DIAMOND ESTATES WINES & SPIRITS INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTH PERIODS ENDED JUNE 30, 2014 AND 2013

(Unaudited - Prepared by Management)

(These unaudited interim condensed consolidated financial statements, prepared by management, have not been reviewed by the company's external auditors)

DIAMOND ESTATES WINES & SPIRITS INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2014 AND MARCH 31, 2014
(Unaudited - Prepared by Management)

	June 30 2014	March 31 2014
ASSETS		
Current:		
Accounts receivable (Note 5)	**$ 2,820,866**	$ 3,035,264
Inventories (Note 6)	**11,906,932**	12,466,162
Prepaid expenses	**118,976**	139,222
Assets held for sale (Note 7)	**1,880,916**	1,880,916
	16,727,690	17,521,564
Long term:		
Biological assets	**86,030**	86,030
Property, plant and equipment	**15,801,191**	15,992,766
Intangible assets	**758,214**	758,647
	$ 33,373,125	$ 34,359,007
LIABILITIES		
Current:		
Bank indebtedness (Note 8)	**$ 11,755,564**	$ 12,175,284
Bank indebtedness associated with assets held for sale (Notes 7 and 8)	**813,200**	837,845
Accounts payable and accrued liabilities (Note 9)	**3,126,258**	3,319,935
Government remittances payable	**181,708**	141,654
Deposits received	**150**	39,050
Shareholder loan payable (Note 10)	**500,000**	500,000
Current portion of term loan payable (Note 11)	**624,446**	616,115
	17,001,326	17,629,883
Long term:		
Term loan payable (Note 11)	**9,052,757**	9,212,401
	26,054,083	26,842,284
SHAREHOLDERS' EQUITY		
Common shares	**39,578,798**	39,578,798
Contributed surplus	**154,620**	154,620
Reserve for warrants	**128,863**	128,863
Reserve for share based payments (Note 13)	**254,554**	254,554
Accumulated deficit	**(32,797,793)**	(32,600,112)
	7,319,042	7,516,723
	$ 33,373,125	$ 34,359,007

Going concern (Note 1(b))

Contingency (Note 16)

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

Approved on behalf of the Board:

"David Beutel" Director *"Keith Raymond Harris"* Director

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
THREE MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(Unaudited - Prepared by Management)

	2014	2013
Revenue	**$ 5,166,577**	$ 5,972,682
Expenses		
Change in inventories of finished goods and raw materials consumed	**2,580,378**	3,178,019
Employee compensation and benefits	**942,936**	925,641
Advertising and promotion	**620,057**	567,457
General and administrative	**475,320**	466,678
Interest on bank indebtedness	**332,009**	466,823
Freight and warehousing	**161,668**	199,923
Bad debts	**15,770**	21,999
Financing costs	**3,684**	140,698
Depreciation of property, plant and equipment	**225,047**	256,001
Loss on sale of property, plant and equipment	**6,957**	1,017
Amortization of intangible assets	**432**	87,200
	5,364,258	6,311,456
Net loss and comprehensive loss	**$ (197,681)**	$ (338,774)
Loss per share - basic and diluted (Note 12)	**$ (0.003)**	$ (0.023)

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

DIAMOND ESTATES WINES & SPIRITS INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

PERIOD FROM APRIL 1, 2013 TO JUNE 30, 2014

(Unaudited - Prepared by Management)

	Common shares		Preference shares		Reserve for warrants	Shares to be issued	Share based payments	Contributed surplus	Accumulated deficit	Total
	Shares	Amount	Shares	Amount						
As at April 1, 2013	**14,999,716**	**$ 26,991,074**	**4,431,386**	**$ 2,065,441**	**$ 128,863**	**$ 129,699**	**$ 154,620**	**$ -**	**$ (28,433,615)**	**$ 1,036,082**
Preference share dividends to be settled in shares	-	-	-	-	-	53,177	-	-	(53,177)	-
Net loss and comprehensive loss	-	-	-	-	-	-	-	-	(338,774)	(338,774)
As at June 30, 2013	**14,999,716**	**26,991,074**	**4,431,386**	**2,065,441**	**128,863**	**182,876**	**154,620**	**-**	**(28,825,566)**	**697,308**
Share price guarantees (net)	4,346,659	869,332	-	-	-	-	-	-	-	869,332
Convertible debentures converted	1,787,278	321,710	-	-	-	-	-	-	-	321,710
Preference shares converted	4,431,386	2,065,441	(4,431,386)	(2,065,441)	-	-	-	-	-	-
Payment of 8% dividend in shares	367,973	220,783	-	-	-	(220,783)	-	-	-	-
Accounts payable and accrued liabilities settled in shares	390,677	79,571	-	-	-	-	-	-	-	79,571
Shares and options deemed issued in connection with RTO	5,324,000	1,064,800	-	-	-	-	63,888	-	-	1,128,688
Elimination of Diamond shares	(26,275,310)	(5,255,062)	-	-	-	-	-	-	-	(5,255,062)
Shares issued to Diamond shareholders in connection with RTO	26,275,310	5,255,062	-	-	-	-	-	-	-	5,255,062
Private placement	41,756,060	8,351,212	-	-	-	-	-	-	-	8,351,212
Share issue costs	-	(385,125)	-	-	-	-	-	-	-	(385,125)
Preference share dividends	-	-	-	-	-	37,907	-	-	(37,907)	-
Share based payments	-	-	-	-	-	-	190,666	-	-	190,666
January, 2013 options cancelled	-	-	-	-	-	-	(154,620)	154,620	-	-
Net loss and comprehensive loss	-	-	-	-	-	-	-	-	(3,736,639)	(3,736,639)
As at March 31, 2014	**73,403,749**	**39,578,798**	**-**	**-**	**128,863**	**-**	**254,554**	**154,620**	**(32,600,112)**	**7,516,723**
Net loss and comprehensive loss	-	-	-	-	-	-	-	-	(197,681)	(197,681)
As at June 30, 2014	**73,403,749**	**$ 39,578,798**	**-**	**$ -**	**$ 128,863**	**$ -**	**$ 254,554**	**$ 154,620**	**$ (32,797,793)**	**$ 7,319,042**

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

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(Unaudited - Prepared by Management)

	2014	2013
Operating activities		
Net loss	**$ (197,681)**	$ (338,774)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	**225,047**	256,001
Amortization of intangible assets	**432**	87,200
Loss on sale of property, plant and equipment	**6,957**	1,017
	34,755	5,444
Change in non-cash working capital items		
Accounts receivable	**214,398**	(906,055)
Inventory	**559,230**	1,120,779
Prepaid expenses	**20,246**	(53,949)
Accounts payable and accrued liabilities	**(193,675)**	(125,959)
Government remittances payable	**40,053**	48,782
Deposits received	**(38,900)**	35,257
	636,107	124,299
Investing activities		
Purchase of property, plant and equipment	**(40,429)**	(27,744)
Financing activities		
Term loan payable	**(151,313)**	-
Bank indebtedness	**(444,365)**	(96,555)
	(595,678)	(96,555)
Change in cash	**-**	-
Cash, beginning of period	**-**	-
Cash, end of period	**$ -**	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

(a) Nature of operations

Diamond Estates Wines & Spirits Inc. ("Diamond" or the "Company") (formerly Whiteknight Acquisitions II Inc.) ("WKN") was a Capital Pool Company as defined in the policies of the TSX Venture Exchange ("TSX-V" or the "Exchange") and was incorporated pursuant to the provisions of the Business Corporations Act of Ontario on June 30, 2011. On September 24, 2013, the Company completed a Qualifying Transaction as defined in the policies of the Exchange when it acquired 100% of the issued and outstanding shares of Diamond Estates Wines & Spirits Ltd. ("Diamond Ltd."). The transaction constituted a reverse takeover of WKN by Diamond Ltd. as more fully described in note 4. The Company reconstituted its board of directors and senior management team at that time and changed its name to Diamond Estates Wines & Spirits Inc.

The Company's common shares are listed on the TSX-V under the symbol "DWS.V".

The principal business activities of the Company include the operation and consolidation of wineries, wine, spirit, and beer distribution agencies, and sales and brand development. The address of the Company's registered office and principal place of business is 1067 Niagara Stone Road, Niagara-On-The-Lake, Ontario, L0S 1J0.

(b) 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. Such adjustments could be material.

The Company has incurred repeated losses as net loss and comprehensive loss for the three month period ended June 30, 2014 was $197,681 (June 30, 2013 - $338,774) with an accumulated deficit as at June 30, 2014 of $32,797,793 (March 31, 2014 - $32,600,112). Working capital deficiency as at June 30, 2014 was $273,636 compared with $108,319 as at March 31, 2013.

The Company's ongoing losses, nominal working capital and tight margin requirements and covenant measurements under the terms of the credit agreement with its lender *(see note 8)* indicate the existence of material uncertainties that may cast significant doubt on its ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the IASB, and accordingly do not include all the information required for full annual financial statements by IFRS. They have been prepared using the same accounting policies that were described in note 2 to the Company's annual consolidated financial statements for the year ended March 31, 2014.

The unaudited interim condensed consolidated financial statements have not been reviewed by the Company's external auditors. They were authorized for issuance by the Board of Directors on August 20, 2014.

(b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

- Diamond Estates Wines & Spirits Ltd. *(see note 4)*
- Niagara Cellars Ltd. (o/a Diamond Estates - The Winery)
- De Sousa Wines Toronto Inc.
- De Sousa Wine Cellars Corporation

A subsidiary is an entity controlled by the Company. Control exists when the Company has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies applied by the Company in these consolidated financial statements. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

3. NEW AND REVISED IFRS STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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"** 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. The new standard sets out enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2017.

(c) **IAS 32: "Financial Instruments - Offsetting Financial Assets and Financial Liabilities"** provides further clarification on the application of the offsetting requirements. The Company will start the application of IAS 32 in the financial statements effective from March 31, 2015.

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.

4. REVERSE TAKEOVER TRANSACTION ("RTO")

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

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

5. ACCOUNTS RECEIVABLE

	June 30 2014	March 31 2014
Trade receivables	**$ 2,729,328**	$ 2,892,643
Accrued receivables	**80,427**	135,000
Other	**11,111**	7,621
	$ 2,820,866	$ 3,035,264

6. INVENTORIES

	June 30 2014	March 31 2014
Bulk wine	**$ 6,273,778**	$ 7,463,739
Bottled wine	**5,134,199**	4,530,831
Bottling supplies and packaging	**498,955**	471,592
	$ 11,906,932	$ 12,466,162

7. ASSETS HELD FOR SALE

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The Company has assets held for sale of $1,880,916 as at June 30, 2014 relating to its De Sousa Beamsville winery property (owned by De Sousa Wine Cellars Corp.) located at 3753 Quarry Road, Beamsville, Ontario. As the winery property is no longer in active use and not included in the Company's long-term operating plans, management has commenced an active process to sell it.

The assets held for sale consist of all of the land, buildings, equipment and biological assets, net of accumulated depreciation and an impairment provision, as detailed below:

	June 30 2014	March 31 2014
Land	**$ 496,494**	$ 496,494
Buildings	**966,307**	966,307
Equipment	**531,045**	531,045
Biological assets	**147,070**	147,070
Impairment provision	**(260,000)**	(260,000)
	$ 1,880,916	$ 1,880,916

(a) The assets have been reclassified from property, plant and equipment to assets held for sale as of December 31, 2013 in that:

(i) the asset is available for immediate sale;
(ii) an active programme to locate a buyer has been initiated both internally and externally;
(iii) management considers the likelihood of sale within 12 months as highly probable; and
(iv) current circumstances indicate that the plan to sell will not be significantly changed or withdrawn.

7. ASSETS HELD FOR SALE, CONTINUED

(b) These assets have been measured at the lower of their carrying amount and fair value less costs to sell. Based on a current valuation of the property, management recorded an impairment provision of $260,000 as at March 31, 2014.

(c) The property and buildings included in the assets held for sale act as security for the De Sousa Loan *(see note 8)*. After repayment of the De Sousa Loan, the terms of the Meridian credit facility require the Company to apply 50% of the remaining net sales proceeds as lump sum payment against the term loan described in note 11.

(d) The Company listed the De Sousa winery in June, 2014 with Sotheby's International Realty and is currently marketing the property.

8. BANK INDEBTEDNESS

	June 30 2014	March 31 2014
Meridian Credit Union:		
Operating Line: revolving operating line of credit, due on demand, interest payments only required monthly, calculated at prime plus 2.50% (currently 5.50%); total credit facility available is $13,000,000, subject to certain margin limits in respect of accounts receivable and inventory	**$ 11,755,564**	$ 12,175,284
De Sousa Loan: loan bearing interest at prime plus 3% (currently 6.00%), interest plus principal of $8,215 payable monthly until August, 2023; due by August 31, 2014 *(see also note 7)*	**813,200**	837,845
	12,568,764	13,013,129
De Sousa Loan presented separately as associated with assets held for sale (Note 7)	**(813,200)**	(837,845)
	$ 11,755,564	$ 12,175,284

On July 24, 2013, the Company entered into a new credit agreement with Meridian Credit Union ("MCU"), its primary lender, under which its existing credit facilities was refinanced concurrent with a private placement in September, 2013 for gross proceeds of $8,351,212 and the WKN closing *(see note 4)*.

8. BANK INDEBTEDNESS, CONTINUED

The credit agreement specifies the following terms:

(a) ***Credit facilities***

(i) Operating line of $13,000,000, due on demand, bearing interest at prime plus 2.5%, interest payable monthly.
(ii) De Sousa Loan of $911,780, maturing August 31, 2014, repayable in monthly principal payments of $8,215 plus interest at prime plus 3% *(see also note 7(c))*.
(iii) Real estate and equipment term loan of $10,000,000 *(see note 11)*, repayable in blended monthly payments of principal and interest of $94,319, bears interest at a fixed rate of 5.4%, due by December, 2016.

The Company's operating line of $13,000,000 is subject to separate accounts receivable and inventory caps that determine the amount available under the operating line umbrella. The Company was granted a temporary increase in the inventory cap from $10,000,000 to $11,000,000 for the period from January 1, 2014 to May 31, 2014..

(b) ***Security***

The above are secured by general security agreements, a collateral mortgage over both the Beamsville property and buildings *(see note 7(c))* and the Niagara Cellars property and buildings, assignment of fire and liability insurance over both properties and buildings, and corporate guarantees and postponements of claim in favour of Meridian by both De Sousa Wine Cellars Corporation and De Sousa Wines Toronto Inc., each of which is supported by respective general security agreements.

(c) ***Financial covenants***

The credit facilities are subject to the following financial covenants:

(i) Achieve a minimum effective net worth of not less than $7,000,000, which is defined as: shareholders' equity plus loans from shareholders postponed to Meridian less loans to shareholders and related parties and less intangible assets;
(ii) To maintain a debt to effective net worth of 4.00|1.00 measured monthly, improving to 3.75|1.00 by March 31, 2014 and 3.50|1.00 by March 31, 2015; and
(iii) Maintain a debt servicing coverage ("DSC") ratio of not less than 1.25|1.00, calculated on a rolling four quarter basis with the fourth quarter ending March 31, 2015.

From the signing of the new credit agreement through to June 30, 2014, the Company has been in compliance with the covenants relating to minimum effective net worth and debt to effective net worth. The DSC ratio covenant was not measured for fiscal 2014 by virtue of an amendment to the credit agreement dated March 25, 2014.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30 2014	March 31 2014
Trade payables	**$ 2,756,898**	$ 3,023,310
Accrued liabilities	**365,388**	295,887
Other	**3,972**	738
	$ 3,126,258	$ 3,319,935

10. SHAREHOLDER LOAN PAYABLE

The loan, payable to the Company's largest shareholder, is unsecured and bears interest at 8% per annum. It is due by March 31, 2015, but may be renewed by agreement between the parties. Under the provisions of the MCU credit agreement, the amount of this loan has been included in the determination of effective net worth *(see note 8(c)(ii))*.

11. TERM LOAN PAYABLE

As part of the Meridian Credit Union refinancing described in note 8, the Company obtained a real estate and equipment financing loan for $10,000,000, as follows:

	June 30 2014	March 31 2014
Meridian Credit Union term loan	**$ 9,677,203**	$ 9,828,516
Less: current portion	**(624,446)**	(616,115)
	$ 9,052,757	$ 9,212,401

The major terms of the real estate and equipment term loan are:

(a) Term of 3 years, due by December, 2016
(b) Amortized over a period of 148 months
(c) Bears interest at fixed rate of 5.40%:
(d) Repayable in blended monthly payments of principal and interest of $94,319
(e) Secured under the terms of the credit facility as described in note 8, including general security agreements by each Company in the group and a collateral mortgage for $10,000,000 on the property and buildings at the Company's primary place of operations

Estimated principal repayments are as follows:

Fiscal year ending March 31, 2015	**$ 624,446**
Fiscal year ending March 31, 2016	**657,707**
Thereafter	**8,395,050**
	$ 9,677,203

12. LOSS PER SHARE

Basic and diluted loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three month periods ended June 30, 2014 was 73,403,749 (June 30, 2013 - 14,999,716). Diluted loss per share and the weighted average number of common shares exclude all potentially dilutive equity instruments since their effect is anti-dilutive.

As at June 30, 2014, the following potentially dilutive equity instruments were all outstanding: (1) Class B preference shares - Nil (June 30, 2013 - 4,431,386, (2) 3,632,400 options (June 30, 2013 - 900,000, (3) shares to be issued - Nil (June 30, 2013 - 182,876) and (4) 399,973 warrants (June 30, 2013 - 399,973).

13. STOCK OPTIONS

The Company has adopted a stock option plan under which it may grant options to acquire shares of the Company to directors, officers and consultants of the Company. The maximum number of common shares issuable pursuant to the plan is equal to 10% of the issued and outstanding common shares at the close of business on the date of any grant, with an additional restriction of 5% to any one individual in a twelve month period.

Stock option activity for the period from April 1, 2013 to June 30, 2014 is as follows:

	Three month period ended June 30, 2014		Year ended March 31, 2014	
	Options	**Weighted -average exercise price ($)**	Options	Weighted-average exercise price ($)
Outstanding, beginning of period	**3,132,400**	**0.21**	900,000	0.70
Options cancellation and grant	**-**	**-**	(900,000)	0.70
Granted to CEO	**-**	**-**	2,000,000	0.20
Assumed upon WKN closing	**-**	**-**	532,400	0.20
Granted to BOD	**-**	**-**	600,000	0.25
Granted to CFO *(see note 13(a))*	**500,000**	**0.25**	-	-
Outstanding, end of period	**3,632,400**	**0.22**	3,132,400	0.21

13. STOCK OPTIONS, CONTINUED

As at June 30, 2014, the issued and outstanding options to acquire common shares of the Company are as follows:

		Number of options				
Grant date	Note	Granted	Exercisable	Exercise price ($)	Remaining life	Expiry date
September 24, 2013	*13(b)*	2,000,000	666,667	.20	4.23	September 24, 2018
September 24, 2013	*13(c)*	532,400	532,400	.20	2.67	March 7, 2017
September 24, 2013	*13(d)*	600,000	600,000	.25	4.23	September 24, 2018
June 5, 2014	*13(e)*	500,000	166,667	.25	4.92	June 5, 2019
		3,632,400	1,965,734			

The details of the option grant in the reporting period are as follows:

(a) **June 5, 2014 grant to CFO:**

On June 5, 2014, a grant of 500,000 options was made to the Company's new CFO. The options are exercisable at $0.25 per option with a term of five years (expiring June 4, 2019). The options vest evenly on each anniversary date over the term of the grant. Accordingly, no expense for share based payments will be recognized until the first anniversary of the grant on June 4, 2015.

14. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel and directors compensation:

During the three month periods ended June 30, 2014 and 2013, the Company incurred the following in compensation of key management personnel and directors:

	2014	2013
Salary	$ 169,000	$ 144,000
Director fees	34,000	10,000

Accounts payable and accrued liabilities as at June 30 2014 includes $106,906 (March 31, 2014 - $100,310) with respect to balances owing to key management personnel and directors.

15. SEGMENTED INFORMATION

Business segments

The Company operates in three business segments, namely the sales of manufactured wines, sales of third-party wines and spirits and commission and other income. The following table represents revenues and direct costs associated with each of these segments for the three month periods ended June 30, 2014 and 2013:

	2014	2013
Revenues		
Manufactured wines	$ 3,772,540	$ 4,247,878
Third-party wines and spirits	865,061	926,808
Commission and other	528,976	797,996
	$ 5,166,577	$ 5,972,682
Changes in inventories of finished goods and raw materials consumed		
Manufactured wines	$ 2,021,076	$ 2,581,086
Third-party wines and spirits	559,302	596,933
	$ 2,580,378	$ 3,178,019

The Company uses the above as the measures of profit within the segments and reviews the assets and liabilities, as well as the amortization of intangible assets, depreciation of property, plant and equipment and interest and financing costs on an entity-wide basis.

15. SEGMENTED INFORMATION, CONTINUED

Geographic information

	2015	2014
Revenues		
Canada	**$ 4,408,880**	$ 4,472,520
China and other	**757,697**	1,500,162
	$ 5,166,577	$ 5,972,682

All of the Company's assets are located in Canada.

16. CONTINGENCY

The Company is involved in potential litigation matters arising out of the ordinary course and conduct of its business.

On June 24, 2014, the Company was served with a statement of claim by a former management employee for wrongful termination. Management has reviewed the claim with counsel and believes that it has no merit. No provision for loss has been recorded as a result.

17. COMPARATIVE FIGURES

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation adopted in the current period. The changes do not affect prior year earnings.