

DLC HOLDINGS CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

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

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

DLC HOLDINGS CORP.
 CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
 (Unaudited)
 (Expressed in Canadian Dollars)
AS AT

	September 30, 2018	December 31 2017
ASSETS		
Current		
Cash and cash equivalents	\$ 53,052	\$ -
Receivables	29,288	1,573
Marketable securities (Note 5)	356,040	-
	<u>438,380</u>	<u>1,573</u>
Investments in subsidiaries (Note 6)	17,571,973	17,387,884
Tangible assets (Note 7)	952,146	457,901
	<u>18,524,119</u>	<u>17,845,785</u>
Total assets	\$ 18,962,499	\$ 17,847,358
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 114,327	\$ 60,911
Balances due to broker (Note X5)	33,949	-
Due to related parties (Note 11)	117,911	-
	<u>266,187</u>	<u>60,911</u>
Deferred tax	98,983	99,194
Promissory note (Note 8)	175,416	-
Loans (Note 9)	588,086	-
	<u>862,485</u>	<u>99,194</u>
Total liabilities	1,128,672	160,105
Shareholders' equity		
Share capital (Notes 4 and 10)	4,255,850	2,794
Reserves	15,589,131	15,589,131
Accumulated other comprehensive income	918,016	1,009,507
Non-controlling interest	4,229,468	4,240,396
Deficit	(7,158,638)	(3,154,575)
	<u>17,833,827</u>	<u>17,687,253</u>
Total shareholders' equity	17,833,827	17,687,253
Total liabilities and shareholders' equity	\$ 18,962,499	\$ 17,847,358

Approved and authorized by the Board on November XX, 2018

"Mark Pajak" Director "Craig Goldenberger" Director
 Mark Pajak - Director Craig Goldenberger - Director

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

DLC HOLDINGS CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME

(LOSS)

(Unaudited)

(Expressed in Canadian Dollars)

	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
CONTINUING OPERATIONS				
Fair value adjustment (Note 7)	\$ 3,224	\$ -	\$ 5,765	\$ -
Insurance	1,114	-	1,806	-
Interest expense (Notes 8 and 9)	11,293	-	20,618	-
General and administrative	98	-	1,250	-
Transfer and filing fees	2,678	-	2,678	-
Consulting fees	6,300	-	6,300	-
Management fees (Note 11)	15,000	-	25,500	-
Professional fees	4,421	-	4,421	4,280
Foreign exchange (gain) loss	<u>(63,911)</u>	<u>-</u>	<u>(240,114)</u>	<u>635,640</u>
Income (loss) from continuing operations	19,783	-	171,776	(639,920)
OTHER ITEMS				
Interest and investment income (expense)	(24,801)	-	13,243	-
Other income (Note 11)	(564)	-	12,243	-
Gain on marketable securities (Note 5)	50,400	-	50,400	-
Listing expense (Note 4)	<u>-</u>	<u>-</u>	<u>(4,253,684)</u>	<u>-</u>
Total other items	25,035	-	(4,177,798)	-
Net income (loss) for the period from continuing operations	44,818	-	(4,006,022)	(639,920)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified subsequently to profit or loss				
Currency translation adjustment	<u>(417,003)</u>	<u>(167,830)</u>	<u>(100,460)</u>	<u>862,506</u>
Comprehensive income (loss) for the period	<u>\$ (372,185)</u>	<u>\$ (167,830)</u>	<u>\$ (4,106,482)</u>	<u>\$ 222,586</u>
Net loss attributable to:				
Shareholders of the Company	\$ 46,777	-	\$ (4,004,063)	\$ (639,920)
Non-controlling interest	<u>(1,959)</u>	<u>-</u>	<u>(1,959)</u>	<u>-</u>
	44,818	-	(4,006,022)	(639,920)
Comprehensive income (loss) attributable to:				
Shareholders of the Company	(321,265)	(128,093)	(91,491)	665,510
Non-controlling interest	<u>(95,738)</u>	<u>(39,737)</u>	<u>(8,969)</u>	<u>196,996</u>
	<u>\$ (417,003)</u>	<u>\$ (167,830)</u>	<u>\$ (100,460)</u>	<u>\$ 862,506</u>
Basic and diluted income (loss) per common share				
	\$ 0.00	\$ (0.00)	\$ (0.07)	\$ (0.03)
Weighted average number of common shares outstanding				
	84,650,227	19,902,130	57,612,560	19,902,130

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

DLC HOLDINGS CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (4,006,022)	\$ (639,920)
Non-cash items:		
Listing expense (Note 4)	4,253,684	-
Fair value adjustment (Note 7)	5,765	-
Accrued interest expense	17,995	-
Gain on marketable securities	(50,400)	-
Unrealized foreign exchange	(233,134)	635,640
Changes in non-cash working capital items:		
Accounts receivable	(11,363)	-
Accounts payable and accrued liabilities	-	4,280
Due to related parties	30,388	-
	<u>6,913</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of DLC (Note 4)	696,282	-
Purchase of marketable securities	(302,067)	-
Sale of marketable securities	27,938	-
	<u>422,153</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on loan (Note 9)	(386,280)	-
	<u>(386,280)</u>	<u>-</u>
Effect of foreign exchange on cash	10,264	-
Change in cash and cash equivalents during the period	53,050	-
Cash and cash equivalents, beginning of period	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 53,050</u>	<u>\$ -</u>

There were no significant non-cash investing or financing activities for the nine months ended September 30, 2018 and 2017.

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

DLC HOLDINGS CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in Canadian Dollars)

	Number of Common Shares	Number of Preferred Shares	Amount	Reserves	Accumulated Other Comprehensive Income	Non-controlling interest	Deficit	Total
Balance, December 31, 2016	15,356,675	4,545,455	\$ 2,794	\$15,589,131	\$ -	\$ 3,937,950	\$ (2,288,594)	\$ 17,241,281
Translation adjustment	-	-	-	-	665,510	196,996	-	862,506
Net loss for the period	-	-	-	-	-	-	(639,920)	(639,920)
Balance, September 30, 2017	15,356,675	4,545,455	2,794	15,589,131	665,510	4,134,946	(2,928,514)	17,463,867
Translation adjustment	-	-	-	-	343,997	107,085	-	451,082
Net loss for the period	-	-	-	-	-	(1,635)	(226,061)	(227,696)
Balance, December 31, 2017	15,356,675	4,545,455	2,794	15,589,131	1,009,507	4,240,396	(3,154,575)	17,687,253
Acquisition of DLC (Note 4)	-	64,748,097	4,253,056	-	-	-	-	4,253,056
Conversion of Series B Preferred Shares	13,676,700	(13,676,700)	-	-	-	-	-	-
Translation adjustment	-	-	-	-	(91,491)	(8,969)	-	(100,460)
Net loss for the period	-	-	-	-	-	(1,959)	(4,004,063)	(4,006,022)
Balance, September 30, 2018	29,033,375	55,616,852	\$ 4,255,850	\$15,589,131	\$ 918,016	\$ 4,229,468	\$ (7,158,638)	\$ 17,833,827

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

DLC HOLDINGS CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

1. NATURE OF OPERATIONS AND GOING CONCERN

DLC Holdings Corp. ("DLC") (with its subsidiaries, collectively, the "Company") is an investment company investing in agricultural land and in the food processing industry. 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.

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.

On April 24, 2018 the Company announced that it has completed the acquisition of 60.5% of the issued and outstanding share capital of Ceniako Ltd. ("Ceniako") a private corporation duly incorporated under the laws of Cyprus; and 100% of the issued and outstanding share capital of Craven House Industries Ltd. ("Craven House"), a private corporation duly incorporated under the laws of Ireland. The acquisitions constituted a Reverse Takeover ("RTO") under the policies of the TSX Venture Exchange (Note 4).

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As at September 30, 2018, the Company has a cash balance of \$53,052 and a working capital surplus of \$172,193. Management believes that the Company likely has sufficient funds from which to fund on-going operating requirements for the near term. The Company has a history of losses and has accumulated a deficit of \$7,158,638 as at September 30, 2018.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its controlled subsidiaries.

The condensed consolidated financial statements reflect the historic results of Craven House and Ceniako as a continuing entity as if they had been operating as a consolidated entity from inception. The non-controlling interest (39.5%) in Ceniako has been presented as an existing position in the historical accounts of the financial statements. The financial operations of DLC are consolidated as of the RTO date of April 24, 2018.

DLC HOLDINGS CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

2. BASIS OF PREPARATION (cont'd...)

Use of judgments and estimates

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key areas of judgment applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

Investment entities

The Company has judged that certain of its controlled subsidiaries qualify as investment entities. The primary functions of the private companies detailed in Note 5 was judged to be consistent with the requirements of the investment entity exemption under IFRS 10 *Consolidated financial statements*. Specifically, those entities have the specific function of providing returns on a capital appreciation basis and are evaluated by management on a fair value basis.

Determination of functional currency

The functional currency of each of the subsidiaries and the Company were assessed to determine the economic substance of the currency in which each entity performed its operations. 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.

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.

The key areas of estimates applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

Valuation of RTO consideration

Pursuant to the guidance of IFRS 3, the fair value of the equity of the accounting acquirer is used to measure the consideration transferred for its interest in the accounting acquiree unless the equity interests of the accounting acquiree are more reliably measured. Management determined that the fair value measurements of the accounting acquirers', being Ceniako and Craven House, investments provided a basis for a more reliable fair value measurement of the consideration transferred. This entailed reliance on estimates with respect to the investments of Ceniako and Craven House to provide the fair value of the net assets of the accounting acquirers. The valuation of the net assets provided a residual fair value per equity instrument of the accounting acquirers estimated to be \$0.21 per share (Note 4).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

2. BASIS OF PREPARATION (cont'd...)

Use of judgments and estimates (cont'd...)

Valuation of investments

The Company recognizes its tangible assets (Note 7) and investments in subsidiaries (Note 6) at fair value. The material composition of these assets is land in Brazil. The Company therefore engages third party valuers to provide periodic valuations of those holdings. These valuations are determined using level 3 inputs which involve considerable estimates as the inputs used to value these financial instruments are based on unobservable market data. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable market data is not available. Between third party valuations, management reviews assumptions and market conditions, including any impact of political or legal risk of foreign jurisdictions, to adjust fair value estimations. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its controlled subsidiaries which exist for the purpose of executing the Company's business operations. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated.

DLC HOLDINGS CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****Consolidation (cont'd...)**

The consolidated financial statements include:

Name of entity	Activity	Country of Incorporation	Ownership	Functional Currency
DLC Holdings Corp.	Management company	Canada	-	Canadian dollar
Superior Macadamias (Pty) Ltd.	Investment in agricultural industry.	South Africa	100%	South African Rand
Desmond Agricultural Products Ltd.	Inactive.	Ireland	100%	Euro
DLC North America LLC	Investment company	USA	100%	US Dollar
Craven House Industries Limited	Management activities of holding companies including holding, acquiring, selling or otherwise disposing of shares in companies and all related activities.	Republic of Ireland	100%	Euro
Ceniako Ltd.	Management activities of holding companies including holding, acquiring, selling or otherwise disposing of shares in companies and all related activities.	Cyprus	60.5%	Euro

A subsidiary is an entity over which the Company has control, where control indicates exposure or rights to variable returns and the ability to affect those returns through power over the investee. Where an entity obtains funds for the purpose of providing investment management services, invests funds solely for returns from capital appreciation and/or investment income and measures and evaluates the performance of substantially all of its investments on a fair value basis, the Company applies the investment entity exemption under IFRS 10. These entities are not consolidated and are recorded on a fair value basis (Note 6).

Currency Translation

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per International Accounting Standards ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates* and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Under IFRS, the results and financial position of all the Company's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction); and
- all resulting exchange differences are recognized as a separate component of equity.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

DLC HOLDINGS CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial Instrument measurement and valuation

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 Unadjusted quoted prices in active markets for identical assets liabilities;
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 13 to these financial statements. Any financial instrument that is valued using level 2 or level 3 inputs will involve estimation uncertainty.

Financial assets

The Company classifies its financial assets in the following subsequent measurement categories:

- amortized cost;
- fair value through other comprehensive income ("FVOCI"); or
- fair value through profit or loss ("FVPL").

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Classification of financial assets at amortized cost

The Company classifies its financial assets at amortized cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Classification of financial assets at fair value through other comprehensive income

The Company classifies its equity investments at FVOCI for which are not held for trading and the Company has made an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments. Upon disposal of these equity investments, any balance within the other comprehensive income reserve for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss. In addition, the other comprehensive income reserve for an impaired equity investment is not reclassified to profit or loss.

Classification of financial assets at fair value through profit or loss

The Company classifies the following financial assets at FVPL:

- financial assets which are managed and performance evaluated on a fair value basis;
- equity investments that are held for trading;
- equity investments for which the Company has not elected to recognize fair value gains and losses through other comprehensive income; and
- derivative financial instruments.

The Company's cash and cash equivalents and receivables are classified as amortized cost. The Company's marketable securities and investments in subsidiaries are carried at FVPL.

DLC HOLDINGS CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial Instrument measurement and valuation (cont'd...)

Financial liabilities

The Company classifies its financial liabilities as amortized cost or FVPL. Financial liabilities are subsequently measured at amortized cost, except for those at FVPL such as derivative financial instruments and contingent consideration payables.

The FVPL option can be elected for financial liabilities if:

- it eliminates or significantly reduces an accounting mismatch;
- the financial liability is part of a portfolio that is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract.

This irrevocable election is made at initial recognition and these financial liabilities cannot be reclassified out of the category while they are held or issued.

The Company's financial liabilities are carried at amortized cost other than balances due to broker which are carried at FVPL as part of a specific investment strategy.

Impairment

The Company applies the simplified approach permitted by IFRS 9 (5.5.15), which requires expected lifetime losses to be recognized from initial recognition of the financial assets on its trade receivables. The Company does not have any material trade receivables subject to significant credit risk at this time.

Investments

All investments at fair value are classified upon initial recognition at FVPL, with changes in fair value reported in profit or loss. The Company's investments at FVPL constitute a group of financial assets which are managed and performance evaluated on a fair value basis. Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss are presented in profit or loss in the period in which they arise.

The determination of fair value requires judgment based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments as discussed below. Such valuation changes are reflected in the financial statements. A fair value hierarchy is summarized in Note 12 that distinguishes the significance of the inputs used in determining the fair value measurements of various financial instruments.

Tangible assets

Tangible assets are measured at fair value at the reporting period date. The value of tangible assets is originally recorded at cost, being the fair value at the date of acquisition. Thereafter, at each reporting date, the fair value may, depending upon the circumstances, be adjusted using one or more of the valuation inputs included in Level 3. The valuation of the tangible assets at each reporting date is determined using valuation techniques such as recent arm's length market transactions, adjustment for changes in market conditions, or third party expert valuation.

Financial assets – Investments in subsidiaries

Investments in subsidiaries are measured at fair value at the reporting period date. The value of private company securities which are not traded in an active market are originally recorded at cost, being the fair value at the date of acquisition. Thereafter, at each reporting date, the fair value may, depending upon the circumstances, be adjusted using one or more of the valuation inputs included in Level 3. The Company's unconsolidated subsidiaries are dormant with the exception of land holdings as detailed in Note 6. Therefore, the Company employs valuation techniques at reporting dates consistent with real property valuation such as recent arm's length market transactions, adjustment for changes in market conditions, or third party expert valuation.

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(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change

in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provision are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, the unwinding of the discount is recognized as finance costs. The Company does not have any provisions for the years presented.

Capital stock

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

Loss per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Dilutive loss per share is calculated by dividing the earnings (loss) by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effect of outstanding share options and warrants on loss per share would be anti-dilutive.

Contingently issuable shares are not considered outstanding common shares and consequently are not included in loss per share calculation.

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for a year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

DLC HOLDINGS CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes (cont'd...)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Standards issued or amended but not yet effective

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 a 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 *Leases*, and instead introduces a single lessee accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 on the Company's consolidated financial statements has not yet been determined.

IFRIC 23 Uncertainty Over Income Tax Treatments

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

4. REVERSE TAKEOVER

On April 24, 2018 the Company completed the acquisition of 60.5% of the issued and outstanding share capital of Ceniako and 100% of the issued and outstanding share capital of Craven House. The Company issued 28,902,045 Series B Preferred Shares to acquire 60.5% of Ceniako and 35,845,252 Series B Preferred Shares to acquire 100% of Craven House. After completion of the transaction, the shareholders of Ceniako and Craven House held approximately 76.5% of the common and preferred shares of the Company.

Accordingly, the transaction is treated as an issuance of shares by Ceniako and Craven House for the net assets of DLC and the Company's listing status or reverse takeover ("RTO") as DLC did not qualify as a business according to the definition in IFRS 3. The RTO is therefore accounted for in accordance with guidance provided in IFRS 2, "Share-Based Payment" and IFRS 3 "Business Combinations".

DLC HOLDINGS CORP.

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**4. REVERSE TAKEOVER (cont'd...)**

The fair value of the net assets of DLC as at April 24, 2018, and the listing expense, are as follows:

Purchase Price	
Fair value of shares of DLC retained by DLC shareholders (19,902,130 shares at a price of \$0.21 per share)	\$ 4,253,056
Net Assets Acquired	
Cash	\$ 696,282
Receivables	18,904
Tangible assets (Note 7)	551,604
Accounts payable and accrued liabilities	(42,187)
Due to related parties (Note 11)	(100,286)
Promissory note (Note 8)	(171,300)
Long-term loans (Note 9)	(953,645)
Net assets (liabilities)	\$ (628)
Listing expense	\$ 4,253,684

5. MARKETABLE SECURITIES

Marketable securities	Total
Balance, December 31, 2016 and 2017	\$ -
Purchased	336,016
Proceeds on sale	(27,938)
Gain on sale of marketable securities	3,768
Unrealized gain on mark to market	46,633
Foreign exchange	(2,439)
Balance, September 30, 2018	\$ 356,040

The Company has investments in certain marketable securities of publicly traded companies. Balances due to broker represent purchases made on margin. Purchases on margin are limited to 25% of securities held. There is no collateral pledged against the brokerage account.

6. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries	Craven House	Ceniako	Total
Balance, December 31, 2016	\$ 7,016,465	\$ 9,991,533	\$ 17,007,998
Foreign exchange differences	(913,610)	-	(913,610)
Translation differences	521,946	771,550	1,293,496
Balance, December 31, 2017	6,624,801	10,763,083	17,387,884
Foreign exchange differences	226,456	-	226,456
Translation differences	(19,485)	(22,882)	(42,367)
Balance, September 30, 2018	\$ 6,831,772	\$ 10,740,201	\$ 17,571,973

Financial asset investments of Craven House represent part ownership of the share capital of the following companies:

1. 50.1% - Finishtec Acabamentos Tecnicos Em Metais Ltda – ME (Brazil); and
2. 99.9% - Universal Properties Brasil Administracao de Imoveis Ltda (Brazil).

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**6. INVESTMENTS IN SUBSIDIARIES (cont'd...)**

The Craven House holdings in turn own approximately 500 hectares of land in Bahia, Brazil. The land is suitable for the cultivation of macadamias and coconuts. It presently has no operations.

Financial asset investments of Ceniako represent ownership of 100% of the issued and outstanding share capital Woodford Empreendimentos Imobiliarios LTDA (Brazil). The Ceniako holdings in turn own approximately 2,000 hectares of land in Bahia. The land is suitable for the cultivation of macadamias and coconuts. It is presently has no operations.

As the composition of the holdings of the investments in subsidiaries is materially land holdings, the Company does not anticipate significant short term fluctuations in fair value in the shares of the private companies.

7. TANGIBLE ASSETS

Tangible assets	Development Land	Macademia Facility	Total
Balance, December 31, 2016	\$ 484,973	\$ -	\$ 484,973
Foreign exchange differences	(63,148)	-	(63,148)
Translation differences	<u>36,076</u>	<u>-</u>	<u>36,076</u>
Balance, December 31, 2017	457,901	-	457,901
Acquired with DLC (Note 4)	-	551,604	551,604
Foreign exchange differences	15,653	-	15,653
Fair value adjustments	-	(5,764)	(5,764)
Translation differences	<u>(1,348)</u>	<u>(65,900)</u>	<u>(67,248)</u>
Balance, September 30, 2018	\$ 472,206	\$ 479,940	\$ 952,146

The development land represents a plot of land in Salta, Argentina. The macadamia facility consists of a package of land, buildings and equipment acquired with DLC and located in South Africa.

8. PROMISSORY NOTE

With the completion of the RTO, the Company has assumed a promissory note of \$157,500 due to a company controlled by the Company's CEO. The promissory note bears interest at rate of 6%, is due on November 7, 2019 and is unsecured. As at September 30, 2018, the promissory note has accrued interest of \$17,916.

9. LOANS

With the completion of the RTO, the Company assumed loans of \$128,706, due to a company controlled by the Company's CEO ("Related Party Loans"). The Related Party Loans bear interest at a rate of 6%, are due on December 1, 2019 and are unsecured. As at September 30, 2018, there is \$133,193 owing (principal and interest) to this related company.

Related Party Loans	Principal	Interest	Total
Balance, December 31, 2016 and 2017	\$ -	\$ -	\$ -
Acquired with DLC	115,374	13,639	129,013
Interest expense	-	2,526	2,526
Foreign exchange	<u>3,057</u>	<u>(1,898)</u>	<u>1,159</u>
Balance, September 30, 2018	\$ 118,431	\$ 14,267	\$ 132,698

DLC HOLDINGS CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**9. LOANS (cont'd...)**

In conjunction with the RTO transaction, DLC entered into a loan facility, under which the Company was provided with a loan of USD\$643,077 from KwikBuild Corporation Ltd, a subsidiary of Craven Industrial Holdings PLC ("KwikBuild Loan"). The KwikBuild Loan holds a senior secured position, bears an interest rate of 5% and has a term of five years. This is a related party transaction as the Company has directors in common with Craven Industrial Holdings PLC.

KwikBuild Loan	Principal	Interest	Total
Balance, December 31, 2016 and 2017	\$ -	\$ -	\$ -
Acquired with DLC	817,767	7,172	824,939
Repayment	(386,280)	-	(386,280)
Interest expense	-	11,352	11,352
Foreign exchange	12,915	(7,538)	5,377
Balance, September 30, 2018	\$ 444,402	\$ 10,986	\$ 455,388

10. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of Class A Preferred Shares without par value.

- Convertible on a 1 for 1 basis to common shares.

Unlimited number of Class B Preferred Shares without par value.

- Entitled to one vote per Class B Preferred Share at meetings of the shareholders of the Company;
- Entitled to participate on a per share basis with the common shares in respect of any declaration of dividends on the common shares and any distribution on the common shares upon the liquidation, winding-up or dissolution of the Company; and
- Convertible, at the election of the Company, on a one-for-one basis into common shares.

b) Issued share capital

The Company did not complete any private placements in the period ended September 30, 2018 or year ended December 31, 2017.

Issued and outstanding	September 30, 2018	December 31, 2017
Common shares	29,033,375	15,356,675
Class A Preferred Shares	4,545,455	4,545,455
Class B Preferred Shares	51,071,397	-

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**10. SHARE CAPITAL AND RESERVES (cont'd...)**

c) Escrow

The Class B Preferred Shares issued in relation to the RTO on April 24, 2018 and any common shares issued resulting from the conversion of these Class B Preferred Shares are at the election of the holder and subject to Policy 2.1 of the Exchange and standard escrow release provisions as follows:

Escrow Release Date	Shares To Be Released
April 24, 2018	728,617
November 24, 2018	1,781,705
April 24, 2019	9,712,215
October 24, 2019	9,712,215
April 24, 2020	9,712,215
October 24, 2020	9,712,215
April 24, 2021	<u>9,712,215</u>
Total Class B Preferred Shares subject to escrow release	51,071,397

d) Stock option plan

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.

As at September 30, 2018, there are no stock options outstanding.

11. 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 periods ended September 30, 2018 and 2017 are as follows:

Type of Service	Nature of Relationship	2018	2017
Management fees	Emprise Capital Corp., a company with a director and officers in common	\$ 31,500	\$ -

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**11. RELATED PARTY TRANSACTIONS (cont'd...)**

The following details amounts due to related parties:

Type of Service	Nature of Relationship	September 30, 2018	December 31, 2017
Management fees	Desmond Holdings Ltd., a company owned by the CEO	\$ 19,911	\$ -
Management fees	Emprise Capital Corp., a company with a director and officers in common	<u>98,000</u>	<u>-</u>
		<u>\$ 117,911</u>	<u>\$ -</u>

Balances are due on demand and unsecured.

In addition to the balances above, the promissory note (Note 7), Related Party Loans (Note 8), and KwikBuild Loan (Note 8) are due to related parties.

Other income recorded on the statement of loss and comprehensive loss derives from lease income in South Africa which was received from a related party company.

The RTO was a related party transaction as the Company has directors in common with the vending private companies of Ceniako and Craven House.

12. SEGMENTED INFORMATION

The Company operates in one segment, being investment.

The Company's non-current assets, excepting financial instruments are situated as follows:

September 30, 2018	South Africa	Argentina	Total
Development land	\$ -	\$ 479,940	\$ 479,940
Macadamia facility	<u>472,206</u>	<u>-</u>	<u>472,206</u>
Total	<u>\$ 472,206</u>	<u>\$ 479,940</u>	<u>\$ 952,146</u>

December 31, 2017	Argentina
Development land	<u>\$ 457,901</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****Financial instruments**

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.

Financial instruments by category	Fair value through profit or loss		Amortized cost	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
<i>Financial assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ 349,329	\$ -
Receivables	-	-	29,289	1,573
Marketable securities	356,040	-	-	-
Investment in subsidiaries	17,571,973	17,387,884	-	-
	17,928,013	17,387,884	378,618	1,573
<i>Financial liabilities</i>				
Accounts payable and accrued liabilities	-	-	114,327	60,911
Balances due to broker	33,949	-	-	-
Due to related parties	-	-	117,911	-
Promissory note	-	-	175,416	-
Loans	-	-	588,086	-
	\$ 33,949	\$ -	\$ 995,740	\$ 60,911

The Company considers that the carrying amount of financial instruments carried at amortized cost to approximate their fair value due to the short term nature of the financial instruments.

Financial instruments measured at FVPL	Level 1		Level 3	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Marketable securities	\$ 356,040	\$ -	\$ -	\$ -
Investment in subsidiaries	-	-	17,571,973	17,387,884
Balance due to broker	(33,949)	-	-	-

Financial risk factors*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents, receivables and marketable securities. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The Company considers the risk of financial loss on cash and cash equivalents to be remote. The Company's receivables consist materially of GST input tax credits recoverable from the government of Canada and a receivable from a related party. The Company considers credit risk with respect to these amounts to be low.

The Company has not offset any financial assets and financial liabilities in the statement of financial position..

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)****Financial risk factors (cont'd...)***Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Company had working capital of \$172,193 (December 31, 2017 – \$(59,338)).

Balances due to broker are supported by the Company's investment in marketable securities. The extension of margin by the broker is limited to 25% of the value of the Company's investment in marketable securities. The ability of the Company to settle balances due to broker may be impacted by significant changes in the value of its investment in marketable securities. Marketable securities may be subject to significant volatility relative to the overall equity market and volatility of the specific securities held. The liquidity of the marketable securities is subject to the characteristics of the individual equities and may or may not be immediately convertible to cash.

The Company's ability to finance its future operating requirements is significantly dependent on the Company's ability to achieve economic returns on its investments. Without these returns, the Company will remain dependent upon the continued financial support of its debtors and shareholders. The Company, as at September 30, 2018, is significantly exposed to liquidity risk.

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial asset exposed to interest rate risk consists of cash and cash equivalents. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company does not anticipate interest income on cash to contribute significantly to the operations and returns of the Company and is therefore minimally exposed to interest rate risk on assets.

Interest rates on debts payable are set at fixed rates reducing the Company's exposure to interest rate changes.

b) Foreign currency risk

The Company's investments and assets are located in a number of jurisdictions and therefore exposed to the currency movements of a number of currencies. In addition to the functional currencies of the Company and its subsidiaries, the Company is also exposed to the Brazilian Real and Argentinean Peso on its non-monetary investments which is the jurisdiction of the investments in the unconsolidated subsidiaries of Craven House and Ceniako.

As at September 30, 2018, the Company's net foreign denominated monetary financial instruments are as follows:

	Foreign currency		Canadian dollar equivalent
US dollar	US\$	(211,812)	\$ (274,190)
Euro	€	(42,645)	\$ (64,053)
South African Rand	R	478,364	\$ 43,737

A fluctuation of 10% of the above note currencies against the Canadian dollar would have had an impact of \$29,451 on the net loss for the period.

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**Financial risk factors (cont'd...)***Market risk (cont'd...)*

c) Other price risk

The Company's marketable securities is comprised of individual equities in publicly traded companies. The portfolio is not diversified against geography or industry and is therefore subject to fluctuations in equity markets as well as volatility in individual underlying equities. The Company's exposure to other price risk is assumed to be the value of the marketable securities which are held at FVPL. The Company does not have a specific policy with respect to investment or portfolio requirements.

14. CAPITAL MANAGEMENT

The Company defines capital as consisting of the components of shareholder's equity. 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 manage the cost of capital at acceptable levels of risk.

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.