DIAMOND ESTATES WINES & SPIRITS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

THREE AND NINE MONTH PERIODS ENDED DECEMBER 31, 2016 AND 2015

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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 for the three month period ended December 31, 2016 ("Q3 2017") and the nine month period ended December 31, 2016 ("YTD 2017") and the comparable periods ended December 31, 2015 ("Q3 2016" and "YTD 2016", respectively). This discussion is prepared as of February 15, 2017 and should be read in conjunction with both (i) the unaudited interim condensed consolidated financial statements and accompanying notes of Diamond for Q3 2017 (the "Q3 2017 Financials"), YTD 2017, Q3 2016 and YTD 2016, and (ii) the audited consolidated financial statements for the fiscal years ended March 31, 2016 and March 31, 2015. All note references are made in reference to these unaudited interim condensed 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 income (loss) and comprehensive income (loss) as presented in the unaudited interim condensed consolidated statements of net income (loss) and comprehensive income (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 income (loss) and comprehensive income (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 margin less operating costs before financial expenses, depreciation and amortization, non-cash expenses such as share based compensation, one-time and other unusual items, and income tax. Gross margin is defined as gross profit excluding depreciation on property, plant and equipment used in production. Operating expenses excludes interest, depreciation on property, plant and equipment used in selling and administration, and amortization of intangible assets.

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 unaudited interim condensed 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, Fresh, McMichael Collection, Benchmark and Seasons. Through its Partnership, Kirkwood Diamond Canada ("KDC"), 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, Kaiken wines from Argentina, Charles Wells beers from England, Hpnotiq Liqueur from France, Anciano wines from Spain, Francois Lurton wines from France and Argentina, Brick Brewing from Canada, Blue Nun wines from Germany, coolers and spirits from Independent Distillers in New Zealand, Evan Williams Bourbon from USA, Flor de Cana rum from Nicaragua and Iceberg Vodka from Canada.

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, a process which is continuing under a program to increase the Company's wine processing, ageing and bottling operations by approximately 50%, due to a mix of operational efficiency improvements and increased capacity. 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 102 full-time employees, including 52 engaged in the selling and marketing of its brands, 24 in the manufacturing and distribution of its brands, 7 involved in the retailing of its domestic products through our retail facilities and 19 in accounting and administration, including the Executive. The Company also uses a number of independent representatives that are compensated by commissions to sell its product in the licensee channel.

RESTATEMENT OF COMPARATIVE BALANCES

The comparative financial statements and notes thereto for YTD 2016 have been restated to reflect a change in classification of certain costs relating to revenue recognition *(see note 3(c) to the Q3 2017 financials)*. The Company has reviewed its financial statement presentation of various costs, including customer incentive programs (such as Air Miles), discount programs and product returns, previously included in advertising and promotion and excise taxes included in change in inventories of finished goods and raw materials consumed and delivery and warehousing. Following this review, management has determined that these costs are better presented as deductions from revenue.

The impact of the restatement of YTD 2016 statement of net income (loss) and comprehensive income (loss) is a reduction of $1,354,267 in revenues and offsetting reductions of $1,133,593 in advertising and promotion, $166,138 in change in inventories of finished goods and $54,536 in warehousing and receiving. There was no impact to previously reported equity, net income (loss) and comprehensive income (loss) or cash flows.

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".

	Dec-2016 Q3 2017 $	Sep-2016 Q2 2017 $	Jun-2016 Q1 2017 $	Mar-2016 Q4 2016 $	Dec-2015 Q3 2016 $	Sep-2015 Q2 2016 $	Jun-2015 Q1 2016 $	Mar-2015 Q4 2015 $
Balance sheet								
Working capital surplus (deficiency)	10,891,386	4,459,859	3,813,331	(6,115,079)	4,596,716	4,650,888	4,293,032	1,931,098
Bank indebtedness (total)	3,968,458	9,711,878	11,482,181	10,217,851	8,838,028	9,580,031	9,624,679	11,076,910
Term debt and finance leases	8,377,352	9,899,747	10,113,287	10,386,559	10,655,417	10,918,203	11,175,371	11,915,608
Total equity	21,366,906	13,255,420	12,569,465	11,844,230	13,898,966	13,868,639	13,449,556	10,293,140
Income statement								
Revenue (restated)	8,814,451	10,264,535	9,149,120	6,122,684	7,856,521	7,987,895	7,227,016	6,516,868
Gross margin	3,439,436	4,412,224	4,006,465	1,896,266	3,017,017	3,647,707	3,281,750	2,565,995
Standardized EBITDA	590,197	1,407,895	1,330,514	(839,496)	640,627	986,139	744,700	67,013
Net income (loss)	8,788	781,224	716,202	(2,109,913)	(76,229)	381,741	59,239	(764,313)

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

RESULTS OF OPERATIONS

	Q3 2017	YTD 2017	Q3 2016 (Restated)	YTD 2016 (Restated)
Revenue	**$ 8,814,451**	**$ 28,228,105**	$ 7,856,521	$ 23,071,432
Cost of sales	**5,375,015**	**16,369,980**	4,839,504	13,124,958
Gross margin	**3,439,436**	**11,858,125**	3,017,017	9,946,474
Gross margin (% of revenue)	***39.0***	***42.0***	*38.4*	*43.1*
Operating expenses	**2,849,239**	**8,560,666**	2,376,390	7,593,255
Operating expenses (% of revenue)	***32.3***	***30.3***	*30.2*	*32.9*
Standardized EBITDA	**590,197**	**3,297,459**	640,627	2,353,219
Interest	**253,033**	**817,042**	291,056	898,193
Depreciation and amortization	**322,820**	**904,886**	319,039	901,118
Income from operations	**14,344**	**1,575,531**	30,532	553,908
Share based compensation	**11,016**	**74,780**	106,761	189,365
Unrealized gain on derivative instrument	**(5,460)**	**(5,460)**	-	-
Net income (loss) and comprehensive income (loss)	**$ 8,788**	**$ 1,506,211**	$ (76,229)	$ 364,543
Portion attributable to:				
Shareholders	**$ (33,566)**	**$ 1,325,191**	$ (208,545)	$ 50,119
Non-controlling interest	**42,354**	**181,020**	132,316	314,424
	$ 8,788	**$ 1,506,211**	$ (76,229)	$ 364,543

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

Revenue in Q3 2017 was $8,814,451 versus $7,856,521 for Q3 2016, a 12.2% increase that reflected growth in both the winery and agency divisions. Gross margin was up 14.0% to $3,439,436 in Q3 2017 from $3,017,017 in Q3 2016. Gross margin as a percentage of revenue increased to 39.0% in Q3 2017 from 38.4% in Q3 2016 as the winery business reduced promotional activity in the LCBO channel relative to the prior year. Operating expenses increased by $472,849 or 19.9% in Q3 2017 from Q3 2016 across several categories. Standardized EBITDA declined slightly to $590,197 in Q3 2017 from $640,627 in Q3 2016. Interest expense fell by $38,023 in Q3 2017 from Q3 2016 as the Company benefited from a reduction in high interest term debt and migrating the agency to a lower interest credit facility with CIBC earlier in the year. Income from operations was essentially flat in Q3 2017 versus Q3 2016, but net income improved by $85,017 as the share based compensation was lower since no options or DSU's were issued in the quarter.

Revenue for YTD 2017 was $28,228,105 versus $23,071,432 in YTD 2016, an increase of 22.4% primarily from strong growth in export sales in the winery division. Gross margin was up 19.2% to $11,858,125 in YTD 2017 from $9,946,474 in YTD 2016. As a percentage of revenue, gross margin declined to 42.0% in YTD 2017 from 43.1% in YTD 2016 as the agency division increased promotional activity primarily in the form of price reductions on some of its distribution products. Operating expenses fell to 30.3% of revenue in YTD 2017 from 32.9% in YTD 2016 as the winery benefitted from enhanced operating leverage attributable to the increase in sales volume. Accordingly, standardized EBITDA jumped 40.1% to $3,297,459 in YTD 2017 from $2,353,219 in YTD 2016. The Company generated significantly higher net income in YTD 2017 of $1,506,211, an increase of $1,141,668 (or 313.2%) from net income of $364,543 in YTD 2016. Cash flow from operating activities, before changes in non-cash working capital items, increased 63.9% from $1,485,026 in YTD 2016 to $2,433,288 in YTD 2017, reflecting the improvement in net income.

Revenue in the winery division grew $551,538 to $4,103,464 in Q3 2017 (YTD 2017: $15,028,931) from $3,551,926 in Q3 2016 (YTD 2016: $10,878,496), a period over period increase of 15.5% (YTD 2017: 38.2%). Export revenue increased 34.6% to $1,369,873 in Q3 2017 from $1,017,829 in Q3 2016. YTD 2017 export sales are up almost two-fold to $5,800,138 from $2,980,670 as the Company fulfilled all of the orders that were previously announced on March 31, 2016, as expected. Revenue grew in all other winery sales channels by $199,494 or 7.9% to $2,733,591 from $2,534,097 in Q3 2017. The Province of Ontario issued the first tranche of licenses for wine in the grocery channel during the quarter, which contributed to the increase. Non-export channels grew 16.9% to $9,228,793 in YTD 2017 from $7,897,826 in YTD 2016. Those channels include sales at the Company's tasting and retail stores, commercial licensee customers and the government controlled retail stores in Ontario (LCBO). The Company attributes new packaging and marketing campaigns to support its core brands as a key factor in driving stronger performance in all channels.

Q3 2017 revenue in the agency division grew 9.4% to $4,710,987 versus $4,304,595 in Q3 2016 (YTD 2017 at $13,199,174 compared to YTD 2016 of $12,192,936, a period over period increase of 8.3%). The increase is the result of a focus to grow brands where the Company acts as both distributor and agent as it increases the value proposition to suppliers. Distribution revenue grew in Q3 2017 to 76.5% (YTD 2017: 73.6%) of agency revenue from 75.1% in Q3 2016 (YTD 2016: 72.8%). Revenue in YTD 2017 includes $375,000 in severance received in lieu of notice related to a regionally represented supplier that separated from the Company on June 1, 2016. A certain amount of movement between agents of suppliers is common in the industry and to be expected.

Gross margin in the winery division was $1,630,255 in Q3 2017 (YTD 2017: $6,397,625) compared to $1,308,563 in Q3 2016 (YTD 2016: $4,437,630), period over period increases of 24.6% (YTD 2017: 44.2%). Gross margin in the winery division (as a percentage of winery revenue) was 39.7% in Q3 2017 (YTD 2017: 42.6%) compared to 36.8% in Q3 2016 (YTD 2016: 40.8%). The increase was primarily related to a reduction in promotional activity in the LCBO channel, the costs of which are netted against revenue.

Gross margin in the agency division was $1,809,181 in Q3 2017 (YTD 2017: $5,460,500) compared to $1,708,454 in Q3 2016 (YTD 2016: $5,508,844), period over period increase (decrease) of 5.9% and (0.9)% respectively. Gross margin in the agency division (as a percentage of agency revenue) was 38.4% in Q3 2017 (YTD 2017: 41.4%) compared to 39.7% in Q3 2016 (YTD 2016: 45.2%). The primary cause of the decrease has been additional promotional activity to support growth in the western provinces, particularly in Alberta, which has become more competitive due to their challenging economy.

Operating expenses, which exclude interest, depreciation on property, plant and equipment used in selling and administration, and amortization of intangible assets, were $2,849,239 in Q3 2017 (YTD 2017: $8,560,666) compared to $2,376,390 in Q3 2016 (YTD 2016: $7,593,255), a period over period increase of 19.9% (YTD 2017: 12.7%). Employee compensation and benefits in Q3 2017 were $1,419,377 (YTD 2017: $4,448,841) compared to $1,344,106 (YTD 2016: $4,230,607). This resulted in period over period increases of 5.6% and 5.2% respectively. The year over year growth primarily relates to a new hire to support marketing, a profit sharing program in the winery division and the agency division taking provisions to cover the separation of three employees. Advertising and promotion expense in Q3 2017 was $374,305 (YTD 2017: $859,684) compared to $231,074 in Q3 2016 (YTD 2016: $540,024), a period over period increase of 62.0% (YTD 2016: 59.2%). The increase reflects more promotional activity in the agency division during the quarter and the winery division spending more in the first half of the year on new packaging and campaigns. Delivery and warehousing expenses increased 82.7% (YTD 2017: 25.2%) in Q3 2017 to $314,486 (YTD 2017: $923,345) from $172,091 in Q3 2016 (YTD 2016: $737,267). The majority of the increase (94.6%) in Q3 2017 over Q3 2016 is in the agency division, which is carrying higher inventory than in the previous year. General and administrative expenses increased 21.1% in Q3 2017 (YTD 2017: 12.9%) to $753,761 (YTD 2017: $2,312,625) from $622,685 in Q3 2016 (YTD 2016: $2,049,011). The primary drivers of the increase were higher commissions paid to sales representatives for licensee accounts and legal fees associated with a wrongful dismissal legal claim by a former employee.

Interest expense decreased 13.1% (YTD 2017: 9.0%) to $253,033 in Q3 2017 (YTD 2017: $817,042) compared to $291,056 in Q3 2016 (YTD 2016: $898,193). This reflects the declining principal balances of term and revolving debt as well as the migration to a lower cost credit facility with CIBC for the agency division in Q1 2017. Interest expense is expected to further decrease with the accelerated principal payment made in December 2016 that extinguished non-revolving term loan #3 that bore interest at 12%.

Depreciation and amortization expense increased slightly in Q3 2017 at $322,820 (YTD 2017: $904,886) compared to $319,039 in Q3 2016 (YTD 2016: $901,118). This was the result of the inclusion of 17 vehicles primarily acquired for sales representatives in Q3 2017 under a financing arrangement with Element Financial Corporation. The ongoing conversion to a fleet program is expected to reduce operating costs as automotive allowances decline.

Share based compensation expense was $11,016 in Q3 2017 (YTD 2017: $74,780) compared to $106,761 in Q3 2016 (YTD 2016: $189,365), a decrease of $95,745 (YTD 2017: $114,585), predominantly reflecting the lack of option or DSU issuance in Q3 2017. This is expected to be a timing difference with a DSU issuance anticipated in Q4 2017.

LIQUIDITY AND CAPITAL RESOURCES

	December 31, 2016	March 31, 2016
Accounts receivable	**$ 4,858,671**	$ 4,031,973
Inventory	**16,373,464**	16,891,492
Other	**168,677**	151,735
Total current assets	**21,400,812**	21,075,200
Property, plant and equipment	**14,386,791**	14,127,405
Intangible assets	**3,594,409**	3,831,904
Total assets	**$ 39,382,012**	$ 39,034,509
Bank indebtedness	**$ 3,968,458**	$ 10,217,851
Accounts payable and accrued liabilities and other	**5,444,311**	6,285,902
Current portion of long term debt	**871,672**	10,386,559
Loan payable - non-controlling interest	**224,985**	299,967
Total current liabilities	**10,509,426**	27,190,279
Term loans payable, net of current portion	**7,156,698**	-
Finance leases, net of current portion	**348,982**	-
Total liabilities	**18,015,106**	27,190,279
Shareholders' equity	**17,240,326**	7,748,670
Non-controlling interest	**4,126,580**	4,095,560
	$ 39,382,012	$ 39,034,509

The Company's consolidated financial position has improved significantly as at December 31, 2016 from that as at March 31, 2016, largely from operations that are now profitable and a private placement that closed on December 20, 2016 (the "Private Placement"). The Company completed a brokered private placement of 40,000,000 common shares at an issuance price of $0.22 per common share for gross proceeds of $8,800,000, less issuance costs of $708,315, for net proceeds of $8,091,685. The proceeds are to be used to expand the principal wine production facility, add cooperage (barrel storage), warehouse and bottling space, and for general corporate purposes including reduction of debt *(see note 7 to the Q3 2017 financials)*.

The increase in accounts receivable is related to the growth in sales. On June 29, 2016, the Company secured insurance from Export Development Bank of Canada for up to $500,000 of balances outstanding from its largest export customer. Inventory balances declined with the drawdown of bulk wine ahead of the annual icewine harvest period in Q4 2017. This was partially offset by increases in finished goods stock in the growing western region.

Working capital increased by $17,006,465 to of $10,891,386 as at December 31, 2016 compared to a deficiency of $6,115,079 as at March 31, 2016, almost entirely due to the non-current portion of the MCU term debt of $9,264,045 being classified as current in accordance with IFRS as at March 31, 2016. The company is in compliance with the MCU debt covenant relating to minimum effective net worth as at December 31, 2016. Normalizing that debt reclassification resulted in a working capital increase of $7,742,420.

Total bank indebtedness decreased by $6,249,393 to $3,968,458 as at December 31, 2016 compared to $10,217,851 as at March 31, 2016. This was the result of the remainder of the net proceeds of the Private Placement being applied against the Company's MCU credit facility, after lump-sum principal payments of $1,672,290 were made to pay down the MCU term loans. During YTD 2017, total principal payments of $2,493,605 (YTD 2016 - $1,260,191) have been made against term loans (*see notes 6 and 7 to the Q3 2017 financials for further details on the MCU credit facilities*).

The Company's debt to equity ratio improved to 0.59:1 as at December 31, 2016 from 1.76:1 as at March 31, 2016, where debt is defined as total liabilities less other current liabilities and equity is defined as shareholders' equity plus non-controlling interest.

On September 19, 2016, the Company entered into an updated credit agreement with MCU reflecting the following significant changes from the prior agreement dated March 31, 2016:

(a) a Letter of Credit sub-facility, included under the umbrella of the $10,000,000 operating line, at a stand-by rate of 1.25% per annum for issued letters of credit

(b) Margining limits were amended to include:
- 90% of acceptable EDC insured balances under 90 days up to $500,000
- an increase in acceptable inventory to a maximum of $9,000,000, increased from $8,500,000
- within the increased inventory cap, the limit on raw materials inventory increased to $500,000 from $300,000

(c) Maintain a debt service ratio (to be measured annually) of 1.10|1.00 for fiscal 2017 only, still remaining at 1.25|1.00 for fiscal 2018 and thereafter

(d) Maintain a debt service ratio (to be measured on a trailing four quarter basis, starting effective the end of Q3 2017) of 1.10|1.00 for fiscal 2017 only, still remaining at 1.25|1.00 for fiscal 2018 and thereafter

All other major components, including operating line limit, term loan amounts, interest rates, due date dates and security remained unchanged.

On April 7, 2016, KDC entered into a new credit agreement with CIBC *(see note 6(c) to the Q3 2017 financials)*. The transaction closed on June 2, 2016 and existing obligations to MCU were repaid in full. The CIBC credit agreement includes the following major components: (i) various CAD and USD credit facilities to a maximum of CAD $4,500,000, (ii) conventional margining on accounts receivable and 70% of eligible inventory value (to a maximum of $2,250,000) (iii) bears interest at the CAD prime rate plus 1.25% and/or USD base rate plus 1.25%, and (iv) secured by (a) a first-priority security in all present and future property of KDC and (b) assignments and postponements of claim from the corporate partners.

The financial covenants included are: (i) ratio of total liabilities less postponed debt to effective tangible net worth is not to exceed 3.00|1.00 at any time, tested quarterly, and (ii) fixed charge coverage ratio ("FCCR") of not less than 1.10|1.00 at any time, tested quarterly, calculated on a trailing twelve month basis. The FCCR is defined as the ratio of EBITDA (defined as earnings before interest, income taxes, depreciation and amortization) to the sum of debt service requirements, capital withdrawals, advances to affiliates and unfunded capital expenditures.

On December 8, 2016, KDC entered into a series of expandable foreign exchange contracts to purchase US dollars as a hedge against fluctuations in the value of the Canadian dollar prior to payment for product purchased in US dollars.

CAPITALIZATION

The Company has common shares and other equity instruments outstanding at each reporting date as follows:

	February 15, 2017	**December 31, 2016**	**March 31, 2016**	**Change in period**
Common shares	140,137,037	140,137,037	100,137,037	40,000,000
Deferred share units	1,124,882	1,124,882	819,133	305,749
Stock options	6,682,400	6,682,400	6,682,400	-
Total equity instruments	147,944,319	147,944,319	107,638,570	40,305,749

The changes to the Company's overall capitalization during YTD 2017 were as follows:

(a) Issuance on December 20, 2016 of 40,000,000 common shares under the Private Placement (see Liquidity and Capital Resources) *(see also note 9(a) to the Q3 2017 financials)*
(b) Issuance on July 27, 2016 of an aggregate of 305,749 deferred share units ("DSUs") to non-executive directors under the Company's deferred share unit plan (the "DSU Plan") in settlement of $41,063 of deferred directors' compensation. The DSUs are to be settled in common shares of the Company ("Common Shares") when the director retires from all positions with the Company.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Early adoption of IAS 16: "Property, Plant, and Equipment" and IAS 41: "Agriculture"

During May 2014 the IASB issued amendments to IAS 16 – Property, Plant, and Equipment and IAS 41 – Agriculture, which requires bearer plants to be classified as property, plant, and equipment and accounted for under IAS 16. The amended standards are effective for annual periods beginning on or after January 1, 2016.

The Company controls bearer plants consisting of grape vines and has elected to apply these amendments effective April 1, 2015, which is prior to the mandatory effective date. The earliest comparative period presented in the financial statements after adopting the amended standards began on April 1, 2014. The Company has elected to measure bearer plants using their fair value on that date as their deemed cost, resulting in the reclassification of $86,030 from biological assets to property, plant and equipment as at April 1, 2014.

Early adoption of IAS 1:

The Company has chosen to early adopt the provisions of IAS 1 to assist users in better understanding the Company's financial performance, namely through the use of sub-totals (in the statement of net loss and comprehensive loss) to present cost of goods sold and gross profit calculations. The comparative numbers have been reclassified to conform to the presentation adopted in the current year with no impact to previously reported equity, net loss and comprehensive loss or cash flows.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As at the date of authorization of these unaudited interim condensed consolidated financial statements, the IASB has issued the following new or revised standards which are not yet effective:

(a) **IFRS 9: "Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities"** was issued by the IASB in July, 2014 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting.

(b) **IFRS 15: "Revenue from Contracts with Customers"** provides new requirements for recognizing revenue. The new standard's core principle is for a company to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 also included a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The new standard provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple element arrangements. The IASB has decided to propose to defer the effective date to January 1, 2018 from the previously expected effective date of January 1, 2017.

(c) **IFRS 16 "Leases"** was issued in January 2016 and will ultimately replace IAS 17, "Leases". IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessees accounting model, requiring lessees to recognize assets and liability for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively.

(d) **IAS 7 "Statement of Cash Flow"** has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The Company has not early adopted any of these standards, but management is currently assessing the impact of their application in the unaudited interim condensed consolidated financial statements and intends to adopt these standards at their effective dates.