DIAMOND ESTATES WINES & SPIRITS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 31, 2015 AND 2014

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The following management discussion and analysis ("MD&A") of Diamond Estates Wines & Spirits Inc. ("Diamond" or "the Company") provides a review of corporate developments, results of operations and financial position for the fiscal years ended March 31, 2015 ("FY2015") and March 31, 2014 ("FY2014"). This discussion is prepared as of July 8, 2015 and should be read in conjunction with the audited consolidated financial statements for the fiscal years ended March 31, 2015 and March 31, 2014. All note references are made in reference to these consolidated financial statements. Additional information regarding Diamond is available on Diamond's SEDAR profile at www.sedar.com. The results reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, which is the Company's functional currency.

FORWARD-LOOKING STATEMENTS

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

NON-IFRS FINANCIAL MEASURE

Management uses net loss as presented in the consolidated statements of net loss and comprehensive loss as well as "standardized EBITDA" as a measure to assess performance of the Company. Standardized EBITDA is another financial measure and is reconciled to net loss and comprehensive loss below under "Results of Operations".

Standardized EBITDA is a supplemental financial measure to further assist readers in assessing the Company's ability to generate income from operations before taking into account the Company's financing decisions, depreciation of property, plant and equipment and amortization of intangible assets. Standardized EBITDA comprises gross profit less operating costs before financial expenses, depreciation and amortization, non-cash expenses, one-time and other unusual items, and income tax.

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

COMPANY OVERVIEW

Diamond Estates Wines and Spirits Inc. is a producer of high quality wines and a sales agent for over 120 beverage alcohol brands across Canada. The company operates two wineries in the Niagara region of Ontario producing VQA and blended wines under such well-known brand names as 20 Bees, EastDell Estates, Lakeview Cellars, Dois Amigos, Dan Aykroyd, Riders Valley, Benchmark and Seasons. Through its partnership, Kirkwood Diamond Canada, the Company is the sales agent for top selling international brands in all regions of the country as well as being a distributor in the western provinces. These recognizable brands include Fat Bastard wines from France, Fireball Whiskey Shooter from Canada, Hpnotiq Liqueur from France, Anciano wines from Spain, Francois Lurton wines from France and Argentina, Brick Brewing from Canada, Buffalo Trace Bourbon from USA, Flor de Cana rum from Nicaragua, Iceberg Vodka from Canada and many others.

The Company's mission is to build profitable beverage alcohol brands that celebrate life and achievement in a socially responsible manner. To meet this goal, the Company has made significant investments in processing, winemaking, brand marketing and sales programming. Based on its analysis of the market, the Company believes in the long-term growth prospects for the domestic and import beverage alcohol markets in Canada.

The Company is committed to delivering these results through its distribution network focused on the provincial liquor boards, licensed restaurants and bars, Diamond's three retail locations and export channels. The Company supports this focus through the enhanced efforts of its sales, marketing and brand promotional activities and through the ongoing review of its manufacturing efficiencies and costs. The Company has a total workforce of approximately 113 employees, including 54 engaged in the selling and marketing of its brands, 20 in the manufacturing and distribution of its brands, 20 involved in the retailing of its domestic products through our retail facilities and 19 in accounting and administration.

GOING CONCERN

The accompanying consolidated financial statements have been prepared using the IFRS applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

The Company has incurred repeated losses as net loss and comprehensive loss for FY2015 was $1,705,953 (FY2014 - $4,075,413). Working capital as at March 31, 2015 improved significantly to $1,931,098 compared with a deficiency $108,319 as at March 31, 2014. The Company has continued to receive the support of Meridian Credit Union ("MCU"), its primary lender, by virtue of revised and/or renewed credit agreements *(see note 14)* since going public in September, 2013. It also completed a private placement for net proceeds of $3,038,372 on April 29, 2015 *(see note 28(a))* that has significantly improved its working capital position.

The Company's ability to meet the covenant measurements under the terms of its credit agreements with its lender are dependent upon improvements in profitability. The losses incurred to date indicate the existence of material uncertainties that may cast doubt on its ability to continue as a going concern.

LAUNCH OF KIRKWOOD DIAMOND CANADA PARTNERSHIP

On October 1, 2014, the Company and The Kirkwood Group ("TKG") formed a new partnership named Kirkwood Diamond Canada ("KDC" or the "partnership") *(see note 4)* and began the process of integrating their respective agency businesses. The Company has a 50.01% interest in the partnership and a tie-breaking vote on the Executive Committee of the partnership, effectively giving it strategic and directional control over the operations of the partnership. Accordingly, the partnership's financial results have been consolidated into the Company's financial statements starting October 1, 2014.

Each partner contributed intangible assets, consisting of sales agent and distribution agreements with beverage alcohol suppliers, of their respective agencies to KDC in exchange for their respective partnership interests. For the three month period ended December 31, 2014, each partner operated their respective agency businesses independently and carved out the activity for the benefit of the partnership. Each partner therefore also retained ownership of their respective working capital during this period in order to continue to operate their own businesses independently. On a beneficial basis, each partner therefore contributed their respective inventories as at October 1, 2014 to the partnership offset by loans payable. However, accounts receivable and accounts payable balances at October 1, 2014 related to activity prior to the inception of the partnership were retained by the partners such that they did not form part of the business combination. The Company did not issue any equity or cash consideration, contingent or otherwise, to the owners of The Kirkwood Group as a result of this transaction. In January, 2015, each partner contributed $750,000 in cash to the partnership. In addition, a $3,000,000 operating line was secured from Meridian Credit Union, with conventional margin limits on accounts receivable and inventory *(see note 14(f))*. On January 1, 2015, KDC purchased the inventory from the Company and TKG, thereby integrating the two businesses.

The following summarizes the consideration transferred to the partnership by the Company and the partnership assets acquired and liabilities assumed at the acquisition date:

Consideration transferred to KDC by the Company		
Inventories	$ 1,597,708	
Loan payable - Diamond	(1,597,708)	
Intangible assets	3,716,053	
		$ 3,716,053
Fair value of KDC assets acquired and liabilities assumed		
Inventories	$ 5,161,228	
Loans payable - partner companies	(5,161,228)	
Intangible assets	7,259,389	
		$ 7,259,389
Net assets acquired before non-controlling interest		(3,543,336)
		$ 3,716,053

The non-controlling interest in the partnership is 49.99%. It has been measured at fair value, primarily based on the proportionate relative value of each partner's intangible assets as described above. The primary input for that valuation was the use of each partner's fiscal 2014 gross margin, normalized for variable selling costs and client relationships retained. None of the intangible assets recognized are expected to be deductible for income tax purposes. No value has been attributed to the Company's own intangible assets transferred to the partnership as there can be no gain on disposition within the consolidated entity.

Summarized financial data for KDC as at March 31, 2015, and for the six month period then ended, before consolidation eliminations, are as follows:

	$
Accounts receivable	2,300,000
Inventories	3,963,000
Intangible assets	6,929,000
Bank indebtedness	(1,848,000)
Accounts payable	(2,434,000)
Loan payable - partner company	(1,376,000)
Revenues	(8,620,000)
Net loss	(404,000)

The Company has recognized $4,971,234 of revenue and $527,318 of net loss in the six month period ended March 31, 2015 that would not have otherwise have been recorded in absence of this acquisition. Included in this amount are acquisition-related expenses of $49,544. The Company cannot reasonably determine the total revenue and net income amount that the partnership would have generated had the merger taken effect on April 1, 2014 as not all of the activities of The Kirkwood Group during that period related to the business that became part of the new partnership on October 1, 2014.

Restructuring costs of $475,404 were provided for in the six months ended March 31, 2015 to cover employee severance and lease termination costs.

On January 23, 2015, the partnership entered into its own credit facility agreement with Meridian Credit Union, the Company's primary lender, as more fully described in note 14(f).

DE SOUSA WINE CELLARS CORP. SALE AND LEASEBACK

On November 10, 2014, the Company completed the sale and leaseback of its De Sousa Estates Winery in Beamsville, Ontario to Oakwest Corporation Limited ("Oakwest"), the related party described in note 16. This was done through the sale of the common shares in De Sousa Wine Cellars Corporation, the entity that owns the winery property. The details of the sale and leaseback, both done at fair value, are as follows:

(a) The share sale was for cash proceeds of $1,800,000 and resulted in the effective disposition of the winery property, previously classified under assets held for sale, resulting in a loss on disposition of $80,916.
(b) Approximately $780,000 of the proceeds were used to retire the outstanding mortgage on the property, while the remaining proceeds used for working capital requirements
(c) The Company will lease the winery from Oakwest for a period of five years with the option to extend for another five years. Minimum lease payments due over the first five year term total $500,000. Operating lease payments expensed since the sale and leaseback on November 10, 2014 total $27,041.
(d) The Company will continue to operate the winery under a profit-sharing arrangement with Oakwest under which profits greater than $25,000 in any given year are to be split two thirds in favour of the Company and one third for Oakwest. To date, profits under the profit-sharing arrangement are below the threshold level.
(e) The Company has maintained ownership and all rights to these brands, and funds all working capital requirements.
(f) If Oakwest sells the property during the initial lease term, it will transfer to the Company's benefit all net proceeds in excess of $1,800,000.

REVERSE TAKEOVER

On September 24, 2013, Whiteknight Acquisitions II Inc. ("WKN"), now the Company, acquired 100% of the issued and outstanding shares of Diamond Estates Wines & Spirits Ltd. ("Diamond Ltd."), a private company. The transaction constituted the Qualifying Transaction of WKN as such term is defined in Policy 2.4 of the TSX-V. To effect the transaction, WKN issued 26,275,310 common shares and 399,973 share purchase warrants in exchange for all of the issued and outstanding securities of Diamond Ltd. (see further discussion under "Capitalization"). WKN subsequently changed its name to "Diamond Estates Wines & Spirits Inc." ("Diamond"), such that Diamond is now the parent company of Diamond Ltd., its 100% owned-subsidiary.

Although the transaction resulted in Diamond Ltd. legally becoming a wholly-owned subsidiary of WKN, the transaction constituted a reverse takeover of WKN and was accounted for as a reverse takeover transaction in accordance with guidance provided in IFRS 2 Share Based Payments. As WKN did not qualify as a business according to the definition in IFRS 3, this reverse takeover transaction did not constitute a business combination. It was treated as an issuance of shares by Diamond Ltd. for the net monetary assets of WKN.

As a result, it has been accounted for as a capital transaction, with Diamond Ltd. being identified as the accounting acquirer and the equity consideration being measured at fair value. The resulting statement of financial position is presented as a continuance of Diamond Ltd. operations and comparative figures presented in the consolidated financial statements after the reverse takeover are those of Diamond Ltd. The results of operations, cash flows and the assets and liabilities of WKN have been included in these consolidated financial statements since September 24, 2013, the acquisition date *(see note 6 of the consolidated financial statements for further information on the reverse takeover)*.

RESULTS OF OPERATIONS

	FY2015	FY2014
Revenue	$ 25,730,896	$ 20,668,440
Change in inventories of finished goods and raw materials consumed	13,374,556	10,890,758
Gross profit	12,356,340	9,777,682
Gross margin %	*48.0*	*47.3*
Operating expenses	10,775,108	9,123,203
Operating expenses %	*41.9*	*44.1*
Standardized EBITDA	1,581,232	654,479
Interest on bank indebtedness	1,386,509	1,590,902
Depreciation and amortization	1,070,641	1,404,889
Financing costs	75,117	426,169
Net loss from operations	(951,035)	(2,767,481)
Non-cash loss on RTO	-	749,787
Restructuring charges	475,404	-
Share based payments	193,235	190,666
Share price guarantees	-	(247,332)
Listing expenses	-	352,598
Loss on sale of capital assets	86,279	2,213
Impairment provision - assets held for sale	-	260,000
Net loss and comprehensive loss	$ (1,705,953)	$ (4,075,413)
Portion attributable to:		
Shareholders	(1,503,920)	(4,075,413)
Non-controlling interest	(202,033)	-
	$ (1,705,953)	$ (4,075,413)

See definition of selected terms under the heading "Non-IFRS Financial Measures"

Year over year

Sales for FY2015 were $25,730,896 versus $20,668,440 for the fiscal year ended March 31, 2014 ("FY2014"), a 24.5% increase. Gross profit was up 26.4% to $12,356,340 in FY2015 from $9,777,682 in FY2014. Standardized EBITDA improved significantly to $1,581,232 in FY2015 from $654,479 in FY2014 aided by operating expenses that as a percent of revenue declined by 2.2%. The Company generated a net loss in FY2015 of $1,705,953 versus $4,075,413 a year ago. The net loss attributable to Diamond Estates' shareholders was $1,503,920, a year over year improvement of $2,571,493. The loss in FY2015 included restructuring charges of $475,404 attributable to the business combination

The sales increase primarily related to distribution rights acquired from the business combination with The Kirkwood Group to form Kirkwood Diamond Canada Partnership ("KDC"). The Kirkwood Group had a strong presence in Western Canada where the Company operates as both sales agent and distributor for our suppliers' brands which resulted in an increase in the distributorship ("buy/sell") sales mix to 68.5% of agency revenues in FY2015 from 54.6% in FY2014. This affected overall gross profit margins as revenues in Eastern Canada are predominantly commission based (100% margin), however, it was more than offset by an improvement in the buy/sell gross margin of 2.4% in FY2015 versus FY2014. Sales in the winery division increased marginally by 1.4% or $197,298 in FY2015 from FY2014 as brand rationalization, lower promotional activity and price increases restrained volume, but significantly improved profitability. Gross margin in the winery division improved 2.9% in FY2015 from FY2014.

Operating expenses increased $1,651,905 or 18.1% in FY2015 over FY2014, primarily as a result of the combination of the agency businesses. The integration and rebranding were largely complete by March 31, 2015 thereby eliminating redundant costs in future periods. Interest expense decreased by 12.8% or $204,393 in FY2015 over FY2014 as the Company reduced its borrowing base. Financing charges of $75,117 in FY2015 reflect the cost to set up a new facility for KDC and restructure the previous facility. The new facility reduced the margin limits on the revolving line of credit and transferred part of the revolver to term debt as the Company's financial position and credit risk profile improved.

Non-operating related expenses were $754,918 in FY2015 compared to $1,307,932 in FY2014. This was comprised of $475,404 for restructuring charges related to the business combination, $193,235 in stock compensation expense and $86,279 in losses from the disposal of assets, primarily from the sale-leaseback of the De Sousa Estates Winery to Oakwest Corporation.

As reflected on the consolidated statements of cash flows, the company has generated negative cash flow from operations before changes in non-cash working capital items for FY2015 of $355,798 compared to negative cash flow from operations before changes in non-cash working capital items for FY2014 of $1,699,330, an improvement of $1,343,532. That change is comprised of the following major components:

Increase in gross profit	$ 2,578,658
Increase in operating expenses	(1,651,905)
Decrease in interest expense	204,393
Decrease in financing expenses	351,052
Other	(138,666)
	$ 1,343,532

Three month period ended March 31, 2015 ("Q4 2015") only

Sales for Q4 2014 totalled $6,823,707 compared to $4,027,823 for the same period last year, an increase of 69.3%. The improvement was primarily in the agency division, driven by the merger with The Kirkwood Group on October 1, 2014 plus organic growth in the winery division. Standardized EBITDA for Q4 2015 was $68,207 compared to $149,151 for Q4 2014, a decrease of $80,944 as the costs associated with integrating the agency businesses affected profitability.

QUARTERLY PERFORMANCE (UNAUDITED)

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

	Mar-2015 Q4 2015	Dec-2014 Q3 2015	Sep-2014 Q2 2015	Jun-2014 Q1 2015	Mar-2014 Q4 2014	Dec-2013 Q3 2014	Sep-2013 Q3 2014	Jun-2013 Q1 2014
	$	$	$	$	$	$	$	$
Balance sheet								
Working capital (deficiency)	1,931,098	(939,511)	(137,038)	(273,636)	(108,319)	(98,660)	(1,437,925)	(17,691,674)
Bank indebtedness (total)	11,076,910	12,274,083	12,757,982	12,568,764	13,013,129	11,876,916	10,311,902	28,039,002
Term debt	11,915,608	9,422,538	9,525,288	9,677,203	9,828,516	10,000,000	10,000,000	-
Total equity	10,297,441	10,210,288	7,522,030	7,319,042	7,516,723	8,265,487	8,847,560	697,308
Income statement								
Revenue	6,823,707	7,877,312	5,863,300	5,166,577	4,027,823	5,412,780	5,255,155	5,972,682
Gross profit	2,980,019	3,724,721	3,065,401	2,586,199	1,999,316	2,592,652	2,391,051	2,794,663
Standardized EBITDA	68,207	352,664	796,870	363,491	149,151	247,578	(354,198)	611,948
Net loss	(763,039)	(861,553)	116,320	(197,681)	(715,739)	(589,130)	(2,431,770)	(338,774)

See definition of selected terms under the heading "Non-IFRS Financial Measures"

LIQUIDITY AND CAPITAL RESOURCES

	March 31 2015	March 31 2014
Accounts receivable	**$ 3,747,303**	$ 3,035,264
Inventory	**16,934,283**	12,466,162
Restricted cash	**500,000**	-
Asset held for resale	**-**	1,880,916
Other	**209,623**	139,222
Total current assets	**21,391,209**	17,521,564
Property, plant and equipment	**15,328,378**	15,992,766
Other	**4,225,705**	844,677
Total assets	**$ 40,945,292**	$ 34,359,007
Bank indebtedness	**$ 11,076,910**	$ 12,175,284
Bank indebtedness associated with assets held for sale	**-**	837,845
Current portion of term loan payable	**1,227,868**	616,115
Shareholder loan payable	**-**	500,000
Loan payable - non-controlling interest	**1,375,547**	-
Other current liabilities	**5,779,786**	3,500,639
Total current liabilities	**19,460,111**	17,629,883
Term loan payable, net of current portion	**10,687,740**	9,212,401
Shareholder loan payable	**500,000**	-
Total liabilities	**30,647,851**	26,842,284
Shareholders' equity	**6,206,038**	7,516,723
Non-controlling interest	**4,091,403**	-
	$ 40,945,292	$ 34,359,007

The Company's consolidated financial position has improved as at March 31, 2015 from that as at March 31, 2014 as a result of the addition of The Kirkwood Group's agency business and renegotiation of the terms of the Company's credit facility with Meridian Credit Union ("MCU"), its primary lender. Working capital increased by $2,039,417 to $1,931,098 as at March 31, 2015 compared to a deficiency of $108,319 as at March 31, 2014, mostly as a result of components of the previous line of credit being converted to non-revolving term loans (as discussed further below). Total bank indebtedness, including that associated with assets held for sale, decreased by $1,936,219 to $11,076,910 as at March 31, 2015 compared to $13,013,129 as at March 31, 2014. During FY2015, principal payments of $668,862 (2014 - $171,484 have been made against the various MCU term loans (*see notes 14 and 18 for further details on the Meridian credit facility)*.

On January 12, 2015, the Company signed a new credit agreement with MCU to replace previous agreements dated September 17, 2014 and July 24, 2013. The January 12, 2015 agreement was amended on March 25, 2015. In addition, on January 23, 2015, the Company entered into an additional credit agreement with MCU with respect to the financing of Kirkwood Diamond Canada *(see note 14(f))*.

The revised credit agreement for Diamond dated January 12, 2015, as amended on March 25, 2015, reflects the following major changes from the previous agreements dated September 17, 2014 and July 24, 2013:

(i) The operating line decreased from $13,000,000 to $10,000,000, interest rate unchanged (prime plus 2.5%). The margin limit for inventory decreased from $11,000,000 to $8,500,000 at 70% of the value of inventory from 90% previously.

(ii) $1,500,000 of the prior line of credit was converted to instalment based non-revolving loan #2 *(see notes 14(c)(iii) and 18)*. Should the Company issue new shareholder equity exceeding $3,250,000 (net of reasonable issuance expenses), MCU is entitled to an immediate lump-sum payment of $500,000.

(iii) A non-revolving loan of $1,250,000, $750,000 of which is to be used for investment in Kirkwood Diamond Canada Partnership (see note 4) and $500,000 of the prior line of credit converted to instalment based non-revolving loan #3 (see notes 14(c)(iv) and 18)). Should the Company issue new shareholder equity exceeding $3,250,000 (net of reasonable issuance expenses), MCU is entitled to immediate repayment of 100% of the remaining loan balance.

As a result of the amendment dated March 25, 2015 and subsequent to the private placement that closed on April 29, 2015 as described in note 28(a), the Company repaid the remaining principal of the $500,000 portion of the loan described above in the amount of $456,069 out of the funds held as restricted cash *(see note 9)*.

(iv) The security positions granted, margining calculations, reporting requirements and financial covenants are generally unchanged, except that the minimum effective net worth required increased from $7,000,000 to $7,500,000, but measurement commencing effective the fiscal year ended March 31, 2016 *(see note 14(e)(i))*.

(v) Maintenance of financial covenants measuring: the Debt Service Ratio ("DSR") of 1.25|1.00 on an annual basis *(see note 14(e)(iii)*, a trailing four quarter DSR of 1.25|1.00 on a quarterly basis *(see note 14(e)(iv))*, and the ratio of total debt to effective net worth measured annually *(see note 14(e)(ii)* were all deferred for one year so as to commence effective the fiscal year ended March 31, 2016.

(b) The revised credit agreement September 17, 2014 reflects the following major changes from the previous agreement dated July 24, 2013:

(i) the inclusion of pre-1993 branding licenses (an intangible asset) at 50% in the calculation of net effective worth
(ii) the debt to effective net worth ratio falling to 3.25:1 on March 31, 2016
(iii) maintaining at least three product listings with the Liquor Control Board of Ontario

The credit agreement now specifies the following overall terms:

(I) Credit facilities

(a) Operating line of $10,000,000, due on demand, bearing interest at prime plus 2.50%, interest payable monthly; the operating line is limited to:
   (i) 85% of acceptable Canadian receivables aged 120 days and under, less certain exclusions, plus
   (ii) 75% of all other acceptable receivables aged 90 days and under, less certain exclusions, plus
   (iii) 70% of acceptable wine inventory to a maximum of $8,500,000, less
   (iv) priority payables or claims purporting to have priority over Meridian
(b) Non-revolving loan #1 of $9,212,699 *(see note 18)*, repayable in blended monthly payments of principal and interest of $94,319, bears interest at a fixed rate of 5.4%, due by December 31, 2018.
(c) $1,500,000 instalment based non-revolving loan #2 *(see note 18)*, amortized over 10 years, repayable in equal blended payments of principal and interest of $16,338, bearing interest at fixed rate of 4.99%, due January 15, 2019.
(d) Non-revolving loan #3 of $1,250,000 *(see note 18)*, $750,000 of which is to be used for investment in Kirkwood Diamond Canada Partnership *(see note 4)* and $500,000 of the prior line of credit converted to a instalment based non-revolving loan, amortized over 30 months, repayable in equal blended payments of principal and interest of $48,435, bearing interest at a fixed 12%, due by July 15, 2017.

(II) Security

The above credit facilities are secured by general security agreements, collateral mortgages over the Niagara Cellars property and buildings, assignment of fire and liability insurance over both properties and buildings, and corporate guarantees and postponements of claim in favour of Meridian by De Sousa Wines Toronto Inc., each of which is supported by respective general security agreements and assignment of funds on deposit in the amount of $500,000 *(see note 9)*.

(III) Financial covenants

(a) Achieve a minimum effective net worth of not less than $7,500,000 commencing the fiscal year ending March 31, 2016, which is defined as: shareholders' equity plus loans from shareholders postponed to Meridian less loans to shareholders and related parties and less 50% of pre-1993 winery licenses and 100% of other intangible assets;
(b) To maintain a debt to effective net worth of 3.75|1.00 to be measured as at March 31, 2016, improving to 3.25|1.00 by March 31, 2017 (where total debt is defined as the sum of current liabilities plus long term liabilities, less any postponed amounts);
(c) Maintain a DSR of not less than 1.25|1.00, measured annually, measurement commencing effective the fiscal year ended March 31, 2016; the DSR is defined as the ratio of earnings before interest, taxes, depreciation and amortization to the sum of interest expense plus the current portion of long term debt; and
(d) Maintain a trailing four quarter DSR of not less than 1.25|1.00, measurement commencing effective the end of the first quarter following the March 31, 2016 fiscal year end.

From the signing of the initial credit agreement on July 24, 2013 through to March 31, 2015, due to the various amendments, the Company has been in compliance with the covenants relating to minimum effective net worth and total debt to effective net worth. The DSR ratio covenant was not measured for fiscal 2015 by virtue of the amendment to the credit agreement dated March 25, 2015.

On January 23, 2015, the Company became a party to a credit agreement with MCU to finance the operations of Kirkwood Diamond Canada *(see note 4)*. The agreement was amended on March 31, 2015 such that it reflects the following major terms:

(a) operating line of up to $3,000,000
(b) payments of interest only, interest at prime plus 2%
(c) credit facility secured by:
  - general security agreement
  - assignment of fire insurance
  - guarantee and postponement of claim from The Kirkwood Group Ltd. in the amount of $1,500,000
  - inter-creditor amongst concerned parties agreement limiting liability of the Company to $1,500,000
(d) financial covenants include:
  - maintaining an effective net worth of $1,500,000, which is defined as the sum of partners' capital and loans from related parties less the sum of loans to related parties and intangible assets
  - interest coverage ratio of 1.25|1.00, which is defined as the ratio of earnings before interest, taxes, depreciation and amortization less partner distributions to interest expense on all its debt obligations
  - by virtue of the amendment dated March 31, 2015, MCU waived compliance by KDC with these financial covenants as at March 31, 2015 by revising the initial measurement date to be March 31, 2016

In March, 2014, the Company's largest shareholder advanced $500,000 to the Company in the form of a loan. This loan is unsecured, due on April 1, 2016, bears interest at 8% per annum and has been included in the determination of effective net worth under the provisions of the MCU credit agreement.

Note payable - non-controlling interest

Amounts due to The Kirkwood Group arise from the purchase of inventory as more fully described in note 4 and funding of losses during the merger and integration of the two agency businesses. The loan is unsecured, non-interest bearing and due on demand.

SUBSEQUENT EVENT

On April 29, 2015, the Company completed a private placement of 26,733,288 common shares at an issuance price of $0.12 per common share for gross proceeds of $3,207,995, less issuance costs of $169,623 for net proceeds of $3,038,372. As a result of exceeding $3,000,000 from this equity raise, the Company was required to pay $456,069 against non-revolving loan #3 from Meridian Credit Union as described in note 14(a)(iii). The remaining proceeds are intended to be used for working capital, the construction of a new retail outlet at the Company's Diamond Estates Winery, sales and marketing initiatives and general corporate purposes.

CAPITALIZATION

Diamond can issue an unlimited number of common shares. The Company has common shares and other equity instruments outstanding at each reporting date as follows:

	March 31, 2015	March 31, 2014	Change in period
Common shares	73,403,749	73,403,749	-
Broker warrants	288,220	399,973	(111,753)
Stock options	6,682,400	3,132,400	3,550,000
Total equity instruments	80,374,369	76,936,122	3,438,247

The only change in equity instruments during FY2015 was the granting of 3,550,000 options as follows:

(a) On June 5, 2014, a grant of 500,000 options was made to the Company's new CFO. The options are exercisable at $0.25 per share with a term of five years and vest as at 25% of the number of options granted on each anniversary date over 4 years.

(b) Concurrent with the sale and leaseback of the winery, the Company has executed an agreement with Oakwest on November 10, 2014 which will provide financial and operational consulting services over the lease term. In consideration of these services, the Company will pay $1 per year and has issued 1,400,000 stock options to Oakwest exercisable at $0.12 per option with a term of five years. The options vested as to 20% immediately and the remainder evenly on each anniversary date over the next 4 years. The Company has also issued 600,000 stock options under the same terms to David Beutel, Chair of its Board of Directors and a Vice President at Oakwest.

(c) On November 24, 2014, the Board of Directors approved the grant of 1,050,000 options to key management personnel. The shares are exercisable at $0.11 per share with a term of five years and vest evenly on each anniversary date over 5 years.

STRATEGIC OUTLOOK AND DIRECTION

Diamond is committed to building enduring, high quality beverage alcohol brands that celebrate life and achievement in a socially responsible manner. The Company believes in the development of leading brands that recognize the consumer's interest in wines and spirits, addressing their desire to explore with the many exciting offerings that the Company has available. Vertically integrated, Diamond combines a modern and efficient production facility for Niagara wines with a national marketing agency for its broad portfolio of leading international wines and spirits. The Company is well positioned to add to its throughput of wine production and leverage its national sales force to increase the number of brands under agency without a significant change in its cost structure.

The Canadian wine market continues to grow strongly, outpacing most consumer categories. Statistics Canada recently reported[1] that in the twelve months ending March 31, 2014, Canadian wine sales increased 1.0% to 461.7 million litres ($6.4 billion) from 2012/2013. This is equivalent to 15.7 litres per capita, up 3.2 litres since 2004/2005, which is a 25.6% increase. Conversely, spirits sales by volume decreased by 1.6% to 157.7 million litres, or 5.3 litres per capita in 2014. Similarly, beer sales declined by 1.5% to 2.2 billion litres in 2013/2014 or 75.9 litres per capita. The market share for wine was 31% in 2013/2014, up from 25% in 2004/2005. The market share for beer was 42% and 49% respectively. Spirits sales represented 23.3% of the market in 2013/2014, up slightly from 22.6% in 2004/2005. The remaining market share is made up of Ciders, Coolers and Other Refreshment Beverages (CCORB), which sold 127 million litres in 2013/2014, up 12% from the previous year.

Ontario wineries have a 42% share of the total market in the province. In most other international wine regions, the domestic share is consistently above 70%. There are significant opportunities to grow the sales and market share of Ontario wine given increasing consumption, competitive pricing and continuous quality improvements as the industry matures[2]. Diamond will continue to focus on further developing its existing brands of Vintner Quality Alliance ("VQA") certified wines that include Lakeview Cellars, EastDell, Seasons, 20 Bees, Dan Aykroyd, Fresh and its new International Canadian Blend ("ICB") brand, Riders Valley. The ICB segment represents 75% of wine sold within the Ontario market[2]. This continued focus will include additional investment in marketing, promotion and advertising to insure top of mind awareness and preference for our brands.

Within its portfolio of international brands, the Company's emphasis will be on building awareness, sales and profit for its existing customer base and will continue to identify new brand entrants that the Company can represent within the Canadian market. These will include international wines and spirits from a variety of regions globally with a specific focus on brands that currently do not have distribution within the Canadian marketplace or which are dissatisfied with their current distribution arrangements.

[1] http://www.statcan.gc.ca/daily-quotidien/150504/dq150504a-eng.htm
[2] http://www.wgao.ca/industry-facts

RISKS FACTORS

BUSINESS RISKS

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

ADDITIONAL FINANCING

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

PROFITABILITY

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

DEPENDENCE ON MANAGEMENT AND KEY PERSONNEL

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

GOVERNMENT REGULATION OF LIQUOR INDUSTRY

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

SIGNIFICANT COMPETITION

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

MANAGEMENT OF GROWTH

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

ISSUANCE OF DEBT

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

LABOUR COSTS AND SHORTAGES AND LABOUR RELATIONS

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

AGRICULTURAL RISK

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

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

FOREIGN EXCHANGE

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

ENERGY COSTS

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

TAXATION

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

TRADEMARKS

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

IMPORTANCE OF INVENTORY, WAREHOUSE AND DISTRIBUTION SYSTEMS

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

WHOLESALE COST INCREASES

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

DISTRIBUTION BUSINESS

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

CREDIT RISK

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

EXPOSURE TO INTEREST RATE FLUCTUATIONS

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

ENVIRONMENTAL COMPLIANCE

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

PACKAGING

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

INDUSTRY CONSOLIDATION

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

RISKS RELATED TO COMMON SHARE INVESTMENTS

PRICE VOLATILITY OF PUBLICLY TRADED SECURITIES

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

DILUTION

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

DIVIDENDS

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

GLOBAL FINANCIAL CRISIS

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions (including a downgrade of the US sovereign debt credit rating from AAA, by certain credit rating agencies in 2011) caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted the ability to raise capital, and sales cycles, will continue to impact the performance of the global economy going forward. If market conditions do not recover in a timely manner, future revenues may be adversely impacted. Volatility in the global financial markets may impact the ability of Diamond to obtain equity or debt financing in the future on terms favourable to Diamond, if at all. If such increased levels of volatility and market turmoil continue, Diamond's operations could be adversely impacted and the trading price of its common shares may be adversely affected.

FINANCIAL MARKET TURMOIL

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

USES OF ESTIMATES AND JUDGEMENTS

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

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

FAIR VALUE OF GRAPES AT THE POINT OF HARVEST

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represent a significant proportion of the asset base of the Company as they amount to 37.4% of total assets as at March 31, 2015 (March 31, 2014 - 46.5%). Therefore, estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

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

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

GROSS VERSUS NET PRESENTATION

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Company and its business partners are reviewed to determine each party's respective role in the transaction. Where the Company's role in a transaction is that of principal, revenue is recognized on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost. Where the Company's role in a transaction is that of an agent, revenue is recognized on a net basis with revenue representing the margin earned.

USEFUL LIFE OF INTANGIBLE ASSETS

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

APPLYING THE ACQUISITION METHOD TO BUSINESS COMBINATIONS

Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. Non-cash consideration paid must also be measured at its acquisition date fair value. The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions with respect to the fair value of intangible assets require a high degree of judgement and include estimates for anticipated future cash flows and discount factors.