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances.

**IV. Interest rate risk**

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in interest rates. The Company's bank indebtedness bears interest at prime plus 0.6%. As of September 30, 2017, a 10% change in prime rate would have an insignificant impact to the Company's net loss and comprehensive loss.

The Company's cash and cash equivalent earns interest a nominal rate. Interest risk related to cash and cash equivalent is therefore insignificant.

**FUTURE ACCOUNTING POLICIES**

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the nine months ended September 30, 2017, and have not been applied in preparing these financial statements. None of these are expected to have an effect on the Company's financial statements.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

**(a) Critical accounting estimates**

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

**i. Fair value of the consideration given to acquire Superior Macs**

The Company issued 4,545,455 non-voting restricted preferred shares to acquire Superior Macs. As this transaction was a non-monetary transaction, management relied on the recently completed financing price of \$0.15 per share as a basis to estimate the fair value of these shares exchanged for the acquisition of Superior Macs; resulting in an estimated fair value of \$681,818.

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

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The excess of the purchase price over the book value of the assets and liabilities acquired with Superior Macs has been allocated to the Property, Plant and Equipment and the related deferred tax liability. Annual impairment tests may result in fair values less than the recorded costs of Property, Plant, and Equipment; and this change would be recognized as an impairment loss at the time of valuation.

**ii. Deferred income tax**

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

**iii. Useful life of equipment**

Each significant component of an item of equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past management experience, and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, and the potential for technological obsolescence.

**iv. Impairment of long lived assets**

The carrying value of long lived assets is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the consolidated statement of loss. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflow from other assets or groups of assets – "CGUs") for purpose of impairment testing, require the use of estimates and assumptions for discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of long lived assets could impact the impairment analysis.

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

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**(b) Critical accounting judgements**

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are, but are not limited to, the following:

**i. Determination of functional currency**

The functional currency of the Company is the South African Rand. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. The determination of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency if there are changes in events and conditions of the factors used in the determination of the primary economic environment.

**ii. Going Concern**

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements.

**DLC HOLDINGS CORP. (formerly Desmond Investments Ltd.)**  
**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017**

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**RELATED PARTY TRANSACTIONS**

Key Personnel Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personal during the nine months ended September 30, 2017 and 2016 are as follows:

Type of Service	Nature of Relationship	For the three months ended September 30,		For the nine months ended September 30,	
		2017	2016	2017	2016
Management fees	To a company with an officer in common with the Company	\$ 10,500	\$ 10,500	\$ 31,500	\$ 21,000
<b>Total</b>		<b>\$ 10,500</b>	<b>\$ 10,500</b>	<b>\$ 31,500</b>	<b>\$ 21,000</b>

The following represents amounts due to related parties as at September 30, 2017, not already disclosed elsewhere in these condensed consolidated interim financial statements:

Type of Service	Nature of Relationship	September 30, 2017	December 31, 2016
Loans	To a company with a director in common	\$ 159,823	\$ 111,118
Loans	To the CEO of the Company	5,347	5,347
Professional fees	To a company with an officer in common with the Company	59,375	27,875
<b>Total</b>		<b>\$ 224,545</b>	<b>\$ 144,340</b>

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company currently has no off-balance sheet arrangements.

**ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).