DIAMOND ESTATES WINES & SPIRITS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2026 AND 2025

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The following management discussion and analysis ("MD&A") of Diamond Estates Wines & Spirits Inc. ("Diamond" or "the Company") provides a review of corporate developments, results of operations and financial position for the three and twelve months ended March 31, 2026 ("Q4 2026" and "FY 2026" respectively) compared with the corresponding periods ended March 31, 2025 ("Q4 2025" and "FY 2025" respectively). This discussion is prepared as of July 27, 2026 and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended March 31, 2026 and 2025. Additional information regarding Diamond is available on Diamond's SEDAR+ profile at www.sedarplus.ca. The results reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars (unless otherwise indicated) which is the Company's functional currency.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements. Forward-looking statements can often be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the ability of the Company to obtain necessary financing, the economy generally, conditions in the target market of the Company, consumer interest in the services and products of the Company, competition and anticipated and unanticipated costs. Such statements could also be materially affected by environmental regulation, liquor regulation, taxation policies, competition, the lack of available and qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal or external sources. Actual results, performance or achievement could differ materially from those expressed herein. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

COMPANY OVERVIEW

Diamond Estates is a producer of high-quality wines and ciders as well as a sales agent for over 120 beverage alcohol brands across Canada. The Company operates four facilities, three in Ontario and one in British Columbia, that produce predominantly VQA wines under such well-known brand names as 20 Bees, Creekside, D'Ont Poke the Bear, EastDell, Lakeview Cellars, Mindful, Shiny Apple Cider, Fresh Wines, Red Tractor, Seasons, Serenity and Backyard Vineyards.

Through its commercial division, Trajectory Beverage Partners ("Trajectory"), the Company serves as the sales agent for a wide range of leading international beverage brands.

Wine Portfolio:

Trajectory represents renowned wine brands, including Fat Bastard and Gabriel Meffre from France; Kaiken from Argentina; Kings of Prohibition from Australia; Yealands, Kono, Tohu, and Joiy Sparkling Wine from New Zealand; Talamonti, Cielo and Valdo from Italy; Bodegas Muriel from Spain; Porta 6, Julia Florista, Boas Quintas, Catedral and Cabeca de Toiro from Portugal; Fowles Wines from Australia; Empress Wines from Croatia; as well as C.K. Mondavi & Family, Charles Krug, Line 39, Harken, FitVine and Rabble from California. Trajectory also represents a broad portfolio of wines sold exclusively to restaurants, bars and private consumers.

Spirits Portfolio:

The Company also represents distinguished spirit brands such as Cofradia Tequila, Siempre Tequila, Chisme Tequila, Hussong's Tequila, Solmano Mezcal and Chica Chida Agave Spirit from Mexico; Islay Mist and Waterproof blended Scotch whiskies from Scotland; Glen Breton Canadian whiskies from Nova Scotia; Five Farms Irish Cream Liqueur from the UK; Tequila Rose Strawberry Cream, 360 Vodka and Holladay Bourbon from the USA; Giffard Liqueurs from France; Zubrowka Vodka from Poland and Becherovka from the Czech Republic.

Beer, Cider, and RTD Portfolio:

In the beer, cider, and ready-to-drink (RTD) categories, Trajectory represents Darling Mimosa, Protini Beverages from Ontario; Mountain Joe Hard Coffee, ESA Cocktails, Solmano Craft Cocktails, Stickler Shrub Cocktails, Sunday Session RTDs and Jasper Brewing Company from Alberta, and Warsteiner and Konig Ludwig from Germany.

The Company's mission is to build lasting, mutually beneficial relationships with channel partners, growers, suppliers and employees. To meet this goal, the Company is undertaking significant investments in winemaking, brand marketing, sales programming, performance management and back-office infrastructure, including information systems which will support growth in an efficient, profitable manner. Based on its analysis of the market, the Company believes that the growth prospects for the domestic and import beverage alcohol markets in Canada are positive. The Company continues to be a participant in the export market Canadian wines and particularly Icewine enjoy a premium product positioning with international consumers.

The Company is committed to achieving its sales objectives through its distribution network, which is focused on the provincial liquor boards, licensed restaurants and bars, grocery chains, convenience stores, Diamond's four retail locations, direct-to-consumer and export channels. This distribution network is supported by enhanced sales, marketing and promotional programs. After a period of restructuring, cost optimization, and significant growth, the Company is now advancing from a position of strength and executing against a three-year strategic plan designed to scale the business and enhance long-term profitability. Key priorities include productivity improvements, disciplined cost management, and sustainable cash flow expansion. The Company continues to actively manage liquidity and covenant compliance while maintaining funding support from BMO, shareholders, and the selective divestiture of non-strategic assets.

RECENT EVENTS AND FY 2026 HIGHLIGHTS

- Revenue for FY 2026 was $29.9 million, an increase of $5.4 million from $24.5 million in FY 2025. The Winery division experienced an increase in sales of $5.9 million while the Agency division experienced a decrease of $0.5 million.
- Gross margin[1] for FY 2026 was $18.0 million, an increase of $5.1 million, from $12.9 million in FY 2025. Gross margin as a percentage of revenue grew to 60.1% for FY 2026 compared to 52.7% in FY 2025. The change in gross margins came from the Winery division experiencing an increase of $4.9 million while the Agency division reported an increase of $0.2 million. The gross margin improvement in the Winery division was driven by volume growth across all major channels as well as enhancements in the VQA Support program.
- Adjusted EBITDA[1] increased by $3.0 million to $3.8 million in FY 2026 from $0.8 million in FY 2025. The Adjusted EBITDA increase is attributed to higher sales volumes and improving gross margins in the Winery division of $4.9 million which were partially offset by an overall increase in SG&A expenses of $1.1 million.
- EBITDA[1] increased by $1.3 million to $2.4 million in FY 2026 from $1.1 million in FY 2025.
- During FY 2026, the Company generated $1.8 million of cash from operating activities before changes in non-cash working capital, compared to an outflow of $1.1 million in FY 2025. After incorporating changes in working capital, cash generated from operating activities was $5.5 million in FY 2026 versus an outflow of $1.1 million in FY 2025.
- In December, 2025, the compliance issue with the provincial wholesaler of record was resolved to their satisfaction at nominal resolution cost to the Company. While the resolution cost was nominal, the Company incurred approximately $0.4 million in professional fees and other regulatory compliance costs in FY 2026 in connection with the review process.
- Effective March 31, 2026, the Company entered into a further amendment to its Second Amended and Restated Credit Agreement (the “SARCA”) with Bank of Montreal (“BMO”), the notable terms of which were as follows: (i) extension of the maturity date to July 31, 2026, (ii) the removal of a limited recourse guarantee granted by Lassonde Industries Inc. in favour of BMO after repayment of a temporary bulge credit facility.
- In November, 2025, the Company replaced the remaining $4.7 million of 2024 Replacement Debentures with new debentures (the "2025 Replacement Debentures"). The material terms of the 2025 Replacement Debentures are similar to the 2024 Replacement Debentures, other than (i) the conversion price, which is now $0.22, (ii) the maturity date, which is now November 9, 2026, and (iii) a forced conversion on maturity. $0.1 million of smaller debentures and $0.4 million of unpaid coupon interest were settled in cash during FY 2026.

- In July, 2025 and December, 2025, the Company issued 1.9 million common shares valued at $0.4 million with respect to remaining obligations re the Company purchase of Perigon Beverage Group. This is further to the October, 2024 initial purchase price of $1.5 million settled through the issuance of 5,000,000 common shares.
- In February, 2025, the United States government announced new trade measures, including tariffs of 25% on goods imported from Canada which was subsequently increased to 35% on non-CUSMA goods. The Company is continuing to evaluate the potential impacts the tariffs may have on its supply of inputs and demand for its products. To date, the overall impact has been positive, driven in part by strengthening "Buy Canada" consumer sentiment that has supported incremental demand and growth, while there has been minimal impact on the Company's cost of goods sold. The Company will continue to work with its suppliers and customers to mitigate any future risks and capitalize on emerging opportunities.
- In May, 2024, the Ontario government updated its December 2023 announcement with respect to significant policies and changes to an existing program intended to provide economic support for the Ontario wine industry for a period of five years. Under the revised Ontario VQA Support Program, the Company recorded revenues of $6.9 million in FY 2026 (FY 2025 - $3.3 million).

[1] *See definition of selected terms under the heading "Non-IFRS Financial Measures"*

GOING CONCERN

The accompanying consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards issued by the International Accounting Standards Board ("IASB") and the IFRIC® Interpretations of the IFRS Interpretations Committee" applicable to a going concern.

Net loss and comprehensive loss for FY 2026 was $1.3 million (FY 2025 - $2.5 million). Additionally, the Company reported cash flow from operations (before changes in non-cash working capital) of $1.8 million in FY 2026 (FY 2025 - negative $1.1 million). As at March 31, 2026, the Company had an accumulated deficit of $36.5 million (March 31, 2025 - $35.2 million) and working capital of $0.8 million (March 31, 2025 - $Nil million).

Effective March 31, 2026, the Company agreed to the eighth amendment to its SARCA with BMO that, among other provisions, extended the maturity date to July 31, 2026 (see further discussion in Liquidity and Capital Resources section below). 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. As at March 31, 2026, the Company is in compliance with all of its covenant obligations for the rolling 4 quarter period then ended. As of March 31, 2026, the Company has debt repayment requirements of $14.1 million over the next twelve months, including all its term loans, the current portion of its lease liabilities and annual seasonal grape purchase commitments in the fall of 2026, but excluding any convertible debentures (see further discussion in Liquidity and Capital Resources section below). These circumstances cast significant doubt as to the ability of the Company to continue as a going concern and, accordingly, the appropriateness ultimately of the use of accounting principles applicable to the going concern assumption.

In response to the recurring operating losses, negative cash flows from operating activities, and loss of a significant supplier, the Company 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 net proceeds of $2.3 million, the debenture financing of $4.9 million arranged in November, 2022 and its subsequent rollovers, the sale of Queenston Mile Vineyard in February, 2024 for net proceeds of $3.3 million and the other assets held for sale, the agreement with Renaissance and execution of the put option in August, 2024 for total proceeds of $2.3 million, the updated credit agreement with BMO in March, 2026 and additional BMO funding of $3.6 million, 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 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.

REGULATORY COMPLIANCE REVIEW – CONSIGNMENT CHANNEL

During Q1 2026, the Company identified an internal practice of submitting purchase orders and corresponding invoices to its provincial wholesaler of record under customer names that had not initiated the orders. These findings were disclosed to its provincial wholesaler of record and were delivered in a formal notification letter. The Company worked through its next steps and/or penalties/sanctions with its provincial wholesaler of record. In response to these matters, a Compliance Committee was formed which undertook a comprehensive internal investigation. This included interviews with senior management and operational staff across all business units, and a review of sales, tax, licensing, and export practices.

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 $0.4 million in legal and audit-related professional fees during the year ended March 31, 2026 in connection with the review process.

SELECT FINANCIAL INFORMATION

	FY 2026	FY 2025	FY 2024
	$	$	$
Revenue	**29,882,768**	24,506,284	28,505,140
Gross margin	**17,954,645**	12,913,327	11,606,563
Net loss and comprehensive loss	**(1,293,355)**	(2,462,144)	(10,652,394)
Basic loss per share	**(0.02)**	(0.04)	(0.30)
Working capital surplus (deficiency)	**835,136**	6,039	(2,394,660)
Total assets	**47,690,961**	51,216,370	52,593,035
Term loans, lease liabilities and debentures payable	**16,508,830**	21,121,996	17,532,354
Shareholders' equity	**22,769,993**	22,700,895	20,896,431

See discussion of financial results under "Results of Operations" and "Liquidity and Capital Resources"

QUARTERLY PERFORMANCE

The following table highlights certain key quarterly financial highlights. Commentary on the selected highlights is included under "Results of Operations" and "Liquidity and Capital Resources".

	Mar-2026 Q4 2026	**Dec-2025 Q3 2026**[2]	**Sep-2025 Q2 2026**[2]	**Jun-2025 Q1 2026**[2]	**Mar-2025 Q4 2025**	**Dec-2024 Q3 2025**	**Sep-2024 Q2 2025**	**Jun-2024 Q1 2025**
	$	$	$	$	$	$	$	$
Balance sheet								
Working capital surplus (deficiency)	835,136	1,898,652	1,384,892	657,601	6,039	588,405	(99,350)	(3,285,654)
Term debt, lease liabilities and debentures payable	16,508,830	17,656,629	16,831,109	16,953,476	21,121,996	20,152,226	18,284,616	23,153,429
Total equity	22,769,993	24,049,753	23,705,897	23,211,629	22,700,895	23,507,206	21,639,419	18,952,346
Income statement								
Revenue	5,685,044	7,779,429	8,451,774	8,340,501	4,207,745	6,411,295	7,715,463	6,171,781
Gross margin	3,240,997	4,470,552	5,901,897	4,715,179	2,306,666	3,686,460	4,157,914	2,762,287
EBITDA[1]	(622,064)	717,067	913,776	1,430,470	(192,528)	1,365,002	1,045,174	(1,099,239)
Adjusted EBITDA[1]	107,203	665,170	1,793,935	1,271,081	(19,080)	616,345	520,353	(330,147)
Net income (loss)	(1,507,717)	(135,076)	(16,513)	365,951	(1,118,256)	483,442	190,449	(2,017,779)
Basic income (loss) per share	(0.02)	0.00	0.00	0.01	(0.02)	0.01	0.00	(0.04)

[1] *See definition of selected terms under the heading "Non-IFRS Financial Measures"*

[2] *Previously reported amounts for revenue and gross margin have been reduced to reflect reclassification of certain customer costs from advertising and promotion to revenue, as follows: 2026 Q3 - $455,631; 2026 Q2 - $198,702; 2026 Q1 - $175,279. There was no impact on EBITDA, Adjusted EBITDA or net income (loss) as a result of this reclassification.*

RESULTS OF OPERATIONS

	FY 2026	FY 2025
Revenue	$ 29,882,768	$ 24,506,284
Cost of sales	11,928,123	11,592,957
Gross margin	17,954,645	12,913,327
Gross margin (% of revenue)	*60.1%*	*52.7%*
Selling, general and administration expenses	14,117,256	13,004,695
SG&A expenses (% of revenue)	*47.2%*	*53.1%*
Income (loss) from operations	3,837,389	(91,368)
Change in fair value of derivative liability	(1,047,262)	(1,155,493)
Perigon contingent consideration	403,418	-
Regulatory compliance costs	371,582	-
Loss (gain) on disposition of intangible assets	231,199	(501,137)
Restructuring charge	608,409	2,549
Loss on de-recognition of ROU asset	-	198,240
Impairment provision - assets held for sale	612,072	410,000
Share based compensation	786,429	366,894
Gain on modification of debenture	(567,707)	(530,831)
EBITDA	2,439,249	1,118,410
Interest and accretion	2,104,867	2,224,338
Depreciation and amortization	1,627,737	1,356,216
Net loss and comprehensive loss	$ (1,293,355)	$ (2,462,144)

[1] *See definition of selected terms under the heading "Non-IFRS Financial Measures"*

Revenue for FY 2026 was $29.9 million, an increase of $5.4 million from $24.5 million in FY 2025. The Winery division experienced an increase in sales of $5.9 million while the Agency division experienced a decrease of $0.5 million. The increase in sales in the Winery division is driven by all retail channels with Grocery and Convenience growing most strongly. Changes in the VQA support program also supported improvements. The decrease in the Agency division was primarily driven by the sale of Western Canada operations to Renaissance which has been partly offset by the acquisition of Perigon Beverage Group. Total revenue for Q4 2026 was $5.7 million, an increase of $1.6 million compared to Q4 2025, with $1.1 million of the increase attributable to the Winery division. Q4 2025 revenue was reduced by approximately $1.0 million by items recorded in that quarter, principally an adjustment to reduce the VQA rebate accrual and the change in presentation of the consignment channel; excluding these items, Q4 2025 revenue increased by approximately $0.4 million year-over-year.

Gross margin[1] for FY 2026 was $18.0 million, an increase of $5.1 million, from $12.9 million in FY 2025. Gross margin as a percentage of revenue grew to 60.1% for FY 2026 compared to 52.7% in FY 2025. The change in gross margins came from the Winery division experiencing an increase of $4.9 million while the Agency division reported an increase of $0.2 million. The gross margin percentage in the Winery division increased from 50.5% in FY 2025 to 57.2% in FY 2026. The gross margin at the Agency increased from 69.4% in FY 2025 to 92.7% in FY 2026 as the revenue mix in FY 2026 was comprised almost entirely of commission income compared to significant third party wines and spirits in FY 2025 (following the sale of Western Canada operations in FY 2025). Gross margin for Q4 2026 was $3.2 million compared to $2.2 million in Q4 2025, while margin percentage increased from 53.1% in Q4 2025 to 57.0% in Q4 2026. After adjusting for the items noted above and the release of prior years' production overhead adjustments recorded in Q4 2025, the Q4 2025 gross margin percentage was approximately 52.3% on a basis comparable with Q4 2026, and the year-over-year improvement in Q4 gross margin was approximately $0.5 million.

Total SG&A expenses increased by $1.1 million to $14.1 million in FY 2026 from $13.0 million in FY 2025. The increase was primarily driven by a $0.4 million increase in VQA support program payments to Generations related to the D'Ont Poke the Bear licensing agreement (50% of VQA rebates payable through May 2029, recorded as commission expense) and $0.5 million in employee-related costs.

Income from operations for FY 2026 was $3.8 million compared to a loss of $0.1 million in FY 2025, an increase of $3.9 million, reflecting improved Winery margins of $4.9 million offset by higher SG&A of $1.1 million.

As at March 31, 2026, the Company has classified certain winery division properties and related operating assets and liabilities detailed below totaling $3.2 million as assets held for sale. Assets are carried at the lower of fair value less costs of disposal and carrying amount. Based on a management estimate, a further impairment provision of $0.4 million was recognized during Q4 2026 in addition to a prior impairment provision of $0.4 million recognized during Q1 2025.

EBITDA[1] increased by $1.3 million to $2.4 million in FY 2026 from $1.1 million in FY 2025. The change is attributable to the increase in gross margin of $5.1 million, offset by year-over-year increases in expenses as follows: SG&A of $1.1 million as detailed above, regulatory compliance costs of $0.4 million, Perigon acquisition costs of $0.4 million, impairment provision of $0.2 million as described above, restructuring charges of $0.6 million and year-over-year change in the disposition of intangible assets of $0.8 million. Adjusted EBITDA[1] increased by $3.0 million to $3.8 million in FY 2026 from $0.8 million in FY 2025. The Adjusted EBITDA increase is largely attributed to higher sales and improving gross margins in the Winery division less the overall increase in SG&A expenses compared to the prior year. For the fourth quarter, Adjusted EBITDA was approximately $0.1 million in Q4 2026 compared to break-even in Q4 2025. Q4 2025 benefited from approximately $0.4 million of net one-time items, principally the release of prior years' production overhead variances and credits to wages and advertising and promotion accruals, partially offset by the VQA rebate accrual adjustment noted above; excluding these items, Q4 Adjusted EBITDA improved by approximately $0.4 million year-over-year, reflecting higher sales at stronger margins with operating expenses essentially unchanged.

Interest and accretion expense was $2.1 million in FY 2026, a decrease of $0.1 million compared to FY 2025. Depreciation and amortization expense increased by $0.2 million when compared to FY 2025.

Net loss decreased by $1.2 million to $1.3 million in FY 2026 from $2.5 in FY 2025 million primarily due to the same non-operational and one-time items that impacted EBITDA.

LIQUIDITY AND CAPITAL RESOURCES

	March 31, 2026			March 31, 2025		
ASSETS	As reported	Assets held for sale	Adjusted	As reported	Assets held for sale	Adjusted
Accounts receivable	$ 3,486,907	$ 23,849	$ 3,510,756	$ 7,572,109	$ 5,395	$ 7,577,504
Inventory	16,289,368	2,460,998	18,750,366	15,164,887	2,097,047	17,261,934
Prepaid expenses	1,089,754	39,252	1,129,006	751,409	38,439	789,848
Asset held for resale	3,997,145	(3,997,145)	-	4,012,449	(4,012,449)	-
Mortgage receivable	-	-	-	500,000	-	500,000
Current portion of finance lease receivable	61,716	-	61,716	58,363	-	58,363
Derivative asset	474,130	-	474,130	-	-	-
	25,399,020	(1,473,046)	23,925,974	28,059,217	(1,871,568)	26,187,649
Finance lease receivable	116,658	-	116,658	178,375	-	178,375
Property, plant and equipment	16,726,360	756,874	17,483,234	17,318,072	743,324	18,061,396
Right of use assets	848,005	716,172	1,564,177	798,931	896,984	1,695,915
Intangible assets	4,600,918	-	4,600,918	4,861,775	231,260	5,093,035
	$ 47,690,961	$ -	$ 47,690,961	$ 51,216,370	$ -	$ 51,216,370
LIABILITIES						
Accounts payable and accrued liabilities	$ 7,611,893	$ 84,073	$ 7,695,966	$ 5,786,910	$ 55,017	$ 5,841,927
Current portion of term loans payable and lease liabilities	11,589,855	-	11,589,855	16,265,436	104,102	16,369,538
Debentures payable	4,561,891	-	4,561,891	4,394,263	-	4,394,263
Derivative liability	-	-	-	725,734	-	725,734
Liabilities held for sale	800,245	(800,245)	-	880,835	(880,835)	-
	24,563,884	(716,172)	23,847,712	28,053,178	(721,716)	27,331,462
Lease liabilities, net of current portion	357,084	716,172	1,073,256	462,297	721,716	1,184,013
	24,920,968	-	24,920,968	28,515,475	-	28,515,475
SHAREHOLDERS' EQUITY	22,769,993	-	22,769,993	22,700,895	-	22,700,895
	$ 47,690,961	$ -	$ 47,690,961	$ 51,216,370	$ -	$ 51,216,370

The Company has modified the presentation of the statements of financial position as at March 31, 2026 and March 31, 2025 to include columns to allocate the assets (liabilities) held for sale back to their equivalent presentation as if the assets (liabilities) were not held for sale. This is presented as a supplementary non-IFRS financial measure to provide users with more meaningful comparative balances and to better illustrate the impact on working capital of the reclassification of assets held for sale. All commentaries in the Liquidity and Capital Resources section are made with reference to these modified balances.

Liquidity risk is the risk that the Company may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or damage to the Company's reputation. To ensure the Company maintains an adequate level of liquidity, including compliance with debt covenants, the Company maintains a strategic review process that engages in actions designed to reduce the cost structure, improve productivity and enhance future cash flow *(see further discussion in "Going Concern" section above)*;

Working capital, modified as described above, increased by $1.2 million to a surplus of $0.1 million as at March 31, 2026 from a deficiency of $1.1 million as at March 31, 2025, mostly from the overall improving income from operations over the prior year.

As at March 31, 2026, the Company has classified certain operating assets (and associated liabilities) detailed below netting to $3.2 million as assets held for sale. Management is pursuing an active program to locate a buyer and intends to sell the remaining assets within one year of the reporting date, having already sold the previously similarly classified Queenston Mile Vineyard winery in February, 2024. Based on a management estimate, a further impairment provision of $0.4 million was recognized during Q4 2026 in addition to a prior impairment provision of $0.4 million recognized during Q1 2025.

	March 31, 2026	March 31, 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	**756,874**	743,324
Right-of-use assets	**716,172**	896,984
Intangible assets	**-**	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

Accounts receivable of $3.5 million as at March 31, 2026 decreased by $4.1 million from $7.6 million as at March 31, 2025, driven by VQA rebates received in FY 2026, lower AR trade driven by the absence of agency buy/sell customers compared to prior year and receipt of previously accrued proceeds due from Renaissance under the terms of its August, 2024 purchase and sales agreement. In August, 2025, the Company received agreed-upon cash proceeds of $0.6 million, such that the remainder of $0.2 million was expensed as a loss on sale of intangible assets.

The inventory balance was $18.8 million as at March 31, 2026, an increase of $1.5 million from $17.3 million as at March 31, 2025, impacted by higher than usual seasonal grape purchases of $5.5 million offset by a sell-through of bulk wine of $2.1 million and normal depletion from an increased level of sales.

Accounts payable and accrued liabilities of $7.7 million as at March 31, 2026 increased by $1.9 million compared to $5.8 million as at March 31, 2025 due to additional Icewine purchases and optimization of existing working capital.

The BMO credit facilities are governed under the terms of its Second Amended and Restated Credit Agreement (the "SARCA") and include non-revolving term loans and a revolving operating line which totalled $11.4 million as at March 31, 2026, a decrease of $4.6 million from $16.0 million as at March 31, 2025. The decrease is comprised of (i) a paydown on the demand non-revolving term loan of $2.5 million (out of the VQA proceeds of $3.1 million received in 2025 Q1), (ii) a paydown of the non-revolving term loan of $1.4 million, financed largely out of the proceeds of the mortgage receivable of $0.5 million (received in April, 2025) and further VQA proceeds, and (iii) a decrease of $0.7 million in the revolving term loan from normal swings in operating cash flows.

Effective March 31, 2026, the Company agreed to the 8th amendment to its SARCA with BMO that featured the following material changes:

- maturity date extended to July 31, 2026
- the removal of a limited recourse guarantee granted by Lassonde Industries Inc. in favour of BMO after repayment of a temporary bulge (issued under the 7th amendment) in the line of credit of $3,600,000

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

- On November 7, 2025, the Company agreed to the 7th amendment to its SARCA, the major terms of which included extension of the maturity date to March 27, 2026 and change in the interest rates to the prime rate plus 2.65% during the temporary bulge period and the prime rate plus 2.40% at all other times.
- Effective August 22, 2025, the Company entered into the 6th amendment 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 5th amendment extended the maturity date to March 31, 2025.
- Effective January 31, 2025, the 4th amendment extended the maturity date to February 28, 2025.

On December 16, 2025, all of the remaining and outstanding 2024 Replacement Debentures with a face value of $4.7 million were rolled over into new one-year convertible debentures (the "2025 Replacement Debentures") with similar terms and market interest rate, a conversion price of $0.22 per common share, and a forced conversion on maturity. In December, 2025, $0.1 million of debentures were settled in cash. The 2025 Replacement Debentures were initially recognized with a fair value of $4.2 million after recognizing a derivative asset of $0.2 million. The difference between the face value of the 2024 Replacement Debentures of $4.7 million plus the adjustments noted above less the fair value of the 2025 Replacement Debentures of $4.2 million was $0.6 million, and was recognized as income in FY 2026. After recording accretion on the 2025 Replacement Debentures of $0.3 million in FY 2026, the carrying value of the 2025 Replacement Debentures as at March 31, 2026 was $4.6 million. In January, 2026, Lassonde acquired a 10.0% unsecured convertible debenture of Diamond Estates with a stated maturity date of November 9, 2026 in the principal amount of $1,304,000 (and related accrued coupon interest) from an arm's length third party through a privately negotiated transaction. Following the acquisition, Lassonde and parties related to it now hold 100% of the issued and outstanding convertible debentures that have a face value of $4,654,000.

The following table outlines the Company's estimated contractual obligations as at March 31, 2026:

	<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 (face value)	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

The Company's debt to equity ratio decreased to 0.76:1 as at March 31, 2026 from 1.00:1 as at March 31, 2025, where debt is defined as total liabilities less accounts payable and accrued liabilities, and equity is defined as shareholders' equity. This decrease is due to the overall paydown of the BMO credit facilities as described above and the profitability achieved in FY 2026.

CAPITALIZATION

The calculation of fully diluted outstanding shares at each reporting date, including the estimated number of shares that could be issued on the convertible debentures and accrued coupon interest if they were ultimately settled in shares, is as follows:

	March 31, 2026	March 31, 2025	Change in reporting period
Common shares	67,818,328	65,848,328	1,970,000
Stock options	5,925,000	6,430,000	(505,000)
Deferred share units	2,458,515	1,482,162	976,353
Convertible debentures	21,154,545	19,758,333	1,396,212
Coupon interest on debentures payable	6,281,250	5,792,687	488,563
Fully diluted outstanding shares	103,637,638	99,311,510	4,326,128

During FY 2026, the changes to the Company's capitalization were as follows:

- 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 $0.4 million 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).

- In October, 2025, the Board of Directors authorized the issuance of 1,250,000 stock options to a key member of management. The options each have an exercise price of $0.19 and a term of 5 years, vesting as to 25% per year on each anniversary date over the next 4 years. A total of 1,755,000 options also expired unexercised during the reporting period.
- During FY 2026, the Company issued 976,433 DSUs valued at $0.1 million to non-executive directors under the DSU Plan in settlement of deferred directors' compensation (2025 - 803,031 DSUs valued at $0.2 million).
- The number of shares that could be issued in settlement of accrued coupon interest on the debentures payable increased by 488,563, due to the net of (i) normal interest accrued over the course of FY 2026, (ii) settlement in cash of $0.4 million of accrued coupon interest, and (iii) the decrease in the Company's stock price,

SUBSEQUENT EVENTS

Lassonde advance

In May, 2026, Lassonde agreed to provide the Company with an unsecured advance in the principal amount of $1.0 million (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 and subordinated to the Company's secured indebtedness, and was repaid in full in July, 2026.

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 $0.25 million. The transaction is subject to customary closing conditions, including regulatory approvals.

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.

NON-IFRS FINANCIAL MEASURES

Management uses net loss and comprehensive loss as presented in the consolidated statements of net loss and comprehensive loss as well as "gross margin", "EBITDA" and "Adjusted EBITDA" as a measure to assess performance of the Company. The Company defines "gross margin" as gross profit excluding depreciation. EBITDA and "Adjusted EBITDA" are other financial measures and are reconciled to net loss and comprehensive loss below under "Results of Operations".

Gross margin, EBITDA and Adjusted EBITDA are supplemental financial measures to further assist readers in assessing the Company's ability to generate income from operations before considering the Company's financing decisions, depreciation of property, plant and equipment and amortization of intangible assets. EBITDA comprises gross margin less operating costs before financial expenses, depreciation and amortization, non-cash expenses such as share-based compensation, one-time and other unusual items, and income tax. Adjusted EBITDA comprises EBITDA before non-recurring expenses including cost of sales adjustments related to inventory acquired in business combinations, cost of sales adjustments to fixed production overheads, and other non-recurring adjustments included in the calculation of EBITDA. Gross margin is defined as gross profit excluding depreciation on property, plant and equipment used in production. Operating expenses exclude interest, depreciation on property, plant and equipment used in selling and administration, and amortization of intangible assets.

EBITDA does not represent the actual cash provided by the operating activities nor is it a recognized measure of financial performance under IFRS. Readers are cautioned that this measure should not be considered as a replacement for those as per the consolidated financial statements prepared under IFRS. The Company's definitions of this non-IFRS financial measure may differ from those used by other companies.

The Company calculates gross margin as follows:

	FY 2026	FY 2025
Revenue	**$ 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	**1,122,973**	**801,685**
Gross profit	**16,831,672**	**12,111,642**
Exclude depreciation	**1,122,973**	**801,685**
Gross margin	**$ 17,954,645**	**$ 12,913,327**
Gross margin (% of revenue)	***60.1%***	***52.7%***

The Company calculates EBITDA and Adjusted EBITDA as follows:

	FY 2026	FY 2025
Net loss for period	**$ (1,293,355)**	**$ (2,462,144)**
Interest and accretion	**2,104,867**	**2,224,338**
Depreciation and amortization	**1,627,737**	**1,356,215**
EBITDA	**2,439,249**	**1,118,409**
Change in fair value of derivative liability	**(1,047,262)**	**(1,155,493)**
Perigon contingent consideration	**403,418**	**-**
Regulatory compliance costs	**371,582**	**-**
Loss (gain) on disposition of intangible assets	**231,199**	**(501,137)**
Restructuring charge	**608,409**	**2,549**
Loss on de-recognition of ROU asset	**-**	**198,240**
Impairment provision - assets held for sale	**612,072**	**410,000**
Share-based compensation	**786,429**	**366,894**
Gain on modification of debenture	**(567,707)**	**(530,831)**
Cost of sales adjustments to fixed production overheads	**-**	**633,321**
Cost of goods sold adjustments for fair value of EWG inventories sold	**-**	**245,519**
Adjusted EBITDA	**$ 3,837,389**	**$ 787,470**

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.

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

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

STRATEGIC OUTLOOK AND DIRECTION

Diamond is committed to building enduring, high quality beverage alcohol brands that enhance life enjoyment in a socially responsible manner. The Company believes in the development of leading brands that recognize consumers' interests in wine, beer, cider and ready-to-drink beverages and spirits, while addressing their desire to explore many of the Company's exciting offerings. Consumer demand has been expressing interest in low and non-alcoholic products; in response the Company has been providing a low alcohol brand Mindful in its domestic portfolio and has been consistently adding low and non-alcoholic beer and wine suppliers to its import portfolio. Vertically integrated, Diamond combines modern and efficient production facilities for its Niagara and B.C. wines with a national oriented marketing agency for its broad portfolio of leading international wines and spirits. The Company is well positioned to add to its throughput of wine production and leverage its national sales relationships to drive growth from existing brands and support new brands without material change to its cost structure.

Retail modernization for the sale of beverage alcohol in Ontario continues to accelerate and these channels have a stronger position in domestically produced products vs other channels. We continue to put a high priority on this channel as the provincial government continued to issue more licenses to wine in grocery, big-box and convenience stores throughout the 2025 and 2026 calendar years. Importantly, the Ontario government confirmed significant enhancements to the existing VQA support programs by providing a 50% uncapped rebate on all VQA wines, which now includes Icewine as of May 2025. This was introduced to provide economic support to the Ontario wine industry for years to come. The net impact is to reflect a reduction in the tax burden that was putting severe pressure on the beverage alcohol industry. The government recently extended the program for an additional two years in order to give a five year horizon that encourages investment to grow the economic benefit of the wine industry in Ontario. A further commitment was made in May 2025 enhancing the program with a 25% rebate on VQA wines sold at the winery retail stores. Additionally, LCBO mark ups on craft cider, craft beer and craft spirits was reduced starting in August 2025 with the intention to improve margins for craft suppliers so that further investment will be encouraged to grow these categories and contribute to the Ontario economy. A number of additional enhancements were made to the industry that do not directly support the Diamond business, but do provide assistance to the grape growing community and assist with the transition costs for the offsite retail store networks.

Lastly, in addition to the benefits of retail expansion and the lower tax burden, the Company has taken a number of actions to return to profitable commercial operations, enhance its financial flexibility, and reduce its debt via divestments of non-strategic assets and new equity and debt placements. The Company has made significant progress against its strategic plans by continuing to reduce its total debt and has made considerable improvements in EBITDA. The Company is seeing improvements in EBITDA from the revitalized VQA program, the completion of a licensing agreement for the D'Ont Poke The Bear brand, the purchase of Perigon Beverage Partners and other ongoing cost reduction initiatives including the disposition of its Western Canada agency business and new agency partnerships in Quebec and the Atlantic provinces. The total debt was reduced through the divestiture of QMV, the sale of the Western Canada agency and an equity raise, and will be further reduced from the remaining assets held for sale

RISK FACTORS

BUSINESS RISKS

The following risk factors should be carefully considered in evaluating the Company and the industry it operates in. The risks presented below may not be all of the risks that Diamond may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. New risks may emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

PROFITABILITY

There is no assurance that Diamond will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue Diamond's business development and marketing activities. If Diamond does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

DEPENDENCE ON MANAGEMENT AND KEY PERSONNEL

Diamond will depend on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term. Diamond's success will depend in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on Diamond's business, financial condition, results of operations and prospects. The contributions of the existing management team to the immediate and near-term operations of Diamond are likely to be of central importance. In addition, the competition for qualified personnel in the industry is competitive and there can be no assurance that Diamond will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgement, discretion, integrity and good faith of the management of Diamond.

GOVERNMENT REGULATION OF LIQUOR INDUSTRY

Diamond will operate in the highly regulated retail liquor industry in the Province of Ontario and throughout Canada. The Alcohol and Gaming Commission of Ontario (the "AGCO"), the Liquor Control Board of Ontario (the "LCBO") and similar Liquor Boards throughout Canada, may issue decisions, enact rules, new legislation or regulations or may make changes to existing legislation or regulations, all of which can impact the operation of Diamond both favourably and unfavourably. There is no assurance that new legislation or regulations or changes to existing legislation or regulations or decisions of any regulatory bodies in the retail liquor industry in Canada will not adversely affect the operations, profitability, or distributable cash of Diamond.

SIGNIFICANT COMPETITION

The alcoholic beverage industry in Canada is intensely competitive, consisting of many large and small Canadian corporations and international corporations with some possessing extensive experience and financial resources.

MANAGEMENT OF GROWTH

Diamond may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Diamond to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Diamond to deal with this growth may have a material adverse effect on Diamond's business, financial condition, results of operations and prospects.

ADDITIONAL FINANCING

Diamond will require additional financing in order to make further investments or take advantage of future opportunities. The ability of Diamond to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of Diamond. There can be no assurance that Diamond will be successful in its efforts to arrange additional financing on terms satisfactory to Diamond. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of Diamond may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, Diamond may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

From time to time, Diamond may enter into transactions to acquire assets or the shares of other organizations or seek to obtain additional working capital. These transactions may be financed in whole or in part with debt, which may increase Diamond's debt levels above industry standards for companies of similar size. Depending on future plans, Diamond may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to Diamond. The level of Diamond's indebtedness, from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

LABOUR COSTS AND SHORTAGES AND LABOUR RELATIONS

The success of Diamond's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of Diamond to hire or retain staff at current wage levels. The occurrence of either of these events could have an adverse effect on Diamond's results of operations. Diamond does not currently have unionized staff, but no assurance can be made that some or all of the employees of Diamond will not unionize in the future. If successful, such an occurrence could increase labour costs and thereby have an adverse effect on Diamond's results of operations.

AGRICULTURAL RISK

The production and sale of wine is dependent upon a consistent supply of high-quality grapes available at reasonable prices. Should some or all of the wineries that Diamond works with be unable to produce the quality of grapes necessary to produce wine, such a shortfall in product could adversely affect the operations, results and financial position of Diamond.

Diamond expects to continue to increase its share of the premium wine business in Canada, principally through the sale of VQA wines, and as a result is more dependent on the quality and supply of domestically grown premium quality grapes. If any of Diamond's vineyards experience certain weather variations, natural disasters, pestilence, other severe environmental problems or other occurrences, Diamond may not be able to secure a sufficient supply of grapes and there could be a decrease in the production of certain products from those regions and/or an increase in costs. In the past, where there was a significant reduction in domestically sourced grapes, the Government of Ontario, in conjunction with the Wine Council of Ontario and the Ontario Grape Growers Marketing Board, agreed to temporarily increase the blending of imported wines, which enabled Diamond to continue to supply wines to the market. There is no certainty that such intervention will be available to the same extent in the future, if at all. The inability to secure premium quality grapes could impair the ability of Diamond to supply wines to its customers.

FOREIGN EXCHANGE

Foreign exchange risk exists on the purchases of all agency brand inventories purchased in foreign currencies for British Columbia and Alberta, which are predominately in Euros and Australian dollars. Diamond currently does not enter into foreign exchange contracts.

ENERGY COSTS

Diamond could experience an increase in energy costs which could result in higher transportation, freight and other operating costs. Diamond's future operating expenses and margins will be dependent on its ability to manage the impact of cost increases. Diamond cannot guarantee that it will be able to pass along increased energy costs to its customers through increased prices.

TAXATION

Canada imposes excise and other taxes on beverage alcohol products in varying amounts which have been subject to change. Significant increases in excise and other taxes on beverage alcohol products could materially and adversely affect Diamond's financial condition or results of operations. In addition, federal and provincial governmental agencies extensively regulate the beverage alcohol products industry concerning such matters as licensing, trade practices, permitted and required labelling, advertising and relations with consumers and retailers. Certain federal and provincial regulations also require warning labels and signage. New or revised regulations or increased licensing fees, requirements or taxes could also have a material adverse effect on Diamond's financial condition or results of operations.

TRADEMARKS

Diamond considers its trademarks, particularly certain brand names and product packaging, advertising and promotion design and artwork, to be of significant importance to its business and ascribes a significant value to these intangible assets. Diamond will rely on trademark laws and other arrangements to protect its proprietary rights. There can be no assurance that the steps taken by Diamond to protect its intellectual property rights will preclude competitors from developing confusingly similar brand names or promotional materials. Diamond believes that its proprietary rights do not infringe upon the proprietary rights of third parties, but there can be no assurance in this regard.

IMPORTANCE OF INVENTORY, WAREHOUSE AND DISTRIBUTION SYSTEMS

Diamond's inventory, warehouse and distribution systems are critical components of its operations. Diamond's ability to maintain and upgrade the capabilities of these systems is important to its future performance. If Diamond is unable to maintain the inventory, warehouse and distribution systems or fails to adequately upgrade these systems, Diamond's operations could be adversely affected with the further material adverse effect being on financial results of operations.

WHOLESALE COST INCREASES

Wholesale costs are dependent on a number of factors, including inflation and fuel prices. Any attempt to pass on an increase in wholesale costs to consumers through product price increases could have a material adverse effect on Diamond’s sales while a failure to effectively pass any such increases on to consumers could have a material adverse effect on Diamond’s result of operations.

CONCENTRATION RISK

Concentration risk is the risk arising from a dependence on one customer or supplier for a significant portion of sales or purchases. The risk of a significant customer having financial difficulties would have a negative impact on the Company, as would losing a large supplier who represents a significant portion of the Company's purchases.

DISTRIBUTION BUSINESS

Diamond’s business model includes a number of wine and alcohol brands that are represented on an agency basis. There is a risk that such agency brands are sold to an entity that has a pre-existing distribution agency relationship with a provider other than Diamond, and Diamond’s revenues and profitability could suffer as result. Furthermore, Diamond’s distribution business depends on the ability to retain its current brands as well as attracting additional brands in the future, and a failure to do so could negatively impact revenues and profitability of Diamond.

CREDIT RISK

Credit risk arises from credit exposure to customers through outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the Company's financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of its counterparties, considering their financial position, past experience and other factors. As the large majority of the Company's accounts receivable balances are collectable from government-controlled liquor boards, management believes the Company's credit risk relating to accounts receivable is at an acceptably low level.

EXPOSURE TO INTEREST RATE FLUCTUATIONS

The Company has a high level of floating rate debt. Interest rate risk exists as an increase in interest rates would increase the Company's overall financing costs and have a material impact on Diamond's financial position over the long term.

ENVIRONMENTAL COMPLIANCE

Environmental liabilities may potentially arise when companies are in the business of manufacturing products and, thus, required to handle potentially hazardous materials. As an owner and lessor of property, the Company is subject to various federal and provincial laws relating to environmental matters. Such laws provide that the Company could be held liable for the cost of removal and remediation of hazardous substances on its properties. Management is of the opinion that the risk of environmental liabilities is considered minimal.

PACKAGING

The Company purchases glass, bag in box and other components used in the bottling and packaging of wine. The largest component in the packaging of wine is glass, of which there are few domestic or international suppliers. Diamond sources glass from various distributors and manufacturers both domestically and internationally to ensure an adequate supply. As there is currently only one commercial supplier of glass in Canada, any interruption in supply could have an adverse impact on the Company’s ability to supply its markets.

INDUSTRY CONSOLIDATION

In recent years, the global beverage alcohol industry has experienced a significant amount of consolidation. Industry consolidation can have varying degrees of impact and, in some cases, may even create exceptional opportunities. Under either scenario, management believes that the Company is well positioned to deal with this or other changes to the competitive landscape in Canada.

CYBERSECURITY

In the normal course of business, the Company relies on information technology systems to process, transmit and store information in all areas of its operations as well as for the reporting of its results. Additionally, a significant portion of that information concerns its business and/or clients and partners and is maintained either within its premises or at the sites of its technology partners.

These systems may be vulnerable to an increasing number of sophisticated cyber threats and other failures such as telecommunications interruptions, natural disasters, human error and other security issues. Such events could impede or interrupt the Company's operations or result in other negative consequences, including remediation costs, loss of revenue, litigation and reputational damage, or fines and criminal penalties. The Company's financial results, market value or ability to achieve its strategic business objectives could be significantly affected by such events.

The Company regularly monitors, manages, and enhances its ability to mitigate cyber risk through its enterprise-wide cyber security programs; disaster recovery investments; risk management practices; implementations of policies, procedures and control processes; and outsourcing contract management practices to address such risks. However, there is no absolute assurance that such measures can impede all such risks.

RISKS RELATED TO COMMON SHARE INVESTMENTS

PRICE VOLATILITY OF PUBLICLY TRADED SECURITIES

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for Diamond's shares will be subject to market trends generally, notwithstanding any potential success of Diamond in creating revenues, cash flows or earnings. The value of Diamond's shares will be affected by such volatility. A public trading market in the Common Shares having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of common shares at any given time, which presence is dependent on the individual decisions of investors over which Diamond has no control. There can be no assurance that an active trading market in securities of Diamond will be sustained. The market price for Diamond's securities could be subject to wide fluctuations, which could have an adverse effect on the market price of Diamond. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance, net asset values or prospects of particular companies. If an active public market for Diamond's shares is not present, the liquidity of a shareholder's investment may be limited and the share price may decline.

DILUTION

Diamond may make future acquisitions or enter into financings or other transactions involving the issuance of securities of Diamond which may be dilutive to the existing shareholders.

DIVIDENDS

Diamond has not paid any dividends on its outstanding common shares. Any payments of dividends on the common shares of Diamond will be dependent upon the financial requirements to finance future growth, the financial condition of Diamond and other factors which Diamond's board of directors may consider appropriate in the circumstance. It is unlikely that Diamond will pay dividends in the immediate or foreseeable future.

FINANCIAL MARKET TURMOIL

Global financial market and economic conditions can pose a significant threat to economic growth in almost all sectors and economies, causing a decline in consumer and business confidence, a reduction in credit availability and a dampening in business and household spending.

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 could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made. These include, but are not limited to, the following:

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.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, intangible assets and ROU assets represent a significant proportion of the asset base of the Company as they amount to 46.5% of total assets as at March 31, 2026 (March 31, 2025 - 44.9%). Therefore, estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance. IFRS requires management to test for impairment of property, plant and equipment, intangible assets and right-of-use assets if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. 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. Their lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life.

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.

USEFUL LIFE OF INTANGIBLE ASSETS

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

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.

COMPOUND FINANCIAL INSTRUMENTS

The convertible debentures have been accounted for as a compound financial instrument under IAS 32 - Financial Instruments, and had both a liability and an embedded derivative component. The conversion feature of the convertible debentures was accounted for as a derivative liability and was required to be fair valued on inception and at each reporting period. The estimates, assumptions and judgements made in relation to the fair value of derivative liabilities 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.

LEASES

Critical accounting estimates were made in determining the lease term and incremental borrowing rate. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee. In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by using the Company's specific risk portfolio, the security, term and value of the underlying leased asset and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.