DIAMOND ESTATES WINES & SPIRITS INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2026 AND 2025

(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 JUNE 30, 2026 AND MARCH 31, 2026
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

	June 30 2026	March 31 2026
ASSETS		
Current:		
Accounts receivable (Note 4)	**$ 3,809,002**	$ 3,486,907
Inventories (Note 5)	**15,688,256**	16,289,368
Biological assets	**132,421**	-
Prepaid expenses	**755,344**	1,089,754
Current portion of finance lease receivable	**62,584**	61,716
Derivative asset (Note 10(f))	**1,356,097**	474,130
	21,803,704	21,401,875
Assets held for sale (Note 6)	**3,879,452**	3,997,145
	25,683,156	25,399,020
Non-current:		
Finance lease receivable	**100,683**	116,658
Property, plant and equipment	**16,808,352**	16,726,360
Right-of-use ("ROU") assets	**821,838**	848,005
Intangible assets	**4,585,062**	4,600,918
	$ 47,999,091	$ 47,690,961
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 7)	**$ 8,077,694**	$ 7,611,893
Term loans payable (Note 8)	**10,277,060**	11,385,553
Current portion of lease liabilities	**224,250**	204,302
Debentures payable (Note 10)	**4,781,624**	4,561,891
	23,360,628	23,763,639
Liabilities held for sale (Note 6)	**802,231**	800,245
	24,162,859	24,563,884
Non-current		
Lease liabilities	**290,476**	357,084
	24,453,335	24,920,968
SHAREHOLDERS' EQUITY		
Common shares (Note 11)	**54,216,785**	54,216,785
Contributed surplus	**5,219,552**	5,045,130
Accumulated deficit	**(35,890,581)**	(36,491,922)
	23,545,756	22,769,993
	$ 47,999,091	$ 47,690,961

Going concern (Note 2(c))

Subsequent events (Note 16)

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 AND COMPREHENSIVE INCOME
THREE MONTHS ENDED JUNE 30, 2026 AND 2025
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

	2026	2025 Restated (Note 2(a))
Revenue (Note 12)	**$ 6,958,616**	$ 8,165,222
Cost of sales		
Change in inventories of finished goods and raw materials consumed	**2,708,404**	3,625,322
Depreciation of property, plant and equipment and ROU assets	**341,504**	383,299
	3,049,908	4,008,621
Gross profit	**3,908,708**	4,156,601
Expenses		
Employee compensation and benefits	**1,656,353**	1,440,176
General and administrative	**759,268**	645,404
Advertising and promotion	**295,252**	434,319
Commissions	**313,152**	440,869
Delivery and warehousing	**374,794**	308,051
Interest and accretion	**477,786**	566,326
Share based compensation	**174,422**	144,783
Depreciation of property, plant and equipment and ROU assets	**77,721**	57,267
Amortization of intangible assets	**60,586**	57,627
	4,189,334	4,094,822
Income (loss) before undernoted items	**(280,626)**	61,779
Change in fair value of derivative asset (liability) (Note 10(f))	**881,967**	304,172
Net income and comprehensive income	**$ 601,341**	$ 365,951
Basic income per share (Note 11(e))	**$ 0.01**	$ 0.01
Diluted income per share (Note 11(e))	**$ 0.01**	$ 0.00

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, 2025 TO JUNE 30, 2026
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

	Common shares		Contributed	Accumulated	
	Shares	Amount	surplus	deficit	Total
As at April 1, 2025	**65,848,328**	**$ 53,813,367**	**$ 4,086,095**	**$ (35,198,567)**	**$ 22,700,895**
Net income and comprehensive income	-	-	-	365,951	**365,951**
Share based compensation	-	-	144,783	-	**144,783**
As at June 30, 2025	65,848,328	53,813,367	4,230,878	(34,832,616)	**23,211,629**
Net loss and comprehensive loss	-	-	-	(1,659,306)	**(1,659,306)**
Share based compensation	-	-	641,646	-	**641,646**
Shares issued in connection with Perigon acquisition	1,970,000	403,418	-	-	**403,418**
Fair value adjustment to accrued coupon interest (re debentures payable)	-	-	172,606	-	**172,606**
As at March 31, 2026	**67,818,328**	**54,216,785**	**5,045,130**	**(36,491,922)**	22,769,993
Net income and comprehensive income	-	-	-	601,341	**601,341**
Share based compensation	-	-	174,422	-	**174,422**
As at June 30, 2026	**67,818,328**	**$ 54,216,785**	**$ 5,219,552**	**$ (35,890,581)**	**$ 23,545,756**

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
THREE MONTHS ENDED JUNE 30, 2026 AND 2025
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

	2026	2025
Operating activities		
Net income and comprehensive income	**$ 601,341**	$ 365,951
Add (deduct) items not affecting cash		
Depreciation: property, plant and equipment and right-of-use assets	**419,225**	440,566
Amortization of intangible assets	**60,586**	57,627
Amortization of deferred financing costs	**4,167**	7,500
Change in fair value of derivative liability/asset	**(881,967)**	(304,172)
Share based compensation	**174,422**	144,783
Accretion on debentures payable and accrued coupon interest	**262,819**	138,696
Interest expense	**214,967**	427,630
Interest paid	**(214,967)**	(309,405)
	640,593	969,176
Change in non-cash working capital items		
Accounts receivable	**(312,999)**	1,093,938
Inventories	**553,141**	1,512,395
Biological assets	**(132,421)**	(100,966)
Prepaid expenses	**335,350**	(174,041)
Accounts payable and accrued liabilities	**(547,465)**	641,730
	536,199	3,942,232
Investing activities		
Payments received under finance lease receivable	**15,107**	14,288
Purchase of property, plant and equipment and intangible assets	**(364,151)**	(114,924)
	(349,044)	(100,636)
Financing activities		
Proceeds on mortgage receivable	**-**	500,000
Repayment of lease liabilities	**(74,495)**	(103,655)
Net draws against (repayments of) revolving term loans	**(977,660)**	(1,102,941)
Proceeds from (repayment of) new non-revolving term loan	**-**	(2,500,000)
Repayment on non-revolving term loan	**(135,000)**	(635,000)
Proceeds from Lassonde short-term loan	**1,000,000**	-
	(187,155)	(3,841,596)
Change in cash	**-**	-
Cash, beginning of period	**-**	-
Cash, end of period	**$ -**	$ -
Non-cash transactions		

The accompanying notes form an integral part of these unaudited interim condensed 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 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 the years ended March 31, 2026 and 2025, 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, 2026 and 2025. 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, 2026 and 2025, except as disclosed below under "Restatement of comparative balances".

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 August 20, 2026.

Restatement of comparative balances

The unaudited interim condensed consolidated financial statements and notes thereto for the three month period ended June 30, 2025 have been restated to reflect a correction in classification of certain costs relating to revenue recognition. The Company has reviewed its financial statement presentation of various costs, including customer incentive programs, discount programs and product returns, previously included in advertising and promotion. Following this review, management has determined that these costs are better presented as deductions from revenue.

The impact of the restatement of the statements of net income and comprehensive income for the three month period ended June 30, 2025 is a reduction of $175,279 in revenues and offsetting reductions of $175,279 in advertising and promotion. There was no impact to previously reported equity, net income and comprehensive income or cash flows.

2. Basis of Presentation and Going Concern, continued

(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 and its subsidiaries' 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 unaudited interim condensed consolidated financial statements have been prepared using IFRS applicable to a going concern.

Net income and comprehensive income for the three months ended June 30, 2026 was $601,341 (June 30, 2025 - $365,951). Additionally, the Company reported surplus cash flow from operations (before changes in non-cash working capital) of $640,593 for the three months ended June 30, 2026 (June 30, 2025 - $969,176). As at June 30, 2026, the Company had an accumulated deficit of $35,890,581 (March 31, 2026 - $36,491,922) and working capital of $1,520,297 (March 31, 2026 - $835,136).

Effective March 31, 2026, the Company agreed to the eighth amendment to its Second Amended and Restated Credit Agreement ("SARCA") with BMO *(see note 8(a))* that, among other provisions, extended the maturity date to July 31, 2026. Effective August 22, 2025, the Company had previously entered into the sixth amendment to its SARCA under which BMO waived all covenant breaches up to July 31, 2025 (*see note 8(b)*). As at June 30, 2026, 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 8(c)*). As of June 30, 2026, the Company has debt repayment requirements of approximately $13.0 million within the next twelve months, including all its term loans *(see note 8),* the current portion of its lease liabilities and annual seasonal grape purchase commitments in the fall of 2026, but excluding any convertible debentures *(see note 10(b)(iv))*. 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.

2. BASIS OF PRESENTATION AND GOING CONCERN, CONTINUED

(c) Going concern, continued

In response to (prior) recurring operating losses and (prior) negative cash flows from operating activities, the Company has taken 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 note 10),* 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, the updated credit agreement with BMO in June, 2026, the additional temporary BMO funding of $3.6 million, now repaid *(see note 8(b)),* and significant progress on its debt reduction initiatives. 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 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 and adopted 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.

(Stated in Canadian dollars, except per share amounts)

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.

The Company has determined that these amendments had no impact on the unaudited interim condensed consolidated financial statements, except for additional disclosures under IFRS 7 re the convertible debentures whose contractual terms include provisions that could change the timing or amount of contractual cash flows upon the occurrence (or non-occurrence) of contingent events that do not relate directly to basic lending risks and costs *(see note 10(c))*.

4. ACCOUNTS RECEIVABLE

	June 30 2026	March 31 2026
Trade receivables	**$ 1,844,156**	$ 1,944,537
Accrued receivables	**1,964,846**	1,542,370
	$ 3,809,002	$ 3,486,907

The Company has an allowance for doubtful accounts as at June 30, 2026 of $48,820 (March 31, 2026 - $234,723). Accrued accounts receivable include $1,428,886 (March 31, 2026 - $1,124,748) receivable from the Ontario government under the VQA Wine Support Program and $161,991 (March 31, 2026 - $Nil) under the Wine Sector Support Program from Agriculture Canada *(see note 12)*.

(Stated in Canadian dollars, except per share amounts)

5. INVENTORIES

	June 30 2026	March 31 2026
Bulk wine	**$ 9,288,268**	$ 10,860,671
Bottled wine and spirits	**5,441,771**	4,691,405
Bottling supplies and packaging	**958,217**	737,292
	$ 15,688,256	$ 16,289,368

The Company has a provision for inventory obsolescence as at June 30, 2026 of $30,000 (March 31, 2026 - $Nil). During the three months ended June 30, 2026, the Company has recorded funding of $161,991 (June 30, 2025 - $Nil) under the Wine Sector Support Program ("WSSP") *(see note 12)*. Initial proceeds have been recorded as a reduction to the cost of bulk inventory and are released to cost of goods sold as sold. As at both June 30, 2026 and March 31, 2026, all such proceeds had been released to cost of goods sold such that there were no remaining proceeds of the WSSP program recorded as a reduction to the cost of inventory.

6. ASSETS HELD FOR SALE

As at June 30, 2026, the Company has classified certain winery division properties and related operating assets and liabilities detailed below netting to $3,077,221 (March 31, 2026 - $3,196,900) 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 updated management estimates, an impairment provision of $Nil has been recognized during the three-month period ended June 30, 2026 (year ended March 31, 2026 - $412,072 relating to intangible assets and right-of-use assets).

	June 30 2026	March 31 2026
Assets held for sale		
Accounts receivable	**$ 14,753**	$ 23,849
Inventory	**2,353,541**	2,460,998
Prepaid expenses	**38,312**	39,252
Property, plant and equipment	**756,674**	756,874
Right-of-use assets	**716,172**	716,172
	3,879,452	3,997,145
Liabilities held for sale		
Accounts payable and accrued liabilities	**113,894**	84,073
Lease liability	**688,337**	716,172
	802,231	800,245
Net assets held for sale	**$ 3,077,221**	$ 3,196,900

(Stated in Canadian dollars, except per share amounts)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30 2026	March 31 2026
Trade accounts payable	**$ 4,553,119**	$ 4,475,873
Accrued liabilities	**3,422,464**	3,033,909
Government remittances payable	**102,111**	102,111
	$ 8,077,694	$ 7,611,893

Coupon interest of $939,122 (March 31, 2026 - $896,036) owing on the 2022 to 2025 debentures *(see note 10(e))* is included in accrued liabilities. Of the total unpaid coupon interest of $1,422,600 owing (with respect to the 2024 Replacement Debentures) up to their maturity date of November 9, 2025, $417,600 was settled in cash in December, 2025. Using a discount rate of 23.3%, the accrued balance payable of $1,005,000 as at the maturity date has been discounted by $- to reflect its then fair value of $1,005,000. Accretion expense recognized on this liability during the three month period ended June 30, 2026 was $43,086 (year ended March 31, 2026 - $(108,964)).

Accrued liabilities includes an advance of $1,000,000 made in May, 2026 from Lassonde. The advance bears interest at the prime rate of the Bank of Montreal plus 2.25% per annum and matures on June 30, 2026. The advance was unsecured, subordinated to the Company's secured indebtedness and repaid in full in July, 2026.

8. TERM LOANS PAYABLE

As at June 30, 2026, the balances outstanding on the Company's term loans were as follows:

	June 30 2026	March 31 2026
BMO term loans:		
Revolving term loan ("RT Facility")	**$ 9,147,060**	$ 10,124,720
Non-revolving term loan ("NRT Facility)	**1,130,000**	1,265,000
	10,277,060	11,389,720
Deferred financing costs	**-**	(4,167)
	10,277,060	11,385,553
Current portion of term loans	**(10,277,060)**	(11,385,553)
	$ -	$ -

(a) Effective July 31, 2026, the Company agreed to the ninth amendment to its Second Amended and Restated Credit Agreement (the "SARCA") with BMO, the only change of which was to extend the maturity date to October 30, 2026 *(see note 16(c))*.

8. Term Loans Payable, continued

(b) Effective March 31, 2026, the Company agreed to the eighth amendment to its SARCA, the major terms of which were as follows:

(i) **Maturity Date:** The maturity date was extended to July 31, 2026.
(ii) **Limited Guarantee**: The limited recourse guarantee granted by Lassonde Industries Inc. ("Lassonde") in favour of BMO has been removed as the Bulge Amount has been repaid by the Company *(see note 8(b))*.
(iii) **Interest Rates**: The interest rates are unchanged from the seventh amendment to the SARCA *(see note 8(b))*.

(c) On November 7, 2025, the Company agreed to the seventh amendment to its SARCA, the major terms of which were as follows:

(i) **Maturity Date**: The maturity date was extended to March 27, 2026.

(ii) **Credit Facilities.** The establishment of a bulge amount credit facility (the "Bulge Amount") of $3,600,000 which matures on the date ("Temporary Bulge Period") that is the earlier of (a) the date on which Diamond requests in writing that the Temporary Bulge Period be cancelled and terminated (provided that such early termination shall not cause any Credit Excess (as defined in the SARCA) to exist and (b) March 27, 2026;

(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 Bulge Amount then outstanding under the RT Facility.

(iv) **Interest Rates.** The interest rates have been amended to be Prime Rate plus 2.65% during the Temporary Bulge Period and Prime Rate plus 2.40% at all other times. The prime rate was 4.45% as of June 30, 2026 (2025 - 4.95%).

The Company had previously entered into further amendments to its SARCA, as follows:

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 June 30, 2026, the Company is in compliance with all of its covenant obligations for the rolling 4 quarter period then ended.
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.

(d) Including changes up to the eighth amendment to its SARCA, the overall major terms of the BMO credit facilities as at June 30, 2026 consist of the following:

(i) **Credit facilities:** The revolving line of credit cannot exceed $10.5 million and the drawn amount of the non-revolving term loan cannot exceed its current amount of $1,265,000.

8. TERM LOANS PAYABLE, CONTINUED

(ii) **Repayment:** The repayment terms of the non-revolving term loan is repayable in 80 quarterly principal payments of 1.25% of the drawn amount, or $135,000.

(iii) **Interest rates:** Under the current amendment, the interest rate on each component of the facility is as follows:

- prime plus 2.40% under the revolving term facility; and
- prime plus 2.40% under the non-revolving term facility.

(iv) **Covenants:** The Amendment is subject to the following major covenants:

- leverage ratio at less than or equal to 2.00 to 1; and
- fixed charges coverage ratio at greater than or equal to 1.25 to 1.

As at June 30, 2026, the Company is in compliance with all of its covenant obligations for the rolling 4 quarter period then ended *(see note 2(c))*.

(v) **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. In October, 2025, the final payment was made on this lease such that, as at June 30, 2026, a balance of $46,619 drawn on this facility (March 31, 2026 - $46,619) was included in lease liabilities.

9. 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 in October, 2024 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 1,035,187 common shares valued at $0.20 per share for a total of $210,633. In December, 2025, the second of the three instalments was paid when the Company issued a further 934,813 common shares valued at $0.21 per share for a total of $192,785 for total consideration of 1,970,000 shares valued at $403,418 *(see note 11(a))*.

10. 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. The debentures have generally been rolled over and renewed annually at generally the same terms (save for differing annual conversion values) as described below, respectively becoming the 2023 Replacement Debentures, the 2024 Replacement Debentures and the 2025 Replacement Debentures. Certain insiders of the Company, including Lassonde and a related company controlled by its chairman, subscribed for $3.35 million of the total placement. In January, 2026, Lassonde acquired a 10.0% unsecured convertible debenture of Diamond Estates with a stated maturity date of November 9, 2026 in the principal amount of $1,304,000 (and related accrued coupon interest) from an arm's length third party through a privately negotiated transaction. Following the acquisition, Lassonde and parties related to it now hold 100% of the issued and outstanding convertible debentures that have a face value of $4,654,000.

(b) The major terms of the debentures are as follows:

<u>2022 Debentures, 2023 Replacement Debentures, and 2024 Replacement Debentures</u>

(i) The debentures bear interest from the date of issue at 10.0% per annum, calculated monthly, in arrears. The coupon interest accrues on the principal outstanding under the debentures until such principal is repaid, converted or rolled over. The debentures mature one year from their date of issuance, 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 debentures are convertible at the holder's option into common shares of the Company from the date of issuance until the maturity date at a set conversion price. (Conversion prices of the 2022 Debentures, the 2023 Replacement Debentures, the 2024 Replacement Debentures and the 2025 Replacement Debentures $0.80, $0.30, $0.24 and $0.22 respectively). If repayment of the debentures on the maturity date has constituted non-compliance by the Company under its senior borrowing obligations, the holder has 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.

10. DEBENTURES PAYABLE, CONTINUED

(iv) **2025 Replacement Debentures.**

The terms of the 2025 Replacement Debentures are different from the prior debentures issuances in that, at maturity date, the conversion of the debenture into common shares can be forced. The Debenture includes a "BMO Compliance" requirement that restricts the Company from making any repayment, redemption, or interest-settlement unless such payment both complies with the terms of the existing BMO Credit Agreement and remains compliant on a pro forma basis after the payment is made, or unless the Company has obtained prior written consent from BMO. Based on the current projections, the Company does not expect that a cash payment of the debentures would be BMO compliant, at maturity it is expected that the holders will be forced to convert the principal amount of the debenture at the conversion price. Any accrued interest at maturity would be converted at the market price of the Company's shares.

If the Company completes a qualified financing while the debentures are outstanding, the holder has the option, but not the obligation, to notify the Company that the date of the closing of the qualified financing will be deemed to be the maturity date for all or part of the debenture. If the holder exercises this option, the Company may satisfy the obligations through the issuance of the same securities being issued in the qualified financing.

Upon any event of default, the principal amount and all accrued but unpaid interest of the debenture become 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.

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

10. **DEBENTURES PAYABLE, CONTINUED**

(vi) 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 (for the 2022 Debentures, the 2023 Replacement Debentures and the 2024 Replacement Debentures) 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.

(vii) The 2025 Replacement Debentures have still been accounted for as a compound financial instrument under IAS 32 - Financial Instruments and have both a liability and an embedded derivative component. Due to the forced conversion feature *(see note 10(b)(iv))*, the valuation methodology for the 2025 Replacement Debentures included the following assumptions:

- At maturity date, conversion of the debenture is forced. As it is assumed that a cash payment of the debenture would not be BMO Compliant, at maturity the holder is forced to convert the principal amount of the debenture at the conversion price, and the accrued interest is converted at the market price.
- To apply this assumption, both the payment of principal and interest have been included as components of the debt host. Since the interest amounts convert at the market rate, the determination of the fair value of the derivative only considers the principal balance at maturity.

As the share price of DEWS is projected to be below the strike price at the maturity date, and the Company does not expect the cash payment would be BMO Compliant at each Valuation Date, the Fair Value of the conversion feature is an asset to the Company, as the holder will receive value in shares below that of the principal balance.

10. **DEBENTURES PAYABLE, CONTINUED**

The following market inputs have been used as at each calculation date:

- Risk free rate based on the interpolated Bank of Canada benchmark bond yields matched to the remaining duration of the debenture.
- Credit spread based on corporate bond yield spreads and related changes to spreads over time.
- Fair value based on discounting the maturity date cash flow at a rate of the total yield presented above.
- Fair value based on partial differential equation model to value convertible debentures.
- Volatility of 73.6% selected based on review of daily DEWS equity volatility for a duration matching the remaining duration of the debenture.
- Value of underlying shares based on closing price of DEWS on the TSXV as at the valuation date.

(c) The Company holds convertible debentures whose contractual terms include provisions that could change the timing or amount of contractual cash flows upon the occurrence (or non-occurrence) of contingent events that do not relate directly to basic lending risks and costs. Certain terms of the 2025 Replacement Debentures described above could alter the timing or form of settlement upon the occurrence of specified contingent events, including compliance with the Company's senior credit facility, a qualified financing or an event of default. Depending on the circumstances, these provisions may result in accelerated settlement or settlement of principal and/or interest through the issuance of common shares rather than cash.

(d) The carrying value of the 2024 Replacement Debentures as at March 31, 2025 was $4,394,263. After recording accretion on the 2024 Replacement Debentures (up to November 9, 2025) of $347,737, the carrying value of the 2024 Replacement Debentures as at November 9, 2025 was $4,742,000. In December, 2025, $88,000 of debentures were settled in cash. On December 16, 2025, with an effective date of November 9, 2025, all of the remaining and outstanding 2024 Replacement Debentures with a face value of $4,654,000 were rolled over into new one-year convertible debentures (the "2025 Replacement Debentures") with similar terms and market interest rate, and a conversion price based of $0.22 per common share. The 2025 Replacement Debentures were initially recognized with a fair value of $4,238,895 after recognizing a derivative asset of $152,602 *(see note 10(f))*. The difference between the face value of the 2024 Replacement Debentures of $4,654,000 plus the adjustments noted above less the fair value of the 2025 Replacement Debentures of $4,238,895 was $567,707, and was recognized as income during the year ended March 31, 2026.

After recording accretion on the 2025 Replacement Debentures of $322,996 for the year ended March 31, 2026, the carrying value of the 2025 Replacement Debentures as at March 31, 2026 was $4,238,895. After recording accretion of $219,733 for the three months ended June 30, 2026, the carrying value of the 2025 Replacement Debentures as at June 30, 2026 was $4,781,624.

10. DEBENTURES PAYABLE, CONTINUED

(e) Interest payable on both the 2023 and 2024 Replacement Debentures in the amount of $118,225 was accrued up to the maturity date of November 9, 2025 (June 30, 2025 - $237,750). In December, 2025, $417,600 of accrued interest was settled in cash. Due to a technical change in the terms of the 2025 Replacement Debentures, the coupon interest for the term has been incorporated into the carrying value of said debentures, such that the remaining interest accrual included in accounts payable and accrued liabilities as of June 30, 2026 totals $939,122 (March 31, 2026 - $896,036) *(see note 7).*

(f) The derivative was separated as a FVTPL instrument and was re-measured at each reporting period with subsequent changes in fair value recorded in the consolidated statements of net income and comprehensive income. 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. The fair value of the derivative liability declined to $725,734 as at March 31, 2025, a decrease of $1,428,320 that was recognized as income during the year ended March 31, 2025. The fair value of the derivative liability as of November 9, 2025, the maturity date of the 2024 Replacement Debentures, declined to $Nil, a decrease of $725,374 that was recognized as income during the year ended March 31, 2026.

With the rollover of the 2024 Replacement Debentures on November 9, 2025, a new derivative asset was recognized with respect to the 2025 Replacement Debentures on that date with a fair value of $152,602. The derivative was recognized as an asset on the rollover date as the conversion price of $0.22 was in excess of the then-current trading price of $0.17, such that the difference between the two gives rise to an economic benefit to the Company that is recognized as an asset for accounting purposes. The fair value of that derivative asset as at March 31, 2026 was $474,130, an increase of $321,528 that was recognized as income during the year ended March 31, 2026. The fair value of that derivative asset as at June 30, 2026 was $1,356,097, an increase of $881,967 that was recognized as income during the three months ended June 30, 2026.

(Stated in Canadian dollars, except per share amounts)

10. DEBENTURES PAYABLE, CONTINUED

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

	Convertible debentures (2024 Replacement Debentures)	Convertible debentures (2025 Replacement Debentures)	Derivative liability (2024 Replacement Debentures)	Derivative asset (2025 Replacement Debentures)	Totals
	$	$	$	$	$
Balance, March 31, 2025	**4,394,263**	**-**	**725,734**	**-**	**5,119,997**
Accretion to maturity date	347,737	-	-	-	**347,737**
Debentures settled in cash	(88,000)	-	-	-	**(88,000)**
Change in fair value	-	-	(725,734)	-	**(725,734)**
Rollover (Nov-25)	(4,654,000)	4,654,000	-	-	**-**
Derivative asset component	-	152,602	-	(152,602)	**-**
Gain on modification	-	(567,707)	-	-	**(567,707)**
Carrying values after rollover	**-**	**4,238,895**	**-**	**(152,602)**	**4,086,293**
Accretion	-	322,996	-	-	**322,996**
Change in fair value	-	-	-	(321,528)	**(321,528)**
Balance, March 31, 2026	-	4,561,891	-	(474,130)	**4,087,761**
Accretion	-	219,733	-	-	**219,733**
Change in fair value	-	-	-	(881,967)	**(881,967)**
Balance, June 30, 2026	**-**	**4,781,624**	**-**	**(1,356,097)**	**3,425,527**

11. 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 for the years ended March 31, 2026 and 2025. Details of major changes in share capital during the reporting periods are as follows:

(a) Common shares

The Company did not issue any common shares during the three months end June 30, 2026.

(b) Stock options

During the three months ended June 30, 2026, there were no stock options grants, exercises or terminations. A total of 50,000 options expired unexercised during the reporting period.

(c) Deferred share units ("DSUs")

In June, 2026, the Company issued an aggregate of 226,875 DSUs in settlement of $31,750 of previously accrued non-executive directors compensation.

(d) Share based compensation

Total share based compensation recognized for the three months ended June 30, 2026 was $174,422 (June 30, 2025 - $144,783) 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 and common shares expected to be paid out under the Company's employee bonus pool.

(e) Income per share

Basic net income per share is computed using the weighted average number of common shares outstanding. Diluted income 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 months ended June 30, 2026 were 67,818,328 (2025 - 65,848,328).

As at June 30, 2026, the following potentially dilutive equity instruments were outstanding: (i) 5,875,000 options (March 31, 2026 - 5,925,000), (ii) 2,686,380 deferred share units (March 31, 2026 - 2,458,515), (iii) debentures convertible into 21,154,545 common shares (March 31, 2026 - 21,154,545), and (iv) coupon interest owing on debentures convertible into 9,300,650 common shares (March 31, 2026 - 6,281,250) . The fully diluted number of common shares outstanding as at June 30, 2026 was 106,834,903 (March 31, 2026 - 103,637,638).

12. GOVERNMENT ASSISTANCE

(a) VQA Wine Support Program

Included within revenue for the three months ended June 30, 2026 is product revenue of $5,324,134 (2025 - $6,352,876) and other revenue from the VQA Wine Support Program of $1,634,482 (June 30, 2025 - $1,812,346) *(see note 4).* A total of $1,428,886 of VQA Wine Support Program revenue is included in accounts receivable as at June 30, 2026 (March 31, 2026 - $1,124,748). 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.

(b) 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 three months ended June 30, 2026, the Company recognized $161,991 (June 30, 2025 - $Nil) in funding under this program *(see note 5).*

13. 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.

14. 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.

(Stated in Canadian dollars, except per share amounts)

15. **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 three months ended June 30, 2026 and 2025:

	Three months ended June 30, 2026		
	Agency $	Manufactured wines $	Consolidated $
Manufactured wines	-	6,519,431	6,519,431
Third-party wines and spirits	146,409	-	146,409
Commission and other	638,619	-	638,619
Gross revenue	785,028	6,519,431	7,304,459
Inter-segment revenue	(345,843)	-	(345,843)
Net revenue	439,185	6,519,431	6,958,616
Gross profit	437,727	3,470,981	3,908,708
Interest and accretion	2,577	475,209	477,786
Depreciation and amortization	40,443	439,368	479,811
Other expenses			2,349,770
Net income and comprehensive income			601,341
Additions of property, plant and equipment and intangible assets	-	364,151	364,151
	Statement of financial position balances as at June 30, 2026		
Intangible assets	1,352,886	3,232,176	4,585,062
Total assets	2,137,928	45,861,163	47,999,091
Total liabilities	1,387,347	23,065,988	24,453,335

(Stated in Canadian dollars, except per share amounts)

15. **SEGMENTED INFORMATION, continued**

	Three months ended June 30, 2025 (Restated (Note 2(a))		
	Agency	Manufactured wines	Consolidated
	$	$	$
Manufactured wines	-	7,495,988	7,495,988
Third-party wines and spirits	267,254	-	267,254
Commission and other	866,238	-	866,238
Gross revenue	1,133,492	7,495,988	8,629,480
Inter-segment revenue	(464,258)	-	(464,258)
Net revenue	669,234	7,495,988	8,165,222
Gross profit	647,330	3,509,271	4,156,601
Interest and accretion	3,909	562,417	566,326
Depreciation and amortization	45,808	452,385	498,193
Other expenses			2,726,131
Net income and comprehensive income			365,951
Additions of property, plant and equipment and intangible assets	-	114,924	114,924
	Statement of financial position balances as at March 31, 2026		
Intangible assets	1,389,861	3,211,057	4,600,918
Total assets	2,583,780	45,107,181	47,690,961
Total liabilities	1,374,736	23,546,232	24,920,968

Geographic information	**June 30 2026**	June 30 2025
Revenue		
Canada	**$ 6,867,102**	$ 7,997,931
Export	**91,514**	167,291
	$ 6,958,616	$ 8,165,222

16. SUBSEQUENT EVENTS

(a) **De Sousa Wines Toronto Inc. sale**

In June 2026, the Company entered into a share purchase agreement to dispose of all of the issued and outstanding shares of De Sousa Wines Toronto Inc., whose principal asset is a non-operational pre-1993 winery licence, for total consideration of $250,000. The transaction is subject to customary closing conditions, including regulatory approvals. As the carrying amount of the related assets had been reduced to their estimated recoverable amount at June 30, 2026, no adjustment to these unaudited interim condensed consolidated financial statements was required.

(b) **Lassonde advances**

The unsecured advance from Lassonde of $1,000,000, received in May, 2026, was repaid in July, 2026 *(see note 7)*. In August, 2026, the Company received an additional advance of $750,000 from Lassonde. The loan is unsecured, bears interest at BMO prime plus 2.25%, and is due the earlier of October 31, 2026 or receipt of the next WSSP payment, which was received in September last year *(see note 12(b))*.

(c) **BMO SARCA amendment**

Effective July 31, 2026, the Company agreed to the ninth amendment to its SARCA with BMO, the only change of which was to extend the maturity date to October 30, 2026 *(see note 8(a))*.

(d) **Perigon acquisition**

In August, 2026, the third and final of the three instalments was paid when the Company issued a further 935,767 common shares valued at $0.19 per share for a total of $180,886 *(see note 9)*.

(e) **Stock option cancellation**

In August, 2026, 200,000 options exercisable at $1.80 each that were going to mature in October 2026 were cancelled.