The Delma Group Inc.

Interim Condensed Consolidated Financial Statements
March 31, 2018
(Expressed in Canadian dollars)

Unaudited Interim Condensed Consolidated Financial Statements

The Delma Group Inc.
Interim Condensed Consolidated Statements of Financial Position
As at March 31, 2018 and December 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

	Notes	**March 31, 2018**	December 31, 2017
		$	$
ASSETS			
Current			
Cash		**20,641**	3,028
Receivables		**2,184**	
Assets held for sale		**49,331**	
Debenture receivable, without interest		**50,000**	50,000
Prepaids and refundable deposits		**123,036**	
Advances to companies under common control, without interest		**819,000**	798,928
		1,064,192	851,956
Non-current			
Investment properties	4	**46,953,674**	14,910,200
Land held for residential development		**11,215,048**	
Investment in a private company, at cost		**250,000**	250,000
Property and equipment		**44,000**	48,500
Trademarks and domain names		**1,680,009**	1,792,009
Total assets		**61,206,923**	17,852,665
LIABILITIES			
Current			
Trade and other payables		**1,177,788**	
Other current liabilities	5	**18,737,499**	
Current portion of long term debt	6	**1,417,679**	913,000
		21,332,966	913,000
Non-current			
Long term debt	6	**812,917**	
Deferred income tax liabilities		**2,500,000**	
Total liabilities		**24,645,883**	913,000
SHAREHOLDERS' EQUITY			
Share capital (Partners' capital in 2017)	7	**41,333,889**	16,939,665
Conversion option		**48,238**	
Deficit		**(4,821,087)**	
Total shareholders' equity		**36,561,040**	16,939,665
Total liabilities and shareholders' equity		**61,206,923**	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 Comprehensive Income

Three-month periods ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

(Unaudited)

	Notes	2018	2017
		$	$
Rental income		**35,000**	32,500
Administrative expenses		**(116,500)**	(119,875)
Listing fees	3	**(2,239,587)**	
Loss before income taxes		**(2,321,087)**	(87,375)
Deferred Income taxes	3	**2,500,000**	
Net loss and comprehensive loss		**(4,821,087)**	(87,375)
Basic and diluted net loss per share		**(0.89)**	(0.03)
Weighted average number of shares		**5,427,038**	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

Three-month periods ended March 31, 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 loss and comprehensive for the period		(87,375)			(87,375)
Balance on March 31, 2017		15,791,385	–	–	15,791,385
Balance on January 1, 2018		16,939,665	–	–	16,939,665
Reverse takeover	3	403,800	48,238		452,038
Acquisition of Bromont Group	3	23,990,424			23,990,424
Transactions with owners		24,394,224	48,238		24,442,462
Net loss and comprehensive loss for the period				(4,821,087)	(4,821,087)
Balance on March 31, 2018		41,333,889	48,238	(4,821,087)	36,561,040

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 periods ended March 31, 2018 and 2017
(Expressed in Canadian dollars)
(Unaudited)

	Notes	**2018**	2017
		$	$
OPERATING ACTIVITIES			
Net income		**(4,821,087)**	(87,375)
Adjustments			
Listing fees	3	**2,239,587**	
Depreciation of property and equipment		**4,500**	7,875
Amortization of trademarks and domain names		**112,000**	112,001
Deferred Income taxes	3	**2,500,000**	
		35,000	32,501
Change in working capital items		**–**	(31,108)
Cash flows from operating activities		**35,000**	1,393
INVESTING ACTIVITIES			
Advances to companies under common control		**(35,000)**	
Cash acquired from acquisitions		**17,613**	
Cash flows from investing activities		**(17,387)**	
Net change in cash		**17,613**	1,393
Cash, beginning of period		**3,028**	606
Cash, end of period		**20,641**	1,999

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
As at March 31, 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 March 31, 2018 as well as its consolidated statements of comprehensive loss, cash flow and changes in shareholder’s equity for the three months ended March 31, 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 Delma Group’s most recent annual audited consolidated financial statements, except for the new and adopted standards described below.

These interim condensed consolidated financial statements were authorized for issuance by the Company’s Board of Directors on May 31, 2018.

The Delma Group Inc.
Notes to the Interim Condensed Consolidated Financial Statements
As at March 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

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 was adopted by the Company on January 1, 2018 and the Company determined that the application of this new standard did not have a significant impact on the Company's interim condensed consolidated financial statements.

IFRS 15 – Revenues from contracts with Customers

On January 1, 2018, the Company 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 was adopted by the Company on January 1, 2018 and the Company determined that the application of this new standard did not have a significant impact on the Company's interim condensed consolidated financial statements.

New significant accounting policies following acquisitions

Following the reverse takeover described in Note 3, the Company now applies the following significant accounting policies adopted by the acquired entities.

Stock-based compensation

Stock-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Stock-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.

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.

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
As at March 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

3. Reverse Takeover and Acquisition

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 for the periods 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 as described in Note 7.

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 shares issued and outstanding	403,800
Fair value of the conversion option on long-term debt	48,238
	452,038

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

The Delma Group Inc.
Notes to the Interim Condensed Consolidated Financial Statements
As at March 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

3. Reverse Takeover and Acquisition (Continued)

3.1 Reverse takeover (continued)

Following the closing of the Transaction, the issued and outstanding options and warrants of the Company 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
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	(1,787,549)
Listing costs expensed	2,239,587
	452,038

In connection with the reverse acquisition, 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 Delma Group Inc.
Notes to the Interim Condensed Consolidated Financial Statements
As at March 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

3. Reverse Takeover and Acquisitions (Continued)

3.2 Acquisition of the Bromont Group

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

	$
Cash	13,038
Receivables	88
Prepaids	28,365
Investments properties	32,043,474
Land held for residential development	11,215,048
Trade and other payables	(766,589)
Advances	(7,543,000)
Term loan	(11,000,000)
	23,990,424

4. 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	
Balance end of period	46,953,674	14,910,200

The investment properties are composed of the following:

Investment properties at fair value		
Blueberry Lake Resort, Quebec, Canada	3,835,100	3,835,100
Lake Alphonse, Quebec, Canada	3,075,000	3,075,000
42 North Resort, New York, USA, US$2,240,000	3,000,100	3,000,100
Bromont, Quebec, Canada	32,043,474	
Investment properties at acquisition cost to be accounted as joint ventures upon formation of joint venture		
Panagopoula Resort, Panagopoula, Greece	4,500,000	4,500,000
Domaine Balmoral Development Project, Quebec, Canada	500,000	500,000
	46,953,674	14,910,200

The Delma Group Inc.
Notes to the Interim Condensed Consolidated Financial Statements
As at March 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

5. Other Current Liabilities

	2018	2017
	$	$
Liabilities of assets held for sale	28,600	
Loans payable, 22%, maturing in May 2018	165,899	
Advances, without interest, payable on demand	7,543,000	
Term loan, 15%, payable on demand (a)	11,000,000	
	18,737,499	–

(a) The term loan is secured by the investment property in Bromont, with a carrying amount of $32,043,474.

6. Long-Term Debt

	2018	2017
	$	$
Convertible debenture, $126,000 (a)	117,443	
Convertible debenture, $10,000 (b)	9,344	
Convertible debenture, $30,000 (c)	28,192	
Convertible debenture, $360,000 (d)	349,700	
Convertible debenture, US$10,000 (e)	12,917	
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	293,000	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	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
Contingent consideration, Maturing December 31, 2019 (Note 3.1)	800,000	
	2,230,596	913,000
Current portion	1,417,679	
	812,917	913,000

6. Long-Term Debt (Continued)

(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. Interests of 10% per annum are 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. Interests of 8,8% per annum are 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. Interests of 10% per annum are 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 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 are 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. Interests of 8.8% per annum are 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.

The Delma Group Inc.
Notes to the Interim Condensed Consolidated Financial Statements
As at March 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

7. 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 shares, 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 prior to the Transaction 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 variations in common shares for the period are as follows

	Period ended March 31, 2018		Period ended March 31, 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 income				(87,375)
Balance, end of period	–	–	134,599	15,791,385

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	2,254,583	172,525	3,290,417	231,275
Acquisition of the Bromont Group	3,083,334	18,115,218	1,000,000	5,875,206
Balance, end of period	5,472,516	35,227,408	4,290,417	6,106,481

The Delma Group Inc.
Notes to the Interim Condensed Consolidated Financial Statements
As at March 31, 2018
(Expressed in Canadian dollars)
(Unaudited)

7. Share Capital (Continued)

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.

8. Segmented Information

Non-current assets are owned in the following countries:

	2018	2017
	$	$
Canada	52,392,631	9,250,609
United States	3,000,100	3,000,100
Greece	4,500,000	4,500,000

The rental income is 100% in Canada.

9. Subsequent Events

On April 24, 2018, the Company acquired a property located at 185, Dorval Avenue, Dorval, Qc in exchange for $5,555,000 in cash. The Company acquired the property through the contracting of a mortgage.

On May 7, 2018, the Company acquired all outstanding shares of Lupa Investment Inc., a real estate holding company counting 4 buildings and properties located in Montreal and Longueuil, in exchange for 3,803,339 Class "A" preferred shares of Delma Real Estate Corporation ("DREC"), a wholly-owned subsidiary. Immediately after the acquisition, the Company purchased the DREC shares in exchange for 633,890 Class "A" common shares of the Company.