

Delma Resorts & Hotels L.P.
Consolidated Financial Statements
Years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

Independent Auditor's Report	2 - 3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Comprehensive Income (Loss)	5
Consolidated Statements of Changes in Partners' Capital	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 22

Independent Auditor's Report

To the partners of
Delma Resorts & Hotels L.P.

**Raymond Chabot
Grant Thornton LLP**
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec H3B 4L8

T 514-878-2691

We have audited the accompanying consolidated financial statements of Delma Resorts & Hotels L.P. which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of comprehensive income (loss), the consolidated statements of change in partners' capital and the consolidated statements of 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 (IFRS) 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.

Auditor's 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 auditor's 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, the consolidated financial statements present fairly, in all material respects, the financial position of Delma Resorts & Hotels L.P. 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 (IFRS).

Raymond Chabot Grant Thornton LLP¹

Montreal
May 7, 2018

¹ CPA auditor, CA public accountancy permit no. A121855

Delma Resorts & Hotels L.P.

Consolidated Statements of Financial Position

As at December 31, 2017 and 2016

(Expressed in Canadian dollars)

	Notes	2017 \$	2016 \$
ASSETS			
Current			
Cash		3,028	606
Debenture receivable, without interest		50,000	—
Advances to companies under common control, without interest		298,928	560,954
		351,956	561,560
Non-current			
Investment properties	5	14,910,200	14,910,200
Property and equipment	6	48,500	80,000
Trademarks and domain names	7	1,792,009	—
Total assets		17,102,665	15,551,760
LIABILITIES			
Current			
Due to Delma Properties Canada LP, without interest, payable on demand		514,600	—
Current portion of long term debt	8	423,000	130,000
		937,600	130,000
Non-current			
Long term debt	8	—	293,000
Total liabilities		937,600	423,000
Partners' capital			
General Partner		545	566
Limited partners		16,164,520	15,128,194
Total partners' capital		16,165,065	15,128,760
Total liabilities and partners' capital		17,102,665	15,551,760

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

Delma Resorts & Hotels L.P.**Consolidated Statements of Comprehensive Income (Loss)**

Year ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

	Notes	2017 \$	2016 \$
Rental income		130,000	120,976
Increase in fair value of investment properties	5	–	9,212,100
		130,000	9,333,076
Administrative expenses		543,695	12,368
Net income (loss) and comprehensive income (loss)		(413,695)	9,320,708
Basic and diluted net income (loss) per unit		(14)	852
Weighted average number of units outstanding		29,023	10,934

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

Delma Resorts & Hotels L.P.

Consolidated Statements of Partners' Capital

Year ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

	Notes	Units Issued Number	General Partner \$	Limited Partners \$	Total \$
Balance on January 1, 2016		10,649	100	349,952	350,052
Units issued	10	10,741	—	726,000	726,000
Units issued for investment properties	10	1,260	—	4,500,000	4,500,000
Units issued for settlement of debt	10	1,838	—	220,000	220,000
Units issued as payment of professional fees	10	12	—	12,000	12,000
Transactions with partners		13,851	—	5,458,000	5,458,000
Net income			466	9,320,242	9,320,708
Balance on December 31, 2016		24,500	566	15,128,194	15,128,760
Balance on January 1, 2017		24,500	566	15,128,194	15,128,760
Units issued	10	13,878	—	2,000,000	2,000,000
Units issued for a debenture receivable		50	—	50,000	50,000
Conversion of 5,000 Class A units into 500 Class B units	10	(4,500)	—	(600,000)	(600,000)
Transactions with partners		9,428	—	1,450,000	1,450,000
Net loss			(21)	(413,674)	(413,695)
Balance on December 31, 2017		33,928	545	16,164,520	16,165,065

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

Delma Resorts & Hotels L.P.

Consolidated Statements of Cash Flows

Year ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

	Notes	2017 \$	2016 \$
OPERATING ACTIVITIES			
Net income (loss)		(413,695)	9,320,708
Adjustments			
Increase in fair value of investment properties	5	—	(9,212,100)
Depreciation of property and equipment	6	31,500	—
Amortization of trademarks and domain names	7	448,001	—
Units issued as payment of expenses	10	—	12,000
		65,806	120,608
Change in working capital items		—	(20,253)
Cash flows from operating activities		65,806	100,355
INVESTING ACTIVITIES			
Advances to companies under common control		(52,574)	(358,354)
Investment properties	5	—	(527,000)
Disposal of investment properties	5	—	42,000
Trademarks and domain names	7	(1,925,410)	—
Cash flows from investing activities		(1,977,984)	(843,354)
FINANCING ACTIVITIES			
Long term debt	8	—	130,000
Repayment of long term debt		—	(162,000)
Due to Delma Properties Canada LP		(85,400)	—
Units issued	10	2,000,000	726,000
Cash flows from financing activities		1,914,600	694,000
Net increase (decrease) in cash		2,422	(48,999)
Cash, beginning of year		606	49,605
Cash, end of year		3,028	606

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

Notes to the Consolidated Financial StatementsDecember 31, 2017 and 2016

1. Statutes of Incorporation, Nature of Operations and Statement of Compliance

Delma Resorts & Hotels L.P. ("Delma") is a limited partnership formed under the Civil Code of the Province of Quebec. Delma together with its subsidiaries (together referred to as the "Limited Partnership") invest in the hospitality industry, to perform property management services and land development. Delma was established pursuant to the terms of a Limited Partnership Agreement dated November 11, 2015. Delma's head office and address for service is located at 310 – 925 Blvd. De Maisonneuve West, Montreal, Quebec, H3A 0A5.

The management activities of the Limited Partnership are performed through a net, net, net, net, net master lease agreement with Delma Resorts & Hotels Canada Corporation, a company under common control. The agreement is for all the investment properties owned by the Limited Partnership. The investment properties are mainly owned by the Limited Partnership's subsidiaries who act as nominees for the Limited Partnership.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) which were consistently applied from the inception of the partnership.

The financial statements were approved and authorized by the General Partner on May 7, 2018.

2. Changes in Accounting Policies**Standards, Amendments and Interpretations to Existing Standards That Are Not Yet Effective and Have Not Been Adopted Early By the Limited Partnership**

At the date of authorization of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Limited Partnership. Information on those expected to be relevant to the consolidated financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB published IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduced 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. Earlier application is permitted. The application of this standard will not have significant impact on the consolidated financial statements.

Notes to the Consolidated Financial StatementsDecember 31, 2017 and 2016

2. Changes in Accounting Policies (Continued)**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 Revenue, IAS 11 Construction Contracts, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The application of this standard will not have significant impact on the consolidated financial statements.

IFRS 16 Leases

In January 2016, the IASB published IFRS 16 which will replace IAS 17 Leases and three related interpretations. IFRS 16 largely retains IAS 17's approach to lessor accounting, but introduces numerous and significant changes to lessee accounting, such as the elimination of the classification as an operating lease and the requirement for lessees to recognize a right-of-use asset and a lease liability in the balance sheet for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, and introduces new disclosure requirements. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Limited Partnership has yet to assess the impact of this new standard on its combined financial statements.

3. Significant Accounting Policies**Basis of Measurement**

These consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarized below.

Basis of Consolidation

The Limited Partnership's consolidated financial statements consolidate those of Delma and of its subsidiaries as at December 31, 2017. All subsidiaries have a reporting date of December 31. All transactions and balances between the entities are eliminated on consolidation, including unrealized gains and losses on transactions between companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by Delma. Profit or loss and other comprehensive income (loss) of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Notes to the Consolidated Financial StatementsDecember 31, 2017 and 2016

3. Significant Accounting Policies (Continued)**Basis of Consolidation (continued)**

Set out below details of subsidiaries held directly by the Limited Partnership. All subsidiaries are wholly-owned and are Canadian corporations.

Name of the subsidiary	Activity
Blueberry Lake resorts Inc.	Inactive
Auberge Blueberry Lake Inc.	Nominee for the Blueberry lake clubhouse
Gestion 42 Degrés Nord Inc.	Nominee for the Ellicottville project
BBL Holdings Inc.	Nominee for Lake Alphonse as well as various lands around Blueberry Lake

Investments in Joint Ventures

Investments in joint ventures are accounted for using the equity method.

The carrying amount of the investment in joint ventures is increased or decreased to recognize Delma's share of the profit or loss and other comprehensive income (loss) of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of Delma.

Unrealized gains and losses on transactions between Delma and its joint ventures are eliminated to the extent of Delma's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

Foreign Currency Translation*Presentation Currency and Translation of Foreign-Currency Transactions*

Delma's consolidated financial statements are presented in Canadian dollars, which is also Delma's functional currency. Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost except for non-monetary items measured at fair value which are translated using the exchange rate at the date when fair value was determined.

Notes to the Consolidated Financial StatementsDecember 31, 2017 and 2016

3. Significant Accounting Policies (Continued)**Financial Instruments***Recognition, Initial Measurement and Derecognition*

Financial assets and financial liabilities are recognized when Delma becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

a) Financial Assets

All financial assets are subject to review for impairment annually and written down when there is evidence of impairment based on different criteria applied for each category of financial assets which are described below.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Limited Partnership's cash, debenture receivable and advances to companies under common control fall into this category. Individually significant other receivables and advances are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

b) Financial Liabilities

Delma's financial liabilities include a due to Delma Properties Canada LP and long-term debt. Financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest-related charges are included within finance costs or finance income.

Investment Property

Investment properties are properties held to earn rentals or for capital appreciation, or both, and are initially accounted at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management and subsequently measured using the fair value model. Investment properties are revalued annually with resulting gains and losses recognized in profit or loss and are included in the statement of financial position at their fair values.

Notes to the Consolidated Financial StatementsDecember 31, 2017 and 2016

3. Significant Accounting Policies (Continued)**Property and Equipment**

All items of property and equipment are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management, and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation of property and equipment is calculated based on estimated useful lives by using the straight-line method using the annual rates:

Asset	Rate
Equipment	20%
Rolling stock	30%

Useful lives, residual values and depreciation methods are reviewed annually.

Gain or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "Other gains (losses)" in the statement of comprehensive income (loss).

Trademarks and Domain Names

Trademarks and domain names are initially recognized at acquisition cost and subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

Amortization of trademarks and domain names is calculated based on estimated useful lives by using the straight-line method. The estimated useful lives of the trademarks and domain names is estimated at five years.

Useful lives, residual values and amortization methods are reviewed annually.

Gain or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "Other gains (losses)" in the statement of comprehensive income (loss).

Provisions

Provisions are recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. No liability is recognized when the outflow of resources from a potential obligation resulting from past events is not probable, such situations are disclosed as contingent liabilities unless the outflow of resources is remote. The provisions are measured based on management's best estimate of the outcome based on facts known at the reporting date. Provisions are discounted to their present values, where the time value of money is material. As at December 31, 2017 and 2016, Delma has no provisions.

Notes to the Consolidated Financial StatementsDecember 31, 2017 and 2016

3. Significant Accounting Policies (Continued)**Revenue**

Revenue arising from the rendering of services is measured at the fair value of the consideration received or to be received, excluding sales taxes. Rental income is recognized on a straight-line basis over the term of the lease.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Operating Segments

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. Management currently identifies only one operating segment that is the management of properties in Canada, the United States and Greece.

Partners' Capital

Partners' Capital represents the value received for the units upon issuance as well as the current and prior period retained profits and losses after distribution to the partners.

Net Income per Unit

Basic and diluted net income per unit is calculated by dividing net income and comprehensive income (loss) by the weighted average number of units (basic and diluted) outstanding during the reporting period.

Income Taxes

Delma is not subject to tax under Part I of the Income Tax Act (Canada) (the "Tax Act"). Each partner of Delma is required to include in computing the partner's income for a particular taxation year, the partner's share of the income or loss of Delma for its fiscal year ending in or on the partner's taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

4. Principal Uncertainties Arising From The Use Of Estimates And Critical Judgments By Management

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known.

Items for which actual results may differ materially from these estimates are described in the following section.

Significant Management Judgement

There is no significant management judgement in the preparation of these consolidated financial statements.

Estimation Uncertainty

Fair Value Measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Investment properties are stated at their fair values at the consolidated statement of financial position date. Independent appraisal values obtained, as well as those determined by management, are subject to significant estimates and assumptions about market conditions in effect at the consolidated statements of financial position date.

5. Investment Properties

A reconciliation of the investment properties is as follows:

	2017	2016
	\$	\$
Balance, beginning of year	14,910,200	145,100
Acquisitions	-	5,595,000
Dispositions	-	(42,000)
Change in fair value	-	9,212,100
Balance end of year	14,910,200	14,910,200

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

5. Investment Properties (Continued)

The investment properties are composed of the following:

	<u>2017</u>	<u>2016</u>
	\$	\$
Investment properties at fair value		
Blueberry Lake Resort, Quebec, Canada (a)	3,835,100	3,835,100
Lake Alphonse, Quebec, Canada (a)	3,075,000	3,075,000
42 North Resort, New York, USA, US\$2,240,000 (a)	3,000,100	3,000,100
Investment properties at acquisition cost to be accounted as joint ventures upon formation of joint venture		
Panagopoula Resort, Panagopoula, Greece (b)	4,500,000	4,500,000
Domaine Balmoral Development Project, Quebec, Canada (c)	500,000	500,000
	<u>14,910,200</u>	<u>14,910,200</u>

(a) In November 2015, the Limited Partnership signed a deed of sale to acquire several assets of the Blueberry Lake Resort, Lake Alphonse and the 42° North Resort for a total consideration \$145,100 composed of assumed trade and other payables of \$45,100, and of cash payments of \$100,000 of which \$27,000 was paid in February 2016. The cost was allocated between the properties as follows:

	<u>\$</u>
Blueberry Lake Resort	112,100
Lake Alphonse	32,900
42 North Resort	100

In March 2016, the Limited Partnership concluded a private agreement to acquire the remaining assets of the Blueberry Lake Resort and Lake Alphonse, including the clubhouse and other lands as well as the property and equipment of \$80,000. The various definitive agreements were concluded in July 2016. The consideration paid for these acquisitions is a term loan of \$675,000. The cost was allocated between the properties as follows:

	<u>\$</u>
Blueberry Lake Resort	82,000
Lake Alphonse	513,000

These transactions were concluded through a bankruptcy process of the former owner.

Notes to the Consolidated Financial StatementsDecember 31, 2017 and 2016

5. Investment Properties (Continued)

In December 2017, the Limited Partnership signed purchase agreements to acquire assets on two properties part of the Blueberry Lake Resort project:

- “House 16” located at 925 Chemin des Pioneers, Labelle, Quebec, Canada. The consideration to be paid for this acquisition is a mortgage assumption of \$298,536 (as of November 2017) and shares of The Delma Group Inc. The Limited Partnership has until June 30, 2019 to conclude the purchase.
- “House 57” located at 335 Chemin des Labours, Labelle, Québec, Canada. The consideration to be paid for this acquisition is \$500,000, payable as a mortgage assumption of \$396,000 (as of December 2017) and shares of The Delma Group Inc. The Limited Partnership has until October 10, 2018 to conclude the purchase.

- (b) In December 2015, the Limited Partnership signed a joint venture agreement to develop a Resort in Panagopoula, Greece. The Limited Partnership concluded the transaction in December 2016 by issuing 1,260 Class A units in exchange for 30% ownership in the lands and buildings of this property. The transaction was recorded based on the value of the consideration received which was \$4,500,000 (€3,145,965). As at December 31, 2017 and 2016, no joint venture was yet created regarding this property.

In December 2017, the Limited Partnership signed a purchase agreement to acquire the remaining 70% ownership in the lands and buildings of the property. The Limited Partnership has until December 2022 to conclude the due diligence and finalize the purchase of the remaining 70%.

- (c) In November 2015, the Limited Partnership signed a joint venture agreement to develop certain lands and properties located in the Domaine Balmoral in Quebec, Canada. In 2016, the Limited Partnership invested \$500,000 into the development of this project. As at December 31, 2016, no joint venture was created regarding this property and the recorded amount represents the cost incurred by the Limited Partnership.

In December 2017, as part of the Domaine Balmoral project, the Limited Partnership signed a purchase agreement to acquire lands and properties, including the Balmoral Golf Club, for a total consideration of \$2,950,000 payable by issuing shares of The Delma Group Inc. As at December 31, 2017, this transaction has not yet closed.

- (d) In December 2017, the Limited Partnership signed a purchase agreement to acquire 100% of the shares of Chateau Carling Lake Inc., which includes the hotel, ski hill and Carling lake, for a total consideration of \$4,500,000 payable in cash. The Limited Partnership has until December 5, 2018 to conclude the purchase.
- (e) In December 2017, the Limited Partnership signed a purchase agreement to acquire Club de Golf Mountain Acres, which is a property and land located around the Lake Rougeaud in St-Faustin, Quebec for a total consideration of \$6,500,000. The consideration is payable \$4,000,000 in cash and the balance in shares of The Delma Group Inc.

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

5. Investment Properties (Continued)
Valuation Process

Fair value of the Limited Partnership's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers or internal valuations. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors at each reporting date. The fair value is categorized in Level 2 (Note 11).

The appraisals for each of the investment properties at fair value were carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location and current use. The extent and direction of this adjustment depends on the number of characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this is a subjective judgement, management considers that the overall valuation could not be materially affected by reasonably possible alternative assumptions. As at December 31, 2017, there was no significant change in the fair value of the investment properties.

6. Property and Equipment

	Equipment \$	Rolling Stock \$	Total \$
Cost			
Balance as at January 1, 2016	–	–	–
Acquired	60,000	20,000	80,000
Balance as at December 31, 2017 and 2016	60,000	20,000	80,000
Accumulated depreciation			
Balance as at January 1, 2016 and 2017	–	–	–
Depreciation	21,000	10,500	31,500
Balance as at December 31, 2017	21,000	10,500	31,500
Net carrying amount as at December 31, 2016	60,000	30,000	80,000
Net carrying amount as at December 31, 2017	39,000	9,500	48,500

Notes to the Consolidated Financial Statements

December 31, 2017 and 2016

7. Trademarks and Domain Names

	\$
Cost	
Balance as at January 1, 2016 and 2017	—
Acquired	2,240,010
Balance as at December 31, 2017	2,240,010
Accumulated depreciation	
Balance as at January 1, 2016 and 2017	—
Depreciation	448,001
Balance as at December 31, 2017	448,001
Net carrying amount as at December 31, 2017	1,792,009

The Limited Partnership signed an agreement for the acquisition of trademarks and domain names and paid an amount of \$2,240,010. An amount of \$1,925,410 was paid during the year ended December 31, 2017 and an amount of \$314,600 was paid in 2016 through an advance to a company under common control.

8. Long-Term Debt

	2017 \$	2016 \$
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 projects with a carrying amount of \$3,957,600 as at December 31, 2017	293,000	293,000
Term Loan, 13%, without repayment terms, secured by a hypothec on the Blueberry Lake Club house having a carrying amount of \$1,879,128 as at December 31, 2017	130,000	130,000
	423,000	423,000
Short-term portion	(423,000)	(130,000)
	—	293,000

9. Segmental Information

Non-current assets are owned in the following countries:

	2017 \$	2016 \$
Canada	9,250,609	7,490,100
United States	3,000,100	3,000,100
Greece	4,500,000	4,500,000

The rental income is 100% in Canada.

Notes to the Consolidated Financial StatementsDecember 31, 2017 and 2016

10. Partners' Capital**Authorized**

The capital of Delma is composed of an unlimited number of Class A and Class B units without par value. Class A units have voting rights and Class B units have no voting rights.

Issued

As at December 31, 2017 and 2016, the number of units outstanding are as follows:

	<u>2017</u>	<u>2016</u>
Class A units	33,311	23,852
Class B units	617	648
	<u>33,928</u>	<u>24,500</u>

In July 2016, 533 Class A units were issued in consideration of a reduction of \$75,000 in a term loan. Also, in December 2016, 1,305 Class A units were issued in consideration of a reduction of \$145,000 in a term loan.

In December 2016, 1,260 Class A units were issued in consideration for a 30% stake in Panagopoula Resort (see Note 5c)).

In December 2016, 12 Class A units were issued as payment for professional fees of \$12,000.

In December 2016, 10,741 Class A units were issued in consideration of \$726,000 in cash.

In April 2017, 5,000 Class A units were exchanged for 500 Class B units and \$600,000 due to Delma Properties Canada LP.

In July 2017, the Limited Partnership acquired a debenture receivable for a total consideration of \$50,000 payable in the form of 50 Class A units issued by the Limited Partnership.

During the year ended December 31, 2017, the Limited Partnership issued 13,878 Class A units for consideration of \$2,000,000 in cash. In addition, 531 Class B units were exchanged into 531 Class A units for no consideration.

Allocation of Net Income or Net Loss

Net income or net loss for each given year shall be allocated among all partners in proportion to their unit holdings.

Notes to the Consolidated Financial StatementsDecember 31, 2017 and 2016

11. Fair Value of Financial Instruments

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position, as well as financial assets and financial liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Unobservable input for the asset or liability.

The net carrying amounts of cash, debenture receivable and advances to companies under common control and due to Delma Properties Canada LP are considered a reasonable approximation of fair value since all amounts are short-term in nature.

The estimated fair value of the long-term debt was calculated based on the discounted value of future payments using interest rates that the Limited Partnership could have obtained as at the reporting date for similar instruments with similar terms and maturities. The fair value of the long-term debt is equivalent to its carrying amount and is categorized in Level 2.

12. Financial Instruments

The Limited Partnership is exposed to various financial risks through its financial instruments: credit risk, liquidity risk and interest rate risk. The following analysis enables users to evaluate the nature and extent of the risks at the end of the reporting period.

Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Limited Partnership. The Limited Partnership's credit risk is due mainly to its debenture receivable and advances to companies under common control which are managed and analyzed regularly to detect any potential loss in value.

In light of the above, the Limited Partnership is of the opinion that the credit risk is not significant.

Liquidity Risk

Liquidity risk is that the Limited Partnership might be unable to meet its obligations. The Limited Partnership manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis below.

Notes to the Consolidated Financial StatementsDecember 31, 2017 and 2016

12. Financial Instruments (Continued)*Liquidity Risk (continued)*

The Limited Partnership's funding is provided in the form of long-term debt and available cash on hand as well as the issuance of units which provide adequate resources to meet its financial obligations as they become due.

The maturity of the Limited Partnership's financial liabilities on an undiscounted basis is \$1,045,600 all due within the next 12 months.

Interest Rate Risk

The Limited Partnership is exposed to interest rate risk on its fixed rate long-term debt. Fixed rate long-term debt subjects the Limited Partnership to a fair value risk. Variations in the interest rate would not affect profit or loss significantly.

13. Capital Management Disclosures

The Limited Partnership's objectives when managing capital are to:

- maintain financial flexibility in order to preserve its ability to meet its financial obligations, including potential liabilities resulting from additional acquisitions;
- maintain a capital structure that allows it to finance its growth strategy with cash flows from its operations and its debt capacity; and
- optimize the use of its capital to provide an appropriate return on investment.

The capital structure of the Limited Partnership consists of the Partner's Capital.

The Limited Partnership's financial strategy is developed and adapted on the basis of market conditions to maintain a flexible capital structure consistent with the objectives stated above and to respond to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Limited Partnership may finance an existing debt, take out new borrowings or repurchase units or issue new units.

The Limited Partnership's financial strategy and objectives have remained substantially unchanged for the past year fiscal year. The objectives and strategy are reviewed annually. The Limited Partnership believes that its current ratios are satisfactory, given its size, capital management objectives and growth strategy.

Notes to the Consolidated Financial StatementsDecember 31, 2017 and 2016

14. Related Parties

Related parties of the Limited Partnership include the general partner and limited partners as well as companies under common control.

The intercompany balances and the amounts owed to the Limited Partnership are presented separately in the consolidated financial statements.

The Limited Partnership's total management income under a net, net, net, net, net master lease is paid by affiliated parties. The rental income is \$130,000 in 2017 and \$120,000 in 2016. The rental income is provided on terms equivalent to those that retail in arm's length transactions.

15. Subsequent Events

On July 20, 2017, the Limited Partnership entered into a share purchase agreement, as amended on November 27, 2017 with Aydon Income Properties Inc ("Aydon") and with Delma Resorts & Hotels GP Inc., Delma Properties Canada LP (together with the Limited partnership, the "Delma Group") and with Société en commandite Bromont I and 9216-3583 Québec Inc. (the "Bromont Group"), whereby Aydon agreed to acquire all of the issued and outstanding shares and units of each of the Delma Group and the Bromont Group (the "Transaction") on the following terms:

- a) Aydon would issue 490,916,667 class A shares and 625,083,333 class B shares at a price of \$33,480,000 for the shares and units related to the Delma Group; and
- b) Aydon would issue 616,666,700 class A shares and 200,000,000 class B shares at a price of \$24,500,000 for the shares and units related to the Bromont Group.

In accordance with IFRS 3, *Business Combinations*, the substance of the acquisition of Aydon by the Delma Group will be accounted for as a reverse takeover as the shareholders and unitholders of the Delma Group will hold the majority of the shares of the resulting company. The acquisition of Aydon does not constitute a business combination as Aydon does not meet the definition of a business under that standard. As a result, the acquisition of Aydon by the Delma Group will be 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.

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

As part of the closing of the Transaction, Aydon will implement a share consolidation on the basis of 1 new class A or class B share for every outstanding class A or B shares. Upon consolidation, the number of class A and class B shares issued and outstanding would be reduced to 5,672,516 class A shares and 4,125,417 class B shares, respectively.

The Transaction closed on March 23, 2018.