DIAMOND ESTATES WINES & SPIRITS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

THREE AND SIX MONTH PERIODS ENDED SEPTEMBER 30, 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 September 30, 2016 ("Q2 2017") and the six month period ended September 30, 2016 ("YTD 2017") and the comparable periods ended September 30, 2015 ("Q2 2016" and "YTD 2016" respectively). This discussion is prepared as of November 10, 2016 and should be read in conjunction with both (i) the unaudited interim condensed consolidated financial statements and accompanying notes of Diamond for Q2 2017, YTD 2017, Q2 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 and comprehensive income as presented in the unaudited interim condensed consolidated statements of net income and comprehensive income 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 and comprehensive income 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, 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. 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 unaudited interim condensed 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 unaudited interim condensed consolidated financial statements.

While the Company has generated a profit in YTD 2017 of $1,497,426 (YTD 2016 - $440,980), it has incurred repeated losses as net loss and comprehensive loss for the year ended March 31, 2016 was $1,745,162 (year ended March 31, 2015 - $1,710,255) and reported a working capital deficiency as at March 31, 2016 of $6,115,079. The operations and net loss for the year ended March 31, 2016 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 notes 6 and 7)*. This covenant breach required the non-current portion of the MCU term loans of $9,264,045 as at March 31, 2016 to be classified as a current liability under IFRS *(see note 7)*. As of July 19, 2016, MCU had indicated in writing that it was prepared to waive the default, subject to no further defaults occurring and the expectation that the covenant in default would be met at the next stipulated reporting period, being June 30, 2016. The Company is now in compliance with the terms of this financial covenant as at both June 30, 2016 and September 30, 2016, such that the non-current portion of the MCU term loans has been classified appropriately as long term. MCU has also lowered the debt service ratio for fiscal 2017 as detailed in *(see note 6(a))*. These circumstances still 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 profitable commercial operations. However, there is no assurance these circumstances will continue to be successful or sufficient. These unaudited interim condensed consolidated financial statements do not include any adjustments to the carrying value of assets or liabilities to the recoverable amounts or the reported expenses and unaudited interim condensed consolidated balance sheet classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments could be material.

RESTATEMENT OF COMPARATIVE BALANCES

The comparative financial statements and notes thereto for YTD 2016 have been restated to reflect a correction in classification of certain costs relating to revenue recognition *(see note 3(c))*. 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 and comprehensive income is a reduction of $725,484 in revenues and offsetting reductions of $586,231 in advertising and promotion, $84,717 in change in inventories of finished goods and $54,536 in warehousing and receiving. There was no impact to previously reported equity, net income and comprehensive income 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".

	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	Dec-2014 Q3 2015
	$	$	$	$	$	$	$	$
Balance sheet								
Working capital surplus (deficiency)	4,459,859	3,813,331	(6,115,079)	4,596,716	4,650,888	4,293,032	1,931,098	(939,511)
Bank indebtedness (total)	9,711,878	11,482,181	10,217,851	8,838,028	9,580,031	9,624,679	11,076,910	12,274,083
Term debt and finance leases	9,899,747	10,113,287	10,386,559	10,655,417	10,918,203	11,175,371	11,915,608	9,422,538
Total equity	13,255,420	12,569,465	11,844,230	13,898,966	13,868,639	13,449,556	10,293,140	10,207,062
Income statement								
Revenue (restated)	10,264,535	9,149,120	6,122,684	7,856,521	7,987,895	7,227,016	6,516,868	7,405,397
Gross margin	4,412,224	4,006,465	1,896,265	3,017,018	3,647,707	3,281,750	2,565,995	3,079,672
Standardized EBITDA	1,407,895	1,330,514	(799,137)	671,247	1,021,360	745,367	67,013	329,454
Net income (loss)	781,224	716,202	(2,109,709)	(76,434)	381,742	59,239	(764,313)	(862,430)

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

RESULTS OF OPERATIONS

	Q2 2017	YTD 2017	Q2 2016 (Restated)	YTD 2016 (Restated)
Revenue	**$ 10,264,535**	**$ 19,413,655**	$ 7,987,895	$ 15,214,911
Cost of sales	**5,852,311**	**10,994,966**	4,340,188	8,285,454
Gross margin	**4,412,224**	**8,418,689**	3,647,707	6,929,457
Gross margin (% of revenue)	***43.0***	***43.4***	*45.7*	*45.5*
Operating expenses	**3,004,329**	**5,711,425**	2,661,568	5,216,511
Operating expenses (% of revenue)	***29.3***	***29.4***	*33.3*	*34.3*
Standardized EBITDA	**1,407,895**	**2,707,264**	986,139	1,712,946
Interest	**277,143**	**564,008**	294,133	607,137
Depreciation and amortization	**294,798**	**582,066**	272,924	582,226
Income from operations	**835,954**	**1,561,190**	419,082	523,583
Share based compensation	**54,730**	**63,764**	37,341	82,603
Net income and comprehensive income	**$ 781,224**	**$ 1,497,426**	$ 381,741	$ 440,980
Portion attributable to:				
Shareholders	**$ 751,896**	**$ 1,358,760**	$ 229,602	$ 258,872
Non-controlling interest	**29,328**	**138,666**	152,139	182,108
	$ 781,224	**$ 1,497,426**	$ 381,741	$ 440,980

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

Revenue in Q2 2017 was $10,264,535 versus $7,987,895 for Q2 2016, a 28.5% increase that reflected strong growth in the winery division, led by export sales. Gross margin was up 21.0% to $4,412,224 in Q2 2017 from $3,647,707 in Q2 2016. Gross margin declined to 43.0% of revenue in Q2 2017 from 45.7% in Q2 2016 as a result of the agency division focusing on brands whereby it acts as both distributor and agent. Standardized EBITDA jumped to $1,407,895 in Q2 2017 from $986,139 in Q2 2016. Operating expenses declined to 29.3% of revenue from 33.3% respectively as there was no material growth in the fixed cost base required to support the increased revenue, resulting in improved operating leverage. Accordingly, the Company recorded significantly higher net income in Q2 2017 of $781,224 versus $381,741 in Q2 2016, an increase of 104.6%.

Revenue for YTD 2017 was $19,413,655 versus $15,214,911 in YTD 2016, an increase of 27.6% on strong growth in the winery division, driven primarily by robust export sales. Gross margin was up 21.5% to $8,418,689 in YTD 2017 from $6,929,457 in YTD 2016. As a percentage of revenue, gross margin declined to 43.4% in YTD 2017 from 45.5% in YTD 2016 as the agency division focused on brands whereby it acts as both distributor and agent. Operating expenses fell to 29.4% of revenue in YTD 2017 from 34.3% in YTD 2016 as the fixed cost base did not grow materially to support the increased sales, contributing to enhanced operating leverage. Standardized EBITDA jumped 58.0% to $2,707,264 in YTD 2017 from $1,712,946 in YTD 2016. The Company generated significantly higher net income in YTD 2017 of $1,497,426, an increase of $1,056,446 (or 239.6%) from the net income of $440,980 in YTD 2016. Cash flow from operating activities, before changes in non-cash working capital items, increased 87.1% from $1,125,809 in YTD 2016 to $2,106,758 in YTD 2017, reflecting the improvement in net income.

Q2 2017 revenue in the agency division was essentially flat year over year at $4,260,698 in Q2 2017 (YTD 2017 at $8,488,187 compared to YTD 2016 $7,888,341, a period over period increase of 7.6%). Revenue in YTD 2017 included $375,000 in severance received in lieu of notice related to a supplier separated from the Company on June 1, 2016. Excluding non-recurring items and former suppliers, revenue in Q2 2017 was up 6.5% from Q2 2016 (YTD 2017: 12.2%) on organic growth of existing brands and new suppliers that KDC represents.

Revenue in the winery division was $6,003,837 in Q2 2017 (YTD 2017: $10,925,468) up significantly from $3,685,120 in Q2 2016 (YTD 2016: $7,326,570), period over period increases of 62.9% and 49.1% respectively. Export revenue increased 125.7% to $4,430,265 in YTD 2017 from $1,962,841 in YTD 2016, consistent with expectations that were previously announced by the Company for 75% year over year growth in this channel in 2017. Revenue grew in all other key winery sales channels by $1,131,474 to $6,495,203 in YTD 2017 from $5,363,729 in YTD 2016. Those channels include sales at the Company's tasting and retail stores, commercial licensee customers and the LCBO. The re-launch and repackaging of the company's core brands was a key factor in driving stronger performance in all channels.

Gross margin in the agency division was $1,791,281 in Q2 2017 (YTD 2017: $3,651,320) compared to $2,065,699 in Q2 2016 (YTD 2016: $3,800,390), period over period decreases of 13.3% and 3.9% respectively. Gross margin in the agency division (as a % of agency revenue) was 42.0% in Q2 2017 (YTD 2017: 43.0%) compared to 48.0% in Q2 2016 (YTD 2017: 48.2%). Approximately 71% of the margin decrease in Q2 2017 from Q2 2016 (YTD 2017: approximately 60%) was related to price reductions to promote new product growth in the western region. Margin erosion from devaluation of the Canadian currency has impacted some products that are sourced in foreign currencies, predominantly U.S and Euros.

Gross margin in the winery division was $2,620,943 in Q2 2017 (YTD 2017: $4,767,369) compared to $1,582,008 in Q2 2016 (YTD 2016: $3,129,067), period over period increases of 65.7% and 52.4% respectively. Gross margin in the winery division (as a % of winery revenue) was 43.7% in Q2 2017 (YTD 2017: 43.6%) compared to 42.9% in Q2 2016 (YTD 2017: 42.7%), as export sales growth favoured higher margin products, such as reserve wines, and the Company increased prices on select brands.

Operating expenses, which exclude interest, depreciation on property, plant and equipment used in selling and administration, and amortization of intangible assets, were $3,004,329 in Q2 2017 (YTD 2017: $5,711,425) compared to $2,661,568 in Q2 2016 (YTD 2016: $5,216,511), period over period increases of 12.9% and 9.5% respectively. Employee compensation and benefits in Q2 2017 was $1,676,875 (YTD 2017: $3,163,025) compared to $1,412,377 (YTD 2016: $2,886,501). This resulted in period over period increases of 18.7% and 9.6% respectively, mostly related to provisions taken to cover the separation of three employees. Advertising and promotion expense in Q2 2017 was $247,567 (YTD 2017: $487,920) compared to $168,827 (YTD 2016: $308,595), period over period increases of 46.6% and 58.1% respectively. These increases were primarily due to investment in brand building and market awareness initiatives for the core brands, including the launch of Fresh, directly targeted to millennials.

Interest expense decreased slightly to $277,143 in Q2 2017 (YTD 2017: $564,008) compared to $294,133 in Q2 2016 (YTD 2016: $607,137), This reflects the declining principal balances of term and revolving debt. It is further expected to decrease when the MCU non-revolving term loan #3 that bears interest at 12% is fully amortized by August, 2017.

Depreciation and amortization expense increased slightly in Q2 2017 at $294,798 (YTD 2017: $582,066) compared to $272,924 in Q2 2016 (YTD 2016: $582,226).

Share based compensation totalled $54,730 in Q2 2017 compared to $37,341 in Q2 2016, an increase of $17,389, reflecting the issuance of the DSUs in Q2 2017. Share based compensation was $63,764 for YTD 2017 compared to $82,603 for YTD 2016, a decrease of $18,839 resulting from a large decline in stock option expense (as most options have now been fully expensed) partially offset by the increased issuance of DSUs.

LIQUIDITY AND CAPITAL RESOURCES

	September 30 2016	March 31 2016
Accounts receivable	**$ 6,087,832**	$ 4,031,973
Inventory	**15,385,655**	16,891,492
Other	**209,208**	151,735
Total current assets	**21,682,695**	21,075,200
Property, plant and equipment	**13,865,728**	14,127,405
Intangible assets	**3,676,990**	3,831,904
Total assets	**$ 39,225,413**	$ 39,034,509
Bank indebtedness	**$ 9,711,878**	$ 10,217,851
Accounts payable and accrued liabilities and other	**6,119,384**	6,285,902
Current portion of long term debt	**1,152,590**	10,386,559
Loan payable - non-controlling interest	**238,984**	299,967
Total current liabilities	**17,222,836**	27,190,279
Term loans payable, net of current portion	**8,700,987**	-
Finance leases, net of current portion	**46,170**	-
Total liabilities	**25,969,993**	27,190,279
Shareholders' equity	**9,171,194**	7,748,670
Non-controlling interest	**4,084,226**	4,095,560
	$ 39,225,413	$ 39,034,509

The Company's consolidated financial position has improved as at September 30, 2016 from that as at March 31, 2016. 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 harvest period. This was partially offset by increases in finished goods stock in the growing western region. Working capital increased by $10,574,938 to a surplus of $4,459,859 as at September 30, 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 September 30, 2016. Normalizing that debt reclassification resulted in working capital increasing by $1,310,893. Total bank indebtedness decreased by $505,973 to $9,711,878 as at September 30, 2016 compared to $10,217,851 as at March 31, 2016. During YTD 2017, principal payments of $550,235 (YTD 2016 - $997,405) were made against term loans (*see notes 6 and 7 for further details on the MCU credit facilities*).

The debt to equity ratio improved to 1.50:1 as at September 30, 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
- 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 thereafter

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

CAPITALIZATION

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

	November 10, 2016	September 30, 2016	March 31, 2016	Change in period
Common shares	100,137,037	100,137,037	100,137,037	-
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	107,944,319	107,944,319	107,638,570	305,749

There were no changes to the Company's overall capitalization during YTD 2017, except the 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.