

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 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 SEPTEMBER 30, 2024 AND MARCH 31, 2024
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

	<u>September 30</u> 2024	<u>March 31</u> 2024
ASSETS		
Current:		
Accounts receivable (Note 5)	\$ 6,574,245	\$ 4,814,940
Inventories (Note 6)	14,853,876	18,317,266
Biological assets	150,887	-
Prepaid expenses	997,723	904,557
Assets held for sale (Note 7)	3,923,369	4,663,957
Mortgage receivable (Note 8)	500,000	-
Current portion of finance lease receivable (Note 9)	56,755	-
	<u>27,056,855</u>	<u>28,700,720</u>
Long term:		
Mortgage receivable (Note 8)	-	500,000
Finance lease receivable (Note 9)	207,963	-
Property, plant and equipment	17,761,207	18,158,973
Right-of-use assets	825,093	1,360,981
Intangible assets	3,490,568	3,872,361
	<u>\$ 49,341,686</u>	<u>\$ 52,593,035</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 10)	\$ 6,766,992	\$ 6,507,814
Current portion of term loans payable (Note 11)	12,734,019	16,564,622
Current portion of lease liabilities	291,531	366,508
Debentures payable (Note 12)	4,713,004	4,651,537
Derivative liability (Note 12)	1,628,193	1,881,227
Liabilities held for sale (Note 7)	1,022,466	1,123,672
	<u>27,156,205</u>	<u>31,095,380</u>
Long term:		
Lease liabilities	546,062	601,224
	<u>27,702,267</u>	<u>31,696,604</u>
SHAREHOLDERS' EQUITY		
Common shares (Note 13)	52,242,585	49,813,853
Contributed surplus	3,960,584	3,819,001
Accumulated deficit	(34,563,750)	(32,736,423)
	<u>21,639,419</u>	<u>20,896,431</u>
	<u>\$ 49,341,686</u>	<u>\$ 52,593,035</u>

Going concern (Note 2(c))

Subsequent events (Note 19)

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

Approved on behalf of the Board:

"Ron McEachern" Director

"Keith Harris" Director

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

	Three months ended September 30 2024	Six months ended September 30 2024	Three months ended September 30 2023	Six months ended September 30 2023
Revenue (Note 14)	\$ 7,715,463	\$ 13,887,244	\$ 7,773,184	\$ 15,684,380
Cost of sales				
Change in inventories of finished goods and raw materials consumed	3,557,549	6,967,043	4,696,684	9,698,764
Depreciation of property, plant and equipment and right-of-use ("ROU") assets used in production	147,621	316,556	176,269	337,970
	<u>3,705,170</u>	<u>7,283,599</u>	<u>4,872,953</u>	<u>10,036,734</u>
Gross profit	4,010,293	6,603,645	2,900,231	5,647,646
Expenses				
Employee compensation and benefits	1,457,746	2,898,371	1,813,464	3,676,114
General and administrative	1,148,579	2,163,319	1,185,411	2,278,266
Advertising and promotion	634,715	1,005,129	518,880	1,022,853
Interest and accretion	539,316	1,123,262	997,045	1,954,108
Delivery and warehousing	466,635	832,262	381,353	765,760
Share based compensation (Note 13(e))	67,890	141,583	111,066	194,813
Depreciation of property, plant and equipment and ROU assets used in selling and administration	69,804	139,711	98,277	275,627
Amortization of intangible assets	97,984	193,734	95,474	194,278
	<u>4,482,669</u>	<u>8,497,371</u>	<u>5,200,970</u>	<u>10,361,819</u>
Loss before undernoted items	(472,376)	(1,893,726)	(2,300,739)	(4,714,173)
Impairment provision - property, plant and equipment	-	(410,000)	-	-
Change in fair value of derivative liability (Note 12(h))	200,388	253,034	(203,235)	(285,916)
Restructuring charge	(38,700)	(79,532)	-	-
Gain on disposition of ROU assets	-	-	157,621	189,657
Loss on de-recognition of ROU asset (Note 9)	-	(198,240)	-	-
Gain on disposition of intangible assets (Note 4)	501,137	501,137	-	-
	<u>501,137</u>	<u>501,137</u>	<u>-</u>	<u>-</u>
Net income (loss) and comprehensive income (loss)	\$ 190,449	\$ (1,827,327)	\$ (2,346,353)	\$ (4,810,432)
Basic income (loss) per share (Note 13(f))	\$ 0.00	\$ (0.03)	\$ (0.08)	\$ (0.17)
Diluted income (loss) per share (Note 13(f))	\$ 0.00	\$ (0.03)	\$ (0.08)	\$ (0.17)

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 SEPTEMBER 30, 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		-	-	-	(4,810,432)	(4,810,432)
Share based compensation	13(e)	-	-	194,813	-	194,813
As at September 30, 2023		27,875,978	40,848,245	3,720,390	(26,894,461)	17,674,174
Net loss and comprehensive loss		-	-	-	(5,841,962)	(5,841,962)
Share based compensation		-	-	147,374	-	147,374
Issuance of shares		20,000,000	9,000,000	-	-	9,000,000
Share issue costs		-	(83,155)	-	-	(83,155)
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)		-	-	-	(1,827,327)	(1,827,327)
Share based compensation	13(e)	-	-	141,583	-	141,583
Issuance of shares	13(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	13(a)	730,480	145,519	-	-	145,519
As at September 30, 2024		60,254,663	\$ 52,242,585	\$ 3,960,584	\$ (34,563,750)	\$ 21,639,419

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

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

	2024	2023
Operating activities		
Net loss and comprehensive loss	\$ (1,827,327)	\$ (4,810,432)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment and right-of-use assets	456,267	606,664
Amortization of intangible assets	193,734	194,278
Loss on de-recognition of ROU asset	198,240	-
Gain on disposition of right-of-use assets	-	(189,657)
Amortization of deferred financing costs	66,471	-
Change in fair value of derivative liability	(253,034)	285,916
Gain on disposition of intangible assets	(501,137)	-
Interest accretion on debentures payable	186,467	440,652
Share based compensation	141,583	194,813
Impairment provision - property, plant and equipment	410,000	-
Fair value purchase price accounting adjustment on EWG inventory	65,737	91,173
Interest expense	936,795	1,513,456
Interest paid	(815,030)	(1,268,767)
	(741,234)	(2,941,904)
Change in non-cash working capital items		
Accounts receivable	(922,662)	311,807
Inventories	3,769,218	3,042,094
Biological assets	(150,887)	(355,151)
Prepaid expenses	(91,421)	77,701
Accounts payable and accrued liabilities	108,102	289,539
	1,971,116	424,086
Investing activities		
Purchase of property, plant and equipment and intangible assets	(189,998)	(57,234)
Proceeds on disposal of right-of-use assets	-	189,657
Payments received under finance lease receivable	24,042	-
	(165,956)	132,423
Financing activities		
Loan payable - related party	-	750,000
Net proceeds from issuance of common shares	2,283,213	-
Net draws against (repayments of) revolving term loans	(42,191)	(543,591)
Repayment on non-revolving term loans	(3,854,883)	(556,412)
Repayment of lease liabilities	(191,299)	(206,506)
	(1,805,160)	(556,509)
Change in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	\$ -	\$ -
Non-cash transactions (Note 15)		

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

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

1. **NATURE OF OPERATIONS**

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

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

(a) **Statement of compliance**

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International 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

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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 November 27, 2024.

(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 six months ended September 30, 2024 was \$1,827,327 (September 30, 2023 - \$4,810,432). Additionally, the Company reported negative cash flow from operations (before changes in non-cash working capital) of \$741,234 for the six months ended September 30, 2024 (September 30, 2023 - \$2,941,904). As at September 30, 2024, the Company had an accumulated deficit of \$34,563,750 (March 31, 2024 - \$32,736,423) and a working capital deficiency of \$99,350 (March 31, 2024 - \$2,394,660).

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 11(a)*). Based on the results for the six months ended September 30, 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. As of September 30, 2024, the Company has debt repayment requirements of approximately \$20.7 million within the next twelve months, including all its non-revolving term loans that were due by May 31, 2024 (*see note 11(a)(v)*), the current portion of its lease liabilities, the principal amount of the debentures payable plus accrued interest due by November 9, 2024 (*see note 12*), as well as annual seasonal grape purchase commitments in the fall of 2024. 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 rollover (*see note 12*), 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 7*), 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 (*see note 11(a)*), and additional BMO funding (*see note 19(f)*). 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.

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
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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.

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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)		<u>823,271</u>
Total estimated proceeds		<u>\$ 2,263,159</u>

After deducting the remaining book value of the TBP distribution rights of \$322,135, The Company has recorded an estimated gain on sale of \$501,136 on this transaction.

The inventory proceeds were received in August, 2024 and applied against the Company non-revolving term loan (see note 11(a)(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 expect to receive the final payment in the fourth quarter, TBP has retained all its customer receivables and supplier payables.

5. **ACCOUNTS RECEIVABLE**

	<u>September 30</u>	<u>March 31</u>
	<u>2024</u>	<u>2024</u>
Trade receivables	<u>\$ 3,700,383</u>	\$ 2,382,922
Accrued receivables	<u>2,995,839</u>	2,432,018
	<u>\$ 6,574,245</u>	<u>\$ 4,814,940</u>

The Company has an allowance for doubtful accounts as at September 30, 2024 of \$282,539 (March 31, 2024 - \$263,237). Accrued accounts receivable include \$1,850,343 (March 31, 2024 - \$2,179,559) receivable from the Ontario government under the VQA Wine Support Program (see note 14). Accrued receivables include \$823,271 due from Renaissance under the terms of its August, 2024 purchase and sales agreement (see note 4).

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6. **INVENTORIES**

	September 30 2024	March 31 2024
Bulk wine	\$ 9,074,553	\$ 10,212,411
Bottled wine and spirits	5,237,426	7,343,157
Bottling supplies and packaging	541,897	761,698
	\$ 14,853,876	\$ 18,317,266

The Company has a provision for inventory obsolescence as at September 30, 2024 of \$75,000 (March 31, 2024 - \$244,113). During the six months ended September 30, 2024, the Company has not yet received funding under the Wine Sector Support Program for harvest 2023 (*see note 19(b)*) (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. The Company has transferred. 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*).

7. **ASSETS HELD FOR SALE**

As at September 30, 2024, the Company has classified certain winery division properties and related operating assets and liabilities detailed below totalling \$2,900,903 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 September 30, 2024 relating to the property, plant and equipment.

	September 30 2024	March 31 2024
Assets held for sale		
Accounts receivable	\$ 15,728	29,100
Inventory	2,013,730	2,329,701
Prepaid expenses	38,495	40,240
Property, plant and equipment	727,172	1,136,672
Right-of-use assets	896,984	896,984
Intangible assets	231,260	231,260
	3,923,369	4,663,957
Liabilities held for sale		
Accounts payable and accrued liabilities	143,921	193,752
Lease liability	878,545	929,920
	1,022,466	1,123,672
Net assets held for sale	\$ 2,900,903	3,540,285

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8. **MORTGAGE RECEIVABLE**

As part of the consideration payable on the sale of Queenston Mile Vineyard that closed in February, 2024, the Company entered into a vendor take-back in the amount of \$500,000. The receivable 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.

9. **FINANCE LEASE RECEIVABLE**

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

The following table shows the continuity in the finance lease receivable during the six months ended September 30, 2024:

Opening balance - April 1, 2024	\$ -
Sub-lease arrangements classified as finance leases	288,760
Finance income earned	3,834
Repayments of finance lease receivable	<u>(27,876)</u>
Gross finance lease receivable	264,718
Less: current portion	<u>(56,755)</u>
Closing balance - September 30, 2024	<u>\$ 207,963</u>

10. **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30	March 31
	2024	2024
Trade accounts payable	\$ 4,238,549	\$ 4,005,357
Accrued liabilities	2,435,418	2,404,944
Government remittances payable	93,024	97,513
	<u>\$ 6,766,992</u>	<u>\$ 6,507,814</u>

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11. **TERM LOANS PAYABLE**

As at September 30, 2024, the balances outstanding on the Company's term loans were as follows:

	<u>September 30</u> <u>2024</u>	<u>March 31</u> <u>2024</u>
BMO term loans:		
Revolving term loan	\$ 9,683,371	\$ 9,725,563
Non-revolving term loan	<u>3,117,118</u>	<u>6,972,000</u>
	12,800,489	16,697,563
Deferred financing costs	<u>(66,470)</u>	<u>(132,941)</u>
	12,734,019	16,564,622
Current portion of term loans (Note 11(a)(i))	<u>(12,734,019)</u>	<u>(16,564,622)</u>
	<u>\$ -</u>	<u>\$ -</u>

- (a) 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"). The notable terms of the Amendment are as follows:
- (i) **Maturity date:** extension of the maturity date to January 2, 2025.
 - (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 11(a)(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 loan:** the non-revolving term loan has been paid down from the inventory proceeds of \$1.4 million in August, 2024 from the Renaissance transaction (*see note 4*), and the VQA Wine Support Program of \$2.1 million in July, 2024 (*see note 5*).

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11. **TERM LOANS PAYABLE, CONTINUED**

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 7), 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.
 - (vii) **Borrowing margins:** calculation of borrowing margins will use a new formula based on net orderly liquidation values, starting with a fixed margin of \$2.5 million (subject to meeting certain appraisal conditions).
 - (viii) **Covenant waiver:** The Amendment also provides a waiver of the Company's fixed charges ratios to the first quarter of fiscal 2025. Based on the results for the six months ended September 30, 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
- (b) As a result of the second amendment to the SARCA, the overall major terms of the BMO credit facilities now consist of the following:
- (i) **Interest rates:** Under the current amendment, the interest rate on each component of the facility as follows:
 - prime plus 2.40% under the revolving term facility;
 - prime plus 2.65% under the non-revolving term facility; and
 - prime plus 2.65% under the BCAP Facility.
 - (ii) **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 10(a)iv*).

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11. **TERM LOANS PAYABLE, CONTINUED**

(iii) **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.

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

- (c) The SARCA includes a master lease finance line facility under the BMO Equipment Leasing Group and as at September 30, 2024, there was a balance of \$148,770 drawn on this facility (March 31, 2024 - \$214,802) and is included in lease liabilities.
- (d) On November 21, 2024, the Company announced that it entered into a further amendment (the "Third Amendment") to its SARCA with BMO (*see note 19(f)*).

12. **DEBENTURES PAYABLE**

- (a) On November 9, 2022, the Company completed a non-brokered private placement of \$4,884,000 of 10.0% unsecured convertible debentures of the Company (the "2022 Debentures"), the net proceeds of which were used for general working capital and investment purposes. Certain insiders of the Company, including Lassonde and a related company controlled by its chairman, subscribed for \$3.35 million of the total placement.
- (b) The major terms of the 2022 Debentures were as follows:
- (i) The 2022 Debentures bore interest from the date of issue at 10.0% per annum, calculated monthly, in arrears. The interest accrued on the principal outstanding under the 2022 Debentures until such principal was repaid or converted. The 2022 Debentures matured one year from their date of issuance, being November 2, 2023, unless the holder requested to accelerate the maturity date in the event the Company completed an equity financing within the next 12 months.
- (ii) The 2022 Debentures were convertible at the holder's option into common shares of the Company from the date of issuance until the maturity date at a conversion price of \$0.80. If repayment of the 2022 Debentures on the maturity date has constituted non-compliance by the Company under its senior borrowing obligations, the holder had the option to convert at the conversion price, or to roll the obligations over into new one-year debentures, on similar terms to be negotiated.

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12. **DEBENTURES PAYABLE, CONTINUED**

- (iii) Upon any event of default, the principal amount and all accrued but unpaid interest of the debenture became immediately payable, together with a penalty fee equal to 1% of the obligations), and the holder could also thereupon have the option, but not the obligation, of (a) receiving common shares in accordance with the conversion terms of the debenture, or (b) remaining a holder.
- (iv) All securities issued in connection with the placement subject to a four-month hold period expiring four months and one day from their date of issuance.
- (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.
- (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 \$4,884,000 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 13(a)*). As of September 30, 2024, the face value of the remaining 2023 Replacement Debentures is \$4,759,000.
- (f) After recording interest accretion on the 2023 Replacement Debentures of \$186,467 for the six months ended September 30, 2024, the carrying value of the 2023 Replacement Debentures as at September 30, 2024 was \$4,713,004.
- (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 the 2023 Replacement Debentures in the amount of \$241,729 was accrued for the six months ended September 30, 2024 (year ended March 31, 2024 - \$480,372). Interest payable accrued on both 2022 Debentures and the 2023 Replacement Debentures as of September 30, 2024 totals \$900,957 (March 31, 2024 - \$679,747) and is included in accounts payable and accrued liabilities.

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12. **DEBENTURES PAYABLE, CONTINUED**

- (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 loss and comprehensive loss. With the rollover of the 2022 Debentures on November 9, 2023 at their new terms, a new derivative liability was recognized on that date with a fair value of \$2,013,672. The fair value of that embedded derivative as at March 31, 2024 was \$1,881,227. That represented a change in fair value over fiscal 2024 of \$1,290,900 compared to the fair value as at March 31, 2024 of \$590,327, with the change being recognized as an expense during the year ended March 31, 2024.

The fair value of that embedded derivative as at September 30, 2024 was \$1,628,193, a decrease of \$253,034 that was recognized as income during the six months ended September 30, 2024.

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12. **DEBENTURES PAYABLE, CONTINUED**

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

	Convertible debentures (2022 Replacement Debentures)	Convertible debentures (2023 Replacement Debentures)	Derivative liability (2022 Replacement Debentures)	Derivative liability (2023 Replacement Debentures)	Total
Balance, March 31, 2023	\$ -	\$ -	\$ -	\$ -	\$ -
Face value of debentures on issuance	4,884,000	-	-	-	4,884,000
Fair value of derivative on issuance	(775,591)	-	775,591	-	-
Transaction costs	(77,949)	-	-	-	(77,949)
Carrying values on issuance	4,030,460	-	775,591	-	4,806,051
Accretion	328,782	-	-	-	328,782
Change in fair value	-	-	(185,264)	-	(185,264)
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	-	186,467	-	-	186,467
Partial conversion	-	(125,000)	-	-	(125,000)
Change in fair value	-	-	-	(253,034)	(253,034)
Balance, September 30, 2024	\$ -	\$ 4,713,004	\$ -	\$ 1,628,193	\$ 6,341,197

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13. **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 September 30, 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 11(a)(iv)*). 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 with a face value of \$125,000 and related accrued interest payable of \$20,519 (*see note 12(h)*).

(b) **Stock options**

During the six months ended September 30, 2024, there were no 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.

(d) **Warrants**

During the six months ended September 30, 2024, no common share purchase warrants were issued, exercised or expired.

(e) **Share based compensation**

Total share based compensation recognized for the six months ended September 30, 2024 was \$141,583 (September 30, 2023 - \$194,813) based on accrual of previously granted options expected to vest in the reporting period and the issuance of DSUs as described above.

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13. **SHARE CAPITAL, CONTINUED**

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

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

The weighted average number of common shares outstanding for the three and six months ended September 30, 2024 were 57,929,494 and 53,020,777 respectively (three and six months ended September 30, 2023 - 27,875,978 and 27,875,978 respectively).

As at September 30, 2024, the following potentially dilutive equity instruments were outstanding: (i) 1,200,000 options (March 31, 2024 - 1,200,000), (ii) 1,575,320 deferred share units (March 31, 2024 - 1,178,538), (iii) 5,269,465 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 September 30, 2024 was 84,162,781 (March 31, 2024 - 71,986,121).

14. **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 six months ended September 30, 2024, the Company did not receive any funding, but estimates that it will receive funds in the third quarter for harvest 2023 (*see note 19(b)*) (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 6*).

VQA Wine Support Program

Included within revenue for the six months ended September 30, 2024 is product revenue of \$5,865,120 (September 30, 2023 - \$13,887,244) and other revenue from the VQA Wine Support Program of \$1,850,343 (September 30, 2023 - \$Nil) (*see note 5*). 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.

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15. **NON-CASH TRANSACTIONS**

	September 30 2024	September 30 2023
	\$	\$
Right-of-use assets acquired under lease liabilities	9,784	100,686
Proceeds from disposition of right-of-use assets applied against lease liabilities	-	167,137
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	-

16. **CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to provide a return for owners and ensure sufficient resources are available to meet day-to-day operations. Capital is considered to consist entirely of total equity, convertible debentures and bank indebtedness. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company or in the light of changes in economic conditions and the risk characteristics of the underlying assets. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is subject to externally imposed capital requirements related to its term loans (*see note 11*) and there has been no change in the overall capital risk management strategy during the year.

17. **SEGMENTED INFORMATION**

Business segments

The Company operates in two business segments, namely (i) distribution and sales of products represented in Canada under agency agreements with third parties, and (ii) sales of manufactured wines. The following table presents selected financial information associated with each of these segments for the six months ended September 30, 2024 and 2023:

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17. **SEGMENTED INFORMATION, CONTINUED**

Six months ended September 30, 2024

	Agency \$	Manufactured wines \$	Consolidated \$
Manufactured wines	-	11,715,611	11,715,611
Third-party wines and spirits	1,480,434	-	1,480,434
Commission and other	<u>1,261,337</u>	<u>-</u>	<u>1,261,337</u>
Gross revenue	2,741,771	11,715,611	14,457,382
Inter-segment revenue	<u>(570,139)</u>	<u>-</u>	<u>(570,139)</u>
Net revenue	<u>2,171,632</u>	<u>11,715,611</u>	<u>13,887,244</u>
Gross profit	1,100,431	5,503,213	6,603,645
Interest and accretion	10,845	1,112,417	1,123,262
Depreciation and amortization	187,556	462,445	650,001
Additions of property, plant and equipment and intangible assets	-	189,998	189,998

Statement of financial position balances as at
September 30, 2024

Intangible assets	127,832	3,362,734	3,490,568
Total assets	2,425,825	46,915,861	49,341,686
Total liabilities	1,471,036	26,231,231	27,702,267

Six months ended September 30, 2023

	Agency \$	Manufactured wines \$	Consolidated \$
Manufactured wines	-	9,017,608	9,017,608
Third-party wines and spirits	4,867,350	-	4,867,350
Commission and other	<u>2,245,665</u>	<u>-</u>	<u>2,245,665</u>
Gross revenue	7,113,015	9,017,608	16,130,623
Inter-segment revenue	<u>(446,243)</u>	<u>-</u>	<u>(446,243)</u>
Net revenue	<u>6,666,772</u>	<u>9,017,608</u>	<u>15,684,380</u>
Gross profit	2,377,169	3,270,478	5,647,646
Interest	20,857	1,933,251	1,954,108
Depreciation and amortization	244,454	563,421	807,875
Additions of property, plant and equipment and intangible assets	-	57,234	57,234

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

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17. **SEGMENTED INFORMATION, CONTINUED**

Geographic information	September 30 2024	September 30 2023
<i>Revenue</i>		
Canada	\$ 13,424,199	\$ 15,296,822
China and other	463,045	387,558
	\$ 13,887,244	\$ 15,684,380

18. **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 September 30, 2024 would impact annual interest expense and net income by \$127,000 (2023 - \$257,000).

(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 11*).

Total current liabilities as at September 30, 2024 of \$27,156,205 (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.

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18. **FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED**

The following table outlines the Company's estimated contractual undiscounted obligations as at September 30, 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	7,789	-	-	-	7,789
Term loans payable	12,734	-	-	-	12,734
Lease liabilities	413	360	208	-	981
Debentures (and accrued interest) payable	5,660	-	-	-	5,660
Purchase contracts for grapes, packaging and other raw materials	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Total contractual obligations	<u>28,596</u>	<u>2,360</u>	<u>208</u>	<u>-</u>	<u>31,164</u>

19. **SUBSEQUENT EVENTS**

(a) **Deferred share units**

In October, 2024, the Company issued an aggregate of 184,374 DSUs in settlement of \$44,250 of previously accrued deferred directors compensation.

(b) **Wine Sector Support Program**

In October, 2024, the Company signed an agreement to receive the \$841,000 under the program, none of which has been accrued as of September 30, 2024.

(c) **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.

(d) **Perigon Beverage Group acquisition**

In October, 2024, the Company closed on the 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, business names and inventory.

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19. **SUBSEQUENT EVENTS, CONTINUED**

The purchase price is \$1.8 million based on Perigon's latest financial results. The purchase price 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 at a deemed issuance price of \$0.26 per share, and thereafter an additional amount of shares having a value of approximately \$0.5 million 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.

(e) **Replacement debentures**

On November 11, 2024, the Company replaced the \$4.759 million of 2023 Replacement Debentures (*see note 12*) with new debentures (the "2024 Replacement Debentures"). Certain insiders of the Company, including Lasonde and a related company controlled by its chairman, have maintained their subscriptions for \$3.35 million of the total placement. The material terms of the 2024 Replacement Debentures are the same as the 2023 Replacement Debentures, other than (i) the conversion price, which is now \$0.24, and (ii) the maturity date, which is now November 9, 2025.

(f) **BMO credit facility amendment**

On November 21, 2024, the Company announced that effective as of November 15, 2024, it entered into a further amendment (the "Third Amendment") to its SARCA with BMO (*see note 11*). The notable terms of the Third Amendment are as follows:

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

19. **SUBSEQUENT EVENTS, CONTINUED**

- **Credit Facilities:** The establishment of a non-revolving credit facility (the “Demand NRT Facility”) in the amount of \$2,500,000 of which matures on the date that is the earlier of: (a) the date BMO demands repayment of all outstanding secured obligations under the Demand NRT Facility; (b) the date on which the Lender is satisfied that the VQA rebate for the 2025 fiscal year has been received by the Company; (c) the fully drawn amount under the Demand NRT Facility is prepaid by the Company; and (d) July 31, 2025.
- **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.
- **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.
- **Interest Rates:** The interest rates in respect of the following facilities have 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.

All other terms of the SARCA, as amended, remain in full force and effect.

20. **SEASONALITY**

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