

The Delma Group Inc.
Interim Condensed Consolidated
Financial Statements
September 30, 2018
(Expressed in Canadian dollars)

Unaudited Interim Condensed Consolidated Financial Statements

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The Delma Group Inc.

Interim Condensed Consolidated Statements of Financial Position

September 30, 2018 and December 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

	Notes	September 30, 2018 \$	December 31, 2017 \$
ASSETS			
Current			
Cash		98 664	3 028
Receivables		255 603	
Assets held for sale	4	14 459 531	
Debenture receivable, without interest		50 000	50 000
Prepays and refundable deposits		560 492	
Advances to companies under common control, without interest		819 000	798 928
Other advances, without interest		57 300	
Advances to a company controlled by a director, without interest		34 492	
		<u>16 335 082</u>	<u>851 956</u>
Non-current			
Investment properties	5	90 367 914	14 910 200
Land held for residential development		11 215 048	
Investment in a private company, at cost		250 000	250 000
Other		2 720 500	
Property and equipment		35 130	48 500
Trademarks and domain names		1 456 009	1 792 009
		<u>122 379 683</u>	<u>17 852 665</u>
Total assets		122 379 683	17 852 665

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

The Delma Group Inc.

Interim Condensed Consolidated Statements of Financial Position

September 30, 2018 and December 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

	Notes	September 30, 2018 \$	December 31, 2017 \$
LIABILITIES			
Current			
Trade and other payables	6	6 896 369	
Other current liabilities	7	38 852 132	
Current portion of long term debt	8	11 900 911	913 000
		<u>57 649 412</u>	<u>913 000</u>
Non-current			
Long term debt	8	9 397 467	
Deferred income taxes liabilities		2 500 000	
Total liabilities		<u>69 546 879</u>	<u>913 000</u>
SHAREHOLDERS' EQUITY			
Share capital (Partners' capital in 2017)	9	60 288 627	16 939 665
Conversion option		48 238	
Deficit		(7 504 061)	
Total shareholders' equity		<u>52 832 804</u>	<u>16 939 665</u>
Total liabilities and shareholders' equity		<u>122 379 683</u>	<u>17 852 665</u>

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

The Delma Group Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

Three-month and nine-month periods ended September 30, 2018 and 2017

(Expressed in Canadian dollars)

(Unaudited)

	Notes	Three months ended September 30, 2018 \$	Three months ended September 30, 2017 \$	Nine months ended September 30, 2018 \$	Nine months ended September 30, 2017 \$
Rental income		563 497	32 500	899 733	97 500
Operating expenses		(459 909)		(600 905)	
Administrative expenses		(934 630)	(119 875)	(2 314 142)	(359 625)
Financing costs		(454 153)		(749 160)	
Listing fees	3			(2 239 587)	
Loss before income taxes		(1 285 195)	(87 375)	(5 004 061)	(262 125)
Deferred Income taxes	3			2 500 000	
Net loss and comprehensive loss		(1 285 195)	(87 375)	(7 504 061)	(262 125)
Basic and diluted net loss per share		(0,10)	(0,03)	(1,26)	(0,09)
Weighted average number of shares		12 636 608	2 960 667	5 932 371	2 960 667

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

The Delma Group Inc.

Interim Condensed Consolidated Statements of Shareholder's Equity

Nine-month periods ended September 30, 2018 and 2017

(Expressed in Canadian dollars)

(Unaudited)

	Notes	Share Capital (Partners' Capital in 2017) \$	Conversion option \$	Deficit \$	Total Equity \$
Balance on January 1, 2017		15 878 760			15 878 760
Net income and comprehensive loss for the period		<u>(262 125)</u>			<u>(262 125)</u>
Balance on September 30, 2017		<u>15 616 635</u>	-	-	<u>15 616 635</u>
Balance on January 1, 2018		<u>16 939 665</u>	-	-	<u>16 939 665</u>
Reverse takeover	3	403 800	48 238		452 038
Acquisition of Bromont Group	3	23 990 424			23 990 424
Acquisition of Lupa Investments Lupa Real Estate Corporation Inc.	3	3 803 340			3 803 340
Acquisition Corporation Immobilière GHP Inc.	3	1 569 788			1 569 788
Acquisition	3	13 329 592			13 329 592
Consulting services paid in shares	9	<u>252 018</u>			<u>252 018</u>
Transactions with owners		43 348 962	48 238	-	43 397 200
Net loss and comprehensive loss for the period				<u>(7 504 061)</u>	<u>(7 504 061)</u>
Balance on September 30, 2018		<u>60 288 627</u>	<u>48 238</u>	<u>(7 504 061)</u>	<u>52 832 804</u>

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

The Delma Group Inc.

Interim Condensed Consolidated Statements of Cash Flows

Three-month and nine-month periods ended September 30, 2018 and 2017

(Expressed in Canadian dollars)

(Unaudited)

	Notes	Three months ended September 30, 2018 \$	Three months ended September 30, 2017 \$	Nine months ended September 30, 2018 \$	Nine months ended September 30, 2017 \$
OPERATING ACTIVITIES					
Net loss		(1 285 195)	(87 375)	(7 504 061)	(262 125)
Adjustments for					
Consulting service paid in shares	9	102 006		252 018	
Non-cash interest expense		17 508		41 022	
Listing fees	3			2 239 587	
Depreciation of property and equipment		9 000	7 875	18 000	23 625
Amortization of trademarks and domain names		112 000	112 001	336 000	336 003
Deferred income taxes	3			2 500 000	
		(1 044 681)	32 501	(2 117 434)	97 503
Change in working capital items		1 417 376	(31 108)	2 799 661	(93 324)
Cash flows from operating activities		372 695	1 393	682 227	4 179
INVESTING ACTIVITIES					
Advances to companies under common control		35 000		(35 000)	
Advances to companies		23 542		18 242	
Advances to a company controlled by a director		20 508		(34 492)	
Cash acquired through acquisitions	3	(197 681)		(147 858)	
Investment properties	5	(865 376)		(6 966 718)	
Lan held for residential development		2 300			
Cash flows from investing activities		(981 707)	—	(7 165 826)	—
FINANCING ACTIVITIES					
Other current liabilities		585 073		6 821 061	
Repayment of long-term debt		(219 445)		(241 826)	
Cash flows from financing activities		365 628	—	6 579 235	—
Net change in cash		(243 384)	1 393	95 636	4 179
Cash, beginning of period		342 048	3 392	3 028	606
Cash, end of period		98 664	4 785	98 664	4 785

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

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

1. Nature of operations

Genesis Income Properties Inc. ("Genesis") was incorporated on April 7, 2014 under the laws of the province of British Columbia. Aydon Income Properties Inc. (the "Company") was formed by amalgamation of Genesis and Forbairt Development Acquisition Corp. ("Forbairt") under a Plan of Arrangement approved by the Supreme Court of British Columbia on August 27, 2014. The Company completed all requirements for a listing on the Canadian Stock Exchange ("CSE") under the symbol "AYD" and started trading on March 12, 2015.

On July 20, 2017, the Company entered into a share purchase agreement, as amended on November 27, 2017 with Delma Resorts & Hotels GP Inc., Delma Properties Canada LP, Delma Resorts & Hotels L.P. (the "Delma Group") and with Société en commandite Bromont I and 9216-3583 Québec Inc. (the "Bromont Group"), whereby the Company agreed to acquire all of the issued and outstanding shares and units of each of the Delma Group and the Bromont Group (the "Transaction"). The Transaction closed on March 23, 2018.

Following the closing of the Transaction, the Company changed its name to The Delma Group Inc. and is trading on the CSE under symbol DLMA.

The principal address and records office of the Company is located at 160-640 Orly Avenue, Dorval, Qc, H9P 1E9.

2. Basis of presentation and significant accounting policies

The unaudited interim condensed consolidated financial statements present the Company's consolidated balance sheet as at September 30, 2018 as well as its consolidated statements of comprehensive loss, cash flow and changes in shareholder's equity for the three and nine months ended September 30, 2018 and 2017.

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting and are expressed in Canadian dollars. Accordingly, certain information and footnote disclosures normally included in annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), have been omitted or condensed.

These interim condensed consolidated financial statements use the same accounting policies and methods of computation as compared with the Company's most recent annual audited consolidated financial statement except for the new and adopted standards described below.

The interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 have not been reviewed by the independent auditors of the Company.

These interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 28, 2018.

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018

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2. Basis of presentation and significant accounting policies (Continued)

Adoption of new standards as at January 1, 2018

IFRS 9 - Financial instruments

On January 1, 2018, The Company adopted IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. The Company determined that the application of this new standard did not have a significant impact on the interim condensed consolidated financial statements.

IFRS 15 – Revenues from contracts with Customers

On January 1, 2018 adopted IFRS 15 which replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018. The Company determined that the application of this new standard did not have a significant impact on the interim condensed consolidated financial statements.

New significant accounting policies following acquisitions

Following the acquisitions described in Note 3, the company now applies the following significant accounting policies adopted by the acquired entities.

Share-based compensation

Share-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock-based compensation reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

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2. Basis of presentation and significant accounting policies (Continued)

New significant accounting policies following acquisitions (Continued)

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debenture that can be converted to share capital or units at the option of the holder, and for which the number of shares to be issued does not vary with changes in their fair value. The fair value of the debt component is estimated by discounting the future cash flows using an appropriate discount rate. The difference between the proceeds and the fair value of the debt component is allocated to the equity component. When debt is convertible into units that are convertible into common shares and share purchase warrants, the equity portion is allocated to the embedded warrant feature based on its calculated fair value and the residual amount is allocated to the embedded conversion feature.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially using the residual method, as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

Land held for Residential development

Land held for residential development is accounted at acquisition cost and is valued at the lower of cost or net realizable value. Cost include the costs related to the development of land as well as borrowing costs.

Non-current assets and liabilities classified as held for sale

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

The Delma Group Inc.**Notes to the Interim Condensed Consolidated Financial Statements**

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(Expressed in Canadian dollars)

(Unaudited)

2. Basis of presentation and significant accounting policies (Continued)**New significant accounting policies following acquisitions (Continued)*****Income taxes******Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided annually, using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed annually, at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax liabilities are always recognized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

3. Reverse Takeover and Acquisitions

On July 20, 2017, the Company entered into a share purchase agreement, as amended on November 27, 2017 with the Delma Group and with the Bromont Group, whereby the Company agreed to acquire all of the issued and outstanding shares and units of each of the Delma Group and the Bromont Group. The Transaction closed on March 23, 2018.

In accordance with IFRS 3, Business Combinations, the substance of the acquisition of the Company by the Delma Group is a reverse takeover as the shareholders and unitholders of the Delma Group hold the majority of the shares of the Company. The acquisition of the Company does not constitute a business combination as the Company does not meet the definition of a business under that standard. As a result, the acquisition is accounted for in accordance with IFRS 2 Share-based Payment, with the Delma Group being identified as the acquirer and the equity consideration being measured at fair value. Accordingly, the resulting balances and transactions prior to March 23, 2018 are those of the Delma Group.

The acquisition of the Bromont Group is considered an acquisition of assets and the acquirer is the Delma Group.

Prior to closing the Transaction, the Company modified its share capital (note 8).

On April 1, 2018, The Company entered into a share purchase agreement with Lupa Investment Inc. ("Lupa Investments"), whereby the Company agreed to acquire all of the issued and outstanding shares of Lupa Investments (the "Lupa Acquisition"). The Acquisition closed on May 7, 2018.

The Lupa Acquisition is considered an acquisition of assets and the acquirer is the Delma Group.

On July 12, 2018, The Company acquired all of the issued and outstanding shares of four subsidiaries of Gestion H. Petit Inc. ("HPH"), a company controlled by a director (The "HPH Acquisition").

The HPH Acquisition is considered an acquisition of assets and the acquirer is the Delma Group.

On July 26, 2018, The Company acquired all of the issued and outstanding shares of two subsidiaries of Lupa Real Estate Corporation Inc. ("Lupa II") (The "Lupa II Acquisition").

The Lupa II Acquisition is considered an acquisition of assets and the acquirer is the Delma Group.

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018

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(Unaudited)

3.1 Reverse takeover

Upon closing of the reverse takeover, the Company issued 2,454,583 class "A" common shares and 3,290,417 class B common shares for the shares and units related to the Delma Group

The Company's shareholders that held shares before the Transaction will receive \$800,000 in value (the "Additional Value") if and when the Company is able to generate \$400,000 in net income from its student housing projects. The additional income shall be recognized at the latest in the Company's consolidated financial statements as at December 31, 2019. The additional value will be paid by the issuance of shares.

The fair value of the consideration for the net assets acquired is as follows:

	\$
134,599 share issued and outstanding	403 800
Fair value of the conversion option on long-term debt	48 238
	<u>452 038</u>

The fair value of the Company's shares issued and outstanding has been determined based on the fair value that the Company's shares were trading prior to the announcement of the Transaction being \$3 per share.

Following the closing of the Transaction, the issued and outstanding options and warrants of the Company will continue to be in effect with their original terms and conditions and are deemed to be issued as part of the Transaction. The fair value has been estimated to be nil.

The estimated fair value of the net assets acquired by the Company is:

	\$
Cash	4 575
Receivables	2 096
Assets held for sale	49 331
Prepaid and refundable deposits	94 671
Trade and other payables	(411 199)
Loans payable	(180 827)
Liabilities of assets held for sale	(28 600)
Convertible debenture	(517 596)
Contingent consideration	(800 000)
Net assets acquired	<u>(1 787 549)</u>
Listing costs expensed	2 239 587
	<u>452 038</u>

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

3. Reverse Takeover and Acquisitions (Continued)

3.1 Reverse takeover (Continued)

In connection with the reverse takeover, Delma Group changed its tax status. As a result, the deferred tax liability consequence of the change in tax status in the amount of \$2,500,000 was recorded in earnings.

Prior to the reverse acquisition, taxable income or loss of Delma Group and its subsidiaries was included in the tax return of its partners. Prior to March 23, 2018, Delma Group was treated as a partnership for income tax purposes and, as such, its partners were taxed separately on their share of Delma Group's income whether or not that income was actually distributed. Therefore, no income tax information is provided for the year ended December 31, 2017.

3.2 Acquisition of the Bromont Group

Upon closing of the Transaction, the Company issued 3,083,334 class "A" common shares and 1,000,000 class B common shares for the shares and units related to the Bromont Group.

The fair value of the consideration for the net assets acquired by Delma was estimated at \$23,990,424. The fair value was based on the estimated value of the net assets of Bromont as it was more reliable than the fair value of the acquirer's issued shares.

The estimated fair value of the net assets acquired by the Company is:

	\$
Cash	13 038
Receivables	88
Prepays	28 365
Investment properties	32 043 474
Land held for residential development	11 215 048
Trade and other payables	(766 589)
Advances	(7 543 000)
Loans	(11 000 000)
	<u>23 990 424</u>

3.3 Acquisition of Lupa Investments

Upon closing of the Lupa Acquisition, Delma Real Estate Corporation ("DREC"), a wholly-owned subsidiary, issued 3,803,339 Class "A" preferred shares. Immediately after the acquisition, the Company purchased the DREC shares in exchange for 633,890 Class "A" common shares of the Company.

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

3. Reverse Takeover and Acquisitions (Continued)

3.3 Acquisition of Lupa Investments (Continued)

The fair value of the consideration for the net assets acquired is as follows:

	\$
633,890 Class "A" common shares issued	3 803 340

The fair value of the Company's shares issued has been determined based on the fair value that the Company's shares were trading prior to the announcement of the Acquisition being \$6 per share.

The estimated fair value of the net assets acquired by the Company is:

	\$
Cash	32 210
Current income tax asset	207 419
Investment properties	7 817 722
Advances	5 000
Advance to the Company	1 092 337
Trade and other payables	(156 101)
Advances	(337 050)
Term loans	(4 858 197)
	<u>3 803 340</u>

3.4 HPH Acquisition

Upon closing of the HPH Acquisition, the Company issued 2,468,698 Class "A" common shares and \$849,791 of other current liabilities was assumed by the Company.

The fair value of the consideration for the net assets acquired by the Company was estimated at \$13,329,592. The fair value was based on the estimated value of the net assets acquired as it was more reliable than the fair value of the acquirer's issued shares.

The fair value of the consideration for the net assets acquired is as follows:

	\$
2,468,698 Class "A" common shares issued	13 329 592

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(Unaudited)

3. Reverse Takeover and Acquisitions (Continued)

3.4 HPH Acquisition (Continued)

The estimated fair value of the net assets acquired by the Company is:

	\$
Cash	(149 196)
Receivables	131 996
Prepays and refundable deposits	239 407
Investment properties	36 445 000
Other assets	2 720 500
Advances	119 592
Property and equipment	4 631
Trade and other payables	(2 477 177)
Advances from the Company	(55 000)
Bank loan	(3 805 000)
Other current liabilities	(849 791)
Loans	(7 593 386)
Term loans	<u>(11 401 984)</u>
	<u>13 329 592</u>

3.5 Lupa II Acquisition

Upon closing of the Lupa II Acquisition, the Company issued 266,299 Class "A" common shares.

The fair value of the consideration for the net assets acquired by the Company was estimated at \$1,569,788. The fair value was based on the estimated value of the net assets acquired as it was more reliable than the fair value of the acquirer's issued shares.

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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(Expressed in Canadian dollars)

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3. Reverse Takeover and Acquisitions (Continued)

3.5 Lupa II Acquisition (Continued)

The fair value of the consideration for the net assets acquired is as follows:

	<u>\$</u>
266,299 Class "A" common shares issued	1 569 788

The estimated fair value of the net assets acquired by the Company is:

	<u>\$</u>
Cash	(48 485)
Receivables	8 955
Prepays and refundable deposits	71 965
Investment properties	6 595 000
Advances	30 000
Trade and other payables	(254 509)
Advances to the company	(203 000)
Loans, payable on demand	(1 173 675)
Term Loan	(3 456 463)
	<u>1 569 788</u>

4. Assets held for sale

Assets held for sale are composed of the following:

	<u>2018</u>	<u>2017</u>
	\$	\$
Blueberry Lake Resort, Quebec, Canada	3 835 100	
Lake Alphonse, Quebec, Canada	3 075 000	
42 North Resort, New York, USA, US\$2,240,000	3 000 100	
Panagopoula Resort, Panagopoula, Greece	4 500 000	
Other	49 331	
	<u>14 459 531</u>	

The Delma Group Inc.

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(Unaudited)

5. Investment Properties

A reconciliation of the investment properties is as follows:

	2018	2017
	\$	\$
Balance, beginning of period	14 910 200	14 910 200
Acquisition of the Bromont Group (Note 3.2)	32 043 474	
Acquisition of Lupa Investments (Note 3.3)	7 817 722	
HPH Acquisition (Note 3.4)	36 445 000	
Lupa II Acquisition (Note 3.5)	6 595 000	
Other acquisitions	5 564 948	
Borrowing costs	648 173	
Development costs	753 598	
Reclassified as assets held for sale (a)	(14 410 200)	
Balance, end of period	<u>90 367 914</u>	<u>14 910 200</u>

The investment properties are composed of the following:

	2018	2017
	\$	\$
Investment properties at fair value		
Blueberry Lake Resort, Quebec, Canada (a)		3 835 100
Lake Alphonse, Quebec, Canada (a)		3 075 000
42 North Resort, New York, USA, US\$2,240,000 (a)		3 000 100
Bromont, Quebec, Canada	33 039 565	
St-Laurent Blvd / Port-Royal Avenue, Quebec, Canada	3 152 722	
Le Breton, Quebec, Canada	2 865 000	
St-Jean-Baptiste Blvd., Quebec, Canada	1 800 000	
Dorval Avenue, Quebec, Canada	10 537 349	
9920-9924 St-Laurent	739 009	
610-640 Orly, Dorval, Canada	5 260 000	
1124 Place Verner, Laval, Quebec, Canada	600 000	
860 Cite-des-Jeunes, St-Lazare, Canada	1 153 069	
2001 Chemin Oka, Deux-Montagnes, Canada	901 151	
Levi land, Exit 305, Highway 20, Quebec, Canada	9 644 800	
472-474 Knowlton, Lac Brome, Canada	3 017 671	
117 Lépine, Gatineau, Canada	6 937 106	
121 Lépine, Gatineau, Canada	4 500 000	
2055 Avenue Desjardins, Montreal, Canada	4 110 472	
Land, Blainville, Canada	1 610 000	

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Notes to the Interim Condensed Consolidated Financial Statements

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5. Investment Properties (Continued)

	2018	2017
	\$	\$
Investment properties at acquisition cost to be accounted as joint ventures upon formation of joint venture		
Panagopoula Resort, Panagopoula, Greece (a)		4 500 000
Domaine Balmoral Development Project, Quebec, Canada	500 000	500 000
	<u>90 367 914</u>	<u>14 910 200</u>

- (a) During the year, the Company changed its intent of usage of these investment properties and decided to dispose of them. Accordingly, the investment properties have been reclassified as assets held for sale (note 4). Management is in the process of re-evaluating the fair value of these properties.

6. Trade and other payables

As at September 30, 2018, \$29,500 of trade and other payables will be paid by the issuance of class "/>

7. Other current liabilities

	2018	2017
	\$	\$
Liabilities of assets held for sale	28 600	
Advances, without interest, payable on demand	9 103 458	
Loans, 22%, payable on demand	511 436	
Loan, 15%, payable on demand (a)	11 000 000	
Loan, 10%, payable on demand (b)	293 000	
Loan, 13%, payable on demand (c)	130 000	
Loan, prime plus 1% (4.95%), payable on demand (d)	4 777 500	
Loan, 9%, payable on demand (e)	2 400 000	
Loan, 24%, payable on demand (f)	743 386	
Loan, 12.5%, payable on demand (g)	800 000	
Loan, 4%, payable on demand (h)	370 752	
Loans, 12%, payable on demand (i)	3 750 000	
Loan, 10%, payable on demand (i)	200 000	
Loan, 13.8%, payable on demand (j)	500 000	
Loan, 12%, payable on demand	309 000	
Loan, 11.66%, payable on demand	90 000	
Bank loan, 3% (k)	3 845 000	
	<u>38 852 132</u>	<u>-</u>

- (a) The loan is secured by the investment property in Bromont, with a carrying amount of \$32,579,868.

The Delma Group Inc.**Notes to the Interim Condensed Consolidated Financial Statements**

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(Unaudited)

7. Other current liabilities (continued)

- (b) The loan is secured by the investment properties in Blueberry Lake Resort and Lake Alphonse, with a carrying amount of \$6,910,100.
- (c) The loan is secured by the investment property in the Blueberry Lake Club House, with a carrying amount of \$2,830,000.
- (d) The loan is secured by the investment property on Dorval Avenue, with a carrying amount of \$5,564,948.
- (e) The loan is secured by the investment property on 2055, avenue Desjardins with a carrying amount of \$4,110,472.
- (f) The loan is secured by the investment property in Blainville land, with a carrying amount of \$1,610,000.
- (g) The loan is secured by the investment property on 610-640 Orly with a carrying amount of \$5,260,000.
- (h) The loan is secured by the investment property on 9920-9924 St-Laurent, with a carrying amount of \$739,009.
- (i) The loans are secured by the investment property in Levi land, with a carrying amount of \$9,644,800.
- (j) The loan is secured by the investment property on 121 Lépine, with a carrying amount of \$4,500,000.
- (k) The bank loan, for an authorized amount of \$4,000,000, is secured by the investment property in Levi land and a guarantee from a director.

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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8. Long-Term Debt

	<u>2018</u>	<u>2017</u>
	\$	\$
Convertible debenture, \$126,000 (a)	123 672	
Convertible debenture, \$10,000 (b)	9 772	
Convertible debenture, \$30,000 (c)	29 532	
Convertible debenture, \$360,000 (d)	357 029	
Convertible debenture, US\$10,000 (e)	13 555	
Term loan 10%, interest and capital payable at maturity, maturing in June 2018, secured by a hypothec on lands of the Blueberry Lake and Lake Alphonse investment properties		293 000
Term loan, 13%, capital payable at maturity, maturing in June 2018, secured by a hypothec on the Blueberry Lake Club house		130 000
Loan, without interest, maturing in April 2019, \$100,000 increase in capital if unpaid at maturity, secured by land on the Blueberry Lake project	490 000	490 000
Term loan, 12%, capital payable at maturity, maturing in May 2019, secured by a hypothec on the Le Breton investment property	1 300 000	
Term loan, prime plus 1.48% (5.43%), capital and interest payable in monthly payments of \$8,218, maturing in November 2018, secured by a hypothec on the St-Laurent Blvd / Port-Royal avenue investment property	564 797	
Term loan, 3.42%, capital and interest payable in monthly payments of \$9,406, maturing in November 2018, secured by a hypothec on the Le Breton investment property	1 756 523	
Term loan, 3.02%, capital and interest payable in monthly payments of \$5,928, maturing in September 2021, secured by a hypothec on the St-Jean-Baptiste investment property	1 180 777	
Term loan, 4.54%, capital and interest payable in monthly payment of \$19,172, maturing in January 2019, secured by a hypothec on the 610-640 Orly investment property	3 060 999	
Term loan, 3.34%, capital and interest payable in monthly payment of \$1,518, maturing in November 2018, secured by a hypothec on the 1124 Place Verner investment property	277 349	
Term loan, 4%, capital and interest payable in monthly payment of \$698, maturing in October 2018, secured by a hypothec on the 9920-9924 St-Laurent investment property	100 230	
Term loan, 8 %, maturing in January 2019	350 000	

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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8. Long-Term Debt (continued)	<u>2018</u>	<u>2017</u>
	\$	\$
Term loan, 3%, maturing in March 2019, secured by a hypothec on the 2001 Chemin d'Oka investment property	525 000	
Term loan, 5%, maturing in December 2018, secured by a hypothec on the 860 Cite-des-Jeunes investment property	400 000	
Term loan, 46.9%, capital and interest payable in monthly payments of \$5,200, maturing in July 2019	299 737	
Term loan, 3.85%, capital and interest payable in monthly payment of \$17,095, maturing in November 2022, secured by a hypothec on the 121 Lépine investment property	3 233 189	
Loan payable to 2946-5010 Quebec Inc., secured by a hypothec on 117 Lépine, Gatineau.	2 565 000	
Loan payable to Jacques Martin, secured by a hypothec on 117 Lépine, Gatineau.	1 235 000	
Term loan, 15%, capital and interest payable in monthly payments of \$30,717, maturing in October 2018, secured by a hypothec on the 2055 Avenue Desjardins investment property	2 500 000	
Other	126 217	
Contingent consideration, maturing December 31, 2019 (note 3.1)	800 000	
	<u>21 298 378</u>	<u>913 000</u>
Current portion	<u>11 900 911</u>	<u>913 000</u>
	<u>9 397 467</u>	<u>-</u>

- (a) On December 10, 2015, the Company issued a \$126,000 convertible debenture. The debenture is secured by a general security agreement in respect of all present and future personal property of the Company. Interest of 10% per annum is payable semi-annually. Matures on December 10, 2018.
- (b) On March 30, 2016, the Company issued a \$10,000 convertible debenture. The debenture is secured by a general security agreement in respect of all present and future personal property of the Company. Interest of 8.8% per annum is payable quarterly. At the holder's option, the debenture may be converted into Class "A" common shares of the Company at a price of \$100 per share. Matures on December 31, 2018.
- (c) On October 31, 2016, the Company issued a \$30,000 convertible debenture. The debenture is secured by a general security agreement in respect of all present and future personal property of the Company. Interest of 10% per annum is payable semi-annually. At the holder's option, the debenture may be converted into Class "A" common shares of the Company at a price of \$100 per share. The holder also has the option to convert the debenture into units of

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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8. Long-Term Debt (Continued)

AIP Limited Partnership, held by the Company, at a price of US\$1,100 per partnership unit. Matures on November 30, 2018.

- (d) On October 31, 2016, the Company issued a \$360,000 convertible debenture. The debentures are secured by a general security agreement in respect of all present and future personal property of the Company. Interest of 10% per annum is payable semi-annually. At the holder's option, the debenture may be converted into class "A" common shares of the Company at a price of \$100 per share up until December 3, 2018. The holder also has the option to convert the debenture into units of AIP Limited Partnership held by the Company at a price of US\$1,100 per partnership unit. Matures on December 10, 2018.
- (e) On November 15, 2016, the Company issued a US\$10,000 convertible debenture. The debenture is secured by a general security agreement in respect of all present and future personal property of the Company. Interest of 8.8% per annum is payable quarterly. At the holder's option, the debenture may be converted into class "A" common shares of the Company at a price of \$80 per share until November 15, 2018 and \$100 per share until October 25, 2019. The holder also has the option to convert the debenture into units of AIP Limited Partnership held by the Company at a price of US\$1,100 per partnership unit. Matures on November 15, 2019.

9. Share capital

During the period, the Company modified its authorized share capital as follows :

Unlimited number of shares

Class "A" common shares, conferring 1 vote per share

Class "B" common shares, conferring 100 votes per share, automatically converted into Class "A" Common shares on January 19, 2023 on a basis of 1 Class "A" common share for 1 Class "B" Common share.

As part of the modification, all outstanding common shares were converted into Class "A" common shares.

After the closing of the Transaction (Note 3), the Company implemented a share consolidation on the basis of 1 new class "A" or class "B" common share for every 200 outstanding class "A" or "B" common shares. All references to common shares, Class "A" common shares, Class "B" common shares, warrants, options, conversion prices in these interim condensed consolidated financial statements have been adjusted to reflect the consolidation.

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

9. Share capital (Continued)

The variations in common shares for the period are as follows:

	Period ended September 30, 2018		Period ended September 30, 2017	
	Number	\$	Number	\$
Balance, beginning of period	134 599	16 939 665	127 824	15 878 760
Issuance of shares of the Company			6 775	
Conversion into Class "A" common shares	(134 599)	(16 939 665)		
Net income and comprehensive loss				(262 125)
Balance, end of period	<u>—</u>	<u>—</u>	<u>134 599</u>	<u>15 616 635</u>

The variations in class "A" common shares and class "B" common shares for the period are as follows :

	Class "A" shares		Class "B" shares	
	Number	\$	Number	\$
Conversion of common shares	134 599	16 939 665		
Reverse takeover	2 454 583	172 525	3 290 417	231 275
Acquisition of the Bromont Group	3 083 334	18 115 218	1 000 000	5 875 206
Acquisition of Lupa Investment	633 890	3 803 340		
Acquisition of Lupa Investment II	266 299	1 569 788		
Acquisition of Corporation Immobilière GHP Inc.	2 468 698	13 329 592		
Consulting services paid in shares (a)	42 003	252 018		
Balance, end of period	<u>9 083 406</u>	<u>54 182 146</u>	<u>4 290 417</u>	<u>6 106 481</u>

(a) During the period, 42,003 shares were issued for consulting services.

Of the shares issued and outstanding, 1,084,086 class "A" shares and 4,259,224 class "B" shares were put in escrow and are subject to release in agreement with the provisions provided in the escrow agreement

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company, may from time to time, in its discretion, and in accordance with the CSE requirements, grant to directors, officers, employees and technical consultant to the Company, non-transferable stock options to purchase common stock.

The Delma Group Inc.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018

(Expressed in Canadian dollars)

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9. Share capital (Continued)

On July 17, 2018, the Company granted 1,150,000 stock options to directors and consultants, which vested immediately and are exercisable at \$6.50 per share. 1,000,000 stock options have a term of five years and expire on July 17, 2022. The remaining 100,000 stock options have a term of one year and expire on July 17, 2019. The fair value of these stock options is nil determined by the Black-Scholes Option Pricing Model.

10. Segmental Information

Non-current assets are owned in the following countries:

	<u>2018</u>	<u>2017</u>
	\$	\$
Canada	105 794 601	9 250 609
United States		3 000 100
Greece		4 500 000

The rental income is 100% in Canada.

11. Commitments

The Company has entered into long-term consulting agreements which call for payments of \$8,735,000 for consulting services. Minimum payments for the next five years are \$1,475,000 in 2019, \$1,545,000 in 2020, \$1,725,000 in 2021, \$1,905,000 in 2022 and \$2,085,000 in 2023.