DIAMOND ESTATES WINES & SPIRITS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2026 AND 2025

(Stated in Canadian dollars)

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

Opinion

We have audited the consolidated financial statements of Diamond Estates Wines and Spirits Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2026 and March 31, 2025, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2026 and March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended March 31, 2026 and, as of that date, the Company had an accumulated deficit. As stated in Note 2(c), these events and conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

MNP LLP
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Costing of manufactured inventories

Key Audit Matter Description

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

Audit Response

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

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

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

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

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

• We tested the accuracy of overhead costs being allocated to inventories.

Impairment of long-lived assets

Key Audit Matter Description

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

Audit Response

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

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

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

• We tested the mathematical accuracy of management's impairment testing models and supporting calculations;

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

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

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

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

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

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

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

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

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

MNP LLP

Burlington, Ontario	Chartered Professional Accountants
July 27, 2026	Licensed Public Accountants

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2026 AND 2025
(Stated in Canadian dollars)

	2026	2025
ASSETS		
Current:		
Accounts receivable (Note 5)	**$ 3,486,907**	$ 7,572,109
Inventories (Note 6)	**16,289,368**	15,164,887
Prepaid expenses	**1,089,754**	751,409
Mortgage receivable (Note 8)	**-**	500,000
Current portion of finance lease receivable (Note 9)	**61,716**	58,363
Derivative asset (Note 18(f))	**474,130**	-
	21,401,875	24,046,768
Assets held for sale (Note 10)	**3,997,145**	4,012,449
	25,399,020	28,059,217
Non-current:		
Finance lease receivable (Note 9)	**116,658**	178,375
Property, plant and equipment (Note 11)	**16,726,360**	17,318,072
Right-of-use ("ROU") assets (Note 12)	**848,005**	798,931
Intangible assets (Note 13)	**4,600,918**	4,861,775
	$ 47,690,961	$ 51,216,370
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 14)	**$ 7,611,893**	$ 5,786,910
Term loans payable (Note 15)	**11,385,553**	16,022,024
Current portion of lease liabilities (Note 17)	**204,302**	243,412
Debentures payable (Note 18)	**4,561,891**	4,394,263
Derivative liability (Note 18(f))	**-**	725,734
	23,763,639	27,172,343
Liabilities held for sale (Note 10)	**800,245**	880,835
	24,563,884	28,053,178
Non-current		
Lease liabilities (Note 17)	**357,084**	462,297
	24,920,968	28,515,475
SHAREHOLDERS' EQUITY		
Common shares (Note 19)	**54,216,785**	53,813,367
Contributed surplus	**5,045,130**	4,086,095
Accumulated deficit	**(36,491,922)**	(35,198,567)
	22,769,993	22,700,895
	$ 47,690,961	$ 51,216,370

Going concern (Note 2(c))

Subsequent events (Note 32)

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

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

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
YEARS ENDED MARCH 31, 2026 AND 2025
(Stated in Canadian dollars, except per share amounts)

	2026	2025
Revenue (Note 23)	**$ 29,882,768**	$ 24,506,284
Cost of sales		
Change in inventories of finished goods and raw materials consumed	**11,928,123**	11,592,957
Depreciation of property, plant and equipment and ROU assets (Notes 11 & 12)	**1,122,973**	801,685
	13,051,096	12,394,642
Gross profit	**16,831,672**	12,111,642
Expenses		
Employee compensation and benefits	**5,963,836**	5,520,981
General and administrative	**3,945,591**	3,391,981
Advertising and promotion	**1,356,154**	1,570,329
Commissions	**1,570,447**	1,172,812
Delivery and warehousing	**1,281,228**	1,348,593
Interest and accretion	**2,104,867**	2,224,338
Share based compensation (Note 20(d))	**786,429**	366,894
Depreciation of property, plant and equipment and ROU assets (Notes 11 & 12)	**284,092**	257,812
Amortization of intangible assets (Note 13)	**220,672**	296,718
	17,513,316	16,150,458
Income (loss) before undernoted items	**(681,644)**	(4,038,816)
Change in fair value of derivative asset (liability) (Note 18(f))	**1,047,262**	1,155,493
Perigon consideration (Note 16)	**(403,418)**	-
Regulatory compliance costs (Note 30)	**(371,582)**	-
(Loss) gain on disposition of intangible assets (Note 24(b))	**(231,199)**	501,137
Restructuring charge	**(608,409)**	(2,549)
Loss on de-recognition of ROU assets and lease liability (Notes 9 & 10)	**-**	(198,240)
Impairment provision - assets held for sale and intangible assets (Notes 10 & 13)	**(612,072)**	(410,000)
Gain on modification of debentures payable (Note 18(d))	**567,707**	530,831
Net loss and comprehensive loss	**$ (1,293,355)**	$ (2,462,144)
Basic and fully diluted income (loss) per share (Note 19(b))	**$ (0.02)**	$ (0.04)

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

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED MARCH 31, 2026 AND 2025
(Stated in Canadian dollars)

		Common shares		Contributed	Accumulated	
	Note	Shares	Amount	surplus	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		-	-	-	(2,462,144)	**(2,462,144)**
Share based compensation	20(d)	-	-	366,894	-	**366,894**
Issuance of shares	19(a)(i)	11,466,065	2,293,213	-	-	**2,293,213**
Share issue costs		-	(10,000)	-	-	**(10,000)**
Shares issued on conversion of debenture interest and accrued interest	19(a)(ii)	824,738	166,501	-	-	**166,501**
Shares issued in connection with Perigon acquisition	19(a)(iii)	5,000,000	1,450,000	-	-	**1,450,000**
Shares issued in settlement of DSUs	19(a)(iv)	499,407	99,800	(99,800)	-	**-**
As at March 31, 2025		**65,848,328**	**53,813,367**	**4,086,095**	**(35,198,567)**	**22,700,895**
Net loss and comprehensive loss		-	-	-	(1,293,355)	**(1,293,355)**
Share based compensation	20(d)	-	-	786,429	-	**786,429**
Shares issued in connection with Perigon acquisition	19(a)	1,970,000	403,418	-	-	**403,418**
Fair value adjustment to accrued coupon interest (re debentures payable)	14	-	-	172,606	-	**172,606**
As at March 31, 2026		**67,818,328**	**$ 54,216,785**	**$ 5,045,130**	**$ (36,491,922)**	**$ 22,769,993**

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

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2026 AND 2025
(Stated in Canadian dollars)

	2026	2025
Operating activities		
Net loss and comprehensive loss	**$ (1,293,355)**	$ (2,462,144)
Add (deduct) items not affecting cash		
Depreciation: property, plant and equipment and right-of-use assets	**1,407,065**	1,059,497
Amortization of intangible assets	**220,672**	296,718
Loss on de-recognition of ROU asset	**-**	198,240
Amortization of deferred financing costs	**38,333**	110,441
Gain on modification of debentures payable	**(567,707)**	(530,831)
Change in fair value of derivative liability/asset	**(1,047,262)**	(1,155,493)
Perigon contingent consideration	**403,418**	-
Loss (gain) on disposition of intangible assets	**231,199**	(501,137)
Share based compensation	**786,429**	366,894
Impairment provision - assets held for sale and intangible assets	**612,072**	410,000
Fair value purchase price accounting adjustment on EWG inventory	**-**	245,519
Accretion on debentures payable and accrued coupon interest	**734,375**	440,557
Interest expense	**1,370,492**	1,783,781
Interest paid	**(1,077,455)**	(1,328,401)
	1,818,276	(1,066,359)
Change in non-cash working capital items		
Accounts receivable	**3,835,550**	(1,910,192)
Inventories	**(1,867,103)**	3,082,131
Prepaid expenses	**(339,158)**	154,949
Accounts payable and accrued liabilities	**2,087,565**	(1,315,519)
	5,535,130	(1,054,990)
Investing activities		
Purchase of property, plant and equipment and intangible assets	**(505,718)**	(241,996)
Downpayment on acquisition of right-of-use assets	**(30,597)**	-
Payments received under finance lease receivable	**58,364**	52,022
	(477,951)	(189,974)
Financing activities		
Proceeds on mortgage receivable	**500,000**	-
Net proceeds from issuance of common shares	**-**	2,283,213
Deferred financing costs	**(20,000)**	-
Repayment of lease liabilities	**(376,775)**	(385,211)
Net draws against (repayments of) revolving term loans	**(707,689)**	1,106,844
Repayment of debentures payable and accrued coupon interest	**(505,600)**	-
Repayment on non-revolving term loans	**(1,447,115)**	(4,259,882)
Proceeds from (repayment of) new non-revolving term loan	**(2,500,000)**	2,500,000
	(5,057,179)	1,244,964
Change in cash	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**$ -**	$ -
Non-cash transactions (Note 27)		

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

1. Nature of Operations

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

2. Basis of Presentation and Going Concern

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards issued by the International Accounting Standards Board (“IASB”). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted. The consolidated financial statements were authorized for issuance by the Board of Directors on July 27, 2026.

(b) Basis of presentation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention. Unless otherwise stated, the consolidated financial statements are presented in Canadian dollars which is the Company's 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 consolidated financial statements have been prepared using IFRS applicable to a going concern.

Net loss and comprehensive loss for the year ended March 31, 2026 was $1,293,355 (March 31, 2025 - $2,462,144). Additionally, the Company reported surplus cash flow from operations (before changes in non-cash working capital) of $1,818,276 for the year ended March 31, 2026 (March 31, 2025 - shortfall of $1,066,359). As at March 31, 2026, the Company had an accumulated deficit of $36,491,922 (March 31, 2025 - $35,198,567) and working capital of $835,136 (March 31, 2025 - $6,039).

2. Basis of Presentation and Going Concern, continued

(c) Going concern, continued

Effective March 31, 2026, the Company agreed to the eighth amendment to its Second Amended and Restated Credit Agreement ("SARCA") with BMO *(see note 15(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 15(b)*). As at March 31, 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 15(c)*). As of March 31, 2026, the Company has debt repayment requirements of approximately $14.1 million within the next twelve months, including all its term loans *(see note 15),* the current portion of its lease liabilities *(see note 17)* and annual seasonal grape purchase commitments in the fall of 2026, but excluding any convertible debentures *(see note 18(b)(iv))*. The Company has now resolved the matter with the provincial wholesaler of record as disclosed in note 30. 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 (prior) recurring operating losses and 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 18),* 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 10),* the completion of the agreement with Renaissance in August, 2024 for total proceeds of $2.3 million *(see note 24)*, the updated credit agreement with BMO in March, 2026 the additional temporary BMO funding of $3.6 million, now repaid *(see notes 15(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 consolidated financial statements do not include any adjustments to the carrying value of assets or liabilities, to the recoverable amounts or the reported expenses and consolidated statement of financial position classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

3. **MATERIAL ACCOUNTING POLICIES**

(a) **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which also have a year end of March 31, 2026.

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

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

(b) **Financial instruments**

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

(i) **Measurement of financial instruments**

Financial instruments are classified into one of the following categories:

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

Subsequent measurement of financial instruments is based on their initial classification.

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

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

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

(b) **Financial instruments, continued**

(ii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period, such as:

- ♦ Significant financial difficulty of the issuer or counterparty
- ♦ Default or delinquency in interest or principal payments, or
- ♦ It becoming probable that the borrower will enter bankruptcy or financial reorganization

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

(iii) Financial assets and financial liabilities

The Company classifies its financial assets and financial liabilities into one of the following categories, depending on the purpose for which the instrument was acquired or incurred:

Financial Assets and Liabilities at FVTPL (Fair Value Through Profit or Loss)

This category comprises derivatives, or financial assets and liabilities classified as held-for-trading or designated as FVTPL upon initial recognition. Following initial recognition, these instruments are measured at fair value, with any gains or losses arising from changes in fair value recognized in profit or loss. This includes the embedded derivative feature separated from the Company's debentures payable, which transitioned from a financial liability in the prior year to a financial asset in the current year *(see note 18)*.

Amortized Cost

This category comprises non-derivative financial instruments (accounts receivables, accounts payable and accrued liabilities, term loans payable and debentures payable) that are not classified as held-for-trading or FVTPL. After initial recognition, these financial assets and liabilities are measured at amortized cost using the effective interest method.

(iv) Hedge accounting

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

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

(c) **Inventory**

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

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

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

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

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

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

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

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

(e) **Biological assets**

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

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

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

(f) **Intangible assets**

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

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

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

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

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

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

(f) **Intangible assets, continued**

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

(g) **Impairment of non-financial assets**

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

(h) **Government grants**

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

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

(i) **Income taxes**

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

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

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(j) **Provisions and contingencies**

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

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

(k) **Loss per share**

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

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

(l) **Share based compensation**

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

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

3. MATERIAL ACCOUNTING POLICIES, CONTINUED

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

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

(n) **Foreign currency translation**

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

(o) **Revenue recognition**

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES, CONTINUED

(p) **Leases**

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

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

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES, CONTINUED

Derecognition of right-of-use asset

When the intermediate lessor enters into the sub-lease:

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

Finance lease receivable

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

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

(r) **Debentures payable**

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

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

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

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

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

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

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

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

(ii) **Share based compensation**

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

(iii) **Inventory**

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

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

Property, plant and equipment, intangible assets and right-of-use ROU assets represent a significant proportion of the asset base of the Company as they amount to 46.5% (2025 - 44.9%) of total assets. Therefore, estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

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

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

(v) **Cash generating units**

For the purpose of impairment testing, assets are grouped into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (a cash generating unit, or "CGU"). Management is required to make significant judgments in identifying and defining its CGUs. This assessment impacts the level at which impairment testing is performed and, consequently, the determination of whether an impairment loss should be recognized. In determining the appropriate level for CGUs, management considers several key factors:

- How management monitors and makes decisions about the Company’s operations (e.g., by product line, business segment, brand, or individual location/store).
- Interdependence of Cash Inflows: The degree of integration between operations and whether there is an active market for the output of an individual asset or group of assets

(vi) **Leases**

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

3. **MATERIAL ACCOUNTING POLICIES, CONTINUED**

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

(vii) **Compound financial instruments**

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

4. **RECENT ACCOUNTING PRONOUNCEMENTS**

Recently issued accounting pronouncements

IFRS 18 "Presentation and Disclosure in Financial Statements"

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

(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. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

5. Accounts Receivable

	2026	2025
Trade receivables	**$ 1,944,537**	$ 3,088,776
Accrued receivables	**1,542,370**	4,483,333
	$ 3,486,907	$ 7,572,109

The Company has an allowance for doubtful accounts as at March 31, 2026 of $234,723 (March 31, 2025 - $397,832). Accrued accounts receivable include $1,124,748 (March 31, 2025 - $3,304,038) receivable from the Ontario government under the VQA Wine Support Program *(see note 23*). $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 15(b))*. A further $4.9 million was received in the quarter ended December 31, 2025, the proceeds of which were used to pay down the regular BMO non-revolving term loan and fund seasonal inventory purchases of $5.5 million (March 31, 2025 - $2.4 million). 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 24)*. In August, 2025, 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.

(Stated in Canadian dollars, except per share amounts)

6. INVENTORIES

	2026	2025
Bulk wine	**$ 10,860,671**	$ 9,212,548
Bottled wine and spirits	**4,691,405**	5,082,605
Bottling supplies and packaging	**737,292**	869,734
	$ 16,289,368	$ 15,164,887

The Company has a provision for inventory obsolescence as at March 31, 2026 of $Nil (March 31, 2025 - $Nil). During the year ended March 31, 2026, the Company has recorded funding of $1,058,567 (March 31, 2025 - $840,640) under the Wine Sector Support Program ("WSSP"). Initial proceeds have been recorded as a reduction to the cost of bulk inventory and are released to cost of goods sold as sold. 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 24)*.

7. BIOLOGICAL ASSETS

Biological assets consist of grapes prior to harvest that are controlled by the Company. The Company owns land in Ontario to grow grapes in order to secure a supply of quality grapes for the making of wine. During the year ended March 31, 2026, the Company harvested 88.7 tons of grapes (2025 - 92.4 tons) valued at $226,761 (2025 - $182,934).

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

	2026	2025
Carrying value, beginning of year	**$ -**	$ -
Net increase in fair value less costs to sell due to biological transformation	**226,761**	182,934
Transferred to inventory on harvest	**(226,761)**	(182,934)
Carrying value, end of year	**$ -**	$ -

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

(Stated in Canadian dollars, except per share amounts)

8. 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.

9. Finance Lease Receivable

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

The following table shows the continuity in the finance lease receivable during the years ended March 31, 2026 and 2025:

	2026	2025
Finance lease receivable, beginning of year	**$ 236,738**	$ -
Sub-lease arrangements classified as finance leases	**-**	288,760
Finance income earned	**11,774**	12,269
Payments received	**(70,138)**	(64,291)
Finance lease receivable, end of year	**178,374**	236,738
Current portion	**(61,716)**	(58,363)
Non-current portion	**$ 116,658**	$ 178,375

(Stated in Canadian dollars, except per share amounts)

10. Assets Held For Sale

As at March 31, 2026, the Company has classified certain winery division properties and related operating assets and liabilities detailed below netting to $3,196,900 (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 updated management estimates, an impairment provision of $412,072 relating to intangible assets and right-of-use assets has been recognized as at March 31, 2026 (March 31, 2025 - $410,000 relating to property, plant and equipment).

	2026	2025
Assets held for sale		
Accounts receivable	**$ 23,849**	$ 5,395
Inventory	**2,460,998**	2,097,047
Prepaid expenses	**39,252**	38,439
Property, plant and equipment (Note 11)	**756,874**	743,324
Right-of-use assets (Note 12)	**716,172**	896,984
Intangible assets (Note 13)	**-**	231,260
	3,997,145	4,012,449
Liabilities held for sale		
Accounts payable and accrued liabilities	**84,073**	55,017
Lease liability	**716,172**	825,818
	800,245	880,835
Net assets held for sale	**$ 3,196,900**	$ 3,131,614

Major changes in net assets held for sale during the reporting periods were as follows:

	2026	2025
Net assets held for sale, opening balance	**$ 3,131,614**	$ 3,540,285
Impairment provision - intangible assets and right-of-use assets	**(412,072)**	-
Impairment provision - property, plant and equipment	**-**	(410,000)
Acquisition of property, plant and equipment	**13,550**	16,152
Other working capital changes	**463,808**	(14,823)
Net assets held for sale, closing balance	**$ 3,196,900**	$ 3,131,614

(Stated in Canadian dollars, except per share amounts)

11. **Property, Plant and Equipment**

	Land and vines	Buildings	Machinery and equipment	Leasehold improvements	Vehicles	Computer equipment	Total
Cost							
As at April 1, 2024	**$ 2,328,928**	**$ 18,523,180**	**$ 11,714,131**	**$ 130,559**	**$ 34,022**	**$ 602,922**	**$ 33,333,742**
Additions	16,152	14,119	29,252	17,096	-	6,609	83,228
Transfer to assets held for sale	(16,152)	-	-	-	-	-	(16,152)
As at March 31, 2025	**2,328,928**	**18,537,299**	**11,743,383**	**147,655**	**34,022**	**609,531**	**33,400,818**
Additions	8,600	15,971	280,021	-	-	41,313	345,905
Transfer to assets held for sale (Note 10)	(8,600)	-	(4,950)	-	-	-	(13,550)
As at March 31, 2026	**$ 2,328,928**	**$ 18,553,270**	**$ 12,018,454**	**$ 147,655**	**$ 34,022**	**$ 650,844**	**$ 33,733,173**
Accumulated depreciation							
As at April 1, 2024	**$ 1,061**	**$ 6,358,455**	**$ 8,118,603**	**$ 93,660**	**$ 34,022**	**$ 568,968**	**$ 15,174,769**
Depreciation	1,235	490,787	385,414	14,829	-	15,712	907,977
As at March 31, 2025	**2,296**	**6,849,242**	**8,504,017**	**108,489**	**34,022**	**584,680**	**16,082,746**
Depreciation	1,283	488,145	404,505	15,337	-	14,797	924,067
As at March 31, 2026	**$ 3,579**	**$ 7,337,387**	**$ 8,908,522**	**$ 123,826**	**$ 34,022**	**$ 599,477**	**$ 17,006,813**
Net book value							
As at March 31, 2025	**$ 2,326,632**	**$ 11,688,057**	**$ 3,239,366**	**$ 39,166**	**$ -**	**$ 24,851**	**$ 17,318,072**
As at March 31, 2026	**$ 2,325,349**	**$ 11,215,883**	**$ 3,109,932**	**$ 23,829**	**$ -**	**$ 51,367**	**$ 16,726,360**

(Stated in Canadian dollars, except per share amounts)

12. **RIGHT OF USE ASSETS**

	Building	Vehicles	Machinery and equipment	Total
Cost				
As at April 1, 2024	**$ 1,026,178**	**$ 288,598**	**$ 838,342**	**$ 2,153,118**
Additions	-	-	19,086	19,086
Derecognition of ROU asset (Note 9)	(1,026,178)	-	-	(1,026,178)
As at March 31, 2025	**-**	**288,598**	**857,428**	**1,146,026**
Additions	-	-	153,401	153,401
As at March 31, 2026	**$ -**	**$ 288,598**	**$ 1,010,829**	**$ 1,299,427**
Accumulated depreciation				
As at April 1, 2024	**$ 521,785**	**$ 156,827**	**$ 113,525**	**$ 792,137**
Depreciation	17,393	52,849	23,894	94,136
Derecognition of ROU asset (Note 9)	(539,178)	-	-	(539,178)
As at March 31, 2025	**-**	**209,676**	**137,419**	**347,095**
Depreciation	-	52,074	52,253	104,327
As at March 31, 2026	**$ -**	**$ 261,750**	**$ 189,672**	**$ 451,422**
Net book value				
As at March 31, 2025	**$ -**	**$ 78,922**	**$ 720,009**	**$ 798,931**
As at March 31, 2026	**$ -**	**$ 26,848**	**$ 821,157**	**$ 848,005**

(Stated in Canadian dollars, except per share amounts)

13. INTANGIBLE ASSETS

	Pre-1993 winery licenses	Distribution rights	Customer Lists	Brand names	Trademarks	Computer software	Website	Total
<u>Cost</u>								
As at April 1, 2024	**$700,000**	**$ 8,819,763**	**$ 200,000**	**$2,400,000**	**$ 52,358**	**$ 412,963**	**$ 15,335**	**$ 12,600,419**
Perigon acquisition (Note 16)	-	1,450,000	-	-	-	-	-	**1,450,000**
Other additions	-	130,000	-	-	-	24,192	4,075	**158,267**
Disposals (Note 24(b))	-	(3,543,336)	-	-	-	-	-	**(3,543,336)**
As at March 31, 2025	**700,000**	**6,856,427**	**200,000**	**2,400,000**	**52,358**	**437,155**	**19,410**	**10,665,350**
Additions	-	33,875	-	-	-	125,940	-	**159,815**
Impairment provision	(200,000)	-	-	-	-	-	-	**(200,000)**
As at March 31, 2026	**$500,000**	**$ 6,890,302**	**$ 200,000**	**$2,400,000**	**$ 52,358**	**$ 563,095**	**$ 19,410**	**$ 10,625,165**
<u>Accumulated amortization</u>								
As at April 1, 2024	**$ -**	**$ 8,336,568**	**$ 63,889**	**$ -**	**$ 52,358**	**$ 259,908**	**$ 15,335**	**$ 8,728,058**
Amortization	-	235,637	38,888	-	-	21,446	747	**296,718**
Disposals (Note 24(b))	-	(3,221,201)	-	-	-	-	-	**(3,221,201)**
As at March 31, 2025	**-**	**5,351,004**	**102,777**	**-**	**52,358**	**281,354**	**16,082**	**5,803,575**
Amortization	-	149,438	38,888	-	-	31,531	815	**220,672**
As at March 31, 2026	**$ -**	**$ 5,500,442**	**$ 141,665**	**$ -**	**$ 52,358**	**$ 312,885**	**$ 16,897**	**$ 6,024,247**
<u>Net book value</u>								
As at March 31, 2025	**$700,000**	**$ 1,505,423**	**$ 97,223**	**$2,400,000**	**$ -**	**$ 155,801**	**$ 3,328**	**$ 4,861,775**
As at March 31, 2026	**$500,000**	**$ 1,389,860**	**$ 58,335**	**$2,400,000**	**$ -**	**$ 250,210**	**$ 2,513**	**$ 4,600,918**

(Stated in Canadian dollars, except per share amounts)

13. Intangible Assets, continued

(a) The pre-1993 winery licenses issued to Diamond Estates Wines & Spirits Ltd. and De Sousa Wines Toronto Inc. grant the licensees considerably more flexibility than post-1993 licenses with respect to blending practices, location of operations and other wine-making matters. These licenses are transferable at the discretion of the Alcohol and Gaming Commission of Ontario ("AGCO"). The Company determined the recoverable amount of the pre-1993 winery license by estimating its fair value less costs to sell, resulting in an impairment charge of $200,000 (2025 - $Nil *(see also note 32(b))*.

(b) As indefinite life intangibles, the Company's pre-1993 winery licenses and brand names are subject to an annual impairment test. Both of these intangible assets are associated with the manufactured wines CGU and an impairment test was performed on a FVLCS basis.

14. Accounts Payable And Accrued Liabilities

	2026	2025
Trade accounts payable	**$ 4,475,873**	$ 3,119,789
Accrued liabilities	**3,033,909**	2,561,836
Government remittances payable	**102,111**	105,285
	$ 7,611,893	$ 5,786,910

Coupon interest of $896,036 (March 31, 2025 - $1,129,574) owing on the 2022 to 2025 debentures *(see note 18(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 $172,606 to reflect its then fair value of $832,394. Accretion expense of $63,642 has been recorded on this liability up to March 31, 2026.

(Stated in Canadian dollars, except per share amounts)

15. Term Loans Payable

As at March 31, 2026, the balances outstanding on the Company's term loans were as follows:

	2026	2025
BMO term loans:		
Revolving term loan ("RT Facility")	**$ 10,124,720**	$ 10,832,406
Non-revolving term loan ("NRT Facility)	**1,265,000**	2,712,118
Demand non-revolving facility ("Demand NRT facility")	**-**	2,500,000
	11,389,720	16,044,524
Deferred financing costs	**(4,167)**	(22,500)
	11,385,553	16,022,024
Current portion of term loans	**(11,385,553)**	(16,022,024)
	$ -	$ -

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

	2026	2025
Term loans payable, beginning of year	**$ 16,022,024**	$ 16,564,622
New funding received in year	**3,600,000**	3,606,844
Interest expense	**938,369**	1,216,647
Repayments during year	**(9,193,173)**	(5,476,530)
Change in deferred financing costs	**18,333**	110,441
Term loans payable, end of year	**11,385,553**	16,022,024
Current portion	**(11,385,553)**	(16,022,024)
Non-current portion	**$ -**	$ -

(a) Effective March 31, 2026, the Company agreed to the eighth amendment to its Second Amended and Restated Credit Agreement (the "SARCA") with BMO, 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 15(b))*.
(iii) **Interest Rates**: The interest rates are unchanged from the seventh amendment to the SARCA *(see note 15(b))*.

(b) 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.

15. **Term Loans Payable, continued**

(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 March 31, 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 March 31, 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.

(c) 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 5)*;

- 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 5)*.

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

15. **TERM LOANS PAYABLE, CONTINUED**

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

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

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

(d) Including changes up to the eighth amendment to its SARCA, the overall major terms of the BMO credit facilities as at March 31, 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.

(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 March 31, 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 March 31, 2026, a balance of $81,090 drawn on this facility (March 31, 2025 - $81,090) was included in lease liabilities.

16. PERIGON BEVERAGE GROUP ACQUISITION

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

(b) The purchase 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 1,035,817 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 1,970,630 shares valued at $403,418 *(see note 19(a))*.

(Stated in Canadian dollars, except per share amounts)

17. LEASE LIABILITIES

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

	2026	2025
Lease liabilities, beginning of year	**$ 705,709**	$ 967,732
Lease liabilities for assets acquired under lease	**122,805**	19,086
Interest payable on lease liabilities	**77,043**	92,623
Repayments during the year	**(453,817)**	(477,834)
Movement relating to lease included in liabilities held for sale	**109,646**	104,102
Lease liabilities, end of year	**561,386**	705,709
Current portion	**(204,302)**	(243,412)
Non-current portion	**$ 357,084**	$ 462,297

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

Interest expense on lease liabilities	**$ 77,043**	$ 92,623
Depreciation on right-of-use assets	**104,327**	94,136
Expense related to short-term premises leases	**167,589**	65,030

Additions to the lease liability are for equipment *(see note 12)*. The value of the lease liability at commencement of the lease is estimated using the Company incremental borrowing rate of 6.0% per annum.

A summary of the Company's future minimum lease payments related to the leases above is as follows:

2027	$ 230,638
2028	227,636
2029	147,512
Total future minimum lease payments	605,786
Effects of discounting	(44,400)
Total present value of minimum lease payments	$ 561,386

18. DEBENTURES PAYABLE

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

(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.

18. Debentures Payable, continued

(iv) **<u>2025 Replacement Debentures.</u>**

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. As 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.

18. **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 18(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.

18. **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) 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.

(d) After recording accretion on the 2024 Replacement Debentures 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 18(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 $4,561,891.

18. Debentures Payable, continued

(e) Interest payable on both the 2023 and 2024 Replacement Debentures in the amount of $475,380 was accrued up to the maturity date of November 9, 2025 (March 31, 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 March 31, 2026 totals $896,036 (March 31, 2025 - $1,129,574)*(see note 14)*.

(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 loss and comprehensive loss. With the rollover of the 2023 Replacement Debentures on November 9, 2024, a new derivative liability was recognized with respect to the 2024 Replacement Debentures on that date with a fair value of $2,154,054. 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.

(Stated in Canadian dollars, except per share amounts)

18. **DEBENTURES PAYABLE, CONTINUED**

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

	Convertible debentures (2023 Replacement Debentures)	Convertible debentures (2024 Replacement Debentures)	Convertible debentures (2025 Replacement Debentures)	Derivative liability (2023 Replacement Debentures)	Derivative liability (2024 Replacement Debentures)	Derivative asset (2025 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 (Nov-24)	(4,759,000)	4,759,000	-	-	-	-	**-**
Gain on modification	-	(530,831)	-	-	-	-	**(530,831)**
Transaction costs	-	(25,000)	-	-	-	-	**(25,000)**
Change in fair value	-	-	-	(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 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**

19. SHARE CAPITAL

Continuity schedules for each component of the Company's share capital and other equity instruments are disclosed in the consolidated statements of changes in shareholders' equity for the period 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 share issuances

Year ended March 31, 2026

In July, 2025 and December, 2025, the Company issued an aggregate of 1,970,001 common shares valued at an average of $0.20 per share for a total of $403,418 as the first two 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 16(d))*.

Year ended March 31, 2025

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

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

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

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

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

(Stated in Canadian dollars, except per share amounts)

19. SHARE CAPITAL, CONTINUED

(b) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the years ended March 31, 2026 were 66,899,969 (2025 - 59,160,679).

As at March 31, 2026, the following potentially dilutive equity instruments were outstanding: (i) 5,925,000 options (March 31, 2025 - 6,430,000), (ii) 2,458,515 deferred share units (March 31, 2025 - 1,482,162), (iii) debentures convertible into 21,154,545 common shares (March 31, 2025 - 19,758,333), and (iv) coupon interest owing on debentures convertible into 6,281,250 common shares (March 31, 2025 - 5,792,687) . The fully diluted number of common shares outstanding as at March 31, 2026 was 103,637,638 (March 31, 2025 - 99,311,510).

20. STOCK OPTIONS

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

Stock option activity for the years ended March 31, 2026 and 2025 was as follows:

	2026		2025	
	Options	**Weighted -average exercise price ($)**	**Options**	**Weighted -average exercise price ($)**
Outstanding, beginning of year	**6,430,000**	**0.38**	1,200,000	1.48
Granted to key member of management *(see note 20(a))*	**1,250,000**	**0.19**	-	-
Granted to BOD and key management *(see note 20(a))*	**-**	**-**	5,600,000	0.22
Forfeiture of options *(see note 20(c))*	**(1,550,000)**	**0.22**	(330,000)	1.46
Expiry of options	**(205,000)**	**1.40**	(40,000)	2.00
Outstanding, end of year	**5,925,000**	**0.31**	6,430,000	0.38

(Stated in Canadian dollars, except per share amounts)

20. **STOCK OPTIONS, continued**

As at March 31, 2026, the issued and outstanding options to acquire common shares of the Company are as follows:

	Number of options				
Grant date	**Granted**	**Exercisable**	**Exercise price ($)**	**Remaining life**	**Expiry date**
May 17, 2021	50,000	50,000	2.00	0.13	May 17, 2026
October 26, 2021	150,000	150,000	1.80	0.57	October 26, 2026
January 30, 2022	75,000	75,000	1.36	0.84	January 30, 2027
August 28, 2022	200,000	150,000	0.90	1.41	January 30, 2027
December 5, 2024	4,200,000	1,400,000	0.22	3.68	December 5, 2029
October 23, 2025	600,000	-	0.19	3.68	October 23, 2030
October 30, 2025	650,000	-	0.19	3.68	October 30, 2030
	5,925,000	1,825,000	0.31	3.65	

(a) **Issuance of options**

During the years ended March 31, 2026 and 2025, the Board of Directors authorized the issuance of stock options to key members of management and/or the Board of Directors as detailed below. The options each have a term of 5 years and vest as to 25% per year on each anniversary date over the next 4 years. The fair value of the options was calculated with the Black-Scholes option pricing model, using the assumptions as detailed below:

Date of issuance	Oct 23-2025	Oct 30-2025	Dec 5-2024
Number of options	600,000	650,000	5,600,000
Exercise price	$0.19	$0.19	$0.22
Risk-free rate of return	2.39%	2.42%	2.89%
Expected volatility	82.4%	82.4%	83.6%
Dividend yield	0.0%	0.0%	0.0%
Fair value	$0.118	$0.126	$0.132

(b) **Exercise of options**

There were no stock options exercised during the years ended March 31, 2026 or 2025.

(c) **Expiry of options**

During the fiscal year ended March 31, 2026, 1,550,000 options (2025 - 330,000) were forfeited upon the departure of key members of the management team. A further 205,000 (2025 - 40,000) expired unexercised during the year.

(Stated in Canadian dollars, except per share amounts)

20. **STOCK OPTIONS, continued**

(d) Share based compensation

Total share based compensation recognized for the years ended March 31, 2026 and 2025 was:

		2026		2025
Expense of previously granted options expected to vest in reporting period	**$**	**276,706**	$	189,769
Accrual of DSUs and common shares under employee bonus plan expected to vest in reporting period		**374,736**		-
DSUs to non-executive directors (Note 21(a))		**134,987**		177,125
	$	**786,429**	$	366,894

21. **DEFERRED SHARE UNITS ("DSUs")**

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

(a) Issuance of DSUs:

During the year ended March 31, 2026, the Company issued 976,433 DSUs valued at $134,987 to non-executive directors under the DSU Plan in settlement of deferred directors' compensation (2025 - 803,031 DSUs valued at $177,125).

(b) Settlement of DSUs

To date, a total of 3,196,182 DSUs have been granted, of which 2,458,515 remain outstanding. During the years ended March 31, 2026 and 2025, common shares were issued to departing directors in full settlement of their DSU entitlements, as follows:

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

(Stated in Canadian dollars, except per share amounts)

22. WARRANTS

Warrant activity for the years ended March 31, 2026 and 2025 was as follows:

	2026		2025	
	Warrants	Weighted -average exercise price ($)	Warrants	Weighted -average exercise price ($)
Outstanding, beginning of year	-	-	5,269,465	2.19
Expired unexercised in October, 2024	-	-	(5,119,465)	2.20
Expired unexercised in December, 2024	-	-	(150,000)	1.80
Outstanding, end of year	-	-	-	-

As at March 31, 2026 and 2025, the issued and outstanding share purchase warrants have expired unexercised such that there are no remaining warrants outstanding.

23. GOVERNMENT ASSISTANCE

(a) **VQA Wine Support Program**

Included within revenue for the year ended March 31, 2026 is product revenue of $23,022,637 (2025 - $21,202,246) and other revenue from the VQA Wine Support Program of $6,860,131 (March 31, 2025 - $3,304,038) *(see note 5)*. A total of $1,124,748 of VQA Wine Support Program revenue is included in accounts receivable as at March 31, 2026 (March 31, 2025 - $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.

(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 year ended March 31, 2026, the Company recognized $1,058,567 (March 31, 2025 - $840,640) 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 6)*.

(Stated in Canadian dollars, except per share amounts)

24. AGREEMENT WITH RENAISSANCE WINE MERCHANTS

(a) On November 1, 2023, the Company entered into a business collaboration agreement between its commercial division, Trajectory Beverage Partners ("TBP"), and Renaissance Wine Merchants Ltd. ("Renaissance") to augment each party's 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	$	2,263,159

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's non-revolving term loan. 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 5)*. During the year ended March 31, 2025, the Company received agreed-upon cash proceeds of $592,072, such that the remainder of $231,199 was expensed.

25. INCOME TAXES

(a) Income rate reconciliation

The reconciliation of the combined Canadian federal and provincial statutory income tax rates on the net income for the years ended March 31, 2026 and 2025 is as follows:

		2026		2025
Net loss before recovery of income taxes	**$**	**(1,293,355)**	$	(2,462,144)
Expected income tax recovery		**26.50%**		26.50%
Expected income tax recovery	**$**	**(342,739)**	$	(652,468)
Decrease (increase) resulting from:				
Non-deductible expenses		**(18,378)**		(229,446)
Change in tax benefits not recognized		**373,098**		892,902
Tax rate differential		**(11,981)**		(10,988)
Recovery of income taxes	**$**	**-**	$	-

(Stated in Canadian dollars, except per share amounts)

25. **INCOME TAXES, continued**

(b) **Deferred tax components**

The following table summarizes the components of deferred tax:

	March 31, 2025	Recognized in profit and loss	Recognized in equity	March 31, 2026
Deferred tax assets				
Non-capital losses carried forward	**1,472,838**	(541,177)	-	**931,661**
Share issuance and deferred financing costs	**108,286**	42,821	-	**151,107**
	1,581,124	(498,356)	-	**1,082,768**
Deferred tax liabilities				
Property, plant and equipment	**(276,272)**	227,536	-	**(48,736)**
Intangible assets	**(370,264)**	10,293	-	**(359,971)**
Finance lease receivable	**(62,736)**	15,467	-	**(47,269)**
Assets held for sale	**(505,323)**	114,932	-	**(390,391)**
Land	**(138,206)**	126,526	-	**(11,680)**
Term loan	**(16,605)**	16,605	-	**-**
ROU assets and capital leases	**(211,718)**	(13,003)	-	**(224,721)**
	(1,581,124)	498,356	-	**(1,082,768)**
Net deferred tax	**-**	-	-	**-**

(c) **Unrecognized deferred tax assets**

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

	2026	2025
	$	$
Non-capital losses carried forward	**42,519,665**	42,758,640
Capital losses carried forward	**-**	397,388
Reserves	**466,489**	50,000
Intangible assets	**2,231,782**	2,630,681
Property, plant and equipment	**142,145**	46,377
Farm loss carryforward	**468,202**	468,202
Term loan	**66,827**	-
Assets held for sale	**2,103,204**	825,819
Capital lease liability	**561,384**	705,709
Inducement under 12(1)(x)	**1,513,820**	1,227,968
Total unrecognized deductible temporary differences	**50,073,518**	49,110,784

(Stated in Canadian dollars, except per share amounts)

25. INCOME TAXES, continued

(d) Tax loss carryforwards

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

2029	$	3,277,163
2030		3,750,634
2031		2,007,278
2032		475,778
2033		1,547,748
2034		1,433,900
2035		693,419
2036		467,649
2037		417,298
2038		2,737,852
2039		3,038,862
2040		2,262,662
2041		2,801,617
2042		1,095,664
2043		12,092,793
2044		2,263,447
2045		1,972,855
2046		651,248
	$	42,987,867

26. KEY MANAGEMENT COMPENSATION, RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended March 31, 2026 and 2025, the Company had the following related party transactions, including (i) compensation of key management personnel and directors, and (ii) transactions with entities related to or controlled by directors, as follows:

		2026		2025
Salary	**$**	**898,224**	$	750,214
Share based compensation		**270,560**		266,650
Interest and accretion		**747,000**		658,537
Commissions		**130,237**		215,577
Royalties		**399,195**		296,179
Grape purchases		**198,063**		190,560

(Stated in Canadian dollars, except per share amounts)

26. Key Management Compensation, Related Party Transactions And Balances, continued

Accounts payable and accrued liabilities as at March 31, 2026 includes $1,658,823 (2025 - $1,806,135) with respect to balances owing to related parties for the transactions disclosed above. In January, 2026, Lassonde Industries Inc. ("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 (2025 - $3,350,000). Common shares recorded at $Nil (2025 - $99,800) were issued to a departing director in settlement of outstanding DSUs *(see note 19(a)(iv))*.

27. Non-Cash Transactions

	2026 **$**	2025 $
Right-of-use assets acquired under lease liabilities	**122,804**	19,086
Fair value discount on accrued debenture interest recognized in contributed surplus	**172,606**	-
Shares issued to Perigon as contingent consideration	**403,418**	-
Shares issued on Perigon acquisition	**-**	1,450,000
Shares issued on conversion of debenture and accrued interest	**-**	166,501
Shares issued on conversion of DSUs	**-**	99,800
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

28. 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.

(Stated in Canadian dollars, except per share amounts)

29. SEGMENTED INFORMATION

Business segments

The Company operates in two business segments, namely (i) distribution and sales of products represented in Canada under agency agreements with third parties, and (ii) sales of manufactured wines. The following table presents selected financial information associated with each of these segments for the year ended March 31, 2026 and 2025:

	Year ended March 31, 2026		
	Agency	Manufactured wines	Consolidated
	$	$	$
Manufactured wines	-	27,487,802	27,487,802
Third-party wines and spirits	823,846	-	823,846
Commission and other	3,213,843	-	3,213,843
Gross revenue	4,037,689	27,487,802	31,525,491
Inter-segment revenue	(1,642,723)	-	(1,642,723)
Net revenue	2,394,966	27,487,802	29,882,768
Gross profit	2,220,101	14,611,571	16,831,672
Interest and accretion	12,937	2,091,930	2,104,867
Depreciation and amortization	163,311	1,464,426	1,627,737
Other expenses			14,392,423
Net loss and comprehensive loss			(1,293,355)
Additions of property, plant and equipment and intangible assets	-	505,718	505,718
	Statement of financial position balances as at March 31, 2026		
Intangible assets	1,389,861	3,211,057	4,600,918
Total assets	2,762,155	44,928,806	47,690,961
Total liabilities	1,374,736	23,546,232	24,920,968

(Stated in Canadian dollars, except per share amounts)

29. **SEGMENTED INFORMATION, continued**

	Year ended March 31, 2025		
	Agency	Manufactured wines	Consolidated
	$	$	$
Manufactured wines	-	21,614,604	21,614,604
Third-party wines and spirits	1,374,830	-	1,374,830
Commission and other	2,698,490	-	2,698,490
Gross revenue	4,073,320	21,614,604	25,687,924
Inter-segment revenue	(1,181,640)	-	(1,181,640)
Net revenue	2,891,680	21,614,604	24,506,284
Gross profit	2,011,675	10,099,967	12,111,642
Interest and accretion	18,183	2,206,155	2,224,338
Depreciation and amortization	266,904	1,089,311	1,356,215
Other expenses			10,993,233
Net loss and comprehensive loss			(2,462,144)
Additions of property, plant and equipment and intangible assets	-	1,691,996	1,691,996
	Statement of financial position balances as at March 31, 2025		
Intangible assets	1,505,423	3,356,352	4,861,775
Total assets	5,462,438	45,753,932	51,216,370
Total liabilities	4,066,124	24,449,351	28,515,475

Geographic information	**2026**	2025
Revenue		
Canada	**$ 29,132,381**	$ 23,728,676
Export	**750,387**	777,608
	$ 29,882,768	$ 24,506,284

30. **REGULATORY COMPLIANCE COSTS**

In 2026 Q1, the Company identified an internal practice of submitting purchase orders and corresponding invoices to the provincial wholesaler of record under customer names that had not initiated the orders. The Company 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 and enhanced internal controls, and revised procedures have since been implemented. In December, 2025, the matter was resolved to the satisfaction of the provincial wholesaler of record at nominal resolution cost to the Company. While the resolution cost was nominal, the Company incurred approximately $371,582 in legal and audit-related professional fees during the year ended March 31, 2026 in connection with the review process.

(Stated in Canadian dollars, except per share amounts)

31. **FINANCIAL INSTRUMENTS AND RISK FACTORS**

(a) Risk management

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

(b) Classification of financial instruments

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

			2026		2025	
Assets/liabilities	**Category**	**Measurement**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
			$	$	$	$
Accounts receivable	Financial assets	Amortized cost	3,486,907	3,486,907	7,572,109	7,572,109
Mortgage receivable	Financial assets	Amortized cost	-	-	500,000	500,000
Derivative asset	Financial asset	FVTPL	474,130	474,130	-	-
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	7,611,893	7,611,893	5,786,910	5,786,910
Term loans payable	Financial liabilities	Amortized cost	11,385,553	11,385,553	16,022,024	16,022,024
Debentures payable	Financial liabilities	Amortized cost	4,561,891	4,561,891	4,394,263	4,394,263
Derivative liability	Financial liabilities	FVTPL	-	-	725,734	725,734

(Stated in Canadian dollars, except per share amounts)

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

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

	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)
2026			
Derivative asset (Note 18(f))	$ -	$ -	$ 474,130
Accrued coupon interest (Note 14)	-	-	(896,036)
2025			
Renaissance receivable (Note 5)	-	-	823,271
Derivative liability (Note 18(f))	-	-	(725,734)

(c) **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness, credit facilities and lease liabilities. Assuming that other variables remain constant, a 1% change in the prime lending rate as at March 31, 2026 would impact annual interest expense and net income by $114,000 (2025 - $160,000).

(d) **Credit risk**

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

(Stated in Canadian dollars, except per share amounts)

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

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

	2026	2025
Current	**$ 678,939**	$ 473,149
30 days past due	**1,215,716**	1,793,826
60 days past due	**242,499**	376,534
90 days past due	**48,421**	151,800
120 days past due	**411,307**	1,047,323
Expected credit loss	**(234,723)**	(397,832)
	2,362,159	3,444,800
VQA program accrual	**1,124,748**	3,304,038
Renaissance receivable	**-**	823,271
	$ 3,486,907	$ 7,572,109

The change in the expected credit loss was as follows:

	2026	2025
Balance, beginning of year	**$ 397,832**	$ 263,237
Provision for expected credit losses	**234,014**	276,288
Write-offs	**(397,123)**	(141,693)
Balance, end of year	**$ 234,723**	$ 397,832

The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. Customers with no credit evaluation are required to pay cash with no credit terms. The Company has a credit insurance policy with Export Development Canada (for export customers only). The policy's maximum liability is $650,000 for each annual period (2025 - $650,000). Based on the historical information and the credit quality of accounts receivable, management has assessed credit risk as low. It is reasonably possible that the actual amount of loss, if any, incurred on trade receivables will differ from management's estimate.

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

(e) **Concentration risk**

Concentration risk is the risk arising from a dependence on one customer or supplier for a significant portion of sales or purchases. The Company is required by provincial legislation to sell a substantial portion of its products through Canadian provincial liquor boards, which results in a concentration of sales and trade accounts receivable with these entities. During the year ended March 31, 2026, sales to one Canadian provincial liquor board customer comprised 44.0% (2025 - 50.9%) of total revenue. As at March 31, 2026, this customer represented 50.1% of trade accounts receivable (2025 - 50.5%). Given that provincial liquor boards are government entities, the Company considers the associated credit risk to be low.

Excluding sales to and amounts owing from Canadian provincial liquor boards, the Company is not dependent on, and does not have a significant concentration of credit risk with, any single customer or counterparty.

(f) **Foreign currency risk**

Foreign currency risk is the risk that changes in foreign currency rates will adversely affect the Company. The Company conducts transactions with parties worldwide, and as a result, certain of the Company's accounts receivable and accounts payable balances are denominated in United States dollars ("USD"), Australian dollars ("AUD"), Euros ("EUR") and British pounds ("GBP"). A significant change in currency exchange rate between the Canadian dollar relative to these currencies could have an effect on the operating results. The Company has not hedged its exposure to currency fluctuations. Based on this exposure and assuming that all other variables remain constant, a +/- 10% change in the value of the Canadian dollar relative to these currencies as at March 31, 2026 would affect net income and comprehensive income by approximately $7,000 (2025 - $4,000).

(g) **Liquidity risk**

Liquidity risk is the risk arising from the Company not being able to meet its obligations as they come due. The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for its financial liabilities as well as forecasting cash inflows and outflows due in day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity presented in bank indebtedness and term loans payable .

Total current liabilities as at March 31, 2026 of $24,563,884 (March 31, 2025 - $28,053,178), which includes accounts payable and accrued liabilities, current portion of term loans payable and lease liabilities, debentures payable, derivative liability and liabilities held for sale, are considered current and are due within 12 months of the end of the reporting period.

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

The following table outlines the Company's estimated contractual undiscounted obligations as at March 31, 2026. The Company analyzes contractual obligations for financial liabilities in conjunction with other commitments in managing liquidity risk. Contractual obligations include term loans payable, lease liabilities, debentures payable and contracts for the purchase of grapes, packaging and other raw materials.

	<1 year	2-3 years	4-5 years $ (000's)	>5 years	Total
Accounts payable and accrued liabilities and liabilities held for sale	8,412	-	-	-	8,412
Term loans payable	11,386	-	-	-	11,386
Lease liabilities	230	375	-	-	605
Debentures payable	4,642	-	-	-	4,642
Purchase contracts for grapes, packaging and other raw materials	2,500	5,000	-	-	7,500
Total contractual obligations	27,170	5,375	-	-	32,545

32. **SUBSEQUENT EVENTS**

(a) **Lassonde advance**

In May, 2026, Lassonde agreed to provide the Company with an unsecured advance in the principal amount of $1,000,000 (the "Advance"). 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 is unsecured, subordinated to the Company's secured indebtedness and was repaid in July, 2026.

(b) **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 March 31, 2026, no adjustment to these consolidated financial statements was required *(see note 13(b))*.

(c) **Deferred share units**

In June 2026, the Company issued an aggregate of 226,785 DSUs in settlement of $31,750 of previously accrued deferred directors compensation.