DIAMOND ESTATES WINES & SPIRITS INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED DECEMBER 31, 2024 AND 2023

(Stated in Canadian dollars)

(Unaudited - Prepared by Management)

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

DIAMOND ESTATES WINES & SPIRITS INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024 AND MARCH 31, 2024
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

	December 31 2024	March 31 2024
ASSETS		
Current:		
Accounts receivable (Note 6)	**$ 6,615,175**	$ 4,814,940
Inventories (Note 7)	**15,890,995**	18,317,266
Prepaid expenses	**909,518**	904,557
Assets held for sale (Note 8)	**3,923,688**	4,663,957
Mortgage receivable (Note 9)	**500,000**	-
Current portion of finance lease receivable (Note 10)	**57,553**	-
	27,896,929	28,700,720
Long term:		
Mortgage receivable (Note 9)	**-**	500,000
Finance lease receivable (Note 10)	**193,272**	-
Property, plant and equipment	**17,536,898**	18,158,973
Right-of-use assets	**816,922**	1,360,981
Intangible assets	**5,152,941**	3,872,361
	$ 51,596,962	$ 52,593,035
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 11)	**$ 5,367,123**	$ 6,507,814
Term loans payable (Note 12)	**14,950,716**	16,564,622
Current portion of contingent consideration payable (Note 5)	**145,510**	-
Current portion of lease liabilities	**281,675**	366,508
Debentures payable (Note 13)	**4,278,233**	4,651,537
Derivative liability (Note 13)	**1,344,213**	1,881,227
Liabilities held for sale (Note 8)	**941,054**	1,123,672
	27,308,524	31,095,380
Long term:		
Lease liabilities	**496,092**	601,224
Contingent consideration payable (Note 5)	**285,140**	-
	28,089,756	31,696,604
SHAREHOLDERS' EQUITY		
Common shares (Note 14)	**53,642,385**	49,813,853
Contributed surplus	**3,945,126**	3,819,001
Accumulated deficit	**(34,080,305)**	(32,736,423)
	23,507,206	20,896,431
	$ 51,596,962	$ 52,593,035

Going concern (Note 2(c))

Subsequent events (Note 20)

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

Approved on behalf of the Board:

"Ron McEachern" Director *"Keith Harris"* Director

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
THREE AND NINE MONTHS ENDED DECEMBER 31, 2024 AND 2023
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

	Three months ended December 31 2024	**Nine months ended December 31 2024**	Three months ended December 31 2023	Nine months ended December 31 2023
Revenue (Note 15)	**$ 6,411,295**	$ 20,281,894	$ 7,320,640	$ 23,005,020
Cost of sales				
Change in inventories of finished goods and raw materials consumed	**2,724,835**	9,691,877	5,404,004	15,102,769
Depreciation of property, plant and equipment and right-of-use ("ROU") assets used in production	**213,541**	530,097	156,997	494,968
	2,938,376	10,221,974	5,561,001	15,597,737
Gross profit	**3,472,919**	10,059,920	1,759,639	7,407,283
Expenses				
Employee compensation and benefits	**1,470,209**	4,368,579	1,574,625	5,250,739
General and administrative	**860,873**	3,024,191	1,144,648	3,422,915
Advertising and promotion	**509,273**	1,497,757	582,807	1,605,662
Interest and accretion	**551,749**	1,675,011	764,871	2,718,979
Delivery and warehousing	**277,905**	1,110,167	423,785	1,189,545
Share based compensation (Note 14(e))	**84,342**	225,925	83,340	278,153
Depreciation of property, plant and equipment and ROU assets used in selling and administration	**58,643**	198,354	78,598	354,225
Amortization of intangible assets	**57,627**	251,361	95,474	289,752
	3,870,621	12,351,345	4,748,148	15,109,970
Loss before undernoted items	**(397,702)**	(2,291,425)	(2,988,509)	(7,702,687)
Change in fair value of derivative and other liabilities (Note 13(h))	**273,330**	526,364	(899,692)	(1,185,608)
Gain on disposition of intangible assets (Note 4)	**-**	501,137	-	-
Gain on modification of debenture	**530,831**	530,831	326,319	326,319
Restructuring charge	**76,983**	(2,549)	(245,725)	(245,725)
Impairment provision - property, plant and equipment (Note 8)	**-**	(410,000)	(1,374,468)	(1,374,468)
Gain on disposition (loss on de-recognition) of ROU assets (Note 10)	**-**	(198,240)	19,507	209,164
Net income (loss) and comprehensive income (loss)	**$ 483,442**	$ (1,343,882)	$ (5,162,568)	$ (9,973,005)
Basic and diluted income (loss) per share (Note 14(f))	**$ 0.01**	$ (0.02)	$ (0.14)	$ (0.32)

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

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FROM APRIL 1, 2023 TO DECEMBER 31, 2024
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

	Note	Common shares Shares	Common shares Amount	Contributed surplus	Accumulated deficit	Total
As at April 1, 2023		**27,875,978**	**$ 40,848,245**	**$ 3,525,577**	**$ (22,084,029)**	**$ 22,289,793**
Net loss and comprehensive loss		-	-	-	(9,973,005)	(9,973,005)
Share based compensation	**14(e)**	-	-	278,153	-	278,153
Issuance of shares		20,000,000	9,000,000	-	-	9,000,000
Share issue costs		-	(83,155)	-	-	(83,155)
As at December 31, 2023		**47,875,978**	**49,765,090**	**3,803,730**	**(32,057,034)**	**21,511,786**
Net loss and comprehensive loss		-	-	-	(679,389)	(679,389)
Share based compensation		-	-	64,034	-	64,034
Shares issued in settlement of DSUs		182,140	48,763	(48,763)	-	-
As at March 31, 2024		**48,058,118**	**49,813,853**	**3,819,001**	**(32,736,423)**	**20,896,431**
Net income (loss)and comprehensive income (loss)		-	-	-	(1,343,882)	(1,343,882)
Share based compensation	**14(e)**	-	-	225,925	-	225,925
Issuance of shares	**14(a)**	11,466,065	2,293,213	-	-	2,293,213
Share issue costs		-	(10,000)	-	-	(10,000)
Shares issued on conversion of debenture principal and accrued interest	**14(a)**	730,480	145,519	-	-	145,519
Shares issued in connection with Perigon acquisition	**14(a)**	5,000,000	1,300,000	-	-	1,300,000
Shares issued in settlement of DSUs	**14(a)**	499,407	99,800	(99,800)	-	-
As at December 31, 2024		**65,754,070**	**$ 53,642,385**	**$ 3,945,126**	**$ (34,080,305)**	**$ 23,507,206**

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

DIAMOND ESTATES WINES & SPIRITS INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED DECEMBER 31, 2024 AND 2023

(Stated in Canadian dollars)

(Unaudited - Prepared by Management)

	2024	2023
Operating activities		
Net loss and comprehensive loss	**$ (1,343,882)**	$ (9,973,005)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment and right-of-use assets	**728,451**	842,260
Amortization of intangible assets	**251,361**	289,752
Loss on de-recognition of ROU asset	**198,240**	-
Gain on disposition of right-of-use assets	**-**	(209,164)
Amortization of deferred financing costs	**99,706**	9,631
Change in fair value of debentures payable	**(530,831)**	(326,319)
Change in fair value of derivative liability	**(537,014)**	1,185,608
Change in fair value of contingent purchase consideration payable	**10,650**	-
Gain on disposition of intangible assets	**(501,137)**	-
Interest accretion on debentures payable	**307,527**	576,558
Share based compensation	**225,925**	278,153
Impairment provision - property, plant and equipment	**410,000**	1,374,468
Fair value purchase price accounting adjustment on EWG inventory	**183,995**	152,416
Interest expense	**1,367,484**	2,718,979
Interest paid	**(993,549)**	(2,360,373)
	(123,074)	(5,441,036)
Change in non-cash working capital items		
Accounts receivable	**(966,995)**	657,076
Inventories	**2,604,754**	4,344,212
Prepaid expenses	**(2,357)**	4,847
Accounts payable and accrued liabilities	**(1,624,157)**	(1,732,663)
	(111,829)	(2,167,564)
Investing activities		
Purchase of property, plant and equipment and intangible assets	**(209,088)**	(121,117)
Payments received under finance lease receivable	**37,935**	-
Proceeds on disposal of right-of-use assets	**-**	209,164
	(171,153)	88,047
Financing activities		
Net proceeds from issuance of common shares	**2,283,213**	8,916,845
Net draws against (repayments of) revolving term loans	**(88,729)**	(3,800,915)
Repayment on non-revolving term loans	**(4,124,883)**	(2,541,792)
Repayment of lease liabilities	**(286,619)**	(304,525)
Proceeds from new non-revolving term loan	**2,500,000**	-
Deferred financing costs paid	**-**	(190,096)
	282,982	2,079,517
Change in cash	**-**	-
Cash, beginning of period	**-**	-
Cash, end of period	**$ -**	$ -
Non-cash transactions (Note 16)		

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

1. NATURE OF OPERATIONS

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

2. BASIS OF PRESENTATION AND GOING CONCERN

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board ("IASB"), and accordingly do not include all the information required for full annual financial statements by International Financial Reporting Standards ("IFRS"). They have been prepared using the same accounting policies that were described in note 3 to the Company’s annual consolidated financial statements for the year ended March 31, 2024 which were prepared in accordance with IFRS as issued by the IASB, except as detailed below:

(i) 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.

(ii) 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

2. **BASIS OF PRESENTATION AND GOING CONCERN, CONTINUED**

(iii) 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.

Board of Director approval

These unaudited interim condensed consolidated financial statements have not been reviewed by the Company's external auditors. They were authorized for issuance by the Board of Directors on February 19, 2025.

(b) **Basis of presentation**

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

(c) **Going concern**

The accompanying unaudited interim condensed consolidated financial statements have been prepared using IFRS (as issued by the IASB) applicable to a going concern.

Net loss and comprehensive loss for the nine months ended December 31, 2024 was $1,343,882 (December 31, 2023 - $9,973,005). Additionally, the Company reported negative cash flow from operations (before changes in non-cash working capital) of $123,074 for the nine months ended December 31, 2024 (December 31, 2023 - $5,441,036). As at December 31, 2024, the Company had an accumulated deficit of $34,080,305 (March 31, 2024 - $32,736,423) and a working capital surplus of $588,405 (March 31, 2024 - deficiency of $2,394,660).

2. BASIS OF PRESENTATION AND GOING CONCERN, CONTINUED

On November 14, 2023, the Company entered into a second amendment (the "Amendment") to its Second Amended and Restated Credit Agreement (the "SARCA") with Bank of Montreal ("BMO"), whereby the lender consented to waiving the requirements of the fixed-charge coverage ratio ("FCCR) covenant to the first quarter of fiscal 2025 *(see note 12(b))*. Based on the results for the nine months ended December 31, 2024, the Company will be in breach of its quarterly fixed charge covenant under the terms of its current credit agreement for which the Company has yet to receive a waiver. On November 15, 2024, the Company entered into a third amendment to its SARCA, the main component of which was a new non-revolving credit facility of $2,500,000 due no later than July 31, 2025 *(see note 12(a)*) As of December 31, 2024, the Company has debt repayment requirements of approximately $22.9 million within the next twelve months, including all its term loans *(see note 12),* the current portion of its lease liabilities, the principal amount of the debentures payable plus accrued interest due by November 9, 2025 *(see note 13)*, as well as annual seasonal grape purchase commitments in the fall of 2025. These circumstances lend significant doubt as to the ability of the Company to continue as a going concern and, accordingly, the appropriateness ultimately of the use of accounting principles applicable to the going concern assumption.

In response to the recurring operating losses, negative cash flows from operating activities, and loss of a significant supplier, the Company is taking a number of actions to enhance its financial flexibility, to meet its obligations and to fund its ongoing business operations. This has been evidenced by the November, 2023 private placement for net cash proceeds of $8.2 million, the July, 2025 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 13)*, 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 8),* the completion of the agreement with Renaissance in August, 2024 for total proceeds of $2.3 million *(see note 4)*, the updated credit agreement with BMO and additional BMO funding of $2.5 million *(see note 12(a)).* To ensure the Company maintains an adequate level of liquidity, including compliance with debt covenants, the Company continues to maintain a strategic review process that engages in actions designed to reduce the cost structure, improve productivity and enhance future cash flow.

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting pronouncements

IAS 1 "Presentation of Financial Statements"

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

Recently issued accounting pronouncements

IFRS 18 "Presentation and Disclosure in Financial Statements"

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

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

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

(Stated in Canadian dollars, except per share amounts)

4. AGREEMENT WITH RENAISSANCE WINE MERCHANTS

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

(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 has recorded an estimated gain on sale of $501,137 on this transaction.

The inventory proceeds were received in August, 2024 and applied against the Company non-revolving term loan *(see note 12(b)(v))*. The Company estimates the proceeds on the distribution rights based on the forecasted future gross margins of the Western Canada operations to be $823,271 and expects to receive the final payment in the fourth quarter, TBP has retained all its customer receivables and supplier payables.

5. ACQUISITION OF PERIGON BEVERAGE GROUP

(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, the intellectual property, and other intangible assets of Perigon and its agency business, such as its website, customer lists and business names.

(b) The purchase price of $1,720,000 will be satisfied by the issuance of common shares of Diamond in four tranches as follows: 5,000,000 common shares of Diamond have been issued to Perigon at a deemed issuance price of $0.26 per share for a total of $1,300,000 *(see note 14(a))*, and thereafter an additional amount of shares having a contingent value of $420,000 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 has been designated as FVTPL on initial recognition at a value of $420,000. The fair value at December 31, 2024 has been estimated at $430,650 with the change in fair value of $10,650 recognized in profit or loss.

(Stated in Canadian dollars, except per share amounts)

6. ACCOUNTS RECEIVABLE

	December 31 2024	March 31 2024
Trade receivables	**$ 2,821,298**	$ 2,382,922
Accrued receivables	**3,793,877**	2,432,018
	$ 6,615,175	$ 4,814,940

The Company has an allowance for doubtful accounts as at December 31, 2024 of $325,985 (March 31, 2024 - $263,237). Accrued accounts receivable include $2,913,985 (March 31, 2024 - $2,179,559) receivable from the Ontario government under the VQA Wine Support Program *(see note 15)*, the receipt of which will be used to repay the temporary $2.5 million BMO non-revolving loan *(see note 12(a))*. Accrued receivables include $823,271 due from Renaissance under the terms of its August, 2024 purchase and sales agreement *(see note 4)*.

7. INVENTORIES

	December 31 2024	March 31 2024
Bulk wine	**$ 10,144,641**	$ 10,212,411
Bottled wine and spirits	**4,920,394**	7,343,157
Bottling supplies and packaging	**825,960**	761,698
	$ 15,890,995	$ 18,317,266

The Company has a provision for inventory obsolescence as at December 31, 2024 of $54,000 (March 31, 2024 - $244,113). During the nine months ended December 31, 2024, the Company has not yet received funding under the Wine Sector Support Program for harvest 2023 (year ended March 31, 2024 - $933,796), which is recorded as a reduction to the cost of bulk inventory and will be released to cost of goods sold as it is sold. Inventory of $1,439,888 was transferred to Renaissance in August, 2024 at cost under the terms of its purchase and sale agreement *(see note 4)*.

8. ASSETS HELD FOR SALE

As at December 31, 2024, the Company has classified certain winery division properties and related operating assets and liabilities detailed below totalling $2,982,634 (March 31, 2024 - $3,540,285) as assets held for sale. Management is pursuing an active program to locate a buyer and intends to sell these assets within one year of the reporting date.

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

(Stated in Canadian dollars, except per share amounts)

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

	December 31 2024	March 31 2024
Assets held for sale		
Accounts receivable	$ **19,132**	29,100
Inventory	**1,995,352**	2,329,701
Prepaid expenses	**37,636**	40,240
Property, plant and equipment	**743,324**	1,136,672
Right-of-use assets	**896,984**	896,984
Intangible assets	**231,260**	231,260
	3,923,688	4,663,957
Liabilities held for sale		
Accounts payable and accrued liabilities	**88,702**	193,752
Lease liability	**852,352**	929,920
	941,054	1,123,672
Net assets held for sale	$ **2,982,634**	3,540,285

9. **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 is secured by a mortgage on the subject property, which ranks behind first and second mortgages valued at $3,250,000. It bears interest at the BMO prime rate plus 3%, with interest payable monthly, and is due in full by April 30, 2025. To date, all interest payments have been received by the Company.

10. **FINANCE LEASE RECEIVABLE**

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

(Stated in Canadian dollars, except per share amounts)

10. FINANCE LEASE RECEIVABLE, CONTINUED

The following table shows the continuity in the finance lease receivable during the nine months ended December 31, 2024:

Opening balance - April 1, 2024	$ -
Sub-lease arrangements classified as finance leases	288,760
Finance income earned	8,823
Payments received	(46,758)
Gross finance lease receivable	250,825
Less: current portion	(57,553)
Closing balance - December 31, 2024	$ 193,272

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2024	March 31 2024
Trade accounts payable	**$ 2,635,771**	$ 4,005,357
Accrued liabilities	**2,634,047**	2,404,944
Government remittances payable	**97,305**	97,513
	$ 5,367,123	$ 6,507,814

Coupon interest of $1,032,111 (March 31, 2024 - $700,892) owing on the 2022 to 2024 debentures *(see note 13)* is included in accrued liabilities.

(Stated in Canadian dollars, except per share amounts)

12. TERM LOANS PAYABLE

As at December 31, 2024, the balances outstanding on the Company's term loans were as follows:

	December 31 2024	March 31 2024
BMO term loans:		
Revolving term loan ("RT Facility")	**$ 9,636,833**	$ 9,725,563
Non-revolving term loan ("NRT Facility)	**2,847,118**	6,972,000
Demand non-revolving facility ("Demand NRT facility")	**2,500,000**	-
	14,983,951	16,697,563
Deferred financing costs	**(33,235)**	(132,941)
	14,950,716	16,564,622
Current portion of term loans (Note 12(b)(i))	**(14,950,716)**	(16,564,622)
	$ -	$ -

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

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

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

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

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

12. **TERM LOANS PAYABLE, CONTINUED**

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

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

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

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

(ii) **Credit limits**: as a result of the repayment of obligations with the use of proceeds from the Financing, credit limits have decreased as follows:
- on the revolving term loan from $14.4 million to $11.4 million, and
- the non-revolving term loan from $10.753 million to $8.763 million, reducing to $Nil by May 31, 2024 *(see note 12(b)(v))*

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

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

(v) **Non-revolving term lo**an: the non-revolving term loan has been paid down from the inventory proceeds of $1.4 million in August, 2024 from the Renaissance transaction *(see note 4)*, and the VQA Wine Support Program of $2.1 million in July, 2024 *(see note 6)*.

Any remaining balance of the non-revolving term loan was to be settled as of May 31, 2024. The Company expects to apply the proceeds of the assets currently held for sale *(see note 8)*, the $500,000 in mortgage receivable from the Queenston Mile property and the remainder of the expected proceeds from the exercise of the TBP put option with Renaissance *(see note 4)* against this indebtedness. However, there is uncertainty relating to the amount and timing of the actual funds that will ultimately be received.

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

12. TERM LOANS PAYABLE, CONTINUED

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

(viii) **Covenant waiver:** The Amendment also provides a waiver of the Company's fixed charges ratios to the first quarter of fiscal 2025. Based on the results for the nine months ended December 31, 2024, the Company is in breach of its quarterly fixed charge covenant under the terms of its current credit agreement for which the Company has yet to receive a waiver

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

(i) **Repayment:** The repayment terms remained unchanged (i) the non-revolving term loan is repayable in 80 quarterly principal payments of 1.25% of the drawn amount, or $135,000. The non-revolving term loan was to be reduced to $Nil by May 31, 2024 *(see note 12(b)(v))*.

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

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

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

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

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

(d) The SARCA includes a master lease finance line facility under the BMO Equipment Leasing Group and as at December 31, 2024, there was a balance of $115,138 drawn on this facility (March 31, 2024 - $214,802) and is included in lease liabilities.

13. DEBENTURES PAYABLE

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

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

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

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

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

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

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

13. DEBENTURES PAYABLE, CONTINUED

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

(e) In July, 2024, there was a partial redemption of the 2023 Replacement Debentures with a face value of $125,000, satisfied through the issuance of 625,000 shares valued at $0.20 per share *(see note 14(a))*. As of December 31, 2024, the face value of the remaining 2023 Replacement Debentures is $4,759,000.

(f) On November 9, 2024, all of the remaining and outstanding 2023 Replacement Debentures with a face value of $4,759,000 were rolled over into new one-year convertible debentures (the "2024 Replacement Debentures") with similar terms and market interest rate, and a conversion price based on the then-current trading price of $0.24 per common share. The 2024 Replacement Debentures were initially recognized with a fair value of $4,228,169 less estimated transaction costs of $25,000. After recording interest accretion on the 2024 Replacement Debentures of $75,064, the carrying value of the 2024 Replacement Debentures as at December 31, 2024 was $4,278,233. 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 nine months ended December 31, 2024.

(g) In July, 2024, accrued interest of $20,519 on the partial redemption of the 2023 Replacement Debentures with a face value of $125,000 was settled through the issuance of 105,480 shares valued at $0.20 per share. Interest payable on both the 2023 and 2024 Replacement Debentures in the amount of $372,883 was accrued for the nine months ended December 31, 2024 (year ended March 31, 2024 - $480,372). Interest payable accrued on both 2022 Debentures and the 2023 and 2024 Replacement Debentures as of December 31, 2024 totals $1,032,111 (March 31, 2024 - $700,892) and is included in accounts payable and accrued liabilities.

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

The fair value of that embedded derivative as at December 31, 2024 was $1,344,213, a decrease of $809,841 that was recognized as income during the nine months ended December 31, 2024.

(Stated in Canadian dollars, except per share amounts)

13. DEBENTURES PAYABLE, CONTINUED

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

	Convertible debentures (2022 Debentures)	Convertible debentures (2023 Replacement Debentures)	Convertible debentures (2024 Replacement Debentures)	Derivative liability (2022 Debentures)	Derivative liability (2023 Replacement Debentures)	Derivative liability (2024 Replacement Debentures)	Totals
	$	$					
Balance, March 31, 2023	**4,359,242**	**-**	**-**	**590,327**	**-**	**-**	**4,949,569**
Accretion	524,758	-	-	-	-	-	**524,758**
Rollover	(4,884,000	4,884,000	-	-	-	-	**-**
Gain on modification of new debenture	**-**	(326,319)	-	-	-	-	**(326,319)**
Transaction costs	**-**	(50,000)	-	-	-	-	**(50,000)**
Change in fair value of Nov-22 derivative liability	**-**	-	-	(590,327)	-	-	**(590,327)**
Fair value of Nov-23 derivative on issuance	**-**	-	-	-	2,013,672	-	**2,013,672**
Carrying values after rollover	**-**	4,507,681	-	-	2,013,672	-	**6,521,353**
Accretion	**-**	143,856	-	-	-	-	**143,856**
Change in fair value	**-**	-	-	-	(132,445)	-	**(132,445)**
Balance, March 31, 2024	**-**	**4,651,537**	**-**	**-**	**1,881,227**	**-**	**6,532,764**
Accretion	**-**	232,463	-	-	-	-	**232,463**
Partial conversion	**-**	(125,000)	-	-	-	-	**(125,000)**
Rollover	**-**	(4,759,000)	4,759,000	-	-	-	**-**
Gain on modification of new debenture	**-**	-	(530,831)	-	-	-	**(530,831)**
Transaction costs	**-**	-	(25,000)	-	-	-	**(25,000)**
Change in fair value of Nov-23 derivative liability	**-**	-	-	-	(1,881,227)	-	**(1,881,227)**
Fair value of Nov-24 derivative on issuance	**-**	-	-	-	-	2,154,054	**2,154,054**
Carrying values after rollover	**-**	-	4,203,169	-	-	2,154,054	**6,357,223**
Accretion	**-**	-	75,064	-	-	-	**75,064**
Change in fair value	**-**	-	-	-	-	(809,841)	**(809,841)**
Balance, December 31, 2024	**-**	**-**	**4,278,233**	**-**	**-**	**1,344,213**	**5,622,446**

14. SHARE CAPITAL

Continuity schedules for each component of the Company's share capital and other equity instruments are disclosed in the unaudited interim condensed consolidated statements of changes in shareholders' equity for the period from April 1, 2023 to December 31, 2024. Details of major changes in share capital during the current reporting period are as follows:

(a) Common shares

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 *(see note 12(b)(v))*. Lassonde and a company related to it subscribed for 9,000,000 of the total common shares issued.

In August, 2024, the Company issued 730,480 common shares at an issue price of $0.20 per common share for deemed proceeds of $145,519 after conversion of debentures payable with a face value of $125,000 and related accrued interest payable of $20,519 *(see note 13(b))*.

In October, 2024, 5,000,000 common shares valued at $1,300,000 were issued as partial consideration with respect to the Perigon agency acquisition *(see note 5(b))*.

In December, 2024, 499,407 common shares valued at $99,800 were issued to a departing director in full settlement of 499,407 DSUs.

(b) Stock options

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

In September, 2024, 40,000 stock options expired unexercised. During the nine months ended December 31, 2024, there were no other option grants, exercises, terminations or expiries.

(c) Deferred share units

In May, 2024, the Company issued an aggregate of 232,894 DSUs in settlement of $44,250 of previously accrued deferred directors compensation. In August, 2024, the Company issued an aggregate of 163,888 DSUs in settlement of $44,250 of previously accrued deferred directors compensation. In October, 2024, the Company issued an aggregate of 184,374 DSUs in settlement of $44,250 of previously accrued deferred directors compensation.

14. **SHARE CAPITAL, CONTINUED**

(d) **Warrants**

In October, 2024, a total of 5,119,465 warrants issued in October, 2021 as part of the Equity Wine Group acquisition expired unexercised. A further 150,000 warrants expired unexercised in December, 2024 such that there are no outstanding warrants as of December 31, 2024. In December, 2024, 499,407 common shares were issued to a departing director in full settlement of 499,407 DSUs.

(e) **Share based compensation**

Total share based compensation recognized for the nine months ended December 31, 2024 was $225,925 (December 31, 2023 - $278,153) based on accrual of previously granted options expected to vest in the reporting period and the issuance of DSUs as described above.

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

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

The weighted average number of common shares outstanding for the three and nine months ended December 31, 2024 were 64,863,243 and 56,982,620 respectively (three and nine months ended December 31, 2023 - 38,093,369 and 31,294,160 respectively).

As at December 31, 2024, the following potentially dilutive equity instruments were outstanding: (i) 6,760,000 options (March 31, 2024 - 1,200,000), (ii) 1,260,287 deferred share units (March 31, 2024 - 1,178,538), (iii) Nil common share purchase warrants (March 31, 2024 - 5,269,465), (iv) debentures convertible into 15,863,333 common shares (March 31, 2024 - 16,280,000). The fully diluted number of common shares outstanding as at December 31, 2024 was 89,637,690 (March 31, 2024 - 71,986,121).

(Stated in Canadian dollars, except per share amounts)

15. GOVERNMENT GRANTS

Wine Sector Support Program

In June 2022, Agriculture Canada announced the Wine Sector Support Program to provide non-repayable grants to licensed Canadian wineries based on the production of bulk wine fermented in Canada from domestic and/or imported grapes. During the nine months ended December 31, 2024, the Company received $840,630 in funding for harvest 2023 (year ended March 31, 2024 - $933,796) under this program. This funding is recorded as a reduction to the cost of bulk inventory and will be released to cost of goods sold as it is sold *(see note 7).*

VQA Wine Support Program

Included within revenue for the nine months ended December 31, 2024 is product revenue of $17,367,909 (December 31, 2023 - $23,005,020) and other revenue from the VQA Wine Support Program of $2,913,985 (December 31, 2023 - $Nil) *(see note 6).* 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.

16. NON-CASH TRANSACTIONS

	2024 **$**	2023 $
Right-of-use assets acquired under lease liabilities	**19,086**	100,686
Proceeds from disposition of right-of-use assets applied against lease liabilities	**-**	171,880
Right-of-use asset derecognized upon Oakville office sub-lease	**(487,000)**	-
Net investment in Oakville office sub-let recognized as finance lease receivable	**288,760**	-
Shares issued on conversion of debenture and accrued interest	**145,519**	-
Shares issued on conversion of DSUs	**99,800**	-
Shares issued on Perigon acquisition	**1,300,000**	-

17. 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 *(see note 12)* and there has been no change in the overall capital risk management strategy during the year.

(Stated in Canadian dollars, except per share amounts)

18. 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 nine months ended December 31, 2024 and 2023:

	Nine months ended December 31, 2024		
	Agency	**Manufactured wines**	**Consolidated**
	$	**$**	$
Manufactured wines	**-**	**17,383,304**	**17,383,304**
Third-party wines and spirits	**1,834,083**	**-**	**1,834,083**
Commission and other	**1,985,295**	**-**	**1,985,295**
Gross revenue	**3,819,378**	**17,383,304**	**21,202,682**
Inter-segment revenue	**(920,788)**	**-**	**(920,788)**
Net revenue	**2,898,590**	**17,383,304**	**20,281,894**
Gross profit	**1,543,680**	**8,516,240**	**10,059,920**
Interest and accretion	**14,590**	**1,660,421**	**1,675,011**
Depreciation and amortization	**233,366**	**746,446**	**979,812**
Additions of property, plant and equipment and intangible assets	**-**	**209,088**	**209,088**
	Statement of financial position balances as at December 31, 2024		
Intangible assets	**1,805,494**	**3,347,447**	**5,152,941**
Total assets	**4,148,513**	**47,448,449**	**51,596,962**
Total liabilities	**3,411,846**	**24,677,910**	**28,089,756**

(Stated in Canadian dollars, except per share amounts)

18. **SEGMENTED INFORMATION, CONTINUED**

	Nine months ended December 31, 2023		
	Agency **$**	**Manufactured wines** **$**	**Consolidated** $
Manufactured wines	-	13,410,958	13,410,958
Third-party wines and spirits	7,496,351	-	7,496,351
Commission and other	2,753,626	-	2,753,626
Gross revenue	10,249,977	13,410,958	23,660,935
Inter-segment revenue	(655,915)	-	(655,915)
Net revenue	9,594,062	13,410,958	23,005,020
Gross profit	2,959,764	4,447,519	7,407,283
Interest	29,497	2,689,482	2,718,979
Depreciation and amortization	354,611	784,334	1,138,945
Additions of property, plant and equipment and intangible assets	-	121,117	121,117
	Statement of financial position balances as at March 31, 2024		
Intangible assets	483,195	3,389,166	3,872,361
Total assets	4,238,702	48,354,333	52,593,035
Total liabilities	1,669,937	30,026,667	31,696,604

Geographic information	**December 31 2024**	December 31 2023
Revenue		
Canada	**$ 19,748,928**	$ 22,226,391
China and other	**532,966**	778,629
	$ 20,281,894	$ 23,005,020

19. **FINANCIAL INSTRUMENTS AND RISK FACTORS**

(a) **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 December 31, 2024 would impact annual interest expense and net income by $150,000 (2023 - $191,000).

19. FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED

(b) 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 *(see note 12)*.

Total current liabilities as at December 31, 2024 of $27,308,524 (March 31, 2023 - $31,095,380), 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.

The following table outlines the Company's estimated contractual undiscounted obligations as at December 31, 2024. The Company analyzes contractual obligations for financial liabilities in conjunction with other commitments in managing liquidity risk. Contractual obligations include term loans payable, lease liabilities, debentures payable and contracts for the purchase of grapes, packaging and other raw materials.

	<1 year	2-3 years	4-5 years $ (000's)	>5 years	Total
Accounts payable and accrued liabilities and liabilities held for sale	6,242	-	-	-	6,242
Term loans payable	14,951	-	-	-	14,951
Lease liabilities	413	360	208	-	981
Debentures (and accrued interest) payable	5,758	-	-	-	5,758
Purchase contracts for grapes, packaging and other raw materials	2,000	2,000	-	-	4,000
Total contractual obligations	29,364	2,360	208	-	31,932

20. SUBSEQUENT EVENTS

(a) Deferred share units

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

21. SEASONALITY

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