DIAMOND ESTATES WINES & SPIRITS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

YEARS ENDED MARCH 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 fiscal years ended March 31, 2016 ("FY2016") and March 31, 2015 ("FY2015"). This discussion is prepared as of July 21, 2016 and should be read in conjunction with 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 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 and comprehensive 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 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 less depreciation on property, plant and equipment used in production.

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, 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. 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 104 employees, including 49 engaged in the selling and marketing of its brands, 22 in the manufacturing and distribution of its brands, 15 involved in the retailing of its domestic products through our retail facilities and 18 in accounting and administration.

GOING CONCERN

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") (as issued by the International Accounting Standard Board ("IASB")) 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 the year ended March 31, 2016 was $1,745,162 (2015 - $1,710,255) and reported a working capital deficiency as at March 31, 2016 of $6,115,079 compared to a working capital surplus of $1,931,098 as at March 31, 2015. The operations and net loss for the year have resulted in the Company being in breach of one of its financial covenants under the terms of its current credit agreement with Meridian Credit Union ("MCU"), its primary lender *(see note 12(e))*. The Company's effective net worth (as defined below under "Financial Covenants") was marginally below the minimum requirement of $7,500,000 by an amount of $126,350. This covenant breach has required the non-current portion of the MCU term loans of $9,264,045 to be classified as a current liability as at March 31, 2016 *(see note 16)*. As of July 19, 2016, MCU has indicated in writing that it is prepared to waive the default, subject to no further defaults occurring and the expectation that the covenant in default is met at the next stipulated reporting period, being June 30, 2016, which has been satisfied. These circumstances lend significant doubt as to the ability of the company to continue as a going concern and, accordingly, the appropriateness ultimately of the use of accounting principles applicable to the going concern assumption.

The Company's ability to meet the covenant measurements under the terms of its credit agreements with its lender is still dependent upon continued improvements in profitability. The losses incurred previously 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 agency and distribution agreements with beverage alcohol suppliers, of their respective agencies to KDC in exchange for their respective Partnership interests. The Company did not issue any equity or cash consideration, contingent or otherwise, to the owners of TKG as a result of this transaction. Subsequent to the closing of the 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 ("MCU"), with conventional margin limits on accounts receivable and inventory *(see note 9(d))*. On January 1, 2015, KDC purchased the inventory from the Company and TKG, thereby integrating the two businesses.

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.

RESTATEMENT OF COMPARATIVE BALANCES

The comparative financial statements and notes thereto for the year ended have been restated to reflect a correction in classification of certain costs relating to revenue recognition *(see note 2(o))*. 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 warehousing and receiving. Following this review, management has determined that these costs are better presented as deductions from revenue.

The impact of the restatement of the 2015 statement of net loss and comprehensive loss is a reduction of $1,434,781 in revenues and offsetting reductions of $1,320,010 in advertising and promotion, $69,823 in change in inventories of finished goods and $44,948 in warehousing and receiving. There was no impact to previously reported equity, net loss and comprehensive loss or cash flows.

SELECT FINANCIAL INFORMATION

	2016	2015	2014
	$	$	$
Revenue (restated)	**29,194,116**	24,296,115	19,400,145
Net loss and comprehensive loss	**(1,745,162)**	(1,710,255)	(4,075,413)
Basic and diluted loss per share	**(0.02)**	(0.02)	(0.02)
Total assets	**39,034,509**	40,940,990	34,359,007
Term loans payable	**10,386,559**	11,915,608	9,828,517

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

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-2016 Q4 2016 $	Dec-2015 Q3 2016 $	Sep-2015 Q2 2016 $	Jun-2015 Q1 2016 $	Mar-2015 Q4 2015 $	Dec-2014 Q3 2015 $	Sep-2014 Q2 2015 $	Jun-2014 Q1 2015 $
Balance sheet								
Working capital surplus (deficiency)	(6,115,079)	4,596,716	4,650,888	4,293,032	1,931,098	(939,511)	(137,038)	(273,636)
Bank indebtedness (total)	10,217,851	8,838,028	9,580,031	9,624,679	11,076,910	12,274,083	12,757,982	12,568,764
Term debt	10,386,559	10,655,417	10,918,203	11,175,371	11,915,608	9,422,538	9,525,288	9,677,203
Total equity	11,844,230	13,898,966	13,868,639	13,449,556	10,293,140	10,207,062	7,519,879	7,317,967
Income statement								
Revenue (restated)	6,122,684	7,856,521	7,987,895	7,227,016	6,516,868	7,405,397	5,593,488	4,780,362
Gross margin	1,896,265	3,017,018	3,647,707	3,281,750	2,565,995	3,079,672	2,762,702	2,165,664
Standardized EBITDA	**(799,137)**	671,247	1,021,360	745,367	67,013	329,454	795,282	352,983
Net income (loss)	**(2,109,709)**	**(76,434)**	381,742	59,239	**(764,313)**	**(862,430)**	115,245	**(198,756)**

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

RESULTS OF OPERATIONS

	FY2016	FY2015 (Restated)
Revenue	**$ 29,194,116**	$ 24,296,115
Cost of sales	**17,351,376**	13,722,082
Gross margin	**11,842,740**	10,574,033
Gross margin (% of revenue)	***40.6***	*43.5*
Operating expenses	**10,203,903**	9,084,226
Operating expenses (% of revenue)	***35.0***	*37.4*
Standardized EBITDA	**1,638,837**	1,489,807
Interest on bank indebtedness	**1,304,962**	1,370,201
Depreciation and amortization	**1,219,923**	1,074,943
Loss from operations	**(886,048)**	(955,337)
Share based compensation	**206,141**	193,235
Re-organization costs	**-**	475,404
Loss on disposal - assets held for sale	**652,973**	86,279
Net loss and comprehensive loss	**$ (1,745,162)**	$ (1,710,255)
Portion attributable to:		
Shareholders	**$ (1,706,819)**	$ (1,508,222)
Non-controlling interest	**(38,343)**	(202,033)
	$ (1,745,162)	$ (1,710,255)

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

Sales for FY2016 were $29,194,116 versus $24,296,115 for FY2015, a 20.2% increase. The Company defines gross margin as gross profit less depreciation of property, plant and equipment used in production. Gross margin was up 12.0% to $11,842,740 in FY2016 from $10,574,033 in FY2015. Standardized EBITDA also increased to $1,638,837 in FY2016 from $1,489,807 in FY2015 as operating expenses declined to 35.0% of revenue from 37.4% respectively. The Company incurred a net loss in FY2016 of $1,745,162 versus $1,710,255 in FY2015. The net loss attributable to Diamond's shareholders was $1,706,819 in FY2016 versus $1,508,222, a year over year increase of $198,597 or 13.2%.

Year over year

The revenue increase is primarily related to the full-year impact of the business combination that created the KDC partnership half-way through FY2015, on October 1, 2014, effectively doubling the size of the agency division. This created a stronger presence in Western Canada where the Company operates as both sales agent and distributor for its suppliers' brands. Revenue in the agency division increased 44.7% as a result to $15,751,163 in FY2016 from $10,886,728 in FY2015. Revenue in the winery division was essentially flat, increasing 0.3% to $13,442,953 in FY2016 compared to $13,409,387 in FY2015. Increases in sales to bars, restaurants, other wineries and export customers were offset by declines in the LCBO retail channel.

Gross margin in the agency division increased 26.0% to $6,717,459 in FY2016 from $5,329,299 in FY2015. Gross margin (as a % of revenue) decreased to 42.6% in FY2016 from 49.0% in FY2015 as the sales volume in the distribution channel increased as did the cost of products sourced in foreign currencies due to the depreciation of the Canadian dollar against the US dollar and Euro in the second half of FY2016. The gross margin in the winery division decreased 2.0% to $4,344,574 in FY2016 from $4,431,567 in FY2015 primarily a result of writing off $184,727 in excess and obsolete packaging, partially related to launching new designs for the core brands, 20 Bees, EastDell and Fresh in Q1 2017. This reduced gross margin by 0.7% to 32.3% in FY2016 from 33.0% in FY2015. Excluding the inventory write-offs, gross margin would have increased 0.7% to 33.7% in FY2016 from 33.0% in FY2015.

Operating expenses in FY2016 were $10,203,903 compared to FY2015 expenses of $9,084,226, an increase of $1,119,677 or 12.3%, as the FY2016 totals reflect a full twelve months of KDC operating expenses compared to only six months in FY2015 (from inception of the Partnership on October 1, 2014). It includes $119,475 of foreign exchange losses in FY2016 (FY2015 - $71,234) on agency product sourced in foreign currencies, but paid for after an unusually steep decline in the Canadian dollar in Q4 2016.

Interest expense decreased to $1,304,962 in FY2016 from $1,370,201 in FY2015 as the addition of the KDC credit facility was offset by a reduction in the Company's borrowing base by applying a portion of the proceeds from the private placement completed on April 29, 2015 *(see note 17(b))* against the line of credit. Depreciation and amortization expense increased to $1,219,923 in FY2016 from $1,074,943 in FY2015, primarily related to a full year's amortization of the distribution rights vended into KDC by TKG.

Share based compensation increased to $206,141 in FY2016 from $193,235 in FY2015, due mainly to the issuance of deferred share units *(see note 19)* and the remaining vesting of stock options granted in previous periods. There were no stock options granted in FY2016.

There were no re-organization costs in FY2016, but severance for employees terminated in the year of $101,614 is included in employee compensation and benefits. Re-organization costs of $475,404 in FY2015 represent the costs to eliminate redundant personnel and facilities as a result of the business combination that created KDC.

The loss on disposal of assets in FY2016 of $652,973 primarily relates to the write-off of costs incurred in prior years to design and develop expansion plans for the winery at its main production facility and retail outlet in Niagara-on-the-Lake. Management determined that these plans would no longer be of use when new plans were finalized for a proposed new 2,400 square foot retail building with construction anticipated to commence in the fall of 2016. The loss on disposal of assets held for sale of $86,279 in FY2015 primarily relates to the excess of cost over proceeds of disposition when the De Sousa winery in Beamsville was sold to Oakwest Corporation for fair market value.

As reflected in the consolidated statements of cash flows, the Company generated positive cash flow from operations, before changes in non-cash working capital items, of $347,975 in FY2016 compared to negative cash flow of $355,798 in FY2015, an improvement of $703,773. Coincident with the private placement, the Company accelerated retirement of term debt in the amount of $456,069 that had an interest rate of 12%.

Three month period ended March 31, 2016 ("Q4 2016") only

Revenue in Q4 2016 totalled $6,122,684 compared to $6,516,868 for the same period last year, a decrease of 6.0%. The agency division accounted for $302,079 of the decrease and the winery division for the remainder of $92,105. Gross margin was $1,896,265 in Q4 2016, down from $2,565,995 in Q4 2015. Gross margin as a percentage of sales fell to 31.0% in Q4 2016 from 39.4% in Q4 2015. Gross margin in the agency division was $1,208,614 in Q4 2016, down from $1,623,308 in Q4 2015 on lower commission revenue and higher costs for product sourced in foreign currency as the Canadian dollar weakened in the last half of the year. Gross profit in the winery division fell to $687,561 in Q4 2016 from $942,686 in Q4 2015 with one-time sales of surplus bulk wine to other wineries and write-offs of excess and obsolete packaging inventory accounted for the decline.

Operating expenses in Q4 2016 were $2,695,402, up from $2,498,902 in Q4 2015. Interest expense decreased to $325,474 in Q4 2016 from $395,839 in Q4 2015 as the addition of the KDC credit facility was offset by a reduction in the Company's borrowing base by applying a portion of the proceeds from the private placement completed on April 29, 2015 *(see note 17(b))* against the line of credit. Depreciation and amortization expense (outside of the production cycle) decreased to $115,414 in Q4 2016 from $186,527 in Q4 2015. Share based compensation decreased to $16,776 in Q4 2016 from $56,956 in Q4 2015, as most of the previously granted stock options are fully vested and expensed. There were no stock options granted in FY2016.

The loss on disposal of assets in Q4 2016 of $652,973 primarily represent costs incurred in prior years to design and develop expansion plans for the winery at its main production facility and retail outlet in Niagara-on-the-Lake. Management determined that these plans would no longer be of use when new plans were finalized for a proposed new 2,400 square foot retail building with construction anticipated to commence in the fall of 2016.

LIQUIDITY AND CAPITAL RESOURCES

	March 31 2016	March 31 2015
Accounts receivable	**$ 4,031,973**	$ 3,747,303
Inventory	**16,891,492**	16,934,283
Restricted cash	**-**	500,000
Other	**151,735**	209,623
Total current assets	**21,075,200**	21,391,209
Property, plant and equipment	**14,127,405**	15,410,106
Intangible assets	**3,831,904**	4,139,675
Total assets	**$ 39,034,509**	$ 40,940,990
Bank indebtedness	**$ 10,217,851**	$ 11,076,910
Current portion of term loans payable	**10,386,559**	1,227,868
Loan payable - non-controlling interest	**299,967**	1,375,547
Other current liabilities	**6,285,902**	5,779,786
Total current liabilities	**27,190,279**	19,460,111
Term loans payable, net of current portion	**-**	10,687,740
Shareholder loan payable	**-**	500,000
Total liabilities	**27,190,279**	30,647,851
Shareholders' equity	**7,748,670**	6,201,736
Non-controlling interest	**4,095,560**	4,091,403
	$ 39,034,509	$ 40,940,990

The Company's consolidated financial position has improved as at March 31, 2016 from that as at March 31, 2015 with the completion of a private placement on April 29, 2015. As detailed in note 13(a), the Company completed a brokered 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 $160,383, for net proceeds of $3,047,612. Working capital decreased by $8,046,177 to a deficiency of $6,115,079 as at March 31, 2016 compared to a surplus of $1,931,098 as at March 31, 2015. Total bank indebtedness decreased by $859,059 to $10,217,851 as at March 31, 2016 compared to $11,076,910 as at March 31, 2015. During FY2016, principal payments of $1,529,049 (FY2015 - $668,862) were made against term loans *(see notes 12 and 16 for further details on the MCU credit facilities).*

The debt to equity ratio improved significantly to 1.76:1 as at March 31, 2016 compared to 2.42:1 as at March 31, 2015, where debt is defined as total liabilities less other current liabilities and equity is defined as shareholders' equity plus non-controlling interest.

The credit agreement between the Company and MCU dated March 31, 2016, (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 MCU

(b) Non-revolving loan #1 to a maximum of $8,563,784 *(see note 16)*, 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) Non-revolving instalment based loan #2 to a maximum of $1,370,833 *(see note 16)*, amortized over 10 years, repayable in equal blended payments of principal and interest of $15,905, bearing interest at fixed rate of 4.99%, due February 5, 2019.

(d) Non-revolving instalment based loan #3 to a maximum of $452,029. The original loan was for $1,250,000 *(see note 16)*, $750,000 of which was used for investment in Kirkwood Diamond Canada Partnership *(see note 4)* and $500,000 of the prior line of credit converted to a 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 August 5, 2017. As a result of the amendment dated March 31, 2015 and subsequent to the private placement that closed on April 29, 2015 *(see note 13(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)*.

(II) Security

The above credit facilities are secured by general security agreements, collateral mortgage for $15,000,000 registered in the name of Diamond Estates Wines & Spirits Ltd. over its property and buildings, assignment of fire and liability insurance over both properties and buildings, and corporate guarantees and postponements of claim in favour of MCU by Diamond Estates Wines & Spirits Inc. and De Sousa Wines Toronto Inc., each of which is supported by respective general security agreements.

(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 MCU less loans to shareholders and related parties and less 50% of pre-1993 winery licenses and 100% of other intangible assets;
(b) Maintain a debt to effective net worth of 3.50|1.00 to be measured as at March 31, 2016, improving to 3.25|1.00 by March 31, 2017 and annually thereafter (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 on an annual basis commencing with the fiscal year ended March 31, 2017, and annually thereafter; the DSR is defined as the ratio of consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") less 50% of KDC EBITDA to the sum of interest expense plus the current portion of long term debt and capital leases; and
(d) Maintain a trailing four quarter DSR of not less than 1.25|1.00, measurement commencing effective the end of the third quarter following the March 31, 2016 fiscal year end.

From the initial signing of the Credit Agreement on July 24, 2013 through to March 31, 2016, and taking into account the various amendments to the Credit Agreement, 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 2016 by virtue of the new Credit Agreement dated March 31, 2016.

As at March 31, 2016, the Company was not in compliance with the covenant relating to minimum effective net worth, coming in below the minimum requirement of $7,500,000 by the marginal amount of $126,350. As required under IFRS, the non-current portion of the MCU term loans of $9,264,045 have been classified as a current liability as at March 31, 2016 *(see notes 12(e) and 16)*. As of July 19, 2016, MCU has indicated in writing that it is prepared to waive the default, subject to no further defaults occurring and the expectation that the covenant in default is met at the next stipulated reporting period (being June 30, 2016), which has been satisfied.

On January 23, 2015, the Company became a party to another credit agreement with MCU (the "KDC Credit Agreement") to finance the operations of Kirkwood Diamond Canada *(see note 4)*. The KDC Credit 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. The partnership was in compliance with all of its debt covenants for FY2015

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 Credit Agreement. It was repaid in full on March 31, 2016.

Note payable - non-controlling interest

Amounts due to TKG 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, bears interest at 5% per annum and due on demand.

Related party transactions

During the years ended March 31, 2016 and March 31, 2015, the Company had the following related party transactions, including (i) compensation of key management personnel and directors, and (ii) transactions with entities related to or controlled by directors, as follows:

	2016	2015
	$	$
Salary	**523,200**	549,200
Director fees	**85,231**	177,000
Share based compensation under stock option plan and DSU plan	**206,141**	193,235
Interest on loan payable - non-controlling interest	**14,100**	-
Interest on shareholder loan	**40,000**	40,000
Winery lease payments	**115,731**	27,041
Vineyard maintenance	**44,053**	48,100
Grape purchases	**115,406**	91,800
Proceeds on sale of Beamsville winery	**-**	1,800,000
Purchase of property, plant and equipment	**42,500**	-

Accounts payable and accrued liabilities as at March 31, 2016 includes $182,559 (2015 - $146,092) with respect to balances owing to related parties for the transactions disclosed above.

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, 2016	March 31, 2015	Change in year
Common shares	100,137,037	73,403,749	26,733,288
Deferred share units	819,133	-	819,133
Broker warrants	-	288,220	(288,220)
Stock options	6,682,400	6,682,400	-
Total equity instruments	107,638,570	80,374,369	27,264,201

The changes to the Company's overall capitalization during FY2016 were as follow:

(a) Issuance of 26,733,288 common shares under a private placement that closed on April 29, 2015 (see Liquidity and Capital Resources) *(see note 17(b))*.
(b) At the Company's Annual General Meeting on September 22, 2015, shareholders approved a reduction in stated capital. Effective that date, stated capital was reduced by $34,104,032 pursuant to the provisions of the Ontario Business Corporations Act. The reduction in stated capital decreased the accumulated deficit of the Company. No cash distribution was made in connection with the reduction in stated capital *(see note 17(c))*.
(c) At the Company's Annual General Meeting on September 22, 2015, shareholders approved the adoption of a deferred share unit plan (the "DSU Plan") *(see note 19)* for the benefit of the Company's directors, officers, employees and consultants. The DSU Plan has been established to assist the Company in the recruitment and retention of qualified persons and to encourage share ownership by those who are primarily responsible for the management and growth of the business. The maximum number of common shares reserved for issuance under the DSU Plan is 1,000,000, which is approximately 1% of the current issued and outstanding. On November 19, 2015, the Board of Directors approved the issuance of 819,133 DSUs.
(d) The remaining broker warrants expired unexercised on September 24, 2015.

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 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 beverage alcohol market continues to grow strongly, outpacing most consumer categories. Statistics Canada recently reported[1] that in the year ending March 31, 2015 ("2015"), $21.3 billion worth of alcoholic beverages was sold in Canada, up 3.8% from the previous year ending March 31, 2014 ("2014"). The volume of alcohol sold increased 1.5% to 3,035 million litres in 2015, reversing a 0.7% decline in 2014. Canadian wine sales increased 4.1% in 2015 (2014 – 1.0%) to 480.5 million litres, up from 461.7 million litres. The value of wine sold increased 5.7% to $6.7 billion in 2015 from $6.4 billion in 2014. This is equivalent to 16.1 litres per capita in 2015, up from 15.7 litres in 2014. Spirits sales increased 2.7% to $4.9 billion in 2015 from $4.8 billion in 2014. By volume, the increase was 1.5% to 160 million litres (or 5.4 litres per capita) in 2015 from 158 million litres (or 5.3 litres per capita) in 2014. Similarly, beer sales increased by 3.1% to $9.0 billion in 2015 from $8.7 billion in 2014. Volume sales were 2.3 billion litres (or 75.6 litres per capita) in 2015 up from 2.2 billion litres (or 76.1 litres per capita) in 2014. The market share for wine (in dollar volume) was 31.4% in 2015, up from 31.0% in 2014. Beer represented 42.0% in 2015 (2014 – 42.3%) and spirits sales represented 23.1% in 2015 (2014 – 23.3%). The remaining market share is made up of Ciders, Coolers and Other Refreshment Beverages (CCORB), which sold 138 million litres in 2015, up from 127 million litres in 2014.

Ontario wineries have a 35.4% share[2] of the total market by value in the province. In most other international wine regions, the domestic share is consistently above 70%[3]. 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 and Fresh. This continued focus will include additional investment in marketing, promotion and advertising to insure top of mind awareness and preference for the Company's brands.

Recent provincial government announcements in New Brunswick, Saskatchewan, BC and Ontario involving the sale of alcohol in grocery stores represents a significant change in the government policies of the past. Although each province is choosing different policy directions, the opening up of market channels is a positive development for Diamond, particularly in the Province of Ontario, which represents a significant proportion of sales.

Within its portfolio of international brands, the Company's emphasis will be on building awareness, sales and profit for its existing customer base and while continuing to identify new brand entrants that the Company can represent within the Canadian market. These new brand entrants 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 are dissatisfied with their current distribution arrangements.

1 http://www.statcan.gc.ca/daily-quotidien/160510/dq160510b-eng.htm

2 /LCBO Ontario Wine Quarterly Scorecard Report – Q4 2015/2016

3 http://wgao.ca/ontariowineindustry

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 the production of certain products from those regions and/or an increase in costs. In the past, where there was a significant reduction in domestically sourced grapes, the Government of Ontario, in conjunction with the Wine Council of Ontario and the Ontario Grape Growers Marketing Board, agreed to temporarily increase the blending of imported wines, which 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.

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

FAIR VALUE OF GRAPES AT THE POINT OF HARVEST

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represent a significant proportion of the asset base of the Company as they amount to 36.2% of total assets as at March 31, 2016 (March 31, 2014 - 37.6%). 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.

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 *(see note 3(a))*.

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 consolidated financial statements, the IASB has issued the following new or revised standards which are not yet effective:

(a) **IFRS 9: "Financial Instruments"** was issued by the IASB on November 12, 2009 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of 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, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(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.

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