

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of the Company

Diamond Estates Wines & Spirits Inc. (the “Company”)
1067 Niagara Stone Road
Niagara-on-the-Lake, Ontario
Canada
L0S 1J0

Item 2. Date of Material Change

October 6, 2021

Item 3. News Release

A news release setting out information concerning the material change described in this report was disseminated through the facilities of Newsfile and filed on the System for Electronic Document Analysis and Retrieval (SEDAR) on October 6, 2021.

Item 4. Summary of Material Change

On October 6, 2021 the Company completed the closing of (i) its acquisition of all of the issued and outstanding securities of Equity Wine Group Inc., (ii) its acquisition of the Shiny Apple craft cider brand from Stonechurch Vineyard and Winery Holdings Inc., (items (i) and (ii) together, the “**Acquisitions**”) (iii) the issuance of \$1,889,162 in equity upon the conversion of currently outstanding convertible debentures (the “**Debt Conversion**”) and accrued interest, and (iv) the issuance of \$6,786,715 in equity through its previously announced private placement (the “**Financing**”, and together with the Acquisitions and Debt Conversion, the “**Material Transaction**”).

Item 5.1 Full Description of Material Change

The Material Change is fully described in the press release attached hereto as Schedule “A”.

Certain directors and other insiders subscribed for a total of 10,953,433 units for total gross proceeds of \$1,971,617.94 under the Financing. Insiders also held all of the debentures which are the subject of the Debt Conversion. Participation by insiders is considered to be a “related party transaction” as defined in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”). The Financing and the Debt Conversion are exempt from the formal valuation and minority shareholder approval requirements of MI 61-101, as neither the fair market value of the securities being issued to insiders, nor the consideration being paid by such insiders, exceeds 25% of the Company’s market capitalization.

Related Party Transaction

Pursuant to MI 61-101, the Company is required to include the following in this Material Change Report:

(a) A description the transaction and its material terms

A description of the Financing and Debt Conversion, and material terms thereof, can be found above. The Company issued the following Common Shares to directors, officers and/or insiders for gross proceeds as follows (the “**Insider Transactions**”):

Name	Nature of Transaction	Units Issued	Value of Transaction
Lassonde Industries Inc.	Debt Conversion	6,652,785	\$1,197,501.00
Oakwest Corporation Limited	Debt Conversion	3,441,096	\$619,397.00
J. Murray Souter	Debt Conversion	286,758	\$51,616.00
Ryan Conte	Debt Conversion	114,703	\$20,647.00
J. Murray Souter	Financing	277,800	\$50,004.00
Austin Beutel	Financing	2,222,300	\$400,014.00
Lassonde Industries Inc.	Financing	8,333,333	\$1,499,999.94
Joao (John) De Sousa	Financing	120,000	\$21,600.00

(b) the purpose and business reasons for the transaction

Proceeds of the Financing were used for the cash consideration payable pursuant to the Acquisitions.

(c) the anticipated effect of the transaction on the Company's business and affairs

The Company does not anticipate any material effect on its business and affairs as a result of the related party transaction.

(d) a description of (i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties, and (ii) the anticipated effect of the transaction on the percentage of securities of the Company, or of an affiliated entity of the Company, beneficially owned or controlled by each person referred to in subparagraph (i) for which there would be a material change in that percentage

As a result of the Insider Transactions, there is not any material change to the percentage of securities of the Company beneficially owned or controlled by any of the subscribing insiders other than with respect to Lassonde Industries Inc. ("**Lassonde**").

Lassonde was issued an aggregate of 14,986,118 Units, having an aggregate value of \$2,697,500.94. Of these 14,986,118 Units, 8,333,333 Units were acquired pursuant to the Financing, and 6,652,785 Units were acquired pursuant to the Debt Conversion.

Prior to the Material Transaction, Lassonde owned 38,478,947 common shares, representing approximately 19.239% of the common shares. Following the Material Transaction, Lassonde now holds 53,465,065 common shares, representing approximately 19.18% of the issued and outstanding common shares, and 11,239,589 Warrants. If Lassonde was to exercise all of the Warrants it holds, it would own 64,704,654 common shares, representing approximately 22.31% of the issued and outstanding common shares (based on the Company's then current number of issued and outstanding common shares and assuming that no other outstanding convertible securities convert).

Immediately following the Debt Conversion, Lassonde became a Control Person of Diamond, as such term is defined in Policy 1.1 – Interpretation of the TSX Venture Exchange. On September 28, 2021, in accordance with the policies of the TSX Venture Exchange, the disinterested shareholders of Diamond have approved by ordinary resolution that Lassonde becomes a Control Person.

The subscription of Lassonde was undertaken for investment purposes and it may, from time to time, increase or decrease its beneficial ownership or control depending on market or other conditions.

- (e) a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the Company for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee**

The Material Transaction, including each component transaction, was approved by the board of directors of the Company without the establishment of a special committee. No materially contrary views were expressed.

- (f) a summary, in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction**

Not applicable.

- (g) disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the Company that relates to the subject matter of or is otherwise relevant to the transaction (i) that has been made in the 24 months before the date of this Material Change Report, and (ii) the existence of which is known, after reasonable inquiry, to the Company or to any director or senior officer of the Company**

Not applicable.

- (h) the general nature and material terms of any agreement entered into by the Company, or a related party of the Company, with an interested party or a joint actor with an interested party, in connection with the transaction**

With respect to the Insider Transactions pursuant to the Financing, the Company entered into a subscription agreement in respect of each of the Insider subscription pursuant to which the Company agreed to issue and sell Units to the subscribing Insiders on substantially the same terms as those agreed to with other subscribers to the Financing.

With respect to the Insider Transactions pursuant to the Debt Conversion, the holders of the debentures which were converted exercised their rights under the debentures and in accordance with its terms, without further need for an additional agreement between the holder and the Company.

- (i) disclosure of the formal valuation and minority approval exemptions, if any, on which the Company is relying under sections 5.5 and 5.7 of MI 61-101, respectively, and the facts supporting reliance on the exemptions.**

The Company has relied on the Exemption from Formal Valuation Requirement under section 5.5(a) of MI 61-101 and on the Exemption from Minority Approval Requirement under section 5.7(1)(a) of MI 61-101 as, at the time the transaction was agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involved interested parties, exceeded 25 per cent of the Company's market capitalization.

As this Material Change Report is being filed less than 21 days before the closing of the Material Transaction, the Company is required to explain why the shorter period is reasonable or necessary in the circumstances. In the view of the Company, such shorter time period was reasonable in the circumstances in order for the Company to confirm particulars of subscriber participation, which were settled upon receipt of subscription agreements from the insiders received up to and including the time of closing of the Material Transaction.

Item 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

J. Murray Souter, Chief Executive Officer and President, Telephone: 905.641.1042 Ext 234

Item 9. Date of Report

October 26, 2021

SCHEDULE “A”

Not for dissemination in the United States or for distribution to U.S. newswire services.

Diamond Estates Wines & Spirits Announces the Closing of the Equity Wine Group and the Shiny Apple Cider Brand Acquisitions, and Private Placement

Niagara-on-the-Lake, Ontario--(Newsfile Corp. – October 6, 2021) - Diamond Estates Wines & Spirits Inc. (TSXV: DWS) (“**Diamond**” or the “**Company**”), further to its press releases of August 5, 2021 and September 24, 2021, is pleased to announce the closing of (i) its acquisition of all of the issued and outstanding securities of Equity Wine Group Inc. (“**Equity Wine**”, and such acquisition, the “**Equity Wine Acquisition**”), (ii) its acquisition of the Shiny Apple craft cider brand (the “**Shiny Apple Brand**”) from Stonechurch Vineyard and Winery Holdings Inc. (“**Stonechurch**”, such acquisition being the “**Stonechurch Acquisition**”, and together with the Equity Wine Acquisition, the “**Acquisitions**”), (iii) the issuance of \$1,889,162 in equity upon the conversion of currently outstanding convertible debentures and accrued interest, and (iv) the issuance of \$6,786,715 in equity through its previously announced private placement (the “**Financing**”).

In connection with closing the Equity Wine Acquisition, the Company paid and issued to the shareholders of Equity Wine: (i) \$1.5 million in cash (the “**Equity Cash Payment**”); (ii) \$5.5 million in common shares of Diamond (“**Common Shares**”), being 30,555,557 Common Shares at a deemed issuance price of \$0.18 per share (the “**Equity Consideration Shares**”); (iii) 22,916,670 common share purchase warrants (the “**Equity Consideration Warrants**”) each entitling the holder to acquire one Common Share at an exercise price of \$0.22 for a period of 36 months, and (iv) the assumption of the Equity Wine’s term and operating debt of approximately \$4.1 million with the Bank of Montreal. The Equity Consideration Shares and Equity Consideration Warrants will be subject to certain

contractual restrictions on trading for a period of 12 months from the date of issuance with equal portions being released from escrow every quarter.

In connection with the closing the Stonechurch Acquisition, the Company acquired all of the rights and title to the Shiny Apple Brand from Stonechurch for aggregate consideration of \$2.5 million, which was satisfied by a (i) closing cash payment of \$1.1 million; (ii) \$1.1 million earn-out payment (deposited into escrow by the Company on closing) payable quarterly over the course of 12 months following closing depending on sales targets being met, and (iii) \$300,000 inventory holdback. Diamond and Stonechurch also entered into a production and co-packing agreement whereby Stonechurch will continue to produce the Shiny Apple Brand under Diamond's monitoring and oversight for a minimum period of 24 months.

The Financing

The Company closed its previously announced brokered private placement, conducted by Paradigm Capital Inc. (the "**Agent**"). The Financing consisted of the issuance of 37,703,975 units (the "**Units**") at a price of \$0.18 per Unit for gross proceeds of \$6,786,715 with each Unit consisting of one Common Share and three-quarters ($\frac{3}{4}$) of one common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant is exercisable to acquire one Common Share at an exercise price of \$0.22 per Common Share for 36 months. The Units were sold to accredited investors in Canada in compliance with applicable securities laws. Pursuant to the terms of an agency agreement entered into between the Agent and the Company, the Agent received a cash fee equal to 6.0% of the aggregate gross proceeds of the Financing (the "**Cash Commission**"), subject to a reduced fee of 3.0% for Units sold to certain purchasers designated by the Company on a president's list (the "**President's List**"), and issued to the Agent broker warrants equal to 6.0% of the number of Units issued pursuant to the Financing (the "**Broker Warrants**"), subject to a reduced number of Broker Warrants equal to 3.0% of the aggregate number of Units sold to purchasers on the President's List. Each Broker Warrant entitles the holder to acquire one Unit (each, a "**Broker Unit**") at \$0.18 per Broker Unit for a period for 24 months. Each Broker Unit consists of one Common Share and three-quarters ($\frac{3}{4}$) of one common

share purchase warrant (each whole warrant, a “**Broker Unit Warrant**”). Each Broker Unit Warrant is exercisable to acquire one Common Share at an exercise price of \$0.22 per Common Share for 36 months. The Company paid an aggregate of \$294,805 in Cash Commission and issued 1,636,807 Broker Units to the Agent.

Holder of the Company’s 10% unsecured convertible debentures issued on June 10, 2021 in the aggregate principal amount of \$1.83 million (the “**Debentures**”) have each elected to have the Financing constitute an early maturity date pursuant to the terms of the Debentures, which Diamond has elected to satisfy pursuant to a shares for debt transaction. Therefore, the obligations of the Debentures will be extinguished, and Diamond has issued today, in satisfaction of \$1,889,162 representing the principal and interest owing under the Debentures, 10,495,342 Units at a price of \$0.18 per Unit to the debentureholder (the “**Debt Conversion**”, and together with the Acquisitions and the Financing, the “**Transactions**”).

Certain directors and other insiders subscribed for a total of 10,953,433 Units for total gross proceeds of \$1,971,617.94 under the Financing. Insiders also held all of the debentures which are the subject of the Debt Conversion. Participation by insiders is considered to be a “related party transaction” as defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). The Financing and the Debt Conversion are exempt from the formal valuation and minority shareholder approval requirements of MI 61-101, as neither the fair market value of the securities being issued to insiders, nor the consideration being paid by such insiders, exceeds 25% of the Company’s market capitalization. The Company did not file a material change report 21 days prior to the closing as the details of the participation of insiders of the Company had not been confirmed at that time.

None of the Units, Common Shares or warrants have been, nor will be, registered under the United States *Securities Act of 1933*, as amended (the “**U.S. Securities Act**”), or any U.S. state security laws, and may not be offered or sold in the United States without registration under the U.S. Securities Act and all applicable state securities laws or compliance with requirements of an applicable exemption therefrom. This press release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the

Unites States, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

All securities issued in connection with the Financing, the Equity Wine Acquisition, and the Debt Conversion are subject to a four-month hold period from the closing of the Transactions. The Company has used proceeds from the Financing to pay for the Acquisitions, and intends to use the balance of the net proceeds for general working capital purposes.

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, one in Ontario and one in British Columbia, that produce predominantly VQA wines under such well-known brand names as 20 Bees, EastDell, Lakeview Cellars, Dan Aykroyd, Fresh, McMichael Collection, Seasons, Serenity, and Backyard Vineyards. Through its wholly owned subsidiary, Trajectory Beverage Partners, 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, Fat Bastard and Andre Lurton wines from France, Kaiken wines from Argentina, Blue Nun wines from Germany, Francois Lurton wines from France and Argentina, Felix Solis wines from Spain, Waterloo Brewing from Ontario, Landshark Lager from the USA, Marston's beers from England, Edinburgh Gin, Tamdhu, Glengoyne and Smokehead single-malt Scotch whiskies from Scotland, Barcelo Rum from the Dominican Republic, Becherovka Liqueur from the Czech Republic, C.K. Mondavi & Family wines (including Charles Krug) from Napa, Bols Vodka from Amsterdam, Koyle Family Wines from Chile, Pearse Lyons whiskies and gins from Ireland, Niagara Craft Distillers' beverages from Ontario, Fontana di Papa wines and Cielo e Terra wines from Italy.

For more information, please contact:

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Diamond Estates Wines & Spirits Inc.
1067 Niagara Stone Rd., Niagara-on-the-Lake, Ontario, L0S 1J0

Early Warning Disclosure

Lassonde Industries Inc. (“**Lassonde**”) was issued today an aggregate of 14,986,118 Units, having an aggregate value of \$2,697,500.94. Of these 14,986,118 Units, 8,333,333 Units were acquired pursuant to the Financing, and 6,652,785 Units were acquired pursuant to the Debt Conversion.

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Immediately following the Debt Conversion, Lassonde became a Control Person of Diamond, as such term is defined in *Policy 1.1 – Interpretation* of the TSX Venture Exchange. On September 28, 2021, in accordance with the policies of the TSX Venture Exchange, the disinterested shareholders of Diamond have approved by ordinary resolution that Lassonde becomes a Control Person.

The subscription of Lassonde is being undertaken for investment purposes and it may, from time to time, increase or decrease its beneficial ownership or control depending on market

or other conditions. A copy of the Early Warning Report with additional information in respect of the foregoing matters may be found on www.SEDAR.com.

For further information on Lasseonde and to obtain a copy of the Early Warning Report, please contact:

Investor contact:

Éric Gemme, Chief Financial Officer
Lasseonde Industries Inc.
755 rue Principale, Rougemont, Québec, J0L 1M0
450-469-4926, ext 10456

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Forward Looking Statements

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.

Not for dissemination in the United States

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