

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2025 AND 2024

(Stated in Canadian dollars)

(Unaudited - Prepared by Management)

**These unaudited interim condensed consolidated financial statements, prepared by management,
have not been reviewed by the Company's external auditor.**

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2025 AND MARCH 31, 2025
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

	<u>September 30</u> <u>2025</u>	<u>March 31</u> <u>2025</u>
ASSETS		
Current:		
Accounts receivable (Note 4)	\$ 8,806,929	\$ 7,572,109
Inventories (Note 5)	12,062,725	15,164,887
Biological assets	194,622	-
Prepaid expenses	896,745	751,409
Mortgage receivable (Note 7)	-	500,000
Current portion of finance lease receivable	60,016	58,363
	<u>22,021,037</u>	<u>24,046,768</u>
Assets held for sale (Note 6)	4,274,356	4,012,449
	<u>26,295,393</u>	<u>28,059,217</u>
Long term:		
Finance lease receivable	147,947	178,375
Property, plant and equipment	17,017,620	17,318,072
Right-of-use assets	763,267	798,931
Intangible assets	4,770,888	4,861,775
	<u>\$ 48,995,115</u>	<u>\$ 51,216,370</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 8)	\$ 7,537,076	\$ 5,786,910
Term loans payable (Note 9)	11,605,471	16,022,024
Current portion of lease liabilities	169,300	243,412
Debentures payable (Note 11)	4,677,621	4,394,263
Derivative liability (Note 11)	73,840	725,734
	<u>24,063,308</u>	<u>27,172,343</u>
Liabilities held for sale (Note 6)	847,193	880,835
	<u>24,910,501</u>	<u>28,053,178</u>
Long term:		
Lease liabilities	378,717	462,297
	<u>25,289,218</u>	<u>28,515,475</u>
SHAREHOLDERS' EQUITY		
Common shares (Note 12)	53,974,000	53,813,367
Contributed surplus	4,581,024	4,086,095
Accumulated deficit	(34,849,127)	(35,198,567)
	<u>23,705,897</u>	<u>22,700,895</u>
	<u>\$ 48,995,115</u>	<u>\$ 51,216,370</u>
Going concern (Note 2(c))		
Subsequent events (Note 18)		
Contingent liability (Note 19)		

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

Approved on behalf of the Board:

"Ron McEachern" Director

"Keith Harris" Director

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

	Three months ended September 30 2025	Six months ended September 30 2025	Three months ended September 30 2024	Six months ended September 30 2024
Revenue (Note 13)	\$ 8,451,774	\$ 16,792,276	\$ 7,715,463	\$ 13,887,244
Cost of sales				
Change in inventories of finished goods and raw materials consumed	2,549,877	6,175,199	3,557,549	6,967,043
Depreciation of property, plant and equipment and right-of-use ("ROU") assets used in production	304,142	687,440	147,621	316,556
	<u>2,854,019</u>	<u>6,862,639</u>	<u>3,705,170</u>	<u>7,283,599</u>
Gross profit	5,597,755	9,929,637	4,010,293	6,603,645
Expenses				
Employee compensation and benefits	1,600,163	3,039,911	1,457,746	2,898,371
General and administrative	1,642,496	2,729,231	1,148,579	2,163,319
Advertising and promotion	541,168	1,152,563	634,715	1,005,129
Interest and accretion	518,571	1,084,487	539,316	1,123,262
Delivery and warehousing	324,135	630,765	466,635	832,262
Share based compensation	350,146	494,929	67,890	141,583
Depreciation of property, plant and equipment and ROU assets used in selling and administration	62,210	119,477	69,804	139,711
Amortization of intangible assets	45,356	102,983	97,984	193,734
	<u>5,084,245</u>	<u>9,354,346</u>	<u>4,482,669</u>	<u>8,497,371</u>
Income (loss) before undernoted items	513,510	575,291	(472,376)	(1,893,726)
Change in fair value of derivative liability (Note 11(e))	347,722	651,894	200,388	253,034
Perigon contingent consideration (Note 10)	(160,633)	(160,633)	-	-
Regulatory compliance costs	(210,000)	(210,000)	-	-
Gain (loss) on disposition of intangible assets (Note 14)	(231,199)	(231,199)	501,137	501,137
Restructuring charge	(275,913)	(275,913)	(38,700)	(79,532)
Loss on de-recognition of ROU assets	-	-	-	(198,240)
Impairment provision - assets held for sale (Note 6)	-	-	-	(410,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(410,000)</u>
Net income (loss) and comprehensive income (loss)	\$ (16,513)	\$ 349,440	\$ 190,449	\$ (1,827,327)
Basic income (loss) per share (Note 12(f))	\$ 0.00	\$ 0.01	\$ 0.00	\$ (0.03)
Diluted income (loss) per share (Note 12(f))	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.03)

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

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY
FROM APRIL 1, 2024 TO SEPTEMBER 30, 2025
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

	Common shares Shares	Amount	Contributed surplus	Accumulated deficit	Total
As at April 1, 2024	48,058,118	\$ 49,813,853	\$ 3,819,001	\$ (32,736,423)	\$ 20,896,431
Net loss and comprehensive loss	-	-	-	(1,827,327)	(1,827,327)
Share based compensation	-	-	141,583	-	141,583
As at September 30, 2024	48,058,118	49,813,853	3,960,584	(34,563,750)	19,210,687
Net loss and comprehensive loss	-	-	-	(634,817)	(634,817)
Share based compensation	-	-	225,311	-	225,311
Issuance of shares	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	824,738	166,501	-	-	166,501
Shares issued in connection with Perigon acquisition	5,000,000	1,450,000	-	-	1,450,000
Shares issued in settlement of DSUs	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
Net income and comprehensive income	-	-	-	349,440	349,440
Share based compensation	-	-	494,929	-	494,929
Shares issued in connection with Perigon acquisition (Note 12(a))	764,917	160,633	-	-	160,633
As at September 30, 2025	66,613,245	\$ 53,974,000	\$ 4,581,024	\$ (34,849,127)	\$ 23,705,897

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

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

	<u>2025</u>	<u>2024</u>
Operating activities		
Net income (loss) and comprehensive income (loss)	\$ 349,440	\$ (1,827,327)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment and right-of-use assets	806,917	456,267
Amortization of intangible assets	102,983	193,734
Loss on de-recognition of ROU asset	-	198,240
Amortization of deferred financing costs	15,000	66,471
Change in fair value of derivative liability	(651,894)	(253,034)
Perigon contingent consideration	160,633	-
Loss (gain) on disposition of intangible assets	231,199	(501,137)
Share based compensation	494,929	141,583
Impairment provision - assets held for sale	-	410,000
Fair value purchase price accounting adjustment on EWG inventory	-	65,737
Accretion on debentures payable	283,358	186,467
Interest expense	801,129	936,795
Interest paid	(563,379)	(815,030)
	<u>2,030,315</u>	<u>(741,234)</u>
Change in non-cash working capital items		
Accounts receivable	(1,508,435)	(922,662)
Inventories	2,575,414	3,769,218
Biological assets	(194,622)	(150,887)
Prepaid expenses	(148,417)	(91,421)
Accounts payable and accrued liabilities	1,532,885	108,102
	<u>4,287,140</u>	<u>1,971,116</u>
Investing activities		
Purchase of property, plant and equipment and intangible assets	(172,558)	(189,998)
Payments received under finance lease receivable	28,775	24,042
	<u>(143,783)</u>	<u>(165,956)</u>
Financing activities		
Proceeds on mortgage receivable	500,000	-
Net proceeds from issuance of common shares	-	2,283,213
Repayment of lease liabilities	(211,804)	(191,299)
Net draws against (repayments of) revolving term loans	(1,161,553)	(42,191)
Repayment on non-revolving term loans	(770,000)	(3,854,883)
Repayment of new non-revolving term loan	(2,500,000)	-
	<u>(4,143,357)</u>	<u>(1,805,160)</u>
Change in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	<u>\$ -</u>	<u>\$ -</u>
Non-cash transactions (Note 15)		

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

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

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 unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including International Accounting Standard 34 – Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the years ended March 31, 2025 and 2024, which have been prepared in accordance with IFRS Accounting Standards. The note disclosures for these unaudited interim condensed consolidated financial statements only present material changes to the disclosures found in the Company's annual consolidated financial statements for the years ended March 31, 2025 and 2024. There have been no changes to the Company's accounting policies from those disclosed in its consolidated financial statements for the years ended March 31, 2025 and 2024.

Board of Director approval

These unaudited interim condensed consolidated financial statements have not been reviewed by the Company's external auditors. They were authorized for issuance by the Board of Directors on November 18, 2025.

(b) Basis of presentation

The unaudited interim condensed consolidated financial statements are prepared on a going concern basis under the historical cost convention. Unless otherwise stated, the unaudited interim condensed 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.

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
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(Unaudited - Prepared by Management)

2. BASIS OF PRESENTATION AND GOING CONCERN, CONTINUED

(c) Going concern

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

Net income (loss) and comprehensive income (loss) for the six months ended September 30, 2025 was income of \$349,440 (September 30, 2024 - loss of \$1,827,327). Additionally, the Company reported surplus cash flow from operations (before changes in non-cash working capital) of \$2,030,315 for the six months ended September 30, 2025 (September 30, 2024 - shortfall of \$741,234). As at September 30, 2025, the Company had an accumulated deficit of \$34,849,127 (March 31, 2025 - \$35,198,567) and working capital of \$1,384,892 (March 31, 2025 - \$6,039).

On November 7, 2025, the Company agreed to the seventh amendment to its SARCA with BMO (*see note 9*) that, among other provisions, extended the maturity date to March 27, 2026 (*see also note 18(d)*). Effective August 22, 2025, the Company also entered into the sixth amendment to its SARCA under which BMO waived all covenant breaches up to July 31, 2025 (*see note 9(a)*). As at September 30, 2025, the Company is in compliance with all of its covenant obligations for the rolling 4 quarter period then ended. On November 15, 2024, the Company entered into the third amendment to its SARCA, the main component of which was a new non-revolving credit facility of \$2,500,000 (which was repaid in June, 2025) (*see note 9(b)*). As of September 30, 2025, the Company has debt repayment requirements of approximately \$22.4 million within the next twelve months, including all its term loans (*see note 9*), the current portion of its lease liabilities, the principal amount of the debentures payable (*see notes 11 and 18(a)*) plus accrued interest due by November 9, 2025 (*see note 8*), as well as annual seasonal grape purchase commitments in the fall of 2025. The Company is working with the provincial wholesaler of record to finalize the matter as disclosed in note 19. 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, the July, 2024 private placement for proceeds of \$2.3 million, the debenture financing of \$4.9 million arranged in November, 2022 and its subsequent rollovers (*see notes 11 and 18(e)*), the sale of Queenston Mile Vineyard ("QMV") in February, 2024 for net proceeds of \$3.3 million and the other assets held for sale (*see note 6*), the completion of the agreement with Renaissance in August, 2024 for total proceeds of \$2.3 million (*see note 14*), the updated credit agreement with BMO and additional temporary BMO funding of \$2.5 million (*see notes 9(a) and 18(d)*). 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.

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
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2. BASIS OF PRESENTATION AND GOING CONCERN, CONTINUED

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 unaudited interim condensed 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 unaudited interim condensed consolidated statement of financial position classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

3. RECENT ACCOUNTING PRONOUNCEMENTS

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 unaudited interim condensed 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 unaudited interim condensed consolidated financial statements.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
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4. **ACCOUNTS RECEIVABLE**

	September 30 2025	March 31 2025
Trade receivables	\$ 3,896,710	\$ 3,088,776
Accrued receivables	4,910,219	4,483,333
	<u>\$ 8,806,929</u>	<u>\$ 7,572,109</u>

The Company has an allowance for doubtful accounts as at September 30, 2025 of \$343,270 (March 31, 2025 - \$397,832). Accrued accounts receivable include \$3,699,451 (March 31, 2025 - \$3,304,038) receivable from the Ontario government under the VQA Wine Support Program (*see note 13*). \$3.1 million of the VQA amount accrued as at March 31, 2025 was received in June, 2025, the proceeds of which were used to repay the temporary \$2.5 million BMO non-revolving loan (*see note 9(a)*). Accrued accounts receivable also includes \$1,048,356 under the Wine Sector Support Program (March 31, 2025 - \$Nil), all of which was received in October, 2025. Accrued accounts receivable also include \$Nil (March 31, 2025 - \$823,271) due from Renaissance under the terms of its August, 2024 purchase and sales agreement (*see note 14*). During the current quarter, the Company received agreed-upon cash proceeds of \$592,072, such that the remainder of \$231,199 was expensed as a loss on sale of intangible assets.

5. **INVENTORIES**

	September 30 2025	March 31 2025
Bulk wine	\$ 6,054,880	\$ 9,212,548
Bottled wine and spirits	4,764,379	5,082,605
Bottling supplies and packaging	1,243,466	869,734
	<u>\$ 12,062,725</u>	<u>\$ 15,164,887</u>

The Company has a provision for inventory obsolescence as at September 30, 2025 of \$75,000 (March 31, 2025 - \$Nil). During the six months ended September 30, 2025, the Company has recognized \$1,048,306 in funding under the Wine Sector Support Program ("WSSP") (September 30, 2024 - \$Nil). This has been recorded as a reduction to the cost of bulk inventory and released to cost of goods sold as sold. As at September 30, 2025, WSSP proceeds of \$410,211 (September 30, 2024 - \$109,172) remain recorded as a reduction to the cost of inventory. In August, 2024, the Company transferred inventory of \$1,439,888 to Renaissance at cost under the terms of its purchase and sales agreement (*see note 14*).

6. **ASSETS HELD FOR SALE**

As at September 30, 2025, the Company has classified certain winery division properties and related operating assets and liabilities detailed below totalling \$3,427,163 (March 31, 2025 - \$3,131,614) 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 \$Nil has been recognized as at September 30, 2025 (March 31, 2025 - \$410,000) relating to the property, plant and equipment.

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6. **ASSETS HELD FOR SALE, CONTINUED**

	September 30 2025	March 31 2025
Assets held for sale		
Accounts receivable	\$ 47,812	\$ 5,395
Inventory	2,308,506	2,097,047
Prepaid expenses	41,520	38,439
Property, plant and equipment	748,274	743,324
Right-of-use assets	896,984	896,984
Intangible assets	231,260	231,260
	<u>4,274,356</u>	<u>4,012,449</u>
Liabilities held for sale		
Accounts payable and accrued liabilities	75,487	55,017
Lease liability	771,706	825,818
	<u>847,193</u>	<u>880,835</u>
Net assets held for sale	<u><u>\$ 3,427,163</u></u>	<u><u>\$ 3,131,614</u></u>

7. **MORTGAGE RECEIVABLE**

As part of the consideration payable on the sale of Queenston Mile Vineyard that closed in February, 2024, the Company entered into a vendor take-back in the amount of \$500,000. The receivable was secured by a mortgage on the subject property, which ranked behind first and second mortgages valued at \$3,250,000. It bore 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.

8. **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30 2025	March 31 2025
Trade accounts payable	\$ 4,262,756	\$ 3,119,789
Accrued liabilities	3,188,794	2,561,836
Government remittances payable	85,526	105,285
	<u><u>\$ 7,537,076</u></u>	<u><u>\$ 5,786,910</u></u>

Coupon interest of \$1,367,324 (March 31, 2025 - \$1,129,574) owing on the 2022 to 2024 debentures (see note 11(d)) is included in accrued liabilities.

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9. **TERM LOANS PAYABLE**

As at September 30, 2025, the balances outstanding on the Company's term loans were as follows:

	September 30 2025	March 31 2025
BMO term loans:		
Revolving term loan ("RT Facility")	\$ 9,670,853	\$ 10,832,406
Non-revolving term loan ("NRT Facility")	1,942,118	2,712,118
Demand non-revolving facility ("Demand NRT facility")	-	2,500,000
	11,612,971	16,044,524
Deferred financing costs	(7,500)	(22,500)
	11,605,471	16,022,024
Current portion of term loans	(11,605,471)	(16,022,024)
	\$ -	\$ -

- (a) On November 7, 2025, the Company agreed to the seventh amendment to its Second Amended and Restated Credit Agreement (the "SARCA") with BMO (*see note 9*) that, among other provisions, extended the maturity date to March 27, 2026 (*see also note 18(d)*). Effective August 22, 2025, the Company entered into a further amendment (the "Sixth Amendment") with BMO under which BMO waived all covenant breaches up to July 31, 2025. As at September 30, 2025, the Company is in compliance with all of its covenant obligations for the rolling 4 quarter period then ended. The Company had previously entered into further amendments to its SARCA, as follows:

Effective February 28, 2025, the fifth amendment extended the maturity date to March 31, 2025.

Effective January 31, 2025, the fourth amendment extended the maturity date to February 28, 2025.

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
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9. **TERM LOANS PAYABLE, CONTINUED**

(b) Effective November 15, 2024, the Company entered into a further major amendment (the “Third Amendment”) to its SARCA, the notable terms of which were 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 matured 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 4*);
- the fully drawn amount under the Demand NRT Facility is prepaid by the Company; and
- July 31, 2025.

This facility was paid off in June, 2025 from the proceeds of the VQA rebate (*see note 4*).

(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.

(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.

(c) 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

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9. **TERM LOANS PAYABLE, CONTINUED**

- (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 loan:** 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 14*), and the VQA Wine Support Program of \$2.1 million in July, 2024 (*see note 4*).

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 6*), the \$500,000 in mortgage receivable from the Queenston Mile property (*see note 7*) and the remainder of the expected proceeds from the exercise of the TBP put option with Renaissance (*see note 14*) against this indebtedness. However, there is uncertainty relating to the amount and timing of the actual funds that will ultimately be received.

- (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 six months ended September 30, 2025, the Company is in compliance with all of its covenant obligations for the rolling 4 quarter period then ended (*see also note 18(d)*).
- (d) 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 have been reduced to \$Nil by May 31, 2024.

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9. **TERM LOANS PAYABLE, CONTINUED**

(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 six months ended September 30, 2025 and 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.

(e) The SARCA includes a master lease finance line facility under the BMO Equipment Leasing Group and as at September 30, 2025, there was a balance of \$11,721 drawn on this facility (March 31, 2025 - \$81,090) and is included in lease liabilities.

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10. 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 will be satisfied by the issuance of common shares of Diamond in four tranches as follows: 5,000,000 common shares of Diamond were issued to Perigon at the then-current price of \$0.29 per share for a total of \$1,450,000 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 based on the value of the common shares issued to be issued every six months following closing.
- (d) In July, 2025, the first of the three instalments was paid when the Company issued an aggregate of 764,917 common shares valued at \$0.21 per share for a total of \$160,633 (*see note 12(a)*).

11. 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.

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11. DEBENTURES PAYABLE, CONTINUED

- (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.
- (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) 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 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.

After recording accretion on the 2024 Replacement Debentures of \$283,358 for the six months ended September 30, 2025, the carrying value of the 2024 Replacement Debentures as at September 30, 2025 was \$4,677,621.

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11. **DEBENTURES PAYABLE, CONTINUED**

(d) Interest payable on both the 2023 and 2024 Replacement Debentures in the amount of \$237,750 was accrued for the six months ended September 30, 2025 (September 30, 2024 - \$121,765). Interest payable accrued on all of the 2022 Debentures and the 2023 and 2024 Replacement Debentures as of September 30, 2025 totals \$1,367,324 (March 31, 2025 - \$1,129,574) and is included in accounts payable and accrued liabilities (*see note 8*).

(e) 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 income (loss) and comprehensive income (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 September 30, 2025 was \$73,840 compared to \$725,734 as at March 31, 2025, a decrease of \$651,894 that was recognized as income during the six months ended September 30, 2025.

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

	Convertible debentures (2023 Replacement Debentures)	Convertible debentures (2024 Replacement Debentures)	Derivative liability (2023 Replacement Debentures)	Derivative liability (2024 Replacement Debentures)	Totals
	\$	\$	\$	\$	\$
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
Accretion	-	283,358	-	-	283,358
Change in fair value	-	-	-	(651,894)	(651,894)
Balance, September 30, 2025	-	4,677,621	-	73,840	4,751,461

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12. **SHARE CAPITAL**

Continuity schedules for each component of the Company's share capital and other equity instruments are disclosed in the unaudited interim condensed consolidated statements of changes in shareholders' equity for the period from April 1, 2024 to September 30, 2025. Details of major changes in share capital during the current reporting period are as follows:

(a) **Common shares**

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 the first of three payments with respect to the contingent consideration payable associated with the acquisition of the Perigon Beverage Group (based upon the achievement of gross margin targets) (*see note 10(b)*).

(b) **Stock options**

During the six months ended September 30, 2025, there were no option grants, exercises or terminations. A total of 355,000 options expired unexercised during the reporting period.

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

In April, 2025, the Company issued an aggregate of 221,250 DSUs in settlement of \$44,250 of previously accrued deferred directors compensation. In July 2025, the Company issued an aggregate of 221,875 DSUs in settlement of \$44,375 of previously accrued deferred directors compensation.

(d) **Warrants**

During the six months ended September 30, 2025, no common share purchase warrants were issued, exercised or expired.

(e) **Share based compensation**

Total share based compensation recognized for the six months ended September 30, 2025 was \$350,146 (September 30, 2024 - \$494,929) based on accrual of previously granted options expected to vest in the reporting period, the issuance of DSUs as described above and accrual of DSUs expected to be paid out under the Company's employee bonus pool.

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12. **SHARE CAPITAL, CONTINUED**

(f) **Net income (loss) per share**

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding. Diluted income (loss) per share is computed similar to basic income (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. If these computations prove to be anti-dilutive, diluted income (loss) per share is the same as basic income (loss) per share.

The weighted average number of common shares outstanding for the three and six months ended September 30, 2025 were 64,863,243 and 56,982,620 respectively (three and six months ended September 30, 2024 - 57,929,494 and 53,020,777 respectively).

As at September 30, 2025, the following potentially dilutive equity instruments were outstanding: (i) 6,075,000 options (March 31, 2025 - 6,430,000), (ii) 1,925,287 deferred share units (March 31, 2025 - 1,482,162), (iii) debentures convertible into 19,758,333 common shares (March 31, 2025 - 19,758,333), and (iv) coupon interest owing on debentures convertible into 8,286,812 common shares (March 31, 2025 - 5,792,687). The fully diluted number of common shares outstanding as at September 30, 2025 was 102,658,677 (March 31, 2025 - 99,311,510).

13. **GOVERNMENT GRANTS**

VQA Wine Support Program

During the six months ended September 30, 2025, the Company recognized other revenue from the VQA Wine Support Program of \$3,721,450 (2025 - \$1,773,264) (*see note 4*). A total of \$3,699,451 of VQA Wine Support Program revenue is included in accounts receivable as at September 30, 2025 (March 31, 2024 - \$3,304,038). 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.

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 six months ended September 30, 2025, the Company recognized \$1,048,356 (2025 - \$Nil) in funding 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 5*).

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14. **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.
- (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)	\$ 1,439,888
Intangible assets (consisting of distribution rights)	823,271
Total estimated proceeds	<u>\$ 2,263,159</u>

After deducting the remaining book value of the TBP distribution rights of \$322,135, the Company recorded an estimated gain on sale of \$501,137 on this transaction. during the year ended March 31, 2025. The inventory proceeds were received in August, 2024 and applied against the Company non-revolving term loan (*see note 9(b)(v)*). The Company originally estimated the proceeds on the distribution rights based on the forecasted future gross margins of the Western Canada operations to be \$823,271 (*see note 4*). During the current quarter, the Company received agreed-upon cash proceeds of \$592,072, such that that the remainder of \$231,199 was expensed.

- (c) The Company has \$50,302 of trade accounts payable due to Renaissance as at September 30, 2025 for normal commercial transactions unrelated to this agreement. TBP has retained all its customer receivables and supplier payables.

15. **NON-CASH TRANSACTIONS**

	September 30 2025 \$	September 30 2024 \$
Right-of-use assets acquired under lease liabilities	-	9,784
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	-	145,519
Shares issued to Perigon as contingent consideration	160,633	-

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16. **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.

17. **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 six months ended September 30, 2025 and 2024:

	<u>Six months ended September 30, 2025</u>		
	Agency	Manufactured	Consolidated
	\$	wines \$	\$
Manufactured wines	-	15,578,298	15,578,298
Third-party wines and spirits	343,134	-	343,134
Commission and other	<u>1,802,052</u>	<u>-</u>	<u>1,802,052</u>
Gross revenue	2,145,186	15,578,298	17,723,484
Inter-segment revenue	<u>(931,208)</u>	<u>-</u>	<u>(931,208)</u>
Net revenue	<u>1,213,978</u>	<u>15,578,298</u>	<u>16,792,276</u>
Gross profit	1,183,608	8,746,029	9,929,637
Interest and accretion	6,974	1,077,513	1,084,487
Depreciation and amortization	79,346	830,554	909,900
Additions of property, plant and equipment and intangible assets	-	172,558	172,558
	<u>Statement of financial position balances as at</u>		
	<u>September 30, 2025</u>		
Intangible assets	1,433,015	3,337,873	4,770,888
Total assets	3,345,387	45,649,728	48,995,115
Total liabilities	1,750,945	23,538,273	25,289,218

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17. **SEGMENTED INFORMATION, CONTINUED**

	<u>Six months ended September 30, 2024</u>		
	Agency	Manufactured	Consolidated
	\$	wines	\$
Manufactured wines	-	11,715,611	11,715,611
Third-party wines and spirits	1,480,435	-	1,480,435
Commission and other	<u>1,261,337</u>	<u>-</u>	<u>1,261,337</u>
Gross revenue	2,741,772	11,715,611	14,457,383
Inter-segment revenue	<u>(570,139)</u>	<u>-</u>	<u>(570,139)</u>
Net revenue	<u>2,171,633</u>	<u>11,715,611</u>	<u>13,887,244</u>
Gross profit	1,100,432	5,503,213	6,603,645
Interest and accretion	10,845	1,112,417	1,123,262
Depreciation and amortization	187,556	462,445	650,001
Additions of property, plant and equipment and intangible assets	-	189,998	189,998

	<u>Statement of financial position balances as at</u>		
	<u>March 31, 2025</u>		
Intangible assets	1,505,423	3,356,352	4,861,775
Total assets	5,462,438	45,753,932	51,216,370
Total liabilities	4,066,124	24,449,351	28,515,475

Geographic information	September 30	September 30
	2025	2024
<i>Revenue</i>		
Canada	<u>\$ 16,456,798</u>	<u>\$ 13,431,664</u>
Export	<u>335,478</u>	<u>463,045</u>
	<u>\$ 16,792,276</u>	<u>\$ 13,887,244</u>

18. **SUBSEQUENT EVENTS**

(a) **Deferred share units**

In October 2025, the Company issued an aggregate of 248,683 DSUs in settlement of \$47,250 of previously accrued deferred directors compensation.

(b) **Stock option grant**

In October 2025, the Company granted a total of 1,250,000 options at a strike price of \$0.19 per stock option to an officer. Each stock option is exercisable for the purchase of one common share for up to five years from the date of issuance, at which time they expire. The stock options are being issued under the Company's Stock Option Plan and vest at the rate of 25% on each anniversary of the issuance date.

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18. **SUBSEQUENT EVENTS, CONTINUED**

(c) **Security-based compensation plan amendments**

At the Annual General Meeting of shareholders held on October 30, 2025, the shareholders approved certain amendments to the Company's Stock Option Plan and DSU Plan, including the following notable changes:

converting both plans into "fixed up to 20%" plans as defined under Policy 4.4 of the TSX Venture Exchange ("TSXV"). As a result, the maximum number of shares which may be issued under all of the Company's security-based compensation arrangements shall now be a maximum of 20% of the issued and outstanding common shares.

The DSU plan was also amended to allow deferred share units reflecting each director's quarterly retainer to be automatically credited on the last day of each fiscal quarter.

(d) **BMO SARCA amendments**

On November 7, 2025, the Company agreed to the 7th amendment to its SARCA with BMO (*see note 9*) that featured the following notable changes:

maturity date extended to March 27, 2026
a temporary bulge in the revolving line of credit in the amount of \$3,600,000 due no later than the maturity date
an increase of the interest rate during the period of the temporary bulge to prime plus 2.65% from prime plus 2.40%

(e) **Debentures payable**

The Company has obtained a 60 day forbearance on most of the convertible debentures and related accrued coupon interest, otherwise due on November 9, 2025 (*see note 18*). Management expects the majority of the debenture holders to agree to a rollover under similar but updated terms, with the obligations to the remaining debenture holders in the range of \$100,000 being settled in cash.

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19. **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 unaudited interim condensed 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 unaudited interim condensed consolidated financial statements.

As the outcome of these matters are undeterminable as of September 30, 2025, no provision has been recorded in these unaudited interim condensed 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.

20. **SEASONALITY**

Revenue is subject to seasonal variation in demand from its customers for beverage alcohol products. The fourth quarter is traditionally the lowest for revenue in all major sales channels due to softness in demand during the winter months.