

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

Condensed Consolidated Interim Financial Statements  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

As at and for the nine months ended September 30, 2017 and 2016

**DLC HOLDINGS CORP.**  
(formerly Desmond Investments Ltd.)  
(the “Company” or “DLC”)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**As at and for the nine months ended September 30, 2017**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The Management of the Company is responsible for the preparation of the accompanying unaudited condensed consolidated interim financial statements. The unaudited condensed consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) for the preparation of condensed consolidated interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company’s auditor has not performed a review of these condensed consolidated 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.

**DLC Holdings Corp. (formerly Desmond Investments Ltd.)**  
Condensed Consolidated Interim Statements of Financial Position  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)  
As at

	September 30, 2017	December 31, 2016
<b>Assets</b>		
Current Assets		
Cash	\$ 48,448	\$ 77,575
Receivable	1,090	13,307
	<b>49,538</b>	<b>90,882</b>
Property, plant and equipment (Note 6)	<b>780,916</b>	852,596
<b>Total Assets</b>	<b>\$ 830,454</b>	<b>\$ 943,478</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 116,423	\$ 85,038
Due to related party	-	27,875
	<b>116,423</b>	<b>112,913</b>
Long-term Liabilities		
Deferred Tax	<b>13,700</b>	13,700
Due to related parties	<b>165,170</b>	116,465
Promissory Note	<b>166,136</b>	158,898
	<b>345,006</b>	<b>289,063</b>
<b>Total liabilities</b>	<b>\$ 461,429</b>	<b>\$ 401,976</b>
Shareholders' Equity		
Share capital (Note 11)	<b>1,691,086</b>	1,691,086
Share-based payment reserve (Note 11)	<b>194,500</b>	194,500
Accumulated other comprehensive loss	<b>14,747</b>	40,473
Deficit	<b>(1,531,308)</b>	(1,384,557)
	<b>369,025</b>	<b>541,502</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 830,454</b>	<b>\$ 943,478</b>

Nature and Continuance of Operations (Note 1)  
Proposed Transaction (Note 17)

Approved on November 29, 2017 on behalf of the Board:

"Mark Pajak"  
Mark Pajak – Director

"Craig Goldenberger"  
Craig Goldenberger – Director

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

**DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

As at

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	2017	2016
<b>Expenses:</b>				
Operating expenses (Note 9)	<b>18,873</b>	18,360	<b>117,350</b>	100,356
General and administration costs (Note 9)	<b>36,712</b>	16,198	<b>106,490</b>	87,792
	<b>(55,585)</b>	(34,558)	<b>(223,840)</b>	(188,148)
<b>Other items:</b>				
Finance costs	<b>(2,275)</b>	(13,618)	<b>(17,586)</b>	(13,618)
Other income (Note 10)	<b>31,192</b>	25,680	<b>94,675</b>	73,541
<b>Net loss for the period</b>	<b>(26,668)</b>	(22,496)	<b>(146,751)</b>	(128,225)
<b>Foreign exchange movements</b>	<b>(31,504)</b>	(1,747)	<b>(25,726)</b>	(32,353)
<b>Comprehensive loss</b>	<b>\$ (58,172)</b>	\$ (24,243)	<b>\$ (172,477)</b>	\$ (160,578)
<b>Weighted average number of shares outstanding (Note 11(c))</b>	<b>15,356,675</b>	15,356,675	<b>15,356,675</b>	15,356,675
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	\$ (0.00)	<b>\$ (0.01)</b>	\$ (0.01)

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

**DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

As at

	Number of Common Shares (Note 11)	Number of Preferred Shares	Share Capital Amount	Share- based payment reserve	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity
<b>Balance, December 31, 2015</b>	<b>15,356,675</b>	<b>4,545,455</b>	<b>\$ 1,691,086</b>	<b>\$ 194,500</b>	<b>\$ (41,613)</b>	<b>\$ (1,192,403)</b>	<b>\$ 651,570</b>
Net loss	-	-	-	-	-	(128,225)	(128,225)
Foreign exchange movements	-	-	-	-	(32,353)	-	(32,353)
<b>Balance, September 30, 2016</b>	<b>15,356,675</b>	<b>4,545,455</b>	<b>\$ 1,691,086</b>	<b>\$ 194,500</b>	<b>\$ (73,966)</b>	<b>\$ (1,320,628)</b>	<b>\$ 490,992</b>
<b>Balance, December 31, 2016</b>	<b>15,356,675</b>	<b>4,545,455</b>	<b>\$ 1,691,086</b>	<b>\$ 194,500</b>	<b>\$ 40,473</b>	<b>\$ (1,384,557)</b>	<b>\$ 541,502</b>
Net loss	-	-	-	-	-	(146,751)	(146,751)
Foreign exchange movements	-	-	-	-	(25,726)	-	(25,726)
<b>Balance, September 30, 2017</b>	<b>15,356,675</b>	<b>4,545,455</b>	<b>\$ 1,691,086</b>	<b>\$ 194,500</b>	<b>\$ 14,747</b>	<b>\$ (1,531,308)</b>	<b>\$ 369,025</b>

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

**DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Condensed Consolidated Interim Statements of Cash Flow

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

As at

	For the nine months ended September 30,	
	2017	2016
<b>Cash provided by / (used for):</b>		
<b>Operating Activities:</b>		
Net loss for the year	\$ (146,751)	\$ (128,225)
Items not affecting cash:		
Depreciation	64,555	72,180
Accrued interest	7,238	-
Net change in non-cash working capital items:		
Receivables	12,217	2,132
Accounts payable and accrued liabilities	31,385	53,306
Current tax payable	-	(19,670)
Net cash used in operating activities	(31,356)	(20,277)
<b>Financing Activities:</b>		
Due to related party	20,830	35,037
	20,830	35,037
<b>Effect of foreign exchange on cash</b>	(18,601)	10,578
<b>Increase/(decrease) in cash for the period</b>	(29,127)	25,338
Cash, beginning of the period	77,575	1,062
<b>Cash, end of the period</b>	\$ 48,448	\$ 26,400
<b>Supplementary Information:</b>		
Cash paid during the period for interest expense	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

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

## **DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

DLC Holdings Corp. (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. On April 17, 2014, the Company completed a Qualifying Transaction ("QT") with the acquisition of EmVest Nuts (Pty) Ltd. ("EmVest"). 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 has the facilities and knowledge to process and sell macadamia nuts and is currently exploring related business opportunities. On February 2, 2017, the Company changed its name from Desmond Investments Ltd. to DLC Holdings Corp.

This 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.

As at September 30, 2017, the Company has a cash balance of \$48,448 and a working capital deficit of \$66,885. Management believes that the Company likely has insufficient funds from which to fund on-going operating requirements for the near term. The Company's continued operations are significantly dependent upon its ability to achieve profitable operations. If the Company fails to achieve profitable operations, the Company may be required to obtain further financing to meet obligations as they become due. The Company has a history of losses and has accumulated a deficit of \$1,531,308 as at September 30, 2017. These factors cast doubt about the Company's ability to continue as a going concern.

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## **DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### **2. BASIS OF PREPARATION**

The condensed consolidated interim financial statements of the Company have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

These condensed consolidated interim financial statements do not include all of the information required for the full annual financial statements and therefore should be read in conjunction with the most recent audited annual financial statements as at and for the year ended December 31, 2016 of the Company which are available on [www.sedar.com](http://www.sedar.com).

The condensed consolidated interim financial statements include the accounts of the Company and the following wholly owned subsidiaries:

<b>Name of Subsidiary</b>	<b>Ownership</b>	<b>Activity</b>
0978612 BC Ltd	Since incorporation on August 23, 2013 pursuant to the Business Corporations Act (British Columbia)	Inactive company
Superior Macadamias (Pty) Ltd (Formerly EmVest Nuts (Pty) Ltd.)	Acquired by the Company on April 17, 2014, originally incorporated pursuant to the Companies Act 2008 (South Africa) on January 25, 2010.	Superior Macs is an agricultural processor and distributor of macadamia nuts.

The accounts of Superior Macs have been included in these condensed interim consolidated financial statements from the acquisition date. All intercompany balances and transactions have been eliminated on consolidated.

These condensed consolidated interim financial statements of the Company are presented in Canadian dollars, and the functional currency is the South African Rand.

The Company’s condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 29, 2017.

## **DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNT POLICIES**

These condensed consolidated interim financial statements of the Company have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, the condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for the statement of cash flows.

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent annual audited December 31, 2016 financial statements, which are available on [www.sedar.com](http://www.sedar.com), and reflect all of the adjustments necessary for fair presentation in accordance with IAS 34.

### **4. 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 which include:

##### **i. Useful life 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.

**DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2017

(Unaudited – Prepared by Management)

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**(a) Critical accounting estimates (continued)**

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 operations of the Company. 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. 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 purposes 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 assumption or estimates used in determining the fair value of long lived assets could impact the impairment analysis.

**(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.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

##### **(b) Critical accounting judgements**

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 as discussed in Note 1.

#### **5. RECENT ACCOUNTING PRONOUNCEMENTS**

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 is expected to have an effect on the Company's financial statements.

Effective for annual periods beginning on or after January 1, 2018

i. IFRS 9 Financial Instruments – Classification and Measurement

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.

ii. IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Services.

**DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**6. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Plant and Equipment	Furniture, fixtures and other	Total
<b>Costs:</b>					
December 31, 2016	\$ 40,662	\$ 610,523	\$ 454,743	\$ 3,207	\$ 1,109,135
Additions	-	-	-	-	-
<b>September 30, 2017</b>	<b>\$ 40,662</b>	<b>\$ 610,523</b>	<b>\$ 454,743</b>	<b>\$ 3,207</b>	<b>\$ 1,109,135</b>
<b>Accumulated Depreciation:</b>					
December 31, 2016	\$ -	\$ 47,273	\$ 185,827	\$ 1,428	\$ 234,528
Depreciation	-	14,265	49,842	398	64,555
<b>September 30, 2017</b>	<b>\$ -</b>	<b>\$ 61,538</b>	<b>\$ 235,719</b>	<b>\$ 1,826</b>	<b>\$ 299,083</b>
<b>Foreign Exchange Movement:</b>					
December 31, 2016					\$22,011
<b>September 30, 2017</b>					<b>\$ 29,136</b>
<b>Net Book Value:</b>					
December 31, 2016					\$ 852,596
<b>September 30, 2017</b>					<b>\$ 780,916</b>

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30, 2017	December 31, 2016
Trade payables	\$ 42,448	\$ 53,529
VAT	4,316	12,606
Accruals	69,659	18,903
	<b>\$ 116,423</b>	<b>\$ 85,038</b>

**8. BANK INDEBTEDNESS**

The Company has a bank overdraft facility in South Africa which bears interest at a rate of prime plus 0.6%. As at September 30, 2017, it was a rate of 11.60%. No further amounts may be borrowed under this facility.

**DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**9. BREAKDOWN OF EXPENSES BY NATURE**

Nature	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Operating expenses:</b>				
Depreciation	\$ -	\$ 6,885	\$ 64,555	\$ 65,552
Insurance	980	1,781	3,064	1,781
Miscellaneous	2,724	(1,524)	4,618	(1,524)
Repairs and maintenance	-	-	-	-
Salaries and wages	-	-	-	-
Utility costs	15,169	16,187	45,114	16,187
	<b>\$ 18,873</b>	<b>\$ 23,329</b>	<b>\$ 117,351</b>	<b>\$ 81,996</b>
<b>General and administrative costs:</b>				
Foreign exchange gain	\$ 9	\$ 4	\$ 25	\$ 29
Miscellaneous	36	75	143	121
Professional fees	37,201	46,468	94,189	61,468
Transfer agent and filing fees	(534)	3,114	12,133	9,976
	<b>\$ 36,712</b>	<b>\$ 49,661</b>	<b>\$ 106,490</b>	<b>\$ 71,594</b>

**10. OTHER INCOME**

Other income consists of incidental income earned through the provision of administrative and lab services.

**11. SHARE CAPITAL**

- (a) **Authorized**      Unlimited number of common shares without par value  
                               Unlimited number of preferred shares without par value

**(b) Share issuances**

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 (as of March 31, 2016 none have converted). 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.

**DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**11. SHARE CAPITAL (continued)****(c) Escrow shares**

In addition to the escrow provision relating to the Superior Mac 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, 2015</b>	<b>4,500,000</b>
April 25, 2016	(1,500,000)
October 25, 2016	(1,500,000)
April 25, 2017	(1,500,000)
<b>Balance, September 30, 2017</b>	<b>-</b>

**(d) Stock Options:**

The Company has a stock option plan under which it is authorized to grant to executive officers and directors, employees and consultants stock options 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 equals 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 follows:

	<b>Number of Options outstanding and exercisable</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, December 31, 2015 and 2016</b>	<b>1,200,000</b>	<b>\$ 0.15</b>
Expired	(1,200,000)	\$ (0.15)
<b>Balance, September 30, 2017</b>	<b>-</b>	<b>-</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.)**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2017

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**11. SHARE CAPITAL (continued)****(e) Warrants**

At September 30, 2017, warrants outstanding are as follows:

Issue Date	Number of Warrants	Exercise Price	Expiry date	Remaining contractual life (years)
April 17, 2014	2,856,675	\$0.20	April 17, 2018	0.55

**12. 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,	December 31,
		2017	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>

**DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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**13. CAPITAL MANAGEMENT**

The Company defines capital as consisting of shareholder's equity (comprised of issued share capital, share-based payment reserve, deficit and accumulated other comprehensive loss) 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.

**14. FINANCIAL INSTRUMENTS**

**(a) Fair Value**

The Company's receivable is classified as loans and receivables and is measured at amortized cost. Accounts payable and accrued liabilities, bank indebtedness 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, taxes payable, and bank indebtedness 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.

## **14. FINANCIAL INSTRUMENTS (continued)**

### **(b) 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 a working capital deficit of \$66,885 (December 31, 2016 - \$22,031) and a history of losses. 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 significantly 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 worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances. The Company's receivable balance relates solely to GST receivable from the Government of Canada. Management has assessed a low level of credit risk with respect to this receivable balance.

#### **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 at 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 earns interest at a nominal rate. Interest risk related to cash and cash equivalents is therefore insignificant.

**DLC Holdings Corp. (formerly Desmond Investments Ltd.)**

Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

**15. SEGMENTED INFORMATION**

The Company operates in one business segment, the agricultural processing and distribution of macadamia nuts in one geographic region: South Africa. The Company's assets and liabilities are as follows:

	Canada	South Africa	Total
<b>As at September 30, 2017</b>			
Cash	\$ 27,780	\$ 20,668	\$ 48,448
Receivable	1,090	-	1,090
Property, Plant and Equipment	-	780,916	780,916
	<b>\$ 28,870</b>	<b>\$ 801,584</b>	<b>\$ 830,454</b>
	Canada	South Africa	Total
<b>As at December 31, 2016</b>			
Cash	\$ 56,905	\$ 20,670	\$ 77,575
Receivable	423	12,884	13,307
Property, Plant and Equipment	-	852,596	852,596
	<b>\$ 57,328</b>	<b>\$ 886,150</b>	<b>\$ 943,478</b>

**16. FUTURE ACCOUNTING PRONOUNCEMENTS**

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 is expected to have an effect on the Company's financial statements. The Company has not early adopted these revised standards.

***Effective for annual periods beginning on or after January 1, 2018***

IFRS 9: Financial instruments: Classification and Measurement: applied to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 15: Revenue from Contracts with Customers: a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreement for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Baster Transactions involving Advertising Services.

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Notes to the Condensed Consolidated Interim Financial Statements

As at and for the nine months ended September 30, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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**16. FUTURE ACCOUNTING PRONOUNCEMENTS (continued)**

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

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

**17. PROPOSED TRANSACTION**

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.