

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, ON
L0S 1J0

Item 2. Date of Material Change

November 9, 2022

Item 3. News Release

A news release setting out information concerning the material change described in this report was disseminated through the facilities of Business Wire on November 9, 2022, a copy of which was filed on SEDAR (the “**News Release**”).

Item 4. Summary of Material Change

On November 9, 2022, the Company closed an offering (the “**Offering**”) of 10% unsecured convertible debentures (the “**Debentures**”). The Company issued Debentures in the aggregate principal amount of \$4,884,000. The Debentures bear interest from the date of issue at 10% per annum, calculated monthly, in arrears. The interest accrues on the principal outstanding under the Debentures until such principal is repaid or converted. The Debentures mature one year from their date of issuance, unless the holder requests to accelerate the Maturity Date in the event the Company completes an equity financing with the next 12 months. The Debentures are convertible at the holder’s option into common shares of the Company (the “**Common Shares**”) at a conversion price of \$0.80. If repayment of the Debentures would constitute non-compliance by the Company under its senior borrowing obligations, the holder has the option to convert, or to roll the obligations over into new one-year debentures, on similar terms to be negotiated, subject to the approval of the TSX Venture Exchange.

An insider of the Company subscribed for a total of \$500,000 in principal amount of the Debentures. 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 Offering is 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 of the transaction and its material terms

A description of the Offering, and material terms thereof, can be found above, and in the News Release. The Company issued Debentures in the aggregate principal amount of \$500,000 to Lassonde Industries Inc., an insider of the Company (“**Lassonde**”, and such issuance, the “**Insider Transaction**”):

(b) The purpose and business reasons for the transaction

Proceeds of the Offering are intended by the Company to be used for general working capital and investment purposes.

(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 Insider 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

Prior to the Insider Transaction, Lassonde held 5,346,506 Common Shares, representing approximately 19.18% of the issued and outstanding Common Shares, 1,123,958 Warrants, that are convertible into 1,123,958 Common Shares, and 80,000 Options, exercisable for 80,000 Common Shares. Following the Insider Transaction, if Lassonde were to convert all of the Debentures (exclusive of accrued interest) and exercise all of the Warrant and Options it holds, it would own directly and indirectly, 7,175,464 Common Shares, representing approximately 24.16% of the issued and outstanding Common Shares (based on the current issued and outstanding number of Common Shares, assuming no additional issuance or conversion).

The subscription by 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 views or abstention by a director and any material disagreement between the board and the special committee

The Offering 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

Subscribers to the Offering, including Lassonde, entered into subscription agreements with the Company containing market terms, were issued certificates by the Company evidencing the Debentures and their terms and conditions as outlined herein, and executed subordination agreements

with the Company's senior lender subordinating the Company's obligations with the subscriber to those of the senior lender.

(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 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 disinterested parties, exceeded 25 per cent of the Company's market capitalization.

This Material Change Report is being filed less than 21 days before the closing of the Insider Transaction, as the full details of any insider participation were only confirmed upon closing.

Item 5.1 Full Description of Material Change

Please refer to News Release published on Nov 9, 2022.

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

Ryan Conte, Chief Financial Officer, Email: rconte@diamondwines.com

Item 9. Date of Report

Nov 18, 2022