DIAMOND ESTATES WINES & SPIRITS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2025 AND 2024

(Stated in Canadian dollars)

Independent Auditor's Report

To the Shareholders of Diamond Estates Wines and Spirits Ltd.:

Opinion

We have audited the consolidated financial statements of Diamond Estates Wines and Spirits Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2025 and March 31, 2024, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2025 and March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss and negative cash flows from operations during the year ended March 31, 2025 and, as of that date, the Company had an accumulated deficit. As stated in Note 2, these events and conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Evaluation of contingent liability

Key Audit Matter Description

The Company's operations are highly regulated, with provincial industry regulators (including a sole provincial wholesaler of record) having significant control over the alcohol markets. The Company communicated to us certain non-compliant procedures under the regulations relating to the consignment sales channel. The Company has disclosed the matter to the provincial wholesaler and revised procedures have since been implemented. The Company recognizes a provision when it has a present obligation towards a third party arising from a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, which economic obligation can be quantified or estimated on a reasonable basis. Under the provincial industry regulations, a wide range of potential sanctions could be levied against the Company. The Company has not been informed of any sanctions to date, and as such the Company has not recorded a provision in the consolidated financial statements.

Given the Company's potential exposure to sanctions and the high level of judgment required by management to estimate the risk relating to this matter, we considered this to be a key audit matter. Refer to Note 2(c) and Note 32 to the consolidated financial statements for further details.

Audit Response

We responded to this matter by performing audit procedures in relation to compliance with laws and regulations and the determination of the provision. Our audit work in relation to this included, but was not restricted to, the following:

• We obtained an understanding of the Company's compliance policies, procedures and controls. We also reviewed the results of the internal review performed by the Company's compliance committee;

• We exercised professional skepticism over possible indications of significant non-compliance with laws and regulations. We enhanced our audit procedures by increasing the scope of our journal entry testing procedures, and increased our detail sample testing procedures over key balances in the revenue transaction cycle;

• We reviewed legal analysis from the Company's external counsel regarding the potential financial and operational consequences;

• We worked with our internal forensic experts, experienced in similar matters to interview key members of management and the finance team to identify the events leading to the breach of the regulations, and any other potential areas of non-compliance;

• We assessed management's conclusion that the recognition criteria for a provision under IAS 37 had not been met as at March 31, 2025; and

• We assessed the appropriateness of the disclosures included in the consolidated financial statements.

Impairment of long-lived assets

Key Audit Matter Description

The Company performs impairment testing for long-lived assets on an annual basis, or more frequently when there is an indication of impairment. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. The recoverable amounts of the CGUs were mainly determined using key assumptions including the appraisals of long-lived assets. Due to the significant estimation uncertainty and assumptions involved in determining impairment of long-lived assets, we have determined that impairment of long-lived assets is a key audit matter. Please refer to Note 3(g) and Note 13 to the consolidated financial statements for further details.

Audit Response

We responded to this matter by performing procedures in relation to the assessment of the recoverable amount of long-lived assets. Our audit work in relation to this included, but was not restricted to, the following:

• We assessed the appropriateness of the cash-generating units determined by management and assessed cash-generating-units for the purpose of identifying impairment indicators;

• We evaluated the appropriateness of the fair value less cost of disposal method and related fair value models;

• With the assistance of an external valuation specialist, we evaluated the reasonableness of the appraisals provided by management;

• With the assistance of internal valuation specialists, we evaluated the reasonableness methodology used by management in their assessment;

• We assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements; and

• We tested the mathematical accuracy of management's impairment model and supporting calculations.

Costing of manufactured inventories

Key Audit Matter Description

The Company holds bulk and bottled wine inventories, which are valued using the average cost method. We considered this a key audit matter due to the magnitude of the manufactured wine inventories balance, the degree of judgment required in allocating overhead costs, and the high degree of audit effort in performing procedures relating to evaluating management's determination of the cost of the inventories. Refer to Note 3(c) and Note 6 to the consolidated financial statements for further details.

Audit Response

We responded to this matter by performing procedures in relation to the accuracy of the cost of inventories. Our audit work in relation to this included, but was not restricted to, the following:

• We attended management's inventory counts at all material locations, and performed test counts to ensure the quantities of inventories were accurate.

• We obtained an understanding of management's methodology for allocating direct costs to inventory, and verified a sample of costs in the year to supporting documentation.

• We obtained confirmation directly from Grape Growers of Ontario of all Grape purchases made during the period and agreed the details to the amounts capitalized.

• We discussed with management the requirements to capitalize overheads based of normal capacity, and reviewed management's calculation for the adjusted overhead rates.

• We tested overhead costs being allocated to inventories for completeness and accuracy.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Giacomo Angelini.

MNP LLP

Burlington, Ontario — Chartered Professional Accountants

August 26, 2025 — Licensed Public Accountants

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2025 AND 2024
(Stated in Canadian dollars)

	2025	2024
ASSETS		
Current:		
Accounts receivable (Note 5)	**$ 7,572,109**	$ 4,814,940
Inventories (Note 6)	**15,164,887**	18,317,266
Prepaid expenses	**751,409**	904,557
Mortgage receivable (Note 9)	**500,000**	-
Current portion of finance lease receivable (Note 10)	**58,363**	-
	24,046,768	24,036,763
Assets held for sale (Note 8)	**4,012,449**	4,663,957
	28,059,217	28,700,720
Long term:		
Mortgage receivable (Note 9)	**-**	500,000
Finance lease receivable (Note 10)	**178,375**	-
Property, plant and equipment (Note 11)	**17,318,072**	18,158,973
Right-of-use assets (Note 12)	**798,931**	1,360,981
Intangible assets (Note 13)	**4,861,775**	3,872,361
	$ 51,216,370	$ 52,593,035
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 14)	**$ 5,786,910**	$ 6,507,814
Term loans payable (Note 15)	**16,022,024**	16,564,622
Current portion of lease liabilities (Note 17)	**243,412**	366,508
Debentures payable (Note 18)	**4,394,263**	4,651,537
Derivative liability (Note 18)	**725,734**	1,881,227
	27,172,343	29,971,708
Liabilities held for sale (Note 8)	**880,835**	1,123,672
	28,053,178	31,095,380
Long term:		
Lease liabilities (Note 17)	**462,297**	601,224
	28,515,475	31,696,604
SHAREHOLDERS' EQUITY		
Common shares (Note 19)	**53,813,367**	49,813,853
Contributed surplus	**4,086,095**	3,819,001
Accumulated deficit	**(35,198,567)**	(32,736,423)
	22,700,895	20,896,431
	$ 51,216,370	$ 52,593,035

Going concern (Note 2(c))

Contingent liability (Note 32)

Subsequent events (Note 33)

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

Approved on behalf of the Board: *"Ron McEachern"* Director *"Keith Harris"* Director

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
YEARS ENDED MARCH 31, 2025 AND 2024
(Stated in Canadian dollars, except per share amounts)

	2025	2024
Revenue (Note 23)	**$ 24,506,284**	$ 28,505,140
Cost of sales		
Change in inventories of finished goods and raw materials consumed	**11,592,957**	16,898,577
Depreciation of property, plant and equipment and right-of-use ("ROU") assets used in production (Notes 11 & 12)	**801,685**	721,652
	12,394,642	17,620,229
Gross profit	**12,111,642**	10,884,911
Expenses		
Employee compensation and benefits	**5,520,981**	6,582,975
General and administrative	**4,564,793**	4,658,872
Advertising and promotion	**1,570,329**	1,915,387
Interest and accretion	**2,224,338**	3,414,520
Delivery and warehousing	**1,348,593**	1,482,216
Share based compensation (Note 20(d))	**366,894**	342,187
Depreciation of property, plant and equipment and ROU assets used in selling and administration (Notes 11 & 12)	**257,812**	440,090
Amortization of intangible assets (Note 13)	**296,718**	385,272
	16,150,458	19,221,519
Loss before undernoted items	**(4,038,816)**	(8,336,608)
Change in fair value of derivative liability (Note 18(h))	**1,155,493**	(1,290,900)
Gain on modification of debenture (Note 18(d,f))	**530,831**	326,319
Gain on disposition of intangible assets (Note 25)	**501,137**	-
Gain on disposition of ROU assets	**-**	209,164
Restructuring charge	**(2,549)**	(284,216)
Loss on de-recognition of ROU assets (Note 10)	**(198,240)**	-
Impairment provision - assets held for sale (Note 8)	**(410,000)**	-
Loss on disposition of QMV assets (Note 11(a))	**-**	(1,276,153)
Net loss and comprehensive loss	**$ (2,462,144)**	$ (10,652,394)
Loss per share (Note 19(b))	**$ (0.04)**	$ (0.30)

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

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FROM APRIL 1, 2023 TO MARCH 31, 2025
(Stated in Canadian dollars)

	Note	Common shares Shares	Common shares Amount	Contributed surplus	Accumulated deficit	Total
As at April 1, 2023		**27,875,978**	**$ 40,848,245**	**$ 3,525,577**	**$ (22,084,029)**	**$ 22,289,793**
Net loss and comprehensive loss		-	-	-	(10,652,394)	(10,652,394)
Share based compensation	**20(d)**	-	-	342,187	-	342,187
Issuance of shares	**19(a)(v)**	20,000,000	9,000,000	-	-	9,000,000
Share issue costs	**19(a)(v)**	-	(83,155)	-	-	(83,155)
Shares issued in settlement of DSUs	**19(a)(vi)**	182,140	48,763	(48,763)	-	-
As at March 31, 2024		**48,058,118**	**49,813,853**	**3,819,001**	**(32,736,423)**	**20,896,431**
Net loss and comprehensive loss		-	-	-	(2,462,144)	(2,462,144)
Share based compensation	**20(d)**	-	-	366,894	-	366,894
Issuance of shares	**19(a)(i)**	11,466,065	2,293,213	-	-	2,293,213
Share issue costs		-	(10,000)	-	-	(10,000)
Shares issued on conversions of debenture principal and accrued interest	**19(a)(ii)**	824,738	166,501	-	-	166,501
Shares issued in connection with Perigon acquisition	**19(a)(iii)**	5,000,000	1,450,000	-	-	1,450,000
Shares issued in settlement of DSUs	**19(a)(iv)**	499,407	99,800	(99,800)	-	-
As at March 31, 2025		**65,848,328**	**$ 53,813,367**	**$ 4,086,095**	**$ (35,198,567)**	**$ 22,700,895**

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

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2025 AND 2024
(Stated in Canadian dollars)

	2025	2024
Operating activities		
Net loss and comprehensive loss	**$ (2,462,144)**	$ (10,652,394)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment and right-of-use assets	**1,059,497**	1,161,992
Amortization of intangible assets	**296,718**	385,272
Loss on de-recognition of ROU asset	**198,240**	-
Gain on disposition of right-of-use assets	**-**	(209,164)
Loss on disposition of QMV assets	**-**	1,276,153
Amortization of deferred financing costs	**110,441**	57,155
Change in fair value of derivative liability	**(1,155,493)**	1,290,900
Gain on modification of debenture	**(530,831)**	(326,319)
Gain on disposition of intangible assets	**(501,137)**	-
Interest accretion on debentures payable	**440,557**	668,613
Share based compensation	**366,894**	342,187
Impairment provision - assets held for sale	**410,000**	-
Fair value purchase price accounting adjustment on EWG inventory	**245,519**	187,525
Interest expense	**1,783,781**	2,745,907
Interest paid	**(1,328,401)**	(2,265,535)
	(1,066,359)	(5,337,708)
Change in non-cash working capital items		
Accounts receivable	**(1,910,192)**	(1,684,761)
Inventories	**3,082,131**	5,477,584
Prepaid expenses	**154,949**	(603,130)
Accounts payable and accrued liabilities	**(1,315,519)**	(538,535)
	(1,054,990)	(2,686,550)
Investing activities		
Purchase of property, plant and equipment and intangible assets	**(241,996)**	(148,519)
Payments received under finance lease receivable	**52,022**	-
Proceeds on QMV sale, net of transaction costs	**-**	3,254,051
Proceeds on disposal of right-of-use assets	**-**	209,164
	(189,974)	3,314,696
Financing activities		
Net proceeds from issuance of common shares	**2,283,213**	8,916,845
Net draws against (repayments of) revolving term loans	**1,106,844**	(4,270,642)
Repayment on non-revolving term loans	**(4,259,882)**	(4,689,915)
Repayment of lease liabilities	**(385,211)**	(394,338)
Proceeds from new non-revolving term loan	**2,500,000**	-
Deferred financing costs paid	**-**	(190,096)
	1,244,964	(628,146)
Change in cash	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**$ -**	$ -

Non-cash transactions (Note 28)

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

1. NATURE OF OPERATIONS

Diamond Estates Wines & Spirits Inc. ("Diamond" or the "Company") is a public company listed on the TSX-V whose shares trade under the symbol "DWS.V". Its principal business activities include the production, marketing and sale of wine, and through its agency division, operating as Trajectory Beverage Partners ("TBP"), distribution and marketing activities for various beverage alcohol brands that it represents in Canada. The address of the Company's registered office and principal place of business is 1067 Niagara Stone Road, Niagara-On-The-Lake, Ontario, L0S 1J0.

2. BASIS OF PRESENTATION AND GOING CONCERN

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards issued by the International Accounting Standards Board ("IASB") and the IFRIC® Interpretations of the IFRS Interpretations Committee. The accounting policies set out below were consistently applied to all periods presented unless otherwise noted. The consolidated financial statements were authorized for issuance by the Board of Directors on August 26, 2025.

(b) Basis of presentation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention. Unless otherwise stated, the consolidated financial statements are presented in Canadian dollars which is the Company's functional and presentation currency as (i) the Company is based in Canada, (ii) the majority of its operating costs are denominated in Canadian dollars, and (iii) all its financing is obtained in Canadian dollars.

(c) Going concern

The accompanying consolidated financial statements have been prepared using IFRS applicable to a going concern.

Net loss and comprehensive loss for the year ended March 31, 2025 was $2,462,144 (2024 - $10,652,394). Additionally, the Company reported negative cash flow from operations (before changes in non-cash working capital) of $1,066,359 for the year ended March 31, 2025 (2024 - $5,337,708). As at March 31, 2025, the Company had an accumulated deficit of $35,198,567 (March 31, 2024 - $32,736,423) and a working capital surplus of $6,039 (March 31, 2024 - deficiency of $2,394,660).

2. BASIS OF PRESENTATION AND GOING CONCERN, CONTINUED

On November 14, 2023, the Company entered into a second amendment (the "Amendment") to its Second Amended and Restated Credit Agreement (the "SARCA") with Bank of Montreal ("BMO"), whereby the lender consented to waiving the requirements of the fixed-charge coverage ratio ("FCCR) covenant to the first quarter of fiscal 2025 *(see note 15(b))*. Based on the results for the year ended March 31, 2025, the Company is in breach of its quarterly fixed charge covenant under the terms of its current credit agreement for which the Company has yet to receive a waiver. On November 15, 2024, the Company entered into a third amendment to its SARCA, the main component of which was a new non-revolving credit facility of $2,500,000 due no later than July 31, 2025 *(see note 15(a))*. As of March 31, 2025, the Company has debt repayment requirements of approximately $24.4 million within the next twelve months, including all its term loans *(see note 15),* the current portion of its lease liabilities, the principal amount of the debentures payable plus accrued interest due by November 9, 2025 *(see note 18)*, as well as annual seasonal grape purchase commitments in the fall of 2025. Management is currently working with BMO on a further extension to its banking agreement beyond the current maturity date of January 2, 2025. The Company is also working with the provincial wholesaler of record to finalize the matter as disclosed in note 32. These circumstances may cast significant doubt as to the ability of the Company to continue as a going concern and, accordingly, the appropriateness ultimately of the use of accounting principles applicable to the going concern assumption.

In response to the recurring operating losses, negative cash flows from operating activities, and loss of a significant supplier, the Company is taking a number of actions to enhance its financial flexibility, to meet its obligations and to fund its ongoing business operations. This has been evidenced by the November, 2023 private placement for net cash proceeds of $8.2 million *(see note 19(a)(v))*, the July, 2024 private placement for proceeds of $2.3 million *(see note 19(a)(i))*, the debenture financing of $4.9 million arranged in November, 2022 and its subsequent rollovers *(see note 18)*, the sale of Queenston Mile Vineyard ("QMV") in February, 2024 for net proceeds of $3.3 million *(see note 11(a))* and the other assets held for sale *(see note 8),* the completion of the agreement with Renaissance in August, 2024 for total proceeds of $2.3 million *(see note 25)* and the updated credit agreement with BMO and additional BMO funding of $2.5 million *(see note 15(a))*. To ensure the Company maintains an adequate level of liquidity, including compliance with debt covenants, the Company continues to maintain a strategic review process that engages in actions designed to reduce the cost structure, improve productivity and enhance future cash flow.

The Company's ability to meet the covenant measurements under the terms of its credit agreements with its lenders is still dependent upon continued improvement in profitable commercial operations, divestiture of non-strategic assets, continued funding support from BMO and shareholders, and new equity and debt placements. However, there can be no assurance that management will be successful in this regard. These consolidated financial statements do not include any adjustments to the carrying value of assets or liabilities, to the recoverable amounts or the reported expenses and consolidated statement of financial position classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

3. MATERIAL ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its Canadian subsidiaries, all of which have also have a year end of March 31, 2025.

♦	Diamond Estates Wines & Spirits Ltd.	100%
♦	De Sousa Wines Toronto Inc.	100%
♦	Backyard Vineyards Corp.	100%
♦	10028088 Ontario Inc. o/a Shiny Apple Cider	100%

A subsidiary is an entity controlled by the Company. Control exists when the Company has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies applied by the Company in these consolidated financial statements. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

(b) Financial instruments

The Company's financial assets consist of accounts receivable and a mortgage receivable. The Company's financial liabilities consist of accounts payable and accrued liabilities, term loans payable, debentures payable and a derivative liability.

(i) Measurement of financial instruments

Financial instruments are classified into one of the following categories:

- Assets and liabilities at amortized cost
- Fair value through profit or loss ("FVTPL")
- Fair value through other comprehensive income ("FVOCI")

Subsequent measurement of financial instruments is based on their initial classification. Financial instruments classified as assets and liabilities at amortized cost.

Transaction costs related to financial assets and liabilities at FVTPL are recognized in profit and loss. When incurred, transaction costs are deducted against the fair value of all the other financial instruments on initial recognition.

The fair values of accounts receivable, mortgage receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term or demand nature of these instruments. The fair values of the term loans approximate their carrying values as the contracted lending rates approximate the rates currently available for similar borrowing arrangements. Fair value of the debentures payable and derivative liability is determined by management using available market information or other valuation methodologies.

3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(b) **Financial instruments, continued**

(ii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period.

An expected credit loss model for financial assets is used under IFRS 9 in order to record allowances for loss. Under the model, expected credit losses are provided for on a forward-looking basis and are based on past history, current market conditions and estimates requiring management judgement.

(iii) Financial assets and financial liabilities

The Company classifies each financial asset at amortized cost and each financial liability into one of two categories depending upon the purpose for which the liability was incurred.

Financial liabilities at FVTPL

Liabilities in this category are derivatives or liabilities classified as held-for-trading or designated as FVTPL on initial recognition. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. Derivatives recognized from the Company's debentures payable that were recognized as FVTPL *(see note 18)*.

Amortized cost

Liabilities in this category are non-derivative financial liabilities that are not classified as held-for-trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method *(see note 18)*.

(iv) Hedge accounting

The Company has chosen not to apply hedge accounting to any of its derivative financial instruments. As a result of this policy choice, these derivative instruments are recorded initially and subsequently at fair value and the change in fair value is recorded directly in the consolidated statements of net loss and comprehensive loss.

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

(c) **Inventory**

Inventory that is purchased by the Company, including raw materials and wine, is valued at the lower of cost and net realizable value, with cost being determined on an average basis. Grapes produced from vineyards controlled by the Company that are part of inventory are measured at their fair value less costs to sell at the point of harvest. Inventory that is purchased by TBP is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

Inventory of wine that is produced by the Company is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis.

Inventories include all costs to purchase, convert and bring the inventories to their present location and condition. Such costs include purchase price net of discounts and rebates, applicable duties and taxes, transport and handling costs, less any government grants.

The Company tracks other inventory costs, such as direct labour, fixed and variable production overhead, including depreciation of production equipment, maintenance of production buildings and equipment and production management. These costs are allocated to inventory on a per litre basis.

(d) **Property, plant and equipment**

Depreciation is computed using the following annual rates and methods, which reflect the estimated useful life of the assets as follows:

♦	Buildings	40 years straight-line
♦	Vines	20 years straight-line
♦	Machinery and equipment	5 to 40 years straight-line
♦	Leasehold improvements	Straight-line over term of lease
♦	Vehicles	3 to 5 years straight-line
♦	Computer equipment	5 years straight-line

3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(e) **Biological assets**

The Company measures biological assets, consisting of grapes grown on vineyards controlled by the Company, at cost, which approximates fair value as there has been minimal biological transformation since the initial cost incurrence. The initial costs incurred are comprised of direct expenditures required to enable the biological transformation of agricultural produce.

At the point of harvest, the fair value of biological assets is determined by reference to local market prices for grapes of a similar quality and the same varietal. At this point, agricultural produce is measured at fair value less cost to sell, which becomes the basis for the cost of inventories after harvest.

Gains or losses arising from a change in fair value less costs to sell are included in the consolidated statements of income and comprehensive income in the period in which they arise.

(f) **Intangible assets**

Intangible assets acquired separately are initially recorded at fair market value and subsequently at cost less accumulated amortization and impairment losses. Subsequent expenditures on maintenance of computer software are expensed as incurred.

For an intangible asset acquired based on contingent consideration, the asset purchased is initially recognized including the fair value of the consideration issued at acquisition. After initial recognition, the fair value of any further payments contingent upon future events are expensed as incurred.

Intangible assets with finite lives are amortized straight line over their useful economic lives as follows:

♦	Distribution rights	-	11	years
♦	Customer lists	-	6	years
♦	Trademarks	-	5	years
♦	Computer software	-	1 - 5	years
♦	Website	-	5	years

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit and loss when the asset is derecognized.

3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(f) Intangible assets, continued

The pre-1993 winery licenses and BYV, EWG and Shiny Apple brand names have an indefinite life because the expected usage, period of control and other factors do not limit their life. Indefinite lived intangible assets are not subject to amortization and are assessed annually for impairment. The Company assesses the fair value of the intangible asset in its respective cash generating unit ("CGU") to the overall fair value of the CGU to determine if the overall asset base supports the value of the intangible asset or if it is impaired. An impairment charge is recorded to the extent the carrying value exceeds the fair value.

(g) Impairment of non-financial assets

The Company reviews long-lived assets and definite life intangible assets for impairment when events or circumstances indicate an asset may be impaired. Assets are assigned to a CGU based on the lowest level at which they generate independent cash inflows. When there is an indication of impairment, an impairment charge is recorded to the extent the carrying value of a CGU exceeds the recoverable amount. The recoverable amount is the greater of the CGU's fair value less costs to dispose and its value in use, determined by discounting expected cash flows. An impairment loss is reversed if there is a reversal in circumstances that led to the impairment and if a CGU's recoverable amount increases to the extent that the related assets' carrying amounts are no larger than the amount that would have been determined, net of amortization, had no impairment loss been recorded.

(h) Government grants

Grants from the government are recognized at the amount of cash received or to be received when there is reasonable assurance that the grant will be received and the Company will comply with all conditions. Government grants are recognized in the consolidated statements of net loss and comprehensive loss as other revenue or a reduction of the expense that the grant is intended to compensate. In the Company's judgement, based on the provisions of the program, the VQA Wine Support Program was recorded as other revenue since it is intended to incentivize sales and the Winery Support Program grant is intended to compensate for inventory production costs that the Company has incurred to produce bulk wine inventory in the prior fiscal year. The grant has been allocated pro rata to the eligible wine produced in the prior year and is recognized in the consolidated statements of net loss and comprehensive loss as a reduction in the cost of goods sold in the period the eligible wine is sold or is recognized as a reduction in the cost of inventory to the extent that the eligible wine is unsold and remains in inventory.

3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(i) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Tax on income is accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that the taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

(j) **Provisions and contingencies**

Provisions are recognized when a legal or constructive obligation exists as a result of past events and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

When a contingency substantiated by confirming events can be reliably measured and is likely to result in an economic outflow, a liability is recognized at the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or it is not probable to result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

(k) **Loss per share**

Basic loss per share amounts are calculated by dividing consolidated net loss for the reporting period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted loss per share amounts are calculated by dividing the consolidated net loss attributable to common shareholders by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. Diluted income per share amounts are not presented if their inclusion would be anti-dilutive.

(l) **Share based compensation**

The Company offers a share option plan for its directors, officers and employees. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured using the Black-Scholes option pricing model. Share based payments expense is recognized upon vesting over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to share capital.

For equity settled transactions, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case the Company measures their value by reference to the fair value of the equity instruments granted.

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

(m) **Deferred share units ("DSUs")**

The Company grants DSUs to directors as part of their compensation. The DSUs vest immediately upon grant and are only settled in shares. The fair value of each DSU is based on the value of the share at the date of the grant. The resulting compensation expense is charged to income as share based compensation with a corresponding increase to contributed surplus.

(n) **Foreign currency translation**

In preparing the consolidated financial statements of the Company, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. At the end of each reporting period, monetary assets and liabilities are translated using the foreign exchange rate at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(o) **Revenue recognition**

The Company recognizes revenue from the sale of goods at a point in time when the performance obligation is fulfilled. Payments received from customers in advance of shipments are initially recorded in unearned revenue and deposits received.

For transactions with provincial liquor boards and licensee retail stores, the Company’s terms are “FOB shipping point”. Accordingly, sales are recorded when the product is shipped from the Company’s distribution facility. Sales to consumers through retail stores and estate wineries are recorded at the time the product is purchased.

When the Company is acting as an agent, that portion of agency revenue is presented net of the related costs as the Company. Revenue is recognized when the related performance obligation is complete, there is certainty about receipt of the consideration and all related costs have been incurred. Commission income is recognized when products are sold and related performance obligations are fulfilled.

The following are deducted from gross revenue to arrive at reported revenue: (i) excise taxes collected on behalf of the federal government, (ii) licensing fees and levies paid on wine sold through the Company's independent Ontario retail stores, (iii) incentive and discount programs and shelving payments provided to customers, (iv) product returns and (v) breakage.

Revenue for custom processing, bulk wine storage and bottling is recognized over a period of time reflecting the Company's efforts to fulfil the related performance obligations.

3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(p) **Leases**

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for lease contracts which include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized.

Leases with a term less than twelve months or of a low value are expensed as incurred.

(q) **Right-of-use assets (as a lessor)**

When the Company acts as a lessor, it determines and classifies each lease as a finance lease or operating lease at the lease commencement date under the provisions of IFRS 16. When a lease transfers to the lessee substantially all the risk and rewards of ownership incidental to the ownership of the underlying asset, the lease is classified as a finance lease; otherwise, the lease is classified as an operating lease. When the Company is an intermediate lessor, it determines at lease inception date whether the sub-lease is a finance lease or an operating lease based on whether the contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the sub-lease is a finance lease; if not, then it is an operating lease.

Derecognition of right-of-use asset

When the intermediate lessor enters into the sub-lease:

- It derecognizes the right-of-use asset relating to the head lease that it transfers to the sub-lessee, and recognizes the net investment in the sub-lease
- Recognizes any difference between the right-of-use asset and the net investment in the sub-lease in profit or loss

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

Finance lease receivable

At the commencement date of a finance lease, the Company recognizes a finance lease receivable at the amount of its net investment in the lease, which is measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses the interest rate implicit in the lease, or in the case of a sub-lease if the rate is not readily determinable, the discount rate used for the head lease. After the commencement date, the amount of the finance lease receivable is increased to reflect the accretion of interest and reduced for the lease payments received. In addition, the finance lease receivable is derecognized and impairment is measured in accordance with the expected credit loss (ECL) model pursuant to IFRS 9, Financial Instruments.

(r) **Debentures payable**

When a contract contains an embedded derivative, the economic and risk characteristics of both the embedded derivative and host contract are analyzed to understand whether or not they are closely related and to decide whether the embedded derivative should be accounted for separately from the host contract.

The embedded features in the financial instrument issued by the Company are identified at inception. Each feature is evaluated separately and classified either as part of the host liability, as a separate embedded liability or an equity instrument in accordance with the substance of the contractual arrangement.

(s) **Uses of estimates and judgements**

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, include, but are not limited to, the following:

(i) **Fair value of grapes at the point of harvest**

Where possible, the fair value of grapes at the point of harvest is determined by reference to local market prices for grapes of a similar quality and the same varietal. For grapes for which local market prices are not readily available, the average price of similar grapes is used. The fair value of grapes is included in the cost of bulk wine inventory.

3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(ii) **Share based compensation**

Stock option and warrant fair values utilize option pricing models that require the input of assumptions, including the expected life, volatility of the Company's stock price, forfeitures and the risk free rate. Changes in the assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the stock option or warrants issued.

(iii) **Inventory**

Management is required to make a number of estimates in determining the costs allocated to manufactured inventory, including fixed production overheads based on normal production capacity. Management must also determine if the cost of any inventories exceed its net realizable value ("NRV"), such as cases where prices have decreased or inventories have spoiled or otherwise been damaged. Any obsolescence provision of inventories assessment requires a degree of estimation and judgement. The level of any provision is assessed by considering recent sales experience, the ageing of inventories, damaged, obsolete or slow moving inventories and other factors that affect inventory obsolescence.

(iv) **Property, plant and equipment, intangible assets and right-of-use assets**

Property, plant and equipment, intangible assets and right-of-use ROU assets represent a significant proportion of the asset base of the Company as they amount to 44.9% (2024 - 44.5%) of total assets. Therefore, estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

IFRS requires management to test for impairment of property, plant and equipment, intangible assets and right-of-use assets if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by either the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate or through appraisals where a fair value less cost to sell approach is being utilized.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the Company's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life. Judgement is also required in assessing if a transaction is a business combination or asset acquisition.

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

(v) **Leases**

Critical accounting estimates were made in determining the lease term and incremental borrowing rate. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by using the Company's specific risk portfolio, the security, term and value of the underlying leased asset and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

(vi) **Useful life of intangible assets**

Significant judgement is involved in the determination of useful life for the computation of amortization of intangible assets. No assurance can be given that actual useful lives will not differ significantly from current assumptions.

(vii) **Compound financial instruments**

The convertible debentures have been accounted for as a compound financial instrument under IAS 32 - Financial Instruments, and had both a liability and an embedded derivative component. The conversion feature of the convertible debentures was accounted for as a derivative liability and was required to be fair valued on inception and at each reporting period. The estimates, assumptions and judgements made in relation to the fair value of the derivative liability are subject to measurement uncertainty. The valuation techniques used to determine fair value require inputs that involve assumptions and judgements such as estimating the future volatility of the stock price and expected life. Such judgements and assumptions are inherently uncertain.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting pronouncements

IAS 1 "Presentation of Financial Statements"

This standard has been amended to clarify the classification of liabilities as current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies the meaning of settlement of a liability. The standard has also been amended to specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The adoption of the amendment did not have a significant impact on the consolidated financial statements.

Recently issued accounting pronouncements

IFRS 18 "Presentation and Disclosure in Financial Statements"

In April 2024, IFRS 18 was issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, including the statement of earnings where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. The standard will also require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments

In May 2024, both IFRS 9 and IFRS 7 were amended to clarify that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date. Other clarifications include the classification of financial assets with environmental, social, and governance linked features via additional guidance on the assessment of contingent features. Clarifications have been made to non-recourse loans and contractually linked instruments. Additional disclosures are introduced for financial instruments with contingent features and equity instruments classified at fair value through other comprehensive income. The amendments are effective for annual periods starting on or after January 1, 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

(Stated in Canadian dollars, except per share amounts)

5. ACCOUNTS RECEIVABLE

	2025	2024
Trade receivables	**$ 3,088,776**	$ 2,382,922
Accrued receivables	**4,483,333**	2,432,018
	$ 7,572,109	$ 4,814,940

The Company has an allowance for doubtful accounts as at March 31, 2025 of $397,832 (March 31, 2024 - $263,237). Accrued accounts receivable include $3,304,038 (March 31, 2024 - $2,179,559) receivable from the Ontario government under the VQA Wine Support Program *(see notes 23 and 33(c))*, the receipt of which will be used to repay the temporary $2.5 million BMO non-revolving loan *(see note 15(a))* and *33(d))*. Accrued accounts receivable also include $823,271 due from Renaissance under the terms of its August, 2024 purchase and sales agreement *(see note 25)*.

6. INVENTORIES

	2025	2024
Bulk wine	**$ 9,212,548**	$ 10,212,411
Bottled wine and spirits	**5,082,605**	7,343,157
Bottling supplies and packaging	**869,734**	761,698
	$ 15,164,887	$ 18,317,266

The Company has a provision for inventory obsolescence as at March 31, 2025 of $Nil (March 31, 2024 - $244,113). During the year ended March 31, 2025, the Company received $840,630 in funding for harvest 2023 (March 31, 2024 - $933,796), which is recorded as a reduction to the cost of bulk inventory and will be released to cost of goods sold as it is sold. Inventory of $1,439,888 was transferred to Renaissance in August, 2024 at cost under the terms of its purchase and sale agreement *(see note 25)*.

7. BIOLOGICAL ASSETS

Biological assets consist of grapes prior to harvest that are controlled by the Company. The Company owns land in Ontario to grow grapes in order to secure a supply of quality grapes for the making of wine. During the year ended March 31, 2025, the Company harvested 92.4 tons of grapes (2024 - 92.6 tons) valued at $182,934 (2024 - $444,758).

The changes in the carrying amount of biological assets are as follows:

	2025	2024
Carrying value, beginning of year	**$ -**	$ -
Net increase in fair value less costs to sell due to biological transformation	**182,934**	444,758
Transferred to inventory on harvest	**(182,934)**	(444,758)
Carrying value, end of year	**$ -**	$ -

(Stated in Canadian dollars, except per share amounts)

7. BIOLOGICAL ASSETS, CONTINUED

The Company is exposed to financial risk because of the long period of time between the cash outflow required to plant grape vines, cultivate vineyards, and harvest grapes and the cash inflow from selling wine and related products from the harvested grapes. Substantially all of the grapes from owned and leased vineyards are used in the Company's winemaking processes. Owned and leased vineyards, in combination with supply contracts with grape growers, are used to secure a supply of domestic grapes. These strategies reduce the financial risks associated with changes in the grape prices.

8. ASSETS HELD FOR SALE

As at March 31, 2025, the Company has classified certain winery division properties and related operating assets and liabilities detailed below totalling $3,131,614 (March 31, 2024 - $3,540,285) as assets held for sale. Management is pursuing an active program to locate a buyer and intends to sell these assets within one year of the reporting date.

Assets are carried at the lower of fair value less costs of disposal and carrying amount. Based on an updated management estimate, an impairment provision of $410,000 has been recognized as at March 31, 2025 (2024 - $Nil) relating to the property, plant and equipment.

	2025	2024
Assets held for sale		
Accounts receivable	**$ 5,395**	$ 29,100
Inventory	**2,097,047**	2,329,701
Prepaid expenses	**38,439**	40,240
Property, plant and equipment (Note 11)	**743,324**	1,136,672
Right-of-use assets (Note 12)	**896,984**	896,984
Intangible assets (Note 13)	**231,260**	231,260
	4,012,449	4,663,957
Liabilities held for sale		
Accounts payable and accrued liabilities	**55,017**	193,752
Lease liability	**825,818**	929,920
	880,835	1,123,672
Net assets held for sale	**$ 3,131,614**	$ 3,540,285

9. MORTGAGE RECEIVABLE

As part of the consideration payable on the sale of Queenston Mile Vineyard that closed in February, 2024 *(see note 11(a))*, the Company entered into a vendor take-back in the amount of $500,000. The receivable is secured by a mortgage on the subject property, which ranks behind first and second mortgages valued at $3,250,000. It bears interest at the BMO prime rate plus 3%, with interest payable monthly, and was due in full by April 30, 2025. The mortgage receivable was fully paid off in April, 2025.

(Stated in Canadian dollars, except per share amounts)

10. FINANCE LEASE RECEIVABLE

On June 1, 2024, the Company entered into a sub-lease for its office premises in Oakville, Ontario. The sub-lease covers the period from June 1, 2024 to January 31, 2028, the same remaining lease period as for the liability under the head lease. Management has concluded that the sub-lease qualifies as a finance lease after considering the indicators for a finance lease under IFRS 16. As a result, the Company has de-recognized the right-of-use asset relating to the head lease and recognized the net investment in the sub-lease. The difference between (i) the carrying value of the right-of-use asset at May 31, 2024 of $487,000 *(see note 12)* and (ii) the net investment in the sub-lease of $288,760 has been recognized as a loss of $198,240 on de-recognition of an ROU asset in profit and loss for the year ended March 31, 2025.

The following table shows the continuity in the finance lease receivable during the year ended March 31, 2025:

Opening balance - April 1, 2024	$ -
Sub-lease arrangements classified as finance leases	288,760
Finance income earned	12,269
Payments received	(64,291)
Gross finance lease receivable	236,738
Less: current portion	(58,363)
Closing balance - March 31, 2025	$ 178,375

(Stated in Canadian dollars, except per share amounts)

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery, equipment and vines	Leasehold improvements	Vehicles	Computer equipment	Total
Cost							
As at April 1, 2023	**$ 5,345,816**	**$ 20,442,639**	**$ 13,571,012**	**$ 192,421**	**$ 34,022**	**$ 603,968**	**$ 40,189,878**
Additions	10,502	31,425	86,301	5,305	-	9,411	142,944
Disposals	(3,024,990)	(1,869,816)	(155,551)	(67,167)	-	(2,403)	(5,119,927)
Transfer to assets held for sale	(2,400)	(81,068)	(1,787,631)	-	-	(8,054)	(1,879,153)
As at March 31, 2024	**2,328,928**	**18,523,180**	**11,714,131**	**130,559**	**34,022**	**602,922**	**33,333,742**
Additions	16,152	14,119	29,252	17,096	-	6,609	83,228
Transfer to assets held for sale (Note 8)	(16,152)	-	-	-	-	-	(16,152)
As at March 31, 2025	**$ 2,328,928**	**$ 18,537,299**	**$ 11,743,383**	**$ 147,655**	**$ 34,022**	**$ 609,531**	**$ 33,400,818**
Accumulated depreciation							
As at April 1, 2023	**$ -**	**$ 5,955,560**	**$ 8,416,161**	**$ 83,822**	**$ 34,022**	**$ 559,228**	**$ 15,048,793**
Depreciation	1,061	505,394	417,731	15,166	-	19,771	959,123
Disposals	-	(68,380)	(14,555)	(5,328)	-	(2,403)	(90,666)
Transfer to assets held for sale	-	(34,119)	(700,734)	-	-	(7,628)	(742,481)
As at March 31, 2024	**1,061**	**6,358,455**	**8,118,603**	**93,660**	**34,022**	**568,968**	**15,174,769**
Depreciation	1,235	490,787	385,414	14,829	-	15,712	907,977
As at March 31, 2025	**$ 2,296**	**$ 6,849,242**	**$ 8,504,017**	**$ 108,489**	**$ 34,022**	**$ 584,680**	**$ 16,082,746**
Net book value							
As at March 31, 2024	**$ 2,327,867**	**$ 12,164,725**	**$ 3,595,528**	**$ 36,899**	**$ -**	**$ 33,954**	**$ 18,158,973**
As at March 31, 2025	**$ 2,326,632**	**$ 11,688,057**	**$ 3,239,366**	**$ 39,166**	**$ -**	**$ 24,851**	**$ 17,318,072**

(Stated in Canadian dollars, except per share amounts)

11. PROPERTY, PLANT AND EQUIPMENT, CONTINUED

(a) In February, 2024, the Company closed on an agreement to sell it Queenston Mile Vineyard for gross proceeds of $4,000,000, including a $500,000 vendor take-back mortgage *(see note 9)*, realizing a loss on disposal of $1,276,153. The Company entered into an agreement to sell an estimated $400,000 of inventory over a one-year period. After transaction costs and other closing adjustments, the Company received net proceeds of $3,254,051, of which $2,500,000 was applied to the revolving loan and the remainder to the non-revolving loan.

12. RIGHT OF USE ASSETS

	Building	Vehicles	Machinery and equipment	Total
Cost				
As at April 1, 2023	**$ 2,385,244**	**$ 612,305**	**$ 838,342**	**$ 3,835,891**
Additions	-	100,687	-	100,687
Disposals	-	(424,394)	-	(424,394)
Transfer to assets held for sale (Note 8)	(1,359,066)	-	-	(1,359,066)
As at March 31, 2024	**1,026,178**	**288,598**	**838,342**	**2,153,118**
Additions	-	-	19,086	19,086
Derecognition of ROU asset (Note 10)	(1,026,178)	-	-	(1,026,178)
As at March 31, 2025	**$ -**	**$ 288,598**	**$ 857,428**	**$ 1,146,026**
Accumulated depreciation				
As at April 1, 2023	**$ 852,329**	**$ 336,318**	**$ 92,567**	**$ 1,281,214**
Depreciation	131,538	73,021	20,958	225,517
Disposals	-	(252,512)	-	(252,512)
Transfer to assets held for sale (Note 8)	(462,082)	-	-	(462,082)
As at March 31, 2024	**521,785**	**156,827**	**113,525**	**792,137**
Depreciation	17,393	52,849	23,894	94,136
Derecognition of ROU asset (Note 10)	(539,178)	-	-	(539,178)
As at March 31, 2025	**$ -**	**$ 209,676**	**$ 137,419**	**$ 347,095**
Net book value				
As at March 31, 2024	**$ 504,393**	**$ 131,771**	**$ 724,817**	**$ 1,360,981**
As at March 31, 2025	**$ -**	**$ 78,922**	**$ 720,009**	**$ 798,931**

(Stated in Canadian dollars, except per share amounts)

13. INTANGIBLE ASSETS

	Pre-1993 winery licenses	Distribution rights	Customer Lists	Brand names	Trademarks	Computer software	Website	Total
Cost								
As at April 1, 2023	$ 700,000	$ 8,819,763	$ 270,000	$ 2,619,000	$ 52,358	$ 407,388	$ 23,605	$ 12,892,114
Additions	-	-	-	-	-	5,575	-	5,575
Transferred to assets held for sale (Note 8)	-	-	(70,000)	(219,000)	-	-	(8,270)	(297,270)
As at March 31, 2024	700,000	8,819,763	200,000	2,400,000	52,358	412,963	15,335	12,600,419
Perigon acquisition (Note 16)	-	1,450,000	-	-	-	-	-	1,450,000
Other additions	-	130,000	-	-	-	24,192	4,075	158,267
Disposals (Note 25(b))	-	(3,543,336)	-	-	-	-	-	(3,543,336)
As at March 31, 2025	$ 700,000	$ 6,856,427	$ 200,000	$ 2,400,000	$ 52,358	$ 437,155	$ 19,410	$ 10,665,350
Accumulated amortization								
As at April 1, 2023	$ -	$ 8,014,448	$ 82,168	$ -	$ 52,358	$ 238,974	$ 20,848	$ 8,408,796
Amortization	-	322,120	41,805	-	-	20,934	413	385,272
Transferred to assets held for sale (Note 8)	-	-	(60,084)	-	-	-	(5,926)	(66,010)
As at March 31, 2024	-	8,336,568	63,889	-	52,358	259,908	15,335	8,728,058
Amortization	-	235,637	38,888	-	-	21,446	747	296,718
Disposals(Note 25(b))	-	(3,221,201)	-	-	-	-	-	(3,221,201)
As at March 31, 2025	$ -	$ 5,351,004	$ 102,777	$ -	$ 52,358	$ 281,354	$ 16,082	$ 5,803,575
Net book value								
As at March 31, 2024	$ 700,000	$ 483,195	$ 136,111	$ 2,400,000	$ -	$ 153,055	$ -	$ 3,872,361
As at March 31, 2025	$ 700,000	$ 1,505,423	$ 97,223	$ 2,400,000	$ -	$ 155,801	$ 3,328	$ 4,861,775

(Stated in Canadian dollars, except per share amounts)

13. INTANGIBLE ASSETS, CONTINUED

(a) The pre-1993 winery licenses issued to Lakeview Cellars Estate Winery Limited and De Sousa Wines Toronto Inc. grant the licensees considerably more flexibility than post-1993 licenses with respect to blending practices, location of operations and other wine-making matters. These licenses are transferable at the discretion of the Alcohol and Gaming Commission of Ontario ("AGCO"). The Company determined the recoverable amount of the pre-1993 winery license by estimating its fair value less costs to sell.

(b) As indefinite life intangibles, the Company's pre-1993 winery licenses and brand names are subject to an annual impairment test. Both of these intangible assets are associated with the manufactured wines CGU and an impairment test was performed on a FVLCS basis mainly leveraging third party appraisals indicating no impairment at March 31, 2025 and 2024.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Trade accounts payable	**$ 3,119,789**	$ 4,005,357
Accrued liabilities	**2,561,836**	2,404,944
Government remittances payable	**105,285**	97,513
	$ 5,786,910	$ 6,507,814

Coupon interest of $1,129,574 (March 31, 2024 - $700,892) owing on the 2022 to 2024 debentures *(see note 18(g))* is included in accrued liabilities.

(Stated in Canadian dollars, except per share amounts)

15. TERM LOANS PAYABLE

As at March 31, 2025, the balances outstanding on the Company's term loans were as follows:

	2025	2024
BMO term loans:		
Revolving term loan ("RT Facility")	**$ 10,832,406**	$ 9,725,563
Non-revolving term loan ("NRT Facility)	**2,712,118**	6,972,000
Demand non-revolving facility ("Demand NRT facility")	**2,500,000**	-
	16,044,524	16,697,563
Deferred financing costs	**(22,500)**	(132,941)
	16,022,024	16,564,622
Current portion of term loans	**(16,022,024)**	(16,564,622)
	$ -	$ -

Movement in term loans payable during the reporting periods was as follows:

	2025	2024
Term loans payable, beginning of year	**16,564,622**	25,658,120
New funding received in year	**3,606,844**	-
Interest payable on lease liabilities	**1,216,647**	2,081,820
Repayments during the year	**(5,476,530)**	(11,042,377)
Change in deferred financing costs	**110,441**	(132,941)
Term loans payable, end of year	**16,022,024**	16,564,622
Current portion	**(16,022,024)**	(16,564,622)
Long term portion	**-**	-

(a) Effective November 15, 2024, the Company entered into a further amendment (the "Third Amendment") to its Second Amended and Restated Credit Agreement (the "SARCA") with Bank of Montreal ("BMO"). The notable terms of the Third Amendment are as follows:

(i) **Credit Facilities:** The establishment of a non-revolving credit facility (the "Demand NRT Facility") in the amount of $2,500,000 which matures on the date that is the earlier of:

- the date BMO demands repayment of all outstanding secured obligations under the Demand NRT Facility;
- the date on which the Lender is satisfied that the VQA rebate for the 2025 fiscal year has been received by the Company *(see note 5)*;
- the fully drawn amount under the Demand NRT Facility is prepaid by the Company; and
- July 31, 2025 *(see note 33(d)*.

(ii) **Credit Facilities:** The non-revolving term credit facility (the "NRT Facility") previously available in the amount of $8,673,000 has been reduced to $2,982,118.

15. TERM LOANS PAYABLE, CONTINUED

(iii) **Lassonde Limited Guarantee:** The addition of a limited recourse guarantee granted by Lassonde Industries Inc., in favour of BMO in an aggregate amount not exceeding the Demand NRT Facility secured obligations under the SARCA.

(iv) **Interest Rates.** The interest rates in respect of the following facilities has been amended to now be as follows:

- the alternate base rate of Canada plus 2.40% in respect of each Base Rate Canada Loan under the RT Facility;
- the alternate base rate of Canada plus 2.65% in respect of each Base Rate Canada Loan under the NRT Facility; and
- the prime rate plus 3.15% in respect of each Prime Rate Loan under the Demand NRT Facility.

(b) On November 14, 2023, the Company entered into a second amendment (the "Second Amendment") to its SARCA. The notable terms of the Second Amendment are as follows:

(i) **Maturity date**: extension of the maturity date to January 2, 2025. Management is currently working with BMO on a further extension.

(ii) **Credit limits**: as a result of the repayment of obligations with the use of proceeds from the Financing, credit limits have decreased as follows:
- on the revolving term loan from $14.4 million to $11.4 million, and
- the non-revolving term loan from $10.753 million to $8.763 million, reducing to $Nil by May 31, 2024

(iii) **Proceeds from recent financing**: the net proceeds from the November, 2023 financing of approximately $8.2 million were entirely applied to reduce (in certain amounts) the BCAP term loan by $1.3 million, the non-revolving term loan $1.7 million and the remainder was applied to the revolving term loan.

(iv) **Revolving term loan**: any excess of the revolving term loan over the borrowing base has to be cured within 10 business days of such occurrence with a shareholder contribution of equity, including common shares, convertible debentures, or other equity-type funding

(v) **Non-revolving term lo**an: the non-revolving term loan has been paid down from the inventory proceeds of $1.4 million in August, 2024 from the Renaissance transaction *(see note 25)*, and the VQA Wine Support Program of $2.1 million in July, 2024 *(see note 5)*.

Any remaining balance of the non-revolving term loan was to be settled as of May 31, 2024. The Company expects to apply the proceeds of the assets currently held for sale *(see note 8)*, the $500,000 in mortgage receivable from the Queenston Mile property *(see note 9)* and the remainder of the expected proceeds from the exercise of the TBP put option with Renaissance *(see note 25)* against this indebtedness. However, there is uncertainty relating to the amount and timing of the actual funds that will ultimately be received.

15. **TERM LOANS PAYABLE, CONTINUED**

(vi) **Lassonde debt:** accounts payable to Lassonde Industries Inc. ("Lassonde"), the Company's largest shareholder, incurred through ordinary course business transactions, cannot exceed $1 million.

(vii) **Borrowing margins**: calculation of borrowing margins will use a new formula based on net orderly liquidation values, starting with a fixed margin of $2.5 million (subject to meeting certain appraisal conditions).

(viii) **Covenant waiver:** The Amendment also provides a waiver of the Company's fixed charges ratios to the first quarter of fiscal 2025. Based on the results for the year ended March 31, 2025, the Company is in breach of its quarterly fixed charge covenant under the terms of its current credit agreement for which the Company has yet to receive a waiver

(c) As a result of the Second and Third Amendments to the SARCA, the overall major terms of the BMO credit facilities now consist of the following:

(i) **Repayment:** The repayment terms remained unchanged (i) the non-revolving term loan is repayable in 80 quarterly principal payments of 1.25% of the drawn amount, or $135,000. The non-revolving term loan was to be reduced to $Nil by May 31, 2024.

(ii) **Covenants:** The Amendment is subject to compliance to the following additional covenants:

- the leverage ratio shall not be less than or equal to 2.00 to 1 for every calendar month and fiscal quarter
- the Company will not permit its forecasted or actual liquidity (as defined under the SARCA) to be less than $Nil.

The adjusted SARCA is still subject to the following major covenants:

- leverage ratio at less than or equal to 2.15 to 1; and
- fixed charges coverage ratio at greater than or equal to 1.25 to 1.

Based on the results for the year ended March 31, 2025, the Company is in breach of its quarterly fixed charge covenant under the terms of its current credit agreement for which the Company has yet to receive a waiver *(see note 2(c))*.

(iii) **Other terms:** All other terms of the SARCA, as amended, remain in full force and effect.

(d) The SARCA includes a master lease finance line facility under the BMO Equipment Leasing Group and as at March 31, 2025, there was a balance of $81,090 drawn on this facility (March 31, 2024 - $214,802) and is included in lease liabilities.

(Stated in Canadian dollars, except per share amounts)

16. PERIGON BEVERAGE GROUP ACQUISITION

(a) On October 9, 2024, the Company closed its acquisition of certain assets from the Perigon Beverage Group ("Perigon"). More specifically, Diamond has purchased the agency and supplier contracts of Perigon and its agency business.

(b) The purchase price of $1,450,000 *(see note 13)* will be satisfied by the issuance of common shares of Diamond in four tranches as follows: 5,000,000 common shares of Diamond have been issued to Perigon at the then-current price of $0.29 per share for a total of $1,450,000 *(see note 19(a)(iii))*, and thereafter additional shares issuable in three equal installments payable every six months over the eighteen month period following closing, subject to certain adjustments based upon the achievement of gross margin targets.

(c) The acquisition has been accounted for as follows:

i) the purchase price has been recorded as distribution rights (a component of intangible assets), and will be amortized on a straight-line basis over their estimated useful life of 11 years
ii) the contingent consideration payable will be expensed once it is likely the gross margin targets will be hit and recorded based on the estimated value of the common shares issued to be issued every six months following closing *(see also note 33(e))*.

17. LEASE LIABILITIES

Movement in the lease liabilities during the reporting periods was as follows:

	2025	2024
Lease liabilities, beginning of year	**$ 967,732**	$ 2,363,184
Lease liabilities for assets acquired under lease	**19,086**	100,687
Lease liabilities for assets disposed of under lease	**-**	(171,879)
Interest payable on lease liabilities	**92,623**	115,206
Repayments during the year	**(477,834)**	(509,546)
Transferred to liabilities held for sale (Note 8)	**-**	(929,920)
Movement relating to lease included in liabilities held for sale	**104,102**	-
Lease liabilities, end of year	**705,709**	967,732
Current portion	**(243,412)**	(366,508)
Long term portion	**$ 462,297**	$ 601,224

The following amounts were recognized in profit and loss during the reporting periods:

Interest expense on lease liabilities	**$ 92,623**	$ 115,206
Depreciation on right-of-use assets	**94,136**	225,517
Expense related to short-term leases	**103,210**	118,316

18. DEBENTURES PAYABLE

(a) On November 9, 2022, the Company completed a non-brokered private placement of $4,884,000 of 10.0% unsecured convertible debentures of the Company (the "2022 Debentures"), the net proceeds of which were used for general working capital and investment purposes. Certain insiders of the Company, including Lassonde and a related company controlled by its chairman, subscribed for $3.35 million of the total placement.

(b) The major terms of the 2022 Debentures were as follows:

(i) The 2022 Debentures bore interest from the date of issue at 10.0% per annum, calculated monthly, in arrears. The interest accrued on the principal outstanding under the 2022 Debentures until such principal was repaid or converted. The 2022 Debentures matured one year from their date of issuance, being November 2, 2023, unless the holder requested to accelerate the maturity date in the event the Company completed an equity financing within the next 12 months.

(ii) The 2022 Debentures were convertible at the holder's option into common shares of the Company from the date of issuance until the maturity date at a conversion price of $0.80. If repayment of the 2022 Debentures on the maturity date has constituted non-compliance by the Company under its senior borrowing obligations, the holder had the option to convert at the conversion price, or to roll the obligations over into new one-year debentures, on similar terms to be negotiated.

(iii) Upon any event of default, the principal amount and all accrued but unpaid interest of the debenture became immediately payable, together with a penalty fee equal to 1% of the obligations), and the holder could also thereupon have the option, but not the obligation, of (a) receiving common shares in accordance with the conversion terms of the debenture, or (b) remaining a holder.

(iv) All securities issued in connection with the placement subject to a four-month hold period expiring four months and one day from their date of issuance.

18. **DEBENTURES PAYABLE, CONTINUED**

(v) The debentures have been accounted for as a compound financial instrument under IAS 32 - Financial Instruments and have both a liability and an embedded derivative component.

The fair value estimate of a convertible debenture (including any embedded derivative) has been valued using an industry standard methodology, which was implemented using a set of coupled partial differential equations solved numerically with finite-difference methods. Based on the scenarios and associated probabilities of BMO debt re-negotiations, the Company calculates the value of the convertible debentures under each scenario and then weighed the values by the corresponding probabilities. The following market inputs were obtained from Bloomberg as at each calculation date:

- Diamond Estates' stock price at each valuation date on the TSX
- Expected dividend yield of Diamond Estates' stock of 0%;
- Historical Diamond Estates' stock price on the TSX;
- CAD CORRA swap curve.

(c) The 2022 Debentures were initially recognized with a fair value of $4,884,000 less transaction costs of $77,949 less the fair value of the embedded derivative of $775,591. After recording interest accretion on the 2022 Debentures of $328,782, the carrying value of the 2022 Debentures as at March 31, 2023 was $4,359,242. Further interest accretion of $524,758 was recorded to fully accrete the 2022 Debentures up to their face value of $4,884,000 by maturity on November 9, 2023.

(d) On November 9, 2023, all of the remaining and outstanding 2022 Debentures were rolled over into new one-year convertible debentures (the "2023 Replacement Debentures") with similar terms and market interest rate, and a conversion price based on the then-current trading price of $0.30 per common share. The 2023 Replacement Debentures were initially recognized with a fair value of $4,557,681 less estimated transaction costs of $50,000. After recording interest accretion on the 2023 Replacement Debentures of $143,856, the carrying value of the 2023 Replacement Debentures as at March 31, 2024 was $4,651,537. The difference between the face value of the 2022 Debentures of $524,758 and the fair value of the 2023 Replacement Debentures of $4,557,681 of $326,319 was recognized as income during the year ended March 31, 2024.

(e) During the year ended March 31, 2025, there were partial redemptions of convertible debentures *(see note 19(a)(ii))*, as follows:

In July, 2024, the redemption of 2023 Replacement Debentures with a face value of $125,000 was satisfied through the issuance of 625,000 shares valued at $0.20 per share.
In March, 2025, the redemption of 2024 Replacement Debentures with a face value of $17,000 was satisfied through the issuance of 70,833 shares valued at $0.24 per share.

As of March 31, 2025, the face value of the remaining 2024 Replacement Debentures was $4,742,000.

18. **DEBENTURES PAYABLE, CONTINUED**

(f) On November 9, 2024, all of the remaining and outstanding 2023 Replacement Debentures with a face value of $4,759,000 were rolled over into new one-year convertible debentures (the "2024 Replacement Debentures") with similar terms and market interest rate, and a conversion price based on the then-current trading price of $0.24 per common share. The 2024 Replacement Debentures were initially recognized with a fair value of $4,228,169 less transaction costs of $25,000. After recording interest accretion on the 2024 Replacement Debentures of $208,094 less the March, 2025 redemption of $17,000, the carrying value of the 2024 Replacement Debentures as at March 31, 2025 was $4,394,263. The difference between the face value of the 2023 Replacement Debentures of $4,759,000 and the fair value of the 2024 Replacement Debentures of $4,228,169 of $530,831 was recognized as income during the year ended March 31, 2025.

(g) In July, 2024, accrued interest of $20,519 on the partial redemption of the 2023 Replacement Debentures with a face value of $125,000 was settled through the issuance of 105,480 shares valued at $0.19 per share *(see note 19(a)(ii))*. In March, 2024, accrued interest of $3,982 on the partial redemption of the 2024 Replacement Debentures with a face value of $17,000 was settled through the issuance of 23,425 shares valued at $0.18 per share *(see note 19(a)(ii))*.

Interest payable on both the 2023 and 2024 Replacement Debentures in the amount of $474,328 was accrued for the year ended March 31, 2025 (2024 - $480,372). Interest payable accrued on both 2022 Debentures and the 2023 and 2024 Replacement Debentures as of March 31, 2025 totals $1,129,574 (March 31, 2024 - $700,892) and is included in accounts payable and accrued liabilities *(see note 14)*.

(h) The derivative was separated as a FVTPL instrument and is re-measured at each reporting period with subsequent changes in fair value recorded in the consolidated statements of net loss and comprehensive loss. With the rollover of the 2023 Replacement Debentures on November 9, 2024, a new derivative liability was recognized with respect to the 2024 Replacement Debentures on that date with a fair value of $2,154,054 representing a decrease in fair value over fiscal 2024 of $272,827 being recognized as an expense.

The fair value of that embedded derivative as at March 31, 2025 was $725,734 compared to $1,881,227 as at March 31, 2024, a decrease of $1,155,493 that was recognized as income during the year ended March 31, 2025. The fair value of that embedded derivative as at March 31, 2024 was $1,881,227 compared to $590,327 as at March 31, 2023, a increase of $1,290,900 that was recognized as an expense during the year ended March 31, 2024.

(Stated in Canadian dollars, except per share amounts)

18. DEBENTURES PAYABLE, CONTINUED

(i) A continuity schedule of the convertible debentures and derivative liabilities is provided below:

	Convertible debentures (2022 Debentures) $	Convertible debentures (2023 Replacement Debentures) $	Convertible debentures (2024 Replacement Debentures) $	Derivative liability (2022 Debentures) $	Derivative liability (2023 Replacement Debentures) $	Derivative liability (2024 Replacement Debentures) $	Totals $
Balance, March 31, 2023	**4,359,242**	**-**	**-**	**590,327**	**-**	**-**	**4,949,569**
Accretion	524,758	-	-	-	-	-	**524,758**
Rollover	(4,884,000)	4,884,000	-	-	-	-	**-**
Gain on modification of new debenture	-	(326,319)	-	-	-	-	**(326,319)**
Transaction costs	-	(50,000)	-	-	-	-	**(50,000)**
Change in fair value of Nov-22 derivative liability	-	-	-	(590,327)	-	-	**(590,327)**
Fair value of Nov-23 derivative on issuance	-	-	-	-	2,013,672	-	**2,013,672**
Carrying values after rollover	-	4,507,681	-	-	2,013,672	-	**6,521,353**
Accretion	-	143,856	-	-	-	-	**143,856**
Change in fair value	-	-	-	-	(132,445)	-	**(132,445)**
Balance, March 31, 2024	**-**	**4,651,537**	**-**	**-**	**1,881,227**	**-**	**6,532,764**
Accretion	-	232,463	-	-	-	-	**232,463**
Partial conversion (Jul-2024)	-	(125,000)	-	-	-	-	**(125,000)**
Rollover	-	(4,759,000)	4,759,000	-	-	-	**-**
Gain on modification of new debenture	-	-	(530,831)	-	-	-	**(530,831)**
Transaction costs	-	-	(25,000)	-	-	-	**(25,000)**
Change in fair value of Nov-23 derivative liability	-	-	-	-	(1,881,227)	-	**(1,881,227)**
Fair value of Nov-24 derivative on issuance	-	-	-	-	-	2,154,054	**2,154,054**
Carrying values after rollover	-	-	4,203,169	-	-	2,154,054	**6,357,223**
Accretion	-	-	208,094	-	-	-	**208,094**
Partial conversion (Mar-25)	-	-	(17,000)	-	-	-	**(17,000)**
Change in fair value	-	-	-	-	-	(1,428,320)	**(1,428,320)**
Balance, March 31, 2025	**-**	**-**	**4,394,263**	**-**	**-**	**725,734**	**5,119,997**

19. SHARE CAPITAL

Continuity schedules for each component of the Company's share capital and other equity instruments are disclosed in the consolidated statements of changes in shareholders' equity for the period from April 1, 2023 to March 31, 2025. Details of major changes in share capital during the current reporting period are as follows:

(a) **Common share issuances**

Year ended March 31, 2025

(i) In July, 2024, the Company closed a fully subscribed non-brokered private placement through the issuance of 11,466,065 common shares at an issue price of $0.20 per common share. The aggregate gross proceeds of $2,293,213 were used to pay down the BMO non-revolving term loan. Lassonde and a company related to it subscribed for 9,000,000 of the total common shares issued.

(ii) In July, 2024, the Company issued a total of 730,480 common shares for deemed proceeds of $145,519 after conversion of debentures payable with a face value of $125,000 (at $0.20 per share) and related accrued interest payable of $20,519 (at $0.19 per share) *(see note 18(g))*.

In March, 2025, the Company issued a total of 94,258 common shares for deemed proceeds of $20,982 after conversion of debentures payable with a face value of $17,000 (at $0.24 per share) and related accrued interest payable of $3,982 (at $0.18 per share) *(see note 18(g))*.

(iii) In October, 2024, 5,000,000 common shares valued at $1,450,000 were issued as partial consideration with respect to the Perigon agency acquisition *(see note 16(b))*.

(iv) In December, 2024, 499,407 common shares valued at $99,800 were issued to a departing director in full settlement of 499,407 DSUs *(see note 21(b))*.

Year ended March 31, 2024

(v) On November 14, 2023, the Company closed a non-brokered private placement through the issuance of 20,000,000 common shares of the Company to Lassonde at an issue price of $0.45 per common share for aggregate proceeds of $9,000,000.

The Subscription Price was satisfied through the payment in cash of $8.25 million in consideration for 18,333,334 common shares and the settlement of the $750,000 principal amount owed under an advance agreement between the Company and Lassonde dated May 30, 2023 That advance was unsecured, subordinated to the Company's senior lender, bore interest at prime plus 1 %, and was repayable within 120 business days of being advanced. The advance was settled by the issuance of 1,666,666 common shares.

Share issue costs related to the financing, consisting of legal fees and listing fees, totalled $83,155.

(Stated in Canadian dollars, except per share amounts)

19. **SHARE CAPITAL, CONTINUED**

(vi) In March, 2024, 182,140 common shares valued at $48,763 were issued to a departing director in full settlement of 182,140 DSUs *(see note 21(b))*.

(b) **Loss per share**

Basic loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the year ended March 31, 2025 was 59,160,679 (March 31, 2024 - 35,397,298).

As at March 31, 2025, the following potentially dilutive equity instruments were outstanding: (i) 6,430,000 options (March 31, 2024 - 1,200,000), (ii) 1,482,162 deferred share units (March 31, 2024 - 1,178,538), (iii) Nil common share purchase warrants (March 31, 2024 - 5,269,465), (iv) debentures convertible into 19,758,333 common shares (March 31, 2024 - 16,280,000). The fully diluted number of common shares outstanding as at March 31, 2025 was 93,518,823 (March 31, 2024 - 71,986,121).

20. **STOCK OPTIONS**

The Company has adopted a stock option plan under which it may grant options to acquire shares of the Company to directors, officers and consultants of the Company. The maximum number of common shares issuable pursuant to the plan is equal to 10% of the issued and outstanding common shares at the close of business on the date of any grant, with an additional restriction of 5% to any one individual in a twelve month period.

Stock option activity for the years ended March 31, 2025 and 2024 was as follows:

	2025		2024	
	Options	**Weighted-average exercise price ($)**	Options	Weighted-average exercise price ($)
Outstanding, beginning of year	**1,200,000**	**1.48**	1,735,000	1.75
Granted to BOD and key management *(see note 20(a))*	**5,600,000**	**0.22**	-	-
Forfeiture of options *(see note 20(c))*	**(330,000)**	**1.46**	(215,000)	1.69
Expiry of options	**(40,000)**	**2.00**	(320,000)	2.80
Outstanding, end of year	**6,430,000**	**0.38**	1,200,000	1.48

(Stated in Canadian dollars, except per share amounts)

20. **STOCK OPTIONS, CONTINUED**

As at March 31, 2025, the issued and outstanding options to acquire common shares of the Company are as follows:

	Number of options				
Grant date	**Granted**	**Exercisable**	**Exercise price ($)**	**Remaining life**	**Expiry date**
September 2, 2020	180,000	180,000	1.40	0.43	September 2, 2025
September 15, 2020	25,000	25,000	1.40	0.46	September 15, 2025
March 9, 2021	150,000	150,000	1.80	0.94	March 9, 2026
May 17, 2021	50,000	37,500	2.00	1.13	May 17, 2026
October 26, 2021	150,000	112,500	1.80	1.57	October 26, 2026
January 30, 2022	75,000	56,250	1.36	1.84	January 30, 2027
August 28, 2022	200,000	100,000	0.90	2.41	January 30, 2027
December 5, 2024	5,600,000	-	0.22	4.68	December 5, 2029
	6,430,000	661,250	0.38	4.26	

(a) Issuance of options

On December 5, 2024, the Board of Directors authorized the issuance of 5,600,000 stock options to key members of management. The options each have an exercise price of $0.22 and a term of 5 years, vesting as to 25% per year on each anniversary date over the next 4 years. The fair value of the options was calculated with the Black-Scholes option pricing model, using the assumptions of: (1) risk free interest rate of 2.89%, (2) expected volatility of 83.6%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, such that the fair value attributed to each option was $0.13.

(b) Exercise of options

There were no stock options exercised during the years ended March 31, 2025 or 2024.

(c) Expiry of options

During the fiscal year ended March 31, 2025, 330,000 options (2024 - 215,000) were forfeited upon the departure of key members of the management team. A further 40,000 (2024 - 320,000) expired unexercised during the year.

(d) Share based compensation

Total share based compensation recognized for the years ended March 31, 2025 and 2024 was:

	2025	2024
Expense of previously granted options expected to vest in reporting period	**$ 189,769**	$ 137,437
Accrual of DSUs (Note 21(a))	**177,125**	204,750
	$ 366,894	$ 342,187

(Stated in Canadian dollars, except per share amounts)

21. DEFERRED SHARE UNITS ("DSUs")

The DSU Plan provides that the maximum number of DSUs issuable to insiders (as that term is defined by the Exchange) pursuant to the DSU Plan, together with any common shares issuable pursuant to any other security-based compensation arrangement of the Company, will not exceed 10% of the total number of outstanding common shares. The DSUs issued under this plan to non-executive directors are to be settled in common shares of the Company when the director retires from all positions with the Company.

(a) Issuance of DSUs:

During the year ended March 31, 2025, the Company issued 803,031 DSUs valued at $177,125 to non-executive directors under the DSU Plan in settlement of deferred directors' compensation (2024 - 831,900 DSUs valued at $204,750).

(b) **Settlement of DSUs**

To date, a total of 2,219,749 DSUs have been granted, of which 1,482,162 remain outstanding. During the years ended March 31, 2025 and 2024, common shares were issued to departing directors in full settlement of their DSU entitlements, as follows:

In December, 2024, 499,407 common shares valued at $99,800 were issued in settlement of 499,407 DSUs *(see note 19(a)(iv)*.

In March, 2024, 182,140 common shares recorded at $48,763 were issued in settlement of 182,140 DSUs *(see note 19(a)(vi)*.

22. WARRANTS

Warrant activity for the years ended March 31, 2025 and 2024 was as follows:

	2025		2024	
	Warrants	**Weighted -average exercise price ($)**	Warrants	Weighted-average exercise price ($)
Outstanding, beginning of year	**5,269,465**	**2.19**	5,555,905	2.17
Expired unexercised in October, 2024	**(5,119,465)**	**2.20**	(286,440)	1.97
Expired unexercised in December, 2024	**(150,000)**	**1.80**	-	-
Outstanding, end of year	**-**	**-**	5,269,465	2.19

As at March 31, 2025, the issued and outstanding share purchase warrants have expired unexercised such that there are no remaining warrants outstanding.

23. GOVERNMENT GRANTS

Wine Sector Support Program

In June 2022, Agriculture Canada announced the Wine Sector Support Program to provide non-repayable grants to licensed Canadian wineries based on the production of bulk wine fermented in Canada from domestic and/or imported grapes. During the year ended March 31, 2025, the Company received $840,630 in funding for harvest 2023 (year ended March 31, 2024 - $933,796) under this program. This funding is recorded as a reduction to the cost of bulk inventory and will be released to cost of goods sold as it is sold *(see note 6)*.

VQA Wine Support Program

Included within revenue for the year ended March 31, 2025 is product revenue of $21,202,246 (2024 - $26,325,581) and other revenue from the VQA Wine Support Program of $3,304,038 (2024 - $2,179,559) *(see note 5)*. Of these amounts, $3,304,038 is included in accounts receivable as at March 31, 2025 (March 31, 2024 - $2,179,559). The objective of the program is to provide grants to help wineries invest in growing their VQA wine business and promote investment in growing the VQA and the domestic wine industry in Canada. Funds received under this program are earned in the ordinary course of business based on sales to the LCBO and the Company's determination of product eligibility.

24. DISTRIBUTION OF D'ONT POKE THE BEAR WINES AND CIDERS

In May, 2024, the Company has agreed to purchase D'Ont Poke the Bear ("DPTB") inventory from Generations Wine Company Limited (“GWCL”) and has entered into a licensing agreement (the “Licensing Agreement”) with 3346625 Canada Inc., a corporation controlled by Mr. Pierre-Paul Lassonde (“Lassonde Family Holding”). Lassonde Family Holding has acquired from GWCL the brand names and trademarks associated with DPTB. Diamond Estates has agreed to purchase the DPTB inventory and provide other future consideration for a total estimated cost of $2.5 million over a period of 60 months. The estimated consideration assumes the historical sales of DPTB products continues at its current rate. Pursuant to the Licensing Agreement, the Company has obtained from Lassonde Family Holding the rights to manufacture, market, distribute and sell DPTB products, in exchange for a 10% royalty which will be expensed as the related products are sold. The Licensing Agreement is for an initial five year term, subject to an additional five year renewal option

25. AGREEMENT WITH RENAISSANCE WINE MERCHANTS

(a) On November 1, 2023, the Company has entered into a business collaboration agreement between its commercial division, Trajectory Beverage Partners ("TBP"), and Renaissance Wine Merchants Ltd. ("Renaissance") to augment each parties' capabilities in Western Canada (the "Territory"). The agreement commenced November 13, 2023 and was to continue for an initial six-month period, renewing automatically for subsequent six month terms unless cancelled in accordance with its terms.

(Stated in Canadian dollars, except per share amounts)

(b) In June, 2024, in accordance with the terms of the agreement, TBP gave written notice to exercise a put-option to sell the Western Canada operations of TBP to Renaissance. The agreement closed in August, 2024, resulting in the disposition of:

Inventory (at cost) (see note 6)	$	1,439,888
Intangible assets (consisting of distribution rights)		823,271
Total estimated proceeds	$	2,263,159

After deducting the remaining book value of the TBP distribution rights of $322,135 *(see note 13)*, the Company has recorded an estimated gain on sale of $501,137 on this transaction.

The inventory proceeds were received in August, 2024 and applied against the Company non-revolving term loan *(see note 15(b)(v))*. The Company estimates the proceeds on the distribution rights based on the forecasted future gross margins of the Western Canada operations to be $823,271 *(see notes 5 and 33(f))*. TBP has retained all its customer receivables and supplier payables.

26. **INCOME TAXES**

(a) **Income rate reconciliation**

The reconciliation of the combined Canadian federal and provincial statutory income tax rates on the net income for the years ended March 31, 2025 and 2024 is as follows:

		2025		2024
Net loss before recovery of income taxes	**$**	**(2,462,144)**	$	(10,652,394)
Expected income tax recovery		**26.50%**		26.50%
Expected income tax recovery	**$**	**(652,468)**	$	(2,822,884)
Decrease (increase) resulting from:				
Non-deductible expenses		**(229,446)**		553,769
Change in tax benefits not recognized		**892,902**		2,281,401
Tax rate differential		**(10,988)**		(12,286)
Recovery of income taxes	**$**	**-**	$	-

(Stated in Canadian dollars, except per share amounts)

26. **INCOME TAXES, CONTINUED**

(b) **Deferred tax**

The following table summarizes the components of deferred tax:

	March 31, 2024	Recognized in profit and loss	Recognized in equity	March 31, 2025
Deferred tax assets				
Non-capital losses carried forward	**$ 1,843,019**	$ (370,181)	$ -	**$ 1,472,838**
Share issuance and deferred financing costs	**115,287**	(7,001)	-	**108,286**
	1,958,306	**(377,182)**	**-**	**1,581,124**
Deferred tax liabilities				
Property, plant and equipment	**(592,174)**	315,902	-	**(276,272)**
Intangible assets	**(320,028)**	(50,236)	-	**(370,264)**
Finance lease receivable	**-**	(62,736)	-	**(62,736)**
Inventory	**(65,063)**	65,063	-	**-**
Assets held for sale	**(469,088)**	(36,235)	-	**(505,323)**
Land	**(140,651)**	2,445	-	**(138,206)**
Term loan	**(10,641)**	(5,964)	-	**(16,605)**
ROU assets and capital leases	**(360,661)**	148,943	-	**(211,718)**
	(1,958,306)	**377,182**	**-**	**(1,581,124)**
Net deferred tax liabilities	**$ -**	**$ -**	**$ -**	**$ -**

(c) **Unrecognized deferred tax assets**

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2025	2024
	$	$
Non-capital losses carried forward	**42,758,640**	38,706,361
Capital losses carried forward	**397,388**	356,966
Share issuance and deferred financing costs	**-**	132,941
Reserves	**50,000**	-
Intangible assets	**2,630,681**	1,492,531
Property, plant and equipment	**46,377**	1,017,341
Farm loss carryforward	**468,202**	468,202
Assets held for sale	**825,819**	929,921
Capital lease liability	**705,709**	1,036,908
Inducement under 12(1)(x)	**1,227,968**	1,227,968
Total unrecognized deductible temporary differences	**49,110,784**	45,369,139

(Stated in Canadian dollars, except per share amounts)

26. INCOME TAXES, CONTINUED

The non-capital loss carryforwards expire as noted in the table below. The net capital loss carry forwards may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in the next few years. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

2028	$	4,195,179
2029		3,750,634
2030		2,007,278
2031		475,778
2032		1,547,748
2033		1,316,634
2034		676,354
2035		467,286
2036		425,399
2037		2,750,734
2038		2,743,459
2039		1,832,116
2040		3,311,424
2041		879,079
2042		5,827,130
2043		5,529,254
2044		3,546,293
2045		1,945,063
	$	43,226,842

27. KEY MANAGEMENT COMPENSATION, RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended March 31, 2025 and 2024, the Company had the following related party transactions, including (i) compensation of key management personnel and directors, and (ii) transactions with entities related to or controlled by directors, as follows:

		2025		2024
Salary	**$**	**750,214**	$	929,586
Share based compensation		**266,650**		274,543
Commissions		**215,577**		257,251
Royalties		**296,179**		-
Grape purchases		**190,560**		-

Accounts payable and accrued liabilities as at March 31, 2025 includes $1,082,725 (2024 - $575,366) with respect to balances owing to related parties for the transactions disclosed above. Common shares recorded at $99,800 (2024 - $48,763) were issued to a departing director in settlement of outstanding DSUs *(see note 19(a)(iv))*.

(Stated in Canadian dollars, except per share amounts)

28. NON-CASH TRANSACTIONS

	2025	2024
	$	$
Right-of-use assets acquired under lease liabilities	**19,086**	100,686
Proceeds from disposition of right-of-use assets applied against lease liabilities	**-**	171,880
Right-of-use asset derecognized upon Oakville office sub-lease	**(487,000)**	-
Net investment in Oakville office sub-let recognized as finance lease receivable	**288,760**	-
Shares issued on conversion of debenture and accrued interest	**166,501**	-
Shares issued in settlement of DSUs	**99,800**	48,763
Shares issued on Perigon acquisition	**1,450,000**	-
VTB mortgage as part of QMV sales consideration	**-**	500,000

29. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to provide a return for owners and ensure sufficient resources are available to meet day-to-day operations. Capital is considered to consist entirely of total equity, convertible debentures and bank indebtedness. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company or in the light of changes in economic conditions and the risk characteristics of the underlying assets. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is subject to externally imposed capital requirements related to its term loans and there has been no change in the overall capital risk management strategy during the year.

30. SEGMENTED INFORMATION

Business segments

The Company operates in two business segments, namely (i) distribution and sales of products represented in Canada under agency agreements with third parties, and (ii) sales of manufactured wines. The following table presents selected financial information associated with each of these segments for the year ended March 31, 2025 and 2024:

(Stated in Canadian dollars, except per share amounts)

30. **SEGMENTED INFORMATION, CONTINUED**

	Year ended March 31, 2025		
	Agency	**Manufactured wines**	**Consolidated**
	$	**$**	$
Manufactured wines	**-**	**21,614,604**	**21,614,604**
Third-party wines and spirits	**1,374,830**	**-**	**1,374,830**
Commission and other	**2,698,490**	**-**	**2,698,490**
Gross revenue	**4,073,320**	**21,614,604**	**25,687,924**
Inter-segment revenue	**(1,181,640)**	**-**	**(1,181,640)**
Net revenue	**2,891,680**	**21,614,604**	**24,506,284**
Gross profit	**2,011,675**	**10,099,967**	**12,111,642**
Interest and accretion	**18,183**	**2,206,155**	**2,224,338**
Depreciation and amortization	**266,904**	**1,089,311**	**1,356,215**
Additions of property, plant and equipment and intangible assets	**-**	**2,091,996**	**2,091,996**
	Statement of financial position balances as at March 31, 2025		
Intangible assets	**1,505,423**	**3,356,352**	**4,861,775**
Total assets	**5,462,438**	**45,753,932**	**51,216,370**
Total liabilities	**4,076,180**	**24,439,295**	**28,515,475**

	Year ended March 31, 2024		
	Agency	**Manufactured wines**	**Consolidated**
	$	**$**	$
Manufactured wines	-	19,315,853	19,315,853
Third-party wines and spirits	6,792,295	-	6,792,295
Commission and other	3,230,744	-	3,230,744
Gross revenue	10,023,039	19,315,853	29,338,892
Inter-segment revenue	(833,752)	-	(833,752)
Net revenue	9,189,287	19,315,853	28,505,140
Gross profit	3,323,370	7,561,541	10,884,911
Interest and accretion	38,130	3,376,390	3,414,520
Depreciation and amortization	464,766	1,082,248	1,547,014
Additions of property, plant and equipment and intangible assets	-	148,519	148,519
	Statement of financial position balances as at March 31, 2024		
Intangible assets	483,195	3,389,166	3,872,361
Total assets	4,238,702	48,354,333	52,593,035
Total liabilities	1,669,937	30,026,667	31,696,604

(Stated in Canadian dollars, except per share amounts)

30. SEGMENTED INFORMATION, CONTINUED

Geographic information	2025	2024
Revenue		
Canada	**$ 23,728,676**	$ 27,575,444
Export	**777,608**	929,696
	$ 24,506,284	$ 28,505,140

31. FINANCIAL INSTRUMENTS AND RISK FACTORS

(a) Risk management

The Company is exposed to interest rate risk, credit risk, foreign currency risk, liquidity risk and concentration risk associated with its financial assets and liabilities. Management has the overall responsibility for the establishment and approval of the Company's risk management policies. The Company's objectives are to manage the risks and risk exposure through a combination of sound business practices and the involvement of management in the daily operations.

(b) Classification of financial instruments

The classification and measurement of the financial assets and liabilities, as well as their carrying amounts and fair values, are as follows:

			2025		2024	
Assets/liabilities	**Category**	**Measurement**	**Carrying amount $**	**Fair value $**	**Carrying amount $**	**Fair value $**
Accounts receivable	Financial assets	Amortized cost	**7,572,109**	**7,572,109**	4,814,940	4,814,940
Mortgage receivable	Loans and receivables	Amortized cost	**500,000**	**500,000**	500,000	500,000
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	**5,786,910**	**5,786,910**	6,507,814	6,507,814
Term loans payable	Financial liabilities	Amortized cost	**16,022,024**	**16,022,024**	16,564,622	16,564,622
Debentures payable	Financial liabilities	Amortized cost	**4,394,263**	**4,394,263**	4,651,537	4,651,537
Derivative liability	Financial liabilities	FVTPL	**725,734**	**725,734**	1,881,227	1,881,227

(Stated in Canadian dollars, except per share amounts)

31. **FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED**

The fair value measurements of the Company's financial instruments are classified in the hierarchy below according to the significance of the inputs used in making the fair value measurements.

	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)
2025			
Renaissance receivable (Note 5)	$ -	$ -	$ 823,271
Derivative liability (Note 18(h))	$ -	$ -	$ 725,734
2024			
Derivative liability	-	-	1,881,227

(c) **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness, credit facilities and lease liabilities. Assuming that other variables remain constant, a 1% change in the prime lending rate as at March 31, 2025 would impact annual interest expense and net income by $160,000 (2024 - $166,000).

(d) **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. The Company is exposed to credit risk on its accounts receivable. Its exposure is generally limited to the carrying amount on the consolidated statements of financial position. The Company minimizes credit risk on cash by depositing with only reputable financial institutions.

(Stated in Canadian dollars, except per share amounts)

31. FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED

Management reviews credit risk on the Company's trade receivables through established credit monitoring policies, including analysis of historical payment trends, customer history and events to assess if there should be any allowance for accounts receivable for balances that are impaired. Provisions are recognized based on the expected credit losses in order to reflect risks related to bad debts. Aged amounts receivable and related provision are as follows:

	2025	2024
Current	**$ 473,149**	$ 1,388,188
30 days past due	**1,793,826**	424,267
60 days past due	**376,534**	90,718
90 days past due	**151,800**	75,424
120 days past due	**1,047,323**	920,021
Expected credit loss	**(397,832)**	(263,237)
	3,444,800	2,635,381
VQA program accrual	**3,304,038**	2,179,559
Renaissance receivable	**823,271**	-
	$ 7,572,109	$ 4,814,940

The change in the expected credit loss was as follows:

	2025	2024
Balance, beginning of year	**$ 263,237**	$ 121,638
Provision for expected credit losses	**276,288**	242,995
Write-offs	**(141,693)**	(101,396)
Balance, end of year	**$ 397,832**	$ 263,237

The Company reviews a new customer’s credit history before extending credit and conducts regular reviews of its existing customers' credit performance. Customers with no credit evaluation are required to pay cash with no credit terms. The Company has a credit insurance policy with Export Canada Development (for export customers only). The policy’s maximum liability is $650,000 for each annual period (2024 - $400,000). Based on the historical information and the credit quality of accounts receivable, management has assessed credit risk as low. It is reasonably possible that the actual amount of loss, if any, incurred on trade receivables will differ from management's estimate.

31. FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED

(e) Concentration risk

Concentration risk is the risk arising from a dependence on one customer or supplier for a significant portion of sales or purchases. The risk of a significant customer having financial difficulties would have a negative impact on the Company. During the year ended March 31, 2025, sales to one customer comprised 50.9% (2024 - three customers comprised 46.7%) of total revenue. As at March 31, 2025, this customer represented 50.5% of trade accounts receivable (2024 - three customers represented 20.3%).

The Company has many other sales to distributors and customers and, other than disclosed above, is not dependent on the sales to any one single customer.

(f) Foreign currency risk

Foreign currency risk is the risk that changes in foreign currency rates will adversely affect the Company. The Company conducts transactions with parties worldwide, and as a result, certain of the Company's accounts receivable and accounts payable balances are denominated in United States dollars ("USD"), Australian dollars ("AUD"), Euros ("EUR") and British pounds ("GBP"). A significant change in currency exchange rate between the Canadian dollar relative to these currencies could have an effect on the operating results. The Company has not hedged its exposure to currency fluctuations. Based on this exposure and assuming that all other variables remain constant, a +/- 10% change in the value of the Canadian dollar relative to these currencies as at March 31, 2025 would affect net income and comprehensive income by approximately $4,000 (2024 - $15,000).

(g) Liquidity risk

Liquidity risk is the risk arising from the Company not being able to meet its obligations as they come due. The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for its financial liabilities as well as forecasting 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 presented in bank indebtedness and term loans payable .

Total current liabilities as at March 31, 2025 of $27,172,343 (March 31, 2024 - $29,971,708), which includes accounts payable and accrued liabilities, current portion of term loans payable and lease liabilities, debentures payable, derivative liability and liabilities held for sale, are considered current and are due within 12 months of the end of the reporting period.

31. FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED

The following table outlines the Company's estimated contractual undiscounted obligations as at March 31, 2025. The Company analyzes contractual obligations for financial liabilities in conjunction with other commitments in managing liquidity risk. Contractual obligations include term loans payable, lease liabilities, debentures payable and contracts for the purchase of grapes, packaging and other raw materials.

	<1 year	2-3 years	4-5 years $ (000's)	>5 years	Total
Accounts payable and accrued liabilities and liabilities held for sale	6,242	-	-	-	6,242
Term loans payable	16,022	-	-	-	16,022
Lease liabilities	275	373	125	-	773
Debentures (and accrued interest) payable	5,872	-	-	-	5,872
Purchase contracts for grapes, packaging and other raw materials	4,500	5,000	-	-	9,500
Total contractual obligations	32,911	5,373	125	-	38,409

32. CONTINGENT LIABILITY

The Company identified an internal practice of submitting purchase orders and corresponding invoices to provincial wholesaler of record under customer names that had not initiated the orders. The Company has disclosed the matter to its provincial wholesaler of record, submitted a formal notification letter, and participated in direct discussions. A comprehensive internal review was completed under the direction of a special Compliance Committee of the Board of Directors and enhanced internal controls, and revised procedures have since been implemented.

As at the date of these consolidated financial statements, the Company continues to finalize next steps and/or any penalties or sanctions in collaboration with its provincial wholesaler of record. Because regulatory outcomes are inherently uncertain, the magnitude and financial statement impact cannot be reasonably estimated. Potential regulatory responses could include administrative penalties, loss of agreements, or, in extreme cases, loss of liquor licences. However, management, with advice from external counsel, assesses the likelihood of more severe outcomes as low and does not expect a material adverse effect on the consolidated financial statements.

As the outcome of these matters are undeterminable as of March 31, 2025, no provision has been recorded in these consolidated financial statements. The Company will continue to monitor developments in this matter and assess the need to record a liability if and when an obligation becomes probable and reasonably estimable.

33. SUBSEQUENT EVENTS

(a) Deferred share units

In April, 2025, the Company issued an aggregate of 221,250 DSUs in settlement of $44,250 of previously accrued deferred directors compensation.

(b) Mortgage receivable

In April, 2025, the mortgage receivable of $500,000 related to the QMV sale from February, 2024 was received *(see note 9)* and the proceeds were utilized to decrease the non-revolving term loan by a corresponding amount.

(c) VQA Wine Support Program

In June, 2025, the Company received $3.1 million from the VQA Wine Support program *(see note 5)*.

(d) Demand non-revolving facility

In June, 2025, the Demand non-revolving facility was $2.5 million *(see note 19(a))* was paid down utilizing the proceeds from the VQA Wine Support program mentioned above.

(e) Contingent consideration

In July, 2025, the Company issued an aggregate of 764,917 common shares valued at $0.21 per share for a total of $160,633 as 1/3 of the remaining contingent consideration payable associated with the acquisition of the Perigon Beverage Group based upon the achievement of gross margin targets *(see note 16(b))*.

(f) Renaissance Wine Merchants

In August, 2025, the Company received $592,072 against the outstanding receivable from Renaissance Wine Merchants. *(see notes 5 and 14)*.