

DLC HOLDINGS CORP.
(formerly Desmond Investments Ltd.)

Consolidated Financial Statements
(Expressed in Canadian Dollars)

As at and for the year ended December 31, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
DLC Holdings Corp.

We have audited the accompanying consolidated financial statements of DLC Holdings Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of DLC Holdings Corp. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 30, 2018

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at December 31

	2017	2016
Assets		
Current Assets		
Cash	\$ 40,474	\$ 77,575
Receivable	5,950	13,307
	46,424	90,882
Property, plant and equipment (Note 4)	777,140	852,596
Total Assets	\$ 823,564	\$ 943,478
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 121,260	\$ 85,038
Due to related parties (Note 9)	87,199	27,875
	208,459	112,913
Long-term Liabilities		
Deferred Tax (Note 13)	-	13,700
Due to related parties (Note 9)	292,888	275,363
	292,888	289,063
Total liabilities	\$ 501,347	\$ 401,976
Shareholders' Equity		
Share capital (Note 8)	1,691,086	1,691,086
Share-based payment reserve (Note 8)	194,500	194,500
Accumulated other comprehensive income	88,161	40,473
Deficit	(1,651,530)	(1,384,557)
	322,217	541,502
Total Liabilities and Shareholders' Equity	\$ 823,564	\$ 943,478

Nature and Continuation of Operations (Note 1)

Subsequent Event (Note 14)

Approved on April 30, 2018 on behalf of the Board:

"Mark Pajak"

Mark Pajak – Director

"Craig Goldenberger"

Craig Goldenberger – Director

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

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

As at

	For the years ended December 31,	
	2017	2016
Expenses:		
Operating expenses (Note 6)	165,402	179,282
General and administration costs (Note 6)	212,655	111,632
	(378,057)	(290,914)
Other items:		
Finance costs	(15,672)	(12,822)
Recovery of deferred tax (Note 13)	13,700	-
Other income (Note 7)	113,056	111,582
Net loss for the period	(266,973)	(192,154)
Foreign exchange movements	47,688	82,086
Comprehensive loss	\$ (219,285)	\$ (110,068)
Weighted average number of shares outstanding	15,356,675	15,356,675
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)

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

DLC Holdings Corp. (formerly Desmond Investments Ltd.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

As at

	Number of Common Shares	Number of Preferred Shares	Share Capital Amount	Share- based payment reserve	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
Balance, December 31, 2015	15,356,675	4,545,455	\$ 1,691,086	\$ 194,500	\$ (41,613)	\$ (1,192,403)	\$ 651,570
Net loss	-	-	-	-	-	(192,154)	(192,154)
Foreign exchange movements	-	-	-	-	82,086	-	82,086
Balance, December 31, 2016	15,356,675	4,545,455	\$ 1,691,086	\$ 194,500	\$ 40,473	\$ (1,384,557)	\$ 541,502
Net loss	-	-	-	-	-	(266,973)	(266,973)
Foreign exchange movements	-	-	-	-	47,688	-	47,688
Balance, December 31, 2017	15,356,675	4,545,455	\$ 1,691,086	\$ 194,500	\$ 88,161	\$ (1,651,530)	\$ 322,217

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

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Consolidated Statements of Cash Flow

(Expressed in Canadian dollars)

As at

	For the years ended December 31,	
	2017	2016
Cash provided by / (used for):		
Operating Activities:		
Net loss for the year	\$ (266,973)	\$ (192,154)
Items not affecting cash:		
Depreciation	97,758	73,966
Finance costs	15,672	12,822
Net change in non-cash working capital items:		
Receivables	7,357	(11,122)
Accounts payable and accrued liabilities	36,222	(8,975)
Current tax payable	-	(19,670)
Due to related parties	59,324	27,875
Net cash used in operating activities	(64,340)	(117,258)
Financing Activities:		
Proceeds from related party	20,491	215,302
Repayment of bank indebtedness	-	(26,108)
	20,491	189,194
Effect of foreign exchange on cash	6,748	4,577
Change in cash for the year	(37,101)	76,513
Cash, beginning of the year	77,575	1,062
Cash, end of the year	\$ 40,474	\$ 77,575
Supplementary Information:		
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 consolidated financial statements

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

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 December 31, 2017, the Company has a cash balance of \$40,474 and a working capital deficit of \$162,035. 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 \$1,651,530 as at December 31, 2017. These factors cast significant doubt about the Company's ability to continue as a going concern.

These consolidated 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 Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance with IFRS

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”) and interpretations of the IFRS interpretations Committee (“IFRIC”) effective for the year presented.

The Company’s consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2018.

(b) Basis of presentation

The financial statements have been prepared on a 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 financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements of the Company are presented in Canadian dollars. The functional currency of the Company and 0978612 BC Ltd. is the Canadian Dollar. The functional currency of Superior Macadamias (Pty) Ltd. (formerly EmVest Nuts (Pty) Ltd.) is the South African Rand.

(c) Consolidation

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

Name of Subsidiary	Ownership	Activity
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 (Note 15), 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.
Desmond Agricultural Products Ltd.	Since incorporation on December 16, 2014 in Ireland, 100% owned by DLC Holding Ltd.	Inactive company

All Intercompany balances and transactions have been eliminated on consolidation.

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNT POLICIES (continued)

(d) 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.

(e) 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.

(f) Share-based payments

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

In situations where equity instruments are issued to non-employees and some or all of the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payment, otherwise, share-based payment is measured at the fair value of the services received. The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNT POLICIES (continued)

(g) 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.

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.

(h) 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.

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNT POLICIES (continued)

(i) 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 11 to these financial statements. Any financial instrument that is valued using level 2 or level 3 inputs will involve estimation uncertainty.

(j) Financial assets

The Company classifies its financial assets into one of the following categories, and the accounting policy for each category is as follows:

i. Fair value through profit or loss ("FVTPL")

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

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in profit or loss. Attributed transaction costs are recognized in profit or loss when incurred.

ii. Available-for-sale ("AFS")

Financial assets available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss ("OCI") except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost. The Company does not have any AFS assets.

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

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNT POLICIES (continued)

(j) Financial assets (continued)

iii. Loans and receivables

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

Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method. The effective interest method is used to determine the amortized cost of loans and receivables and to allocate interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

iv. Held to maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently measured at amortized cost basis using the effective interest method, less any impairment losses. These assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company does not have any assets classified as held to maturity.

v. Impairment of financial assets

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

Objective evidence of impairment could include the following:

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

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

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNT POLICIES (continued)

(j) Financial assets (continued)

v. Impairment of financial assets (continued)

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

vi. De-recognition of financial assets

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

(k) Financial liabilities and equity

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

The Company classifies its financial liabilities into one of two categories and the accounting policy for each category is as follows:

i. Fair value through profit or loss

This category of financial liability includes liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are initially recorded at fair value with subsequent changes in fair value recognized in profit and loss. The Company does not have any financial liabilities classified as fair value through profit and loss.

ii. Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. This category includes accounts payables and accrued liabilities, and due to related party.

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNT POLICIES (continued)**(l) Property, Plant and Equipment**

Property, plant and equipment are carried at acquisition cost less accumulated depreciation and impairment losses. Depreciation is determined at rates which will reduce the original cost to estimated residual values over the expected useful life of each asset. Depreciation is recognized using a straight line basis using the following estimated useful lives:

	Estimated Useful Life
Land	Indefinite
Buildings	20 years
Plant and machinery	5 years
Furniture, fixtures and other	5 years

Property, plant and equipment that are withdrawn from use, or have no reasonable prospect of being recovered through use or sale, are regularly identified and written off. Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each reporting date.

Subsequent expenditure relating to an item of property, plant and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is de-recognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

(m) 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

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNT POLICIES (continued)

(m) Impairment of non-financial assets (continued)

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.

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of the borrowing cost eligible for capitalization is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining qualifying assets less any temporary investment income from those borrowings
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

The capitalization of borrowing costs commences when:

- Expenditures for the asset have occurred;
- Borrowing costs have been incurred; and
- Activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization is suspended during extended periods in which active development is interrupted.

Capitalization of borrowing costs ceases when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNT POLICIES (continued)

(o) Recent Accounting Pronouncements

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these 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.

The Company has performed a preliminary assessment and expects no material impact from the adoption of this standard.

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.

The Company has performed a preliminary assessment and expects no material impact from the adoption of this standard.

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

i. IFRS 16 Lease

New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting. The Company is still reviewing the potential impact of this standard.

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated 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. 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.

ii. 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.

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.

DLC Holdings Corp. (formerly Desmond Investments Ltd.)

Notes to the Consolidated Financial Statements

As at and for the year ended December 31, 2017

(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**(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 as discussed in Note 1.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and Equipment	Furniture, fixtures and other	Total
Costs:					
December 31, 2015	\$ 40,662	\$ 610,523	\$ 454,743	\$ 3,207	\$ 1,109,135
Additions	-	-	-	-	-
December 31, 2016	\$ 40,662	\$ 610,523	\$ 454,743	\$ 3,207	\$ 1,109,135
Additions	-	-	-	-	-
December 31, 2017	\$ 40,662	\$ 610,523	\$ 454,743	\$ 3,207	\$ 1,109,135
Accumulated Depreciation:					
December 31, 2015	\$ -	\$ 33,011	\$ 126,593	\$ 958	\$ 160,562
Depreciation	-	14,262	59,234	470	73,966
December 31, 2016	\$ -	\$ 47,273	\$ 185,827	\$ 1,428	\$ 234,528
Depreciation	-	15,263	81,854	641	97,758
December 31, 2017	\$ -	\$ 62,536	\$ 267,681	\$ 2,069	\$ 332,286
Foreign Exchange Movement:					
December 31, 2016					\$ (22,011)
December 31, 2017					\$ 291
Net Book Value:					
December 31, 2016					\$ 852,596
December 31, 2017					\$ 777,140

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5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade payables	\$ 96,652	\$ 53,529
VAT	6,608	12,606
Accruals	18,000	18,903
	\$ 121,260	\$ 85,038

6. BREAKDOWN OF EXPENSES BY NATURE

Nature	For the year ended December 31,	
	2017	2016
Operating expenses:		
Depreciation (Note 4)	\$ 97,758	\$ 73,966
Insurance	4,026	3,725
Miscellaneous	11,112	9,523
Travel	-	43,350
Utility costs	52,506	48,718
	\$ 165,402	\$ 179,282
General and administrative costs:		
Foreign exchange gain	\$ 5,504	\$ (5,300)
Management fees	17,324	-
Miscellaneous	179	385
Professional fees	163,412	101,857
Transfer agent and filing fees	26,236	14,690
	\$ 212,655	\$ 111,632

7. OTHER INCOME

Other income consists of incidental income earned through the provision of administrative and lab services to related companies (Note 9).

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8. 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 December 31, 2017 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 December 31, 2017, all of the Superior Mac Shares have been released from escrow.

(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.

Balance, December 31, 2015	4,500,000
April 25, 2016	(1,500,000)
October 25, 2016	(1,500,000)
Balance, December 31, 2016	1,500,000
April 25, 2017	(1,500,000)
Balance, December 31, 2017	-

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8. SHARE CAPITAL (continued)**(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:

	Number of Options outstanding and exercisable	Weighted Average Exercise Price
Balance, December 31, 2015 and 2016	1,200,000	\$ 0.15
Expired	(1,200,000)	\$ (0.15)
Balance, December 31, 2017	-	-

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.

(e) Warrants

A summary of warrant activity is as follows:

Issue Date	Number of warrants	Exercise Price	Expiry Date
Balance, December 31, 2015, 2016 and 2017	2,856,675	\$ 0.20	April 17, 2018¹

At December 31, 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 ¹	0.29

¹ Subsequent to the year ended December 31, 2017, the expiry date of these warrants was extended to April 17, 2019.

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9. 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 years ended December 31, 2017 and 2016 are as follows:

Type of Service	Nature of Relationship	For the year ended December 31,	
		2017	2016
Professional fees	To a company with an officer in common with the Company	\$ 42,000	\$ 42,000
Management fees	To the CEO of the Company	17,324	-
Total		\$ 59,324	\$ 42,000

The following represents amounts due to related parties as at December 31, 2017, not already disclosed elsewhere in these condensed consolidated interim financial statements:

Type of Service	Nature of Relationship	December 31,	December 31,
		2017	2016
Long-term loans	To a company with a director in common	\$ 292,888	\$ 275,363
Management fees	To the CEO of the Company	17,324	-
Professional fees	To a company with an officer in common with the Company	69,875	27,875
Total		\$ 380,087	\$ 303,238

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

During the year ended December 31, 2017, the Company received loans of \$nil (2016 - \$57,802) from a company controlled by the Company's CEO. These loans bear interest at a rate of 6%, are due on May 1, 2019 and are unsecured. As at December 31, 2017, there is \$124,239 owing (principal and interest) to this related company (2016 - \$116,465) as a result of the loans and accrued interest. During the year ended December 31, 2017, the interest expense was \$6,222 on this loan.

On November 7, 2016, the Company received a promissory note of \$157,500 from a company controlled by the Company's CEO. This loan bears interest at rate of 6%, is due on November 7, 2018 and is unsecured. As at December 31, 2017, the Company has accrued \$11,149 (2016 - \$1,398) of interest expense associated with this promissory note.

As at December 31, 2017, the Company owes \$69,875 (2016 - \$27,875) to a company controlled by a director of the Company for unpaid management fees.

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10. 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.

11. 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, and due to related parties are classified as other liabilities and are measured at amortized cost. The Fair values of its receivables, accounts payable and accrued liabilities and due to related parties 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.

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11. 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 December 31, 2017, the Company has a working capital deficit of \$162,035 (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 December 31, 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 year.

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

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12. 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 long-lived assets are all in held in South Africa.

13. INCOME TAXES

(a) A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Loss for the year	\$ (266,973)	\$ (192,154)
Expected income tax (recovery)	\$ (69,000)	\$ (50,000)
Change in statutory, foreign tax, foreign exchange rates and other	(15,000)	(12,000)
Permanent Difference	12,000	(3,000)
Change in unrecognized deductible temporary differences	58,300	65,000
Total income tax expense (recovery)	\$ (13,700)	\$ -

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

	2017	2016
Deferred tax assets (liabilities)		
Property and equipment	\$ (13,700)	\$ (13,700)
Non-capital losses available for future period	519,000	-
	505,300	(13,700)
	(505,300)	-
Net deferred tax liability	\$ (13,700)	\$ (13,700)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry Date Range	2016	Expiry Date Range
Temporary Differences				
Share issue costs	\$ 17,000	2037-3038	\$ 34,000	2037 to 2038
Property and equipment	2,000	No expiry	2,000	No expiry
Non-capital losses available for future period	\$ 1,903,000	2031-2037	\$ 1,660,000	2031 to 2036

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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14. SUBSEQUENT EVENT

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. a private corporation duly incorporated under the laws of Cyprus; and 100% of the issued and outstanding share capital of Craven House Industries Ltd., a private corporation duly incorporated under the laws of Ireland; the details of which were previously announced by the Company on September 5, 2017 and which constituted a Reverse Takeover under the policies of the TSX Venture Exchange.

Pursuant to the terms of the Transaction, the Company has issued:

- i. 23,408,916 preferred shares to Craven Industrial Holdings PLC, a private corporation duly incorporated under the laws of Ireland, in consideration for 490 common shares of Ceniako, representing 49% of its issued and outstanding share capital;
- ii. 5,493,929 preferred shares to Southern Cone Capital Ltd., a private corporation duly incorporated under the laws of Hong Kong, in consideration for 115 common shares of Ceniako, representing 11.5% of its issued and outstanding share capital;
- iii. 34,052,990 preferred shares to Craven Industrial Holdings PLC in consideration for 950 common shares of Craven, representing 95% of its issued and outstanding share capital; and
- iv. 1,792,262 preferred shares to Desmond Holdings Ltd., a private corporation duly incorporated under the laws of Hong Kong, in consideration for 50 common shares of Craven, representing 5% of its issued and outstanding share capital.

In connection with the Transaction, DLC has entered into a loan facility, under which the Company will be provided with a loan of \$800,000 from KwikBuild Corporation Ltd, a subsidiary of Craven Industrial Holdings PLC. The loan facility 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 House Industries Ltd., Craven Industrial Holdings PLC, and with Desmond Holdings Ltd.