

DESMOND INVESTMENTS LTD.
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2015

Dated: August 31, 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following interim Management Discussion and Analysis ("MD&A") reports on the operating results, financial condition and business risks of Desmond Investments Ltd. ("Desmond" or the "Company") and is designed to help the reader understand the results of operations and financial condition of the Company as at and for the six months ended June 30, 2015. This interim MD&A serves as an update from the Company's annual MD&A as at and for the year ended December 31, 2014. This interim MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2014 and 2013 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"), together with the unaudited interim consolidated financial statements for the six months ended June 30, 2015, which were prepared in accordance with IFRS and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting (collectively referred to as the "Financial Statements"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

CORPORATE OVERVIEW

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

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

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OUTLOOK AND PROPOSED TRANSACTION

Upon completion of the Company's QT, a thorough maintenance program was carried out at the processing facility, during which the facility lay dormant. The result of this maintenance schedule, which has now been carried out successfully, combined with the timing of completion of the QT, meant that no significant processing activity was undertaken at Superior Macs during fiscal 2014. Superior Macs is now working on securing orders for processed nuts from long-standing European clients.

In addition to the macadamia processing activities, the Company engaged in the following strategic growth opportunities. On December 22, 2014, the Company entered into a definitive share purchase agreement ("the "Vos Agreement") to acquire all the shares of AP Vos & Sons (Pty) Limited and its related companies ("Vos"). The Vos Agreement contemplates a purchase price of US\$32,500,000 in cash in exchange for all the issued and outstanding share capital of Vos. Vos and its related companies are private, family owned and operated, farming operations of mixed fruit and macadamia nut orchards in South Africa. The property consists of approximately 1300 hectares located close to Desmond's existing macadamia nut processing factory in the province of Mpumalanga, South Africa. A concurrent financing will be conducted in connection with the transaction in order to satisfy the purchase price requirements, the terms of which remain to be agreed. Finder's fees may be payable in connection with the financing, subject to compliance with the Exchange's policies and subject to Exchange approval.

In conjunction with the Vos Agreement, on March 2, 2015, the Company entered into definitive share purchase agreement (the "Qeton Agreement") to acquire all of the shares of Qeton Ltd., a private Irish Company, in exchange for the issuance of 170,8333,333 shares of Desmond. This transaction ("Transaction") is at arm's length and is expected to constitute a reverse takeover under the policies of the Exchange. The completion of the transaction is subject to a number of conditions, including but not limited to receipt of all required shareholder, regulatory and third party consents, including Exchange acceptance, and satisfaction of other customary closing conditions. As such, there can be no assurance that the Transaction will be completed as proposed or at all.

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SELECTED ANNUAL INFORMATION¹

	For the year ended December 31, 2014	For the year ended December 31, 2013²	For the year ended December 31, 2012²
Net income (loss)	\$ (271,519)	\$ (161,711)	\$ (310,567)
Comprehensive loss	\$ (273,682)	\$ (161,711)	\$ (310,567)
Loss per share	\$ (0.02)	\$ (0.06)	\$ (0.12)
Total assets	\$ 1,179,565	\$ 293,743	\$ 380,519
Total liabilities	\$ 224,071	\$ 89,239	\$ 14,304

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

²The weighted average number of common shares outstanding used for the calculation of loss per share excludes the 10,000,000 common shares held in escrow that were contingently cancellable (see Share Capital section for further details of the escrow terms).

SUMMARY OF QUARTERLY RESULTS¹

	2nd Quarter Ended June 30, 2015	1st Quarter Ended March 31, 2015	4th Quarter Ended December 31, 2014	3rd Quarter Ended September 30, 2014
Net income/(loss)	\$ (33,689)	\$ (173,624)	\$ (160,301)	\$ 16,373
Loss and comprehensive income/(loss)	\$ (31,025)	\$ (172,857)	\$ (162,960)	\$ 23,367
Loss per share ³	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$0.00
	2nd Quarter Ended June 30, 2014	1st Quarter Ended March 31, 2014²	4th Quarter Ended December 31, 2013²	3rd Quarter Ended September 30, 2013²
Net income/(loss)	\$ (96,073)	\$ (31,518)	\$ (84,295)	\$ (19,164)
Loss and comprehensive loss	\$ (102,571)	\$ (31,518)	\$ (84,295)	\$ (19,164)
Loss per share ³	\$(0.01)	\$(0.01)	\$(0.03)	\$(0.01)

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

² - The weighted average number of common shares outstanding used for the calculation of loss per share, excludes the 10,000,000 common shares held in escrow which were contingently cancellable (see Share Capital section for further details of the escrow terms).

³ - Numbers have been rounded to the next decimal for presentation purposes.

The losses for fiscal 2013 relate to filing, transfer agent and professional fees associated with maintaining a public company together with due diligence costs associated with the EmVest acquisition. Following April 17, 2014, the Company's operating results include the activities of its wholly owned subsidiary Superior Macs.

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RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2015

The following is an analysis of the Company's operating results for the three months ended June 30, 2015, and includes a comparison against the three months ended June 30, 2014.

Expenses:

Operating expenses for the three months ended June 30, 2015 were \$4,454 compared to \$35,494 for the same period in the previous year. The current period's results reflect the activity of the Company's Superior Macs subsidiary, which was acquired on April 17, 2014.

General and administration expenses for the three months ended June 30, 2015 were \$32,461 compared to \$81,098 for the same period in the previous year. The \$48,637 decrease is largely a result of the reduction of Superior Macs general and administrative costs and professional fees.

Other costs for the three months ended June 30, 2015 were \$Nil compared to \$15,283 for same period in the previous year. The costs in the previous period were comprised of tax related changes and foreign exchange losses associated with the Company's USD cash balances.

Finance costs for the three months ended June 30, 2015 were \$669 compared to \$900 for same period in the previous year. These costs relate to interest on Superior Mac's bank indebtedness balance which bears interest at prime plus 0.6% per annum.

Other income for the three months ended June 30, 2015 was \$3,895 compared to \$34,101 for same period in the previous year. The full amount of the current period's income relates to laboratory services provided by Superior Macs operating facility.

Deferred tax recovery for the three months ended June 30, 2015 was \$Nil compared to \$2,601 for same period in the previous year. This amount arises from changes between the book values and tax values of Superior Mac assets.

Foreign exchange gain for the three months ended June 30, 2015 were \$2,664 compared to \$(6,498) for same period in the previous year. These costs reflect the foreign exchange impact of reporting the operations of the Company in Canadian dollars, for which the South African Rand is the functional currency.

Loss and comprehensive loss for the period

As a result of the activities discussed above, the Company experienced a net loss of \$33,689 and a comprehensive loss of \$31,025 for the three months ended June 30, 2015 as compared to net loss of \$96,073 and a comprehensive loss of \$102,571 for same period in the previous year; representing a decrease of \$71,546 in comprehensive loss.

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RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2015

The following is an analysis of the Company's operating results for the six months ended June 30, 2015, and includes a comparison against the six months ended June 30, 2014.

Expenses:

Operating expenses for the six months ended June 30, 2015 were \$43,625 compared to \$35,494 for the same period in the previous year. The current period's results reflect the activity of the Company's Superior Macs subsidiary, which was acquired on April 17, 2014.

General and administration expenses for the six months ended June 30, 2015 were \$168,569 compared to \$113,233 for the same period in the previous year. The \$55,336 increase is largely a result of 1,200,000 incentive stock options granted and vested in the current period.

Other costs for the six months ended June 30, 2015 were \$Nil compared to \$15,283 for same period in the previous year. The costs in the prior period were comprised of tax related charges and foreign exchange losses associated with the Company's USD balances.

Finance costs for the six months ended June 30, 2015 were \$1,340 compared to \$900 for same period in the previous year. These costs relate to interest on Superior Mac's bank indebtedness balance which bears interest at prime plus 0.6% per annum.

Other income for the six months ended June 30, 2015 was \$6,221 compared to \$34,718 for same period in the previous year. Other income relates to laboratory services provided by Superior Macs operating facility.

Deferred tax recovery for the six months ended June 30, 2015 were \$Nil compared to \$2,601 for same period in the previous year. This amount arises from changes between the book values and tax values of Superior Mac assets.

Foreign exchange gain for the six months ended June 30, 2015 were \$3,431 compared to \$(6,498) for same period in the previous year. These costs reflect the foreign exchange impact of reporting the operations of the Company in Canadian dollars, for which the South African Rand is the functional currency.

Loss and comprehensive loss for the period

As a result of the activities discussed above, the Company experienced a net loss of \$207,313 and a comprehensive loss of \$203,882 for the six months ended June 30, 2015 as compared to net loss of 127,591 and a comprehensive loss of \$134,089 for same period in the previous year; representing an increase in comprehensive loss of \$69,793.

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SHARE CAPITAL

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

Issued and outstanding:

As at December 31, 2014, June 30, 2015 and as at the date of this report, the Company had 15,356,676 and 4,545,455 preferred shares issued and outstanding.

On April 17, 2014 the Company issued 4,545,455 non-voting restricted preferred shares ("Preferred Shares") in connection with the acquisition of Superior Macs. The Preferred Shares are convertible into common shares of the Company on a 1 for 1 basis. As of April 17, 2015, the holders of the Preferred Shares were entitled to convert 2,272,728 Preferred Shares into common shares of the Company. The balance of 2,272,727 Preferred Shares will be entitled to convert into common shares of the Company on April 17, 2016. The Preferred Shares, and the common shares which they are convertible into (together, the "Superior Mac Shares"), are subject to an escrow agreement. 10% were released upon completion of the Company's QT, and the remaining 90% are being released on an equal basis every 6 months thereafter. As of the date of this report, a total of 2,727,273 of the Superior Mac Shares remain in escrow and will be released on the basis of 681,818 shares on each of October 25, 2015, April 25, 2016, October 25, 2016 and April 25, 2017.

Escrow shares:

In addition to the escrow provisions relation 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 will be released in six equal tranches of 15% every six months thereafter for a period of 36 months.

Balance, December 31, 2014	7,500,000
Released on April 25, 2015	(1,500,000)
Balance, as at June 30, 2015 and the date of this MD&A	6,000,000
Release dates:	
October 25, 2015	1,500,000
April 25, 2016	1,500,000
October 25, 2016	1,500,000
April 25, 2017	1,500,000
Balance in escrow as at June 30, 2015 and the date of this MD&A	6,000,000

All of the escrow shares were considered contingently cancellable until such time as the Company completed its QT and accordingly they were not considered to be outstanding shares for the purposes of the loss per share calculations for the periods prior to the Company's QT.

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Stock Options:

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

On January 26, 2015, the Company granted an aggregate of 1,200,000 incentive stock options exercisable at \$0.15 each to directors and officers of the Company. All options granted are exercisable for a period of two years, and are fully vested.

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

	Number of Stock	Weighted Average Exercise Price
Balance as at December 31, 2014	-	-
Stock options granted	1,200,000	\$ 0.15
Balance as at June 30, 2015 and the date of this MD&A	1,200,000	\$ 0.15

At the date of this MD&A, stock options outstanding and exercisable are as follows:

Grant Date	Number of options	Exercise Price	Expiry date	Remaining contractual life (years)
January 26, 2015	1,200,000	\$0.15	January 25, 2017	1.57

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.

During the six months ended June 30, 2015, the Company recorded share-based payment compensation of \$95,000 (June 30, 2014 - \$nil) as a result of stock options vested during the period.

The fair value of stock options was estimated at the grant date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

Weighted average risk-free interest rate	1.57%
Weighted average expected life	2 years
Weighted average expected volatility	100%
Weighted average fair value of options	\$0.08

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Warrants:

A summary of warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at December 31, 2014, June 30, 2015 and the date of this MD&A	2,856,675	\$ 0.20

At the date of this MD&A, 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, 2016	0.80

LIQUIDITY AND CAPITAL RESOURCES

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at June 30, 2015, the Company does not have any long term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants.

The Company incurred a comprehensive loss of \$203,882 for the six months ended June 30, 2015 (for the six months ended June 30, 2014 - \$134,089). During the six months ended June 30, 2015, the Company's operations consumed cash of \$66,387 (for the six months ended June 30, 2014 - \$394,368). These activities, together with \$3,431 gains in cash due to foreign exchange movements, resulted in an overall decrease of \$60,936 in cash for the quarter; leaving the Company with a cash balance of \$127,215 as at June 30, 2015.

At June 30, 2015, the Company has \$105,156 in working capital deficiency. The Company has insufficient funds from which to finance its operating requirements and debt repayments within the next year. The Company's ability to finance its future operating requirements is significantly dependent on the Company's ability to achieve profitable returns from its operating activities. Without these returns, the Company will remain dependent upon its existing cash balances, collection of its receivables, and other

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possible sources of cash; such as the exercise of stock options, the exercise of warrants, new share issuances, and/or future debt financing. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company. These facts cast doubt about the Company's ability to continue as a going concern, however the completion of the proposed acquisition of Vos and Qeton will occur concurrently with financing that will provide the Company with adequate working capital going forward.

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

RISKS AND UNCERTAINTIES

Foreign Operations

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

Agricultural Business

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

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investment or cash flows, and that any operational or financial results can, in subsequent years, be repeated, sustained, or improved upon.

Disruptions

The Company is subject to both natural and man-made disruptions to its operations, including but not limited to drought, storms, frost and other adverse weather conditions, fires, floods, insect swarms, pestilence, crop failure and other acts of God, industrial accidents, strikes, lock-outs, labour shortages, power shortages, fuel shortages, title or access disputes, including aboriginal or native disputes, wars, terrorism, civil disputes, protests, riots, insurrection, governmental regulations or requirements restricting or otherwise adversely altering free market or normal operations and other adverse events or occurrences beyond the control of the Company. These or similar matters may have a direct impact on farming operations which provide the Company inputs but may also have an indirect impact on other aspects of the Company's business such as transportation, storage, food processing and distribution, marketing and sales efforts, monetary payments. The occurrence of or an adverse change in these or similar matters will likely have an adverse effect on the business, operations, financial condition, financial results and prospects of the Company. There can be no assurances that these disruptions will not occur, that any such disruption would not be of indefinite duration, and that any such disruption will not result in the loss of an entire seasonal crop yield or complete failure of the Company's business.

Insurance

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

Competition

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

Government Regulation

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

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

Environmental Exposure

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

Exchange rate Fluctuations

The Company reports its financial statements in Canadian dollars. In contrast, all or substantially all of its operations are located in South Africa, and thus its operational currency is the South African Rand. In addition, certain of its input costs and sales may be denominated in other currencies, such as the US dollar. As a result, fluctuations in exchange rates, which can be volatile, can have a material effect on working capital, cash flow and reported financial condition and financial results.

Lack of Dividend Policy

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

Possible Dilution to Present and Prospective Shareholders

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

Dependence of Key Personnel

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

Lack of Trading

A listing of the Common Shares on the Exchange is not a guarantee of liquidity. If an active trading market for the Common Shares does not develop, the liquidity of the Common Shares may be limited and it may be difficult if not impossible for a holder of Common Shares to sell Common Shares. There

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can be no assurances that an active trading market for the Common Shares will develop or if developed will be sustained for any period of time.

Volatility of Share Price

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

FINANCIAL INSTRUMENTS

Fair Value

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

Financial Risks Factors

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

I. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At June 30, 2015, the Company has a working capital deficiency of \$105,156 (December 31, 2014 - \$22,220). The Company has insufficient funds from which to finance its operating costs for the next year. The Company's ability to finance its future operating requirements is significantly dependent on the Company's ability to achieve profitable returns on its operating activities. Without these returns, the Company will remain dependent upon the continued financial support of its debtors and shareholders. The Company, as at June 30, 2015, is exposed to liquidity risk.

II. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable and accrued liabilities and bank indebtedness that are denominated in US dollars and South African RAND. A 1% fluctuation in the US/dollar against the Canadian dollar exchange rate would have an insignificant impact on the Company's cash balance and foreign exchange gain or loss for the year. A 10% fluctuation in the South African RAND against the Canadian dollar would affect accumulated other comprehensive loss for the year of approximately \$55,259.

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III. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company places its cash with institutions of high-credit worthiness. Management has assessed there to be a low level of credit risk associated with its cash balances. The Company's receivable balance relates solely to GST receivable from the Government of Canada. Management has assessed a low level of credit risk with respect to this receivable balance.

IV. Interest rate risk

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in interest rates. The Company's bank indebtedness bears interest at prime plus 0.6%. As at June 30, 2015, a 10% change in prime rate would have an insignificant impact to the Company's net loss and comprehensive loss.

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

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(a) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year which include:

i. Useful life equipment

Each significant component of an item of equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past management experience,

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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.

ii. Deferred income tax

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

iii. Impairment of long lived assets

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

(a) 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.

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RELATED PARTY TRANSACTIONS

Key Personnel Compensation

Key management personnel include those person 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 six months ended June 30, 2015 and 2014 are as follows:

Type of Service	Nature of Relationship	For the six months ended June 30,	
		2015	2014
Management fees	To a company with a director and officers in common with the Company	\$ 21,000	\$ 20,475
Share-based payments	Directors/officers	95,000	-
Total		\$ 116,000	\$ 20,475

No amounts are due from or due to related parties as at December 31, 2014 and June 30, 2015.

All other income recorded on the statement of loss and comprehensive loss was earned from related party companies.

OFF-BALANCE SHEET ARRANGEMENT

The Company currently has no off-balance sheet arrangement.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.