

**FORM 51-102F3**

**MATERIAL CHANGE REPORT**

**Item 1 Name and Address of Company**

Diamond Estates Wines & Spirits Inc. (the “**Issuer**”)  
1067 Niagara Stone Road  
Niagara-on-the-Lake, ON  
L0S 1J0

**Item 2 Date of Material Change**

The material change occurred on June 28, 2018.

**Item 3 News Release**

A press release in connection with the material change was issued on June 28, 2018 through Canadian newswires and filed on [www.sedar.com](http://www.sedar.com) under the Issuer’s profile and is attached hereto as Schedule “A”.

**Item 4 Summary of Material Change**

The Issuer has acquired Backyard Vineyards Inc. of Langley, British Columbia. The total purchase price was \$3.0 million, consisting of \$0.75 million of cash, \$1.5 million of Issuer stock valued at \$0.32 per share, and the assumption of \$0.75 million of debt. The vendor was Ewen Stewart.

**Item 5 Full Description of Material Change**

*5.1 Full Description of Material Change*

Full details of the transaction are available in the press release attached hereto.

*5.2 Disclosure for Restructuring Transactions*

Not applicable

**Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable

**Item 7 Omitted Information**

Not applicable

**Item 8 Executive Officer**

For further information with respect to this report, please contact Mr. Alan Stratton, Chief Financial Officer of the Issuer at (905) 641.1042 Ext. 225.

**Item 9 Date of Report**

July 9, 2018.

**Schedule “A”  
Press Release**

**Diamond Estates Wines & Spirits Announces Acquisition of Backyard Vineyards**

**June 28, 2018, Niagara-on-the-Lake, Ontario–Diamond Estates Wines & Spirits Inc. (“Diamond Estates” or “the Company”) (DWS-TSX Venture)** is pleased to announce that it has today acquired Backyard Vineyards Inc. (“Backyard”) of Langley, British Columbia. This highly strategic transaction transforms Diamond Estates into a national producer of VQA wines and positions the Company to build a major new winery in the internationally-recognized Okanagan Valley wine-producing region. The total purchase price is \$3.0 million, consisting of \$0.75 million of cash, \$1.5 million of Diamond Estates stock valued at \$0.32 per share, and the assumption of \$0.75 million of debt. The vendor is Ewen Stewart.

Backyard owns a 10,000 square-foot winery, retail store and warehouse in Langley, which has operated for 15 years and won numerous awards. Backyard generated revenue of approximately \$2.0 million in the twelve months ended May 31, 2018. Current capacity of the Langley facility is 25,000 cases annually. The facility is approximately 50% utilized at present, giving Diamond Estates the ability to launch its own brands in the market without a material infrastructure expansion. Diamond Estates has an existing business relationship with Backyard.

In addition, Mr. Stewart and his development company Azura Management Corp. have obtained the rights to 180 acres of land on the Naramata Bench, located in the southern portion of the Okanagan Valley near Penticton. Azura Management and Diamond Estates plan to co-develop a new Lakeview Cellars winery on a portion of the site. The estimated initial capital expenditure for this winery would be approximately \$7 million.

The Backyard Vineyards acquisition represents a significant opportunity for Diamond Estates. It will allow the Company to introduce its existing brands into British Columbia and Alberta, Canada’s third and fourth largest wine markets. By becoming a truly national producer for the first time, Diamond Estates is positioned to pursue sales opportunities with national chain restaurant companies, airlines, and railways that sell very large volumes of wine across the country. This has the potential to increase the Company’s brand exposure significantly.

Diamond Estates also gains a rare opportunity to build a greenfield winery in a prime location on the acclaimed Naramata Bench in the Okanagan Valley. The property is in close proximity to other high-quality wineries and the Company is confident it can develop the site into an attractive tourist destination that produces outstanding VQA wines. The Company will also be well positioned to acquire additional Okanagan wineries in the future.

“We are pleased to be expanding our relationship with Diamond Estates, with both the purchase of Backyard Vineyards and also the development of the exciting Naramata property,” said Mr. Stewart. “It is a unique opportunity to develop a greenfield winery in a world-class location.

“For a long time, one of our central goals at Diamond Estates has been to transition the Company from a regional VQA producer into a national VQA producer that can pursue national business opportunities. This transaction does just that,” said Murray Souter, President and CEO. “We now have a platform for significant growth in British Columbia, Canada’s most highly developed VQA market. The Backyard winery is a small but outstanding asset with the potential to increase capacity and boost sales both within the province of British Columbia and in other jurisdictions and channels. The opportunity to build a greenfield Lakeview Cellars winery in the Okanagan is also very exciting.”

#### **About Diamond Estates Wines and Spirits Inc.**

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 and one in Toronto, producing VQA and blended wines under such well-known brand names as 20 Bees, EastDell, Lakeview Cellars, FRESH, Dan Aykroyd, McMichael Collection, Benchmark and Seasons. Through its wholly-owned subsidiary, Kirkwood Diamond Canada Partnership, the Company is the sales agent for many leading international brands in all regions of the country as well as being a distributor in the western provinces. These recognizable brands include Josh Wines from California, Hommage and Fat Bastard wines from France, Kaiken wines from Argentina, Deep Eddy Vodka from Texas, Marston’s beers from England, Hpnotiq Liqueur from France, Tequila Rose from the United States, Anciano wines from Spain, Malfy Gin from Italy, Rossi d’Asiago Limonello from Italy, Glengoyne and Tamdhu Whiskies from Scotland, Edinburgh Gin from Scotland, Francois Lurton wines from France and Argentina, Waterloo Brewing and Amsterdam Brewing, both from Ontario, Landshark Lager from the USA, Blue Nun wines from Germany, ready-to-drink alcoholic beverage SocialLite from Ontario, and Evan Williams Bourbon from the USA.

#### **Forward Looking Statement**

This press release contains forward-looking statements. Often, but not always, forward-looking statements can 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 Diamond Estates Wines and Spirits Inc. 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 press release. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the economy generally; consumer interest in the services and products of the Company; financing; competition; and anticipated and unanticipated costs. While the Company acknowledges that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the views of the Company as of any date subsequent to the date of this press release. 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. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

**For more information, please contact:**

J. Murray Souter  
President & CEO  
Diamond Estates Wines & Spirits Inc.  
jmurraysouter@diamondwines.com  
905.641.1042 Ext 234

Alan Stratton, CPA, CA  
Chief Financial Officer  
Diamond Estates Wines & Spirits Inc.  
astratton@diamondwines.com  
905.641.1042 Ext 225

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