

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024

(Stated in Canadian dollars)

(Unaudited - Prepared by Management)

**These unaudited interim condensed consolidated financial statements, prepared by management,
have not been reviewed by the Company's external auditor.**

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025 AND MARCH 31, 2025

(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

| | <u>December 31</u> | <u>March 31</u> |
|---|----------------------|----------------------|
| | <u>2025</u> | <u>2025</u> |
| ASSETS | | |
| Current: | | |
| Accounts receivable (Note 4) | \$ 4,074,929 | \$ 7,572,109 |
| Inventories (Note 5) | 15,656,037 | 15,164,887 |
| Prepaid expenses | 857,535 | 751,409 |
| Mortgage receivable (Note 7) | - | 500,000 |
| Current portion of finance lease receivable | 60,860 | 58,363 |
| Derivative asset (Note 11(f)) | 185,736 | - |
| | <u>20,835,097</u> | <u>24,046,768</u> |
| Assets held for sale (Note 6) | <u>4,407,049</u> | <u>4,012,449</u> |
| | <u>25,242,146</u> | <u>28,059,217</u> |
| Long term: | | |
| Finance lease receivable | 132,412 | 178,375 |
| Property, plant and equipment | 16,837,753 | 17,318,072 |
| Right-of-use ("ROU") assets | 878,621 | 798,931 |
| Intangible assets | 4,716,373 | 4,861,775 |
| | <u>\$ 47,807,305</u> | <u>\$ 51,216,370</u> |
| LIABILITIES | | |
| Current: | | |
| Accounts payable and accrued liabilities (Note 8) | \$ 5,271,669 | \$ 5,786,910 |
| Term loans payable (Note 9) | 12,686,115 | 16,022,024 |
| Current portion of lease liabilities | 201,964 | 243,412 |
| Debentures payable (Note 11) | 4,354,492 | 4,394,263 |
| Derivative liability (Note 11) | - | 725,734 |
| | <u>22,514,240</u> | <u>27,172,343</u> |
| Liabilities held for sale (Note 6) | <u>829,254</u> | <u>880,835</u> |
| | <u>23,343,494</u> | <u>28,053,178</u> |
| Long term: | | |
| Lease liabilities | <u>414,058</u> | <u>462,297</u> |
| | <u>23,757,552</u> | <u>28,515,475</u> |
| SHAREHOLDERS' EQUITY | | |
| Common shares (Note 12) | 54,216,785 | 53,813,367 |
| Contributed surplus | 4,817,170 | 4,086,095 |
| Accumulated deficit | <u>(34,984,202)</u> | <u>(35,198,567)</u> |
| | <u>24,049,753</u> | <u>22,700,895</u> |
| | <u>\$ 47,807,305</u> | <u>\$ 51,216,370</u> |
| Going concern (Note 2(c)) | | |
| Contingent liability (Note 18) | | |
| Subsequent events (Note 20) | | |

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

Approved on behalf of the Board: "Ron McEachern" Director "Keith Harris" Director

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
THREE AND NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

| | Three months ended December 31 2025 | Nine months ended December 31 2025 | Three months ended December 31 2024 | Nine months ended December 31 2024 |
|--|--|---|--|---|
| Revenue (Note 13) | \$ 8,235,060 | \$ 25,027,336 | \$ 6,411,295 | \$ 20,281,894 |
| Cost of sales | | | | |
| Change in inventories of finished goods and raw materials consumed | 3,308,877 | 9,484,076 | 2,724,835 | 9,691,877 |
| Depreciation of property, plant and equipment and ROU assets | 223,164 | 910,604 | 213,541 | 530,097 |
| | 3,532,041 | 10,394,680 | 2,938,376 | 10,221,974 |
| Gross profit | 4,703,019 | 14,632,656 | 3,472,919 | 10,059,920 |
| Expenses | | | | |
| Employee compensation and benefits | 1,496,174 | 4,536,085 | 1,470,209 | 4,368,579 |
| General and administrative | 1,126,526 | 3,027,233 | 823,849 | 2,527,461 |
| Advertising and promotion | 847,153 | 1,999,715 | 509,273 | 1,497,758 |
| Commissions | 451,807 | 1,272,899 | 37,024 | 496,730 |
| Delivery and warehousing | 346,784 | 977,549 | 277,905 | 1,110,167 |
| Interest and accretion | 490,507 | 1,574,994 | 551,749 | 1,675,011 |
| Share based compensation | 236,146 | 731,075 | 84,342 | 225,925 |
| Depreciation of property, plant and equipment and ROU assets | 76,525 | 203,434 | 58,643 | 198,354 |
| Amortization of intangible assets | 54,516 | 157,499 | 57,627 | 251,361 |
| | 5,126,138 | 14,480,483 | 3,870,621 | 12,351,346 |
| Income (loss) before undernoted items | (423,119) | 152,173 | (397,702) | (2,291,426) |
| Change in fair value of derivative asset (liability) (Note 11(f)) | 106,974 | 758,868 | 283,980 | 537,014 |
| Perigon consideration (Note 10) | (242,785) | (403,418) | (10,650) | (10,650) |
| Regulatory compliance costs | (143,853) | (353,853) | - | - |
| Gain (loss) on disposition of intangible assets (Note 14) | - | (231,199) | - | 501,137 |
| Restructuring charge | - | (275,913) | 76,983 | (2,549) |
| Loss on de-recognition of ROU assets | - | - | - | (198,240) |
| Impairment provision - assets held for sale (Note 6) | - | - | - | (410,000) |
| Gain on modification of debentures payable (Note 11(d)) | 567,707 | 567,707 | 530,831 | 530,831 |
| Net income (loss) and comprehensive income (loss) | \$ (135,076) | \$ 214,365 | \$ 483,442 | \$ (1,343,883) |
| Basic and fully diluted income (loss) per share (Note 12(f)) | \$ 0.00 | \$ 0.00 | \$ 0.01 | \$ (0.02) |

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
FROM APRIL 1, 2024 TO DECEMBER 31, 2025
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

| | Common shares Shares | Amount | Contributed surplus | Accumulated deficit | Total |
|--|-------------------------|----------------------|------------------------|------------------------|----------------------|
| As at April 1, 2024 | 48,058,118 | \$ 49,813,853 | \$ 3,819,001 | \$ (32,736,423) | \$ 20,896,431 |
| Net loss and comprehensive loss | - | - | - | (1,343,883) | (1,343,883) |
| Share based compensation | - | - | 225,925 | - | 225,925 |
| Issuance of shares | 11,466,065 | 2,293,213 | - | - | 2,293,213 |
| Share issue costs | - | (10,000) | - | - | (10,000) |
| Shares issued on conversion of debenture interest and accrued interest | 730,480 | 145,519 | - | - | 145,519 |
| Shares issued in connection with Perigon acquisition | 5,000,000 | 1,300,000 | - | - | 1,300,000 |
| Shares issued in settlement of DSUs | 499,407 | 99,800 | (99,800) | - | - |
| As at December 31, 2024 | 65,754,070 | 53,642,385 | 3,945,126 | (34,080,306) | 23,507,205 |
| Net loss and comprehensive loss | - | - | - | (1,118,261) | (1,118,261) |
| Share based compensation | - | - | 140,969 | - | 140,969 |
| Shares issued on conversions of debenture principal and accrued interest | 94,258 | 20,982 | - | - | 20,982 |
| Adjustment to shares issued in connection with Perigon acquisition | - | 150,000 | - | - | 150,000 |
| As at March 31, 2025 | 65,848,328 | 53,813,367 | 4,086,095 | (35,198,567) | 22,700,895 |
| Net income and comprehensive income | - | - | - | 214,365 | 214,365 |
| Share based compensation | - | - | 731,075 | - | 731,075 |
| Shares issued in connection with Perigon acquisition (Note 12(a)) | 1,970,001 | 403,418 | - | - | 403,418 |
| As at December 31, 2025 | 67,818,329 | \$ 54,216,785 | \$ 4,817,170 | \$ (34,984,202) | \$ 24,049,753 |

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
NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024
(Stated in Canadian dollars)
(Unaudited - Prepared by Management)

| | 2025 | 2024 |
|---|--------------------|-----------------------|
| Operating activities | | |
| Net income (loss) and comprehensive income (loss) | \$ 214,365 | \$ (1,343,883) |
| Add (deduct) items not affecting cash | | |
| Depreciation: property, plant and equipment and right-of-use assets | 1,114,038 | 728,451 |
| Amortization of intangible assets | 157,499 | 251,361 |
| Loss on de-recognition of ROU asset | - | 198,240 |
| Amortization of deferred financing costs | 25,833 | 99,706 |
| Gain on modification of debentures payable | (567,707) | (530,831) |
| Change in fair value of derivative liability | (758,868) | (537,014) |
| Perigon contingent consideration | 403,418 | 10,650 |
| Loss (gain) on disposition of intangible assets | 231,199 | (501,137) |
| Share based compensation | 731,075 | 225,925 |
| Impairment provision - assets held for sale | - | 410,000 |
| Fair value purchase price accounting adjustment on EWG inventory | - | 183,995 |
| Accretion on debentures payable | 463,334 | 307,527 |
| Interest expense | 1,111,660 | 1,367,484 |
| Interest paid | (818,625) | (993,549) |
| | 2,307,221 | (123,075) |
| Change in non-cash working capital items | | |
| Accounts receivable | 3,227,693 | (966,995) |
| Inventories | (1,193,369) | 2,604,754 |
| Prepaid expenses | (107,644) | (2,357) |
| Accounts payable and accrued liabilities | (360,562) | (1,624,156) |
| | 3,873,339 | (111,829) |
| Investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (224,676) | (209,088) |
| Downpayment on acquisition of right-of-use assets | (30,597) | - |
| Payments received under finance lease receivable | 43,466 | 37,935 |
| | (211,807) | (171,153) |
| Financing activities | | |
| Proceeds on mortgage receivable | 500,000 | - |
| Net proceeds from issuance of common shares | - | 2,283,213 |
| Deferred financing costs | (20,000) | - |
| Repayment of lease liabilities | (294,190) | (286,619) |
| Net draws against (repayments of) revolving term loans | 470,373 | (88,729) |
| Repayment of debentures payable and accrued coupon interest | (505,600) | - |
| Repayment on non-revolving term loans | (1,312,115) | (4,124,883) |
| Repayment of new non-revolving term loan | (2,500,000) | 2,500,000 |
| | (3,661,532) | 282,982 |
| Change in cash | - | - |
| Cash, beginning of period | - | - |
| Cash, end of period | \$ - | \$ - |
| Non-cash transactions (Note 15) | | |

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

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

1. **NATURE OF OPERATIONS**

Diamond Estates Wines & Spirits Inc. ("Diamond" or the "Company") is a public company listed on the TSX-V whose shares trade under the symbol "DWS.V". Its principal business activities include the production, marketing and sale of wine, and through its agency division, operating as Trajectory Beverage Partners ("TBP"), distribution and marketing activities for various beverage alcohol brands that it represents in Canada. 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.

2. **BASIS OF PRESENTATION AND GOING CONCERN**

(a) **Statement of compliance**

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including International Accounting Standard 34 – Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the years ended March 31, 2025 and 2024, which have been prepared in accordance with IFRS Accounting Standards. The note disclosures for these unaudited interim condensed consolidated financial statements only present material changes to the disclosures found in the Company's annual consolidated financial statements for the years ended March 31, 2025 and 2024. There have been no changes to the Company's accounting policies from those disclosed in its consolidated financial statements for the years ended March 31, 2025 and 2024.

Board of Director approval

These 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 February 24, 2026.

(b) **Basis of presentation**

The unaudited interim condensed consolidated financial statements are prepared on a going concern basis under the historical cost convention. Unless otherwise stated, the unaudited interim condensed consolidated financial statements are presented in Canadian dollars which is the Company's functional and presentation currency as (i) the Company is based in Canada, (ii) the majority of its operating costs are denominated in Canadian dollars, and (iii) all its financing is obtained in Canadian dollars.

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

2. **BASIS OF PRESENTATION AND GOING CONCERN, CONTINUED**

(c) **Going concern**

The accompanying unaudited interim condensed consolidated financial statements have been prepared using IFRS applicable to a going concern.

Net income (loss) and comprehensive income (loss) for the nine months ended December 31, 2025 was income of \$214,365 (December 31, 2024 - loss of \$1,343,883). Additionally, the Company reported surplus cash flow from operations (before changes in non-cash working capital) of \$2,307,221 for the nine months ended December 31, 2025 (December 31, 2024 - shortfall of \$123,075). As at December 31, 2025, the Company had an accumulated deficit of \$34,984,202 (March 31, 2025 - \$35,198,567) and working capital of \$1,898,652 (March 31, 2025 - \$6,039).

On November 7, 2025, the Company agreed to the seventh amendment to its SARCA with BMO (*see note 9(a)*) that, among other provisions, extended the maturity date to March 27, 2026. Effective August 22, 2025, the Company also entered into the sixth amendment to its SARCA under which BMO waived all covenant breaches up to July 31, 2025 (*see note 9(a)*). As at December 31, 2025, the Company is in compliance with all of its covenant obligations for the rolling 4 quarter period then ended. On November 15, 2024, the Company entered into the third amendment to its SARCA, the main component of which was a new non-revolving credit facility of \$2,500,000 (which was repaid in June, 2025) (*see note 9(b)*). As of December 31, 2025, the Company has debt repayment requirements of approximately \$18.4 million within the next twelve months, including all its term loans (*see note 9*), the current portion of its lease liabilities, the principal amount of the debentures payable (*see notes 11*) plus accrued interest due by November 9, 2025 (*see note 8*), as well as annual seasonal grape purchase commitments in the fall of 2026. The Company has now resolved the matter with the provincial wholesaler of record as disclosed in note 18. These circumstances may cast 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.

In response to (prior) recurring operating losses and negative cash flows from operating activities, the Company has taken a number of actions to enhance its financial flexibility, to meet its obligations and to fund its ongoing business operations. This has been evidenced by the November, 2023 private placement for net cash proceeds of \$8.2 million, the July, 2024 private placement for proceeds of \$2.3 million, the debenture financing of \$4.9 million arranged in November, 2022 and its subsequent rollovers (*see notes 11*), the sale of Queenston Mile Vineyard ("QMV") in February, 2024 for net proceeds of \$3.3 million and the other assets held for sale (*see note 6*), the completion of the agreement with Renaissance in August, 2024 for total proceeds of \$2.3 million (*see note 14*), the updated credit agreement with BMO in November, 2025 and additional temporary BMO funding of \$3.6 million (*see notes 9(a)*). To ensure the Company maintains an adequate level of liquidity, including compliance with debt covenants, the Company continues to maintain a strategic review process that engages in actions designed to reduce the cost structure, improve productivity and enhance future cash flow.

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024
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2. **BASIS OF PRESENTATION AND GOING CONCERN, CONTINUED**

The Company's ability to meet the covenant measurements under the terms of its credit agreements with its lenders is still dependent upon continued improvement in profitable commercial operations, divestiture of non-strategic assets, continued funding support from BMO and shareholders, and new equity and debt placements. However, there can be no assurance that management will be successful in this regard. 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 statement of financial position classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

3. **RECENT ACCOUNTING PRONOUNCEMENTS**

Recently issued accounting pronouncements

IFRS 18 "Presentation and Disclosure in Financial Statements"

In April 2024, IFRS 18 was issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, including the statement of earnings where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. The standard will also require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company has not yet assessed the impact of the amendment on the unaudited interim condensed consolidated financial statements.

IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments

In May 2024, both IFRS 9 and IFRS 7 were amended to clarify that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date. Other clarifications include the classification of financial assets with environmental, social, and governance linked features via additional guidance on the assessment of contingent features. Clarifications have been made to non-recourse loans and contractually linked instruments. Additional disclosures are introduced for financial instruments with contingent features and equity instruments classified at fair value through other comprehensive income. The amendments are effective for annual periods starting on or after January 1, 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The Company has not yet assessed the impact of the amendment on the unaudited interim condensed consolidated financial statements.

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

4. **ACCOUNTS RECEIVABLE**

| | December 31 | March 31 |
|---------------------|---------------------|--------------|
| | 2025 | 2025 |
| Trade receivables | \$ 2,006,504 | \$ 3,088,776 |
| Accrued receivables | 2,068,425 | 4,483,333 |
| | \$ 4,074,929 | \$ 7,572,109 |

The Company has an allowance for doubtful accounts as at December 31, 2025 of \$298,459 (March 31, 2025 - \$397,832). Accrued accounts receivable include \$1,715,785 (March 31, 2025 - \$3,304,038) receivable from the Ontario government under the VQA Wine Support Program (*see note 13*). \$3.1 million of the VQA amount accrued as at March 31, 2025 was received in June, 2025, the proceeds of which were used to repay the temporary \$2.5 million BMO non-revolving loan (*see note 9(b)*). A further \$4.9 million was received in the current quarter, the proceeds of which were used to pay down the regular BMO non-revolving term loan and fund seasonal inventory purchases of \$5.5 million (December 31, 2024 - \$2.4 million). Accrued accounts receivable also include \$Nil (March 31, 2025 - \$823,271) due from Renaissance under the terms of its August, 2024 purchase and sales agreement (*see note 14*). In August, 2025, the Company received agreed-upon cash proceeds of \$592,072, such that that the remainder of \$231,199 was expensed as a loss on sale of intangible assets.

5. **INVENTORIES**

| | December 31 | March 31 |
|---------------------------------|----------------------|---------------|
| | 2025 | 2025 |
| Bulk wine | \$ 11,129,458 | \$ 9,212,548 |
| Bottled wine and spirits | 3,507,498 | 5,082,605 |
| Bottling supplies and packaging | 1,019,081 | 869,734 |
| | \$ 15,656,037 | \$ 15,164,887 |

The Company has a provision for inventory obsolescence as at December 31, 2025 of \$112,500 (March 31, 2025 - \$Nil). During the nine months ended December 31, 2025, the Company has recorded funding of \$1,058,567 (December 31, 2024 - \$840,640) under the Wine Sector Support Program ("WSSP"). Initial proceeds have been recorded as a reduction to the cost of bulk inventory and are released to cost of goods sold as sold. As at December 31, 2025, WSSP proceeds of \$Nil (December 31, 2024 - \$615,397) remain recorded as a reduction to the cost of inventory and WSSP proceeds of \$429,368 (December 31, 2024 - \$880,197) have been released to cost of sales. In August, 2024, the Company transferred inventory of \$1,439,888 to Renaissance at cost under the terms of its purchase and sales agreement (*see note 14*).

6. **ASSETS HELD FOR SALE**

As at December 31, 2025, the Company has classified certain winery division properties and related operating assets and liabilities detailed below totalling \$3,577,797 (March 31, 2025 - \$3,131,614) as assets held for sale. Management is pursuing an active program to locate a buyer and intends to sell these assets within one year of the reporting date.

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6. **ASSETS HELD FOR SALE, CONTINUED**

Assets are carried at the lower of fair value less costs of disposal and carrying amount. Based on an updated management estimate, an impairment provision of \$Nil has been recognized as at December 31, 2025 (March 31, 2025 - \$410,000) relating to the property, plant and equipment.

| | December 31 | March 31 |
|--|---------------------|---------------------|
| | 2025 | 2025 |
| Assets held for sale | | |
| Accounts receivable | \$ 43,684 | \$ 5,395 |
| Inventory | 2,446,890 | 2,097,047 |
| Prepaid expenses | 39,957 | 38,439 |
| Property, plant and equipment | 748,274 | 743,324 |
| Right-of-use assets | 896,984 | 896,984 |
| Intangible assets | 231,260 | 231,260 |
| | <u>4,407,049</u> | <u>4,012,449</u> |
| Liabilities held for sale | | |
| Accounts payable and accrued liabilities | 85,133 | 55,017 |
| Lease liability | 744,119 | 825,818 |
| | <u>829,252</u> | <u>880,835</u> |
| Net assets held for sale | <u>\$ 3,577,797</u> | <u>\$ 3,131,614</u> |

7. **MORTGAGE RECEIVABLE**

As part of the consideration payable on the sale of Queenston Mile Vineyard that closed in February, 2024, the Company entered into a vendor take-back in the amount of \$500,000. The receivable was secured by a mortgage on the subject property, which ranked behind first and second mortgages valued at \$3,250,000. It bore interest at the BMO prime rate plus 3%, with interest payable monthly, and was due in full by April 30, 2025.

The mortgage receivable was fully paid off in April, 2025.

8. **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

| | December 31 | March 31 |
|--------------------------------|---------------------|---------------------|
| | 2025 | 2025 |
| Trade accounts payable | \$ 2,632,926 | \$ 3,119,789 |
| Accrued liabilities | 2,538,163 | 2,561,836 |
| Government remittances payable | 100,580 | 105,285 |
| | <u>\$ 5,271,669</u> | <u>\$ 5,786,910</u> |

Coupon interest of \$1,005,000 (March 31, 2025 - \$1,129,574) owing on the 2022 to 2024 debentures (see note 11(e)) is included in accrued liabilities. Of the total unpaid coupon interest of \$1,422,600 owing (with respect to the 2024 Replacement Debentures) up to their maturity date of November 9, 2025, \$417,600 was settled in cash in December, 2025.

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

9. **TERM LOANS PAYABLE**

As at December 31, 2025, the balances outstanding on the Company's term loans were as follows:

| | <u>December 31</u> <u>2025</u> | <u>March 31</u> <u>2025</u> |
|---|-----------------------------------|--------------------------------|
| BMO term loans: | | |
| Revolving term loan ("RT Facility") | \$ 11,302,779 | \$ 10,832,406 |
| Non-revolving term loan ("NRT Facility") | 1,400,003 | 2,712,118 |
| Demand non-revolving facility ("Demand NRT facility") | <u>-</u> | <u>2,500,000</u> |
| | 12,702,782 | 16,044,524 |
| Deferred financing costs | <u>(16,667)</u> | <u>(22,500)</u> |
| | 12,686,115 | 16,022,024 |
| Current portion of term loans | <u>(12,686,115)</u> | <u>(16,022,024)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

- (a) On November 7, 2025, the Company agreed to the seventh amendment to its Second Amended and Restated Credit Agreement (the "SARCA") with BMO, the major terms of which were as follows:
- (i) **Maturity Date:** The maturity date was extended to March 27, 2026.
 - (ii) **Credit Facilities.** The establishment of a bulge amount credit facility (the "Bulge Amount") of \$3,600,000 which matures on the date ("Temporary Bulge Period") that is the earlier of (a) the date on which Diamond requests in writing that the Temporary Bulge Period be cancelled and terminated (provided that such early termination shall not cause any Credit Excess (as defined in the SARCA) to exist and (b) March 27, 2026;
 - (iii) **Lassonde Limited Guarantee:** The addition of a limited recourse guarantee granted by Lassonde Industries Inc., in favour of BMO in an aggregate amount not exceeding the Bulge Amount then outstanding under the RT Facility.
 - (iv) **Interest Rates.** The interest rates have been amended to be Prime Rate plus 2.65% during the Temporary Bulge Period and Prime Rate plus 2.40% at all other times.

The Company had previously entered into further amendments to its SARCA, as follows:

Effective August 22, 2025, the Company entered into a further amendment (the "Sixth Amendment") with BMO under which BMO waived all covenant breaches up to July 31, 2025. As at December 31, 2025, the Company is in compliance with all of its covenant obligations for the rolling 4 quarter period then ended.

Effective February 28, 2025, the fifth amendment extended the maturity date to March 31, 2025.

Effective January 31, 2025, the fourth amendment extended the maturity date to February 28, 2025.

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9. **TERM LOANS PAYABLE, CONTINUED**

- (b) Effective November 15, 2024, the Company entered into a further major amendment (the “Third Amendment”) to its SARCA, the notable terms of which were as follows:
- (i) **Credit Facilities:** The establishment of a non-revolving credit facility (the “Demand NRT Facility”) in the amount of \$2,500,000 which matured on the date that is the earlier of:
- the date BMO demands repayment of all outstanding secured obligations under the Demand NRT Facility;
 - the date on which the Lender is satisfied that the VQA rebate for the 2025 fiscal year has been received by the Company (*see note 4*);
 - the fully drawn amount under the Demand NRT Facility is prepaid by the Company; and
 - July 31, 2025.
- This facility was paid off in June, 2025 from the proceeds of the VQA rebate (*see note 4*).
- (ii) **Credit Facilities:** The non-revolving term credit facility (the “NRT Facility”) previously available in the amount of \$8,673,000 has been reduced to \$2,982,118.
- (iii) **Lassonde Limited Guarantee:** The addition of a limited recourse guarantee granted by Lassonde Industries Inc., in favour of BMO in an aggregate amount not exceeding the Demand NRT Facility secured obligations under the SARCA.
- (iv) **Interest Rates.** The interest rates in respect of the following facilities has been amended to now be as follows:
- the alternate base rate of Canada plus 2.40% in respect of each Base Rate Canada Loan under the RT Facility;
 - the alternate base rate of Canada plus 2.65% in respect of each Base Rate Canada Loan under the NRT Facility; and
 - the prime rate plus 3.15% in respect of each Prime Rate Loan under the Demand NRT Facility.
- (c) On November 14, 2023, the Company entered into a second amendment (the “Second Amendment”) to its SARCA. The notable terms of the Second Amendment are as follows:
- (i) **Credit limits:** as a result of the repayment of obligations with the use of proceeds from the Financing, credit limits have decreased as follows:
- on the revolving term loan from \$14.4 million to \$11.4 million, and
 - the non-revolving term loan from \$10.753 million to \$8.763 million, reducing to \$Nil by May 31, 2024
- (ii) **Proceeds from recent financing:** the net proceeds from the November, 2023 financing of approximately \$8.2 million were entirely applied to reduce (in certain amounts) the BCAP term loan by \$1.3 million, the non-revolving term loan \$1.7 million and the remainder was applied to the revolving term loan.

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9. **TERM LOANS PAYABLE, CONTINUED**

- (iii) **Revolving term loan:** any excess of the revolving term loan over the borrowing base has to be cured within 10 business days of such occurrence with a shareholder contribution of equity, including common shares, convertible debentures, or other equity-type funding
- (iv) **Non-revolving term loan:** the non-revolving term loan has been paid down from the inventory proceeds of \$1.4 million in August, 2024 from the Renaissance transaction (*see note 14*), and the VQA Wine Support Program of \$2.1 million in July, 2024 (*see note 4*).

Any remaining balance of the non-revolving term loan was to be settled as of May 31, 2024. The Company expects to apply the proceeds of the assets currently held for sale (*see note 6*), the \$500,000 in mortgage receivable from the Queenston Mile property (*see note 7*) and the remainder of the expected proceeds from the exercise of the TBP put option with Renaissance (*see note 14*) against this indebtedness. However, there is uncertainty relating to the amount and timing of the actual funds that will ultimately be received.

- (v) **Lassonde debt:** accounts payable to Lassonde Industries Inc. ("Lassonde"), the Company's largest shareholder, incurred through ordinary course business transactions, cannot exceed \$1 million.
 - (vi) **Borrowing margins:** calculation of borrowing margins will use a new formula based on net orderly liquidation values, starting with a fixed margin of \$2.5 million (subject to meeting certain appraisal conditions).
 - (vii) **Covenant waiver:** The Amendment also provides a waiver of the Company's fixed charges ratios to the first quarter of fiscal 2025. Based on the results for the nine months ended December 31, 2025, the Company is in compliance with all of its covenant obligations for the rolling 4 quarter period then ended (*see also note 20(d)*).
- (d) As a result of the Second and Third Amendments to the SARCA, the overall major terms of the BMO credit facilities now consist of the following:
- (i) **Repayment:** The repayment terms remained unchanged (i) the non-revolving term loan is repayable in 80 quarterly principal payments of 1.25% of the drawn amount, or \$135,000. The non-revolving term loan was to have been reduced to \$Nil by May 31, 2024.

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9. **TERM LOANS PAYABLE, CONTINUED**

(ii) **Covenants:** The Amendment is subject to compliance to the following additional covenants:

- the leverage ratio shall not be less than or equal to 2.00 to 1 for every calendar month and fiscal quarter
- the Company will not permit its forecasted or actual liquidity (as defined under the SARCA) to be less than \$Nil.

The adjusted SARCA is still subject to the following major covenants:

- leverage ratio at less than or equal to 2.15 to 1; and
- fixed charges coverage ratio at greater than or equal to 1.25 to 1.

As at December 31, 2025, the Company is in compliance with all of its covenant obligations for the rolling 4 quarter period then ended (*see note 2(c)*).

(iii) **Other terms:** All other terms of the SARCA, as amended, remain in full force and effect.

(e) The SARCA includes a master lease finance line facility under the BMO Equipment Leasing Group. In October, 2025, the final payment was made on this lease such that, as at December 31, 2025, a balance of \$Nil drawn on this facility (March 31, 2025 - \$81,090) was included in lease liabilities.

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10. PERIGON BEVERAGE GROUP ACQUISITION

- (a) On October 9, 2024, the Company closed its acquisition of certain assets from the Perigon Beverage Group ("Perigon"). More specifically, Diamond has purchased the agency and supplier contracts of Perigon and its agency business.
- (b) The purchase will be satisfied by the issuance of common shares of Diamond in four tranches as follows: 5,000,000 common shares of Diamond were issued to Perigon at the then-current price of \$0.29 per share for a total of \$1,300,000 and thereafter additional shares issuable in three equal installments payable every six months over the eighteen month period following closing, subject to certain adjustments based upon the achievement of gross margin targets.
- (c) The acquisition has been accounted for as follows:
 - i) the purchase price has been recorded as distribution rights (a component of intangible assets), and will be amortized on a straight-line basis over their estimated useful life of 11 years
 - ii) the contingent consideration payable will be expensed based on the value of the common shares issued to be issued every six months following closing.
- (d) In July, 2025, the first of the three instalments was paid when the Company issued 1,035,817 common shares valued at \$0.20 per share for a total of \$210,633. In December, 2025, the second of the three instalments was paid when the Company issued a further 934,814 common shares valued at \$0.21 per share for a total of \$192,785 (*see note 19(a)*).

11. DEBENTURES PAYABLE

- (a) On November 9, 2022, the Company completed a non-brokered private placement of \$4,884,000 of 10.0% unsecured convertible debentures of the Company (the "2022 Debentures"), the net proceeds of which were used for general working capital and investment purposes. Certain insiders of the Company, including Lasseonde and a related company controlled by its chairman, subscribed for \$3.35 million of the total placement.
- (b) The major terms of the 2022 Debentures were as follows:
 - (i) The 2022 Debentures bore interest from the date of issue at 10.0% per annum, calculated monthly, in arrears. The interest accrued on the principal outstanding under the 2022 Debentures until such principal was repaid or converted. The 2022 Debentures matured one year from their date of issuance, being November 2, 2023, unless the holder requested to accelerate the maturity date in the event the Company completed an equity financing within the next 12 months.
 - (ii) The 2022 Debentures were convertible at the holder's option into common shares of the Company from the date of issuance until the maturity date at a conversion price of \$0.80. If repayment of the 2022 Debentures on the maturity date has constituted non-compliance by the Company under its senior borrowing obligations, the holder had the option to convert at the conversion price, or to roll the obligations over into new one-year debentures, on similar terms to be negotiated.

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11. **DEBENTURES PAYABLE, CONTINUED**

- (iii) Upon any event of default, the principal amount and all accrued but unpaid interest of the debenture became immediately payable, together with a penalty fee equal to 1% of the obligations), and the holder could also thereupon have the option, but not the obligation, of (a) receiving common shares in accordance with the conversion terms of the debenture, or (b) remaining a holder.
- (iv) All securities issued in connection with the placement subject to a four-month hold period expiring four months and one day from their date of issuance.
- (v) The debentures have been accounted for as a compound financial instrument under IAS 32 - Financial Instruments and have both a liability and an embedded derivative component.

The fair value estimate of a convertible debenture (including any embedded derivative) has been valued using an industry standard methodology, which was implemented using a set of coupled partial differential equations solved numerically with finite-difference methods. Based on the scenarios and associated probabilities of BMO debt re-negotiations, the Company calculates the value of the convertible debentures under each scenario and then weighed the values by the corresponding probabilities. The following market inputs were obtained from Bloomberg as at each calculation date:

- Diamond Estates' stock price at each valuation date on the TSX
 - Expected dividend yield of Diamond Estates' stock of 0%;
 - Historical Diamond Estates' stock price on the TSX;
 - CAD CORRA swap curve.
- (c) On November 9, 2024, all of the remaining and outstanding 2023 Replacement Debentures with a face value of \$4,759,000 were rolled over into new one-year convertible debentures (the "2024 Replacement Debentures") with similar terms and market interest rate, and a conversion price based on the then-current trading price of \$0.24 per common share. The 2024 Replacement Debentures were initially recognized with a fair value of \$4,228,169 less transaction costs of \$25,000. After recording accretion on the 2024 Replacement Debentures of \$208,094 less the March, 2025 redemption of \$17,000, the carrying value of the 2024 Replacement Debentures as at March 31, 2025 was \$4,394,263. The difference between the face value of the 2023 Replacement Debentures of \$4,759,000 and the fair value of the 2024 Replacement Debentures of \$4,228,169 of \$530,831 was recognized as income during the year ended March 31, 2025.

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11. **DEBENTURES PAYABLE, CONTINUED**

- (d) After recording accretion on the 2024 Replacement Debentures of \$347,737, the carrying value of the 2024 Replacement Debentures as at March 31, 2025 was \$4,742,000. In December, 2025, \$88,000 of debentures were settled in cash. On December 16, 2025, all of the remaining and outstanding 2024 Replacement Debentures with a face value of \$4,654,000 were rolled over into new one-year convertible debentures (the "2025 Replacement Debentures") with similar terms and market interest rate, and a conversion price based of \$0.22 per common share. The 2025 Replacement Debentures were initially recognized with a fair value of \$4,238,895 after recognizing a derivative asset of \$152,602 (*see note 11(f)*). The difference between the face value of the 2024 Replacement Debentures of \$4,654,000 plus the adjustments noted above less the fair value of the 2025 Replacement Debentures of \$4,238,895 was \$567,707, and was recognized as income during the three months ended December 31, 2025.

After recording accretion on the 2025 Replacement Debentures of \$115,597 for the three months ended December 31, 2025, the carrying value of the 2025 Replacement Debentures as at December 31, 2025 was \$4,354,492.

- (e) Interest payable on both the 2023 and 2024 Replacement Debentures in the amount of \$293,037 was accrued up to the maturity date of November 9, 2025 (December 31, 2024 - \$237,750). In December, 2025, \$417,600 of accrued interest was settled in cash. Due to a technical change in the terms of the 2025 Replacement Debentures, the coupon interest for the term has been incorporated into the carrying value of said debentures, such that the remaining interest accrual included in accounts payable and accrued liabilities as of December 31, 2025 totals \$1,005,000 (March 31, 2025 - \$1,129,574) (*see note 8*).
- (f) The derivative was separated as a FVTPL instrument and was re-measured at each reporting period with subsequent changes in fair value recorded in the consolidated statements of net income (loss) and comprehensive income (loss). With the rollover of the 2023 Replacement Debentures on November 9, 2024, a new derivative liability was recognized with respect to the 2024 Replacement Debentures on that date with a fair value of \$2,154,054. The fair value of the derivative liability declined to \$725,734 as at March 31, 2025, a decrease of \$1,428,320 that was recognized as income during the year ended March 31, 2025. The fair value of the derivative liability as of November 9, 2025, the maturity date of the 2024 Replacement Debentures, declined to \$Nil, a decrease of \$725,374 that was recognized as income during the nine months ended December 31, 2025.

With the rollover of the 2024 Replacement Debentures on November 9, 2025, a new derivative asset was recognized with respect to the 2025 Replacement Debentures on that date with a fair value of \$152,602. The derivative was recognized as an asset on the rollover date as the conversion price of \$0.22 was in excess of the then-current trading price of \$0.17, such that the difference between the two gives rise to an economic benefit to the Company that is recognized as an asset for accounting purposes. The fair value of that derivative asset as at December 31, 2025 was \$185,736, an increase of \$33,134 that was recognized as income during the three months ended December 31, 2025.

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11. **DEBENTURES PAYABLE, CONTINUED**

(g) A continuity schedule of the convertible debentures and derivative liabilities is provided below:

| | Convertible debentures (2023 Replacement Debentures) \$ | Convertible debentures (2024 Replacement Debentures) \$ | Convertible debentures (2025 Replacement Debentures) \$ | Derivative liability (2023 Replacement Debentures) \$ | Derivative liability (2024 Replacement Debentures) \$ | Derivative asset (2025 Replacement Debentures) \$ | Totals \$ |
|--|--|--|--|---|---|---|--------------|
| Balance, March 31, 2024 | 4,651,537 | - | - | 1,881,227 | - | - | 6,532,764 |
| Accretion | 232,463 | - | - | - | - | - | 232,463 |
| Partial conversion (Jul-2024) | (125,000) | - | - | - | - | - | (125,000) |
| Rollover (Nov-24) | (4,759,000) | 4,759,000 | - | - | - | - | - |
| Gain on modification | - | (530,831) | - | - | - | - | (530,831) |
| Transaction costs | - | (25,000) | - | - | - | - | (25,000) |
| Change in fair value | - | - | - | (1,881,227) | - | - | (1,881,227) |
| Fair value of Nov-24 derivative on issuance | - | - | - | - | 2,154,054 | - | 2,154,054 |
| Carrying values after rollover | - | 4,203,169 | - | - | 2,154,054 | - | 6,357,223 |
| Accretion | - | 208,094 | - | - | - | - | 208,094 |
| Partial conversion (Mar-25) | - | (17,000) | - | - | - | - | (17,000) |
| Change in fair value | - | - | - | - | (1,428,320) | - | (1,428,320) |
| Balance, March 31, 2025 | - | 4,394,263 | - | - | 725,734 | - | 5,119,997 |
| Accretion to maturity date | - | 347,737 | - | - | - | - | 347,737 |
| Debentures settled in cash | - | (88,000) | - | - | - | - | (88,000) |
| Change in fair value | - | - | - | - | (725,734) | - | (725,734) |
| Rollover (Nov-25) | - | (4,654,000) | 4,654,000 | - | - | - | - |
| Derivative asset component | - | - | 152,602 | - | - | (152,602) | - |
| Gain on modification | - | - | (567,707) | - | - | - | (567,707) |
| Carrying values after rollover | - | - | 4,238,895 | - | - | (152,602) | 4,086,293 |
| Accretion | - | - | 115,597 | - | - | - | 115,597 |
| Change in fair value | - | - | - | - | - | (33,134) | (33,134) |
| Balance, December 31, 2025 | - | - | 4,354,492 | - | - | (185,736) | 4,168,756 |

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12. **SHARE CAPITAL**

Continuity schedules for each component of the Company's share capital and other equity instruments are disclosed in the unaudited interim condensed consolidated statements of changes in shareholders' equity for the period from April 1, 2024 to December 31, 2025. Details of major changes in share capital during the current reporting period are as follows:

(a) **Common shares**

In July, 2025 and December, 2025, the Company issued an aggregate of 1,970,001 common shares valued at an average of \$0.20 per share for a total of \$403,418 as the first two of three payments with respect to the contingent consideration payable associated with the acquisition of the Perigon Beverage Group (based upon the achievement of gross margin targets) (*see note 10(b)*).

(b) **Stock options**

In October, 2025, the Board of Directors authorized the issuance of 1,250,000 stock options to a key member of management. The options each have an exercise price of \$0.19 and a term of 5 years, vesting as to 25% per year on each anniversary date over the next 4 years. The detail of each option issuance are as follows:

| Date of issuance | <u>Oct 23-2025</u> | <u>Oct 30-2025</u> |
|--------------------------|---------------------------|---------------------------|
| Number of options | 600,000 | 650,000 |
| Exercise price | \$0.19 | \$0.19 |
| Risk-free rate of return | 2.39% | 2.42% |
| Expected volatility | 82.4% | 82.4% |
| Dividend yield | 0.0% | 0.0% |
| Fair value | \$0.118 | \$0.126 |

A total of 1,755,000 options expired unexercised during the reporting period.

(c) **Deferred share units ("DSUs")**

During the year, the Company has issued DSUs in settlement of previously accrued directors compensation, as follows:

- April 2025: 221,250 DSUs valued at \$44,250
- July 2025: 221,875 DSUs valued at \$44,375
- October 2025: 248,683 DSUs valued at \$47,250

(d) **Warrants**

During the nine months ended December 31, 2025, no common share purchase warrants were issued, exercised or expired.

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12. **SHARE CAPITAL, CONTINUED**

(e) **Share based compensation**

Total share based compensation recognized for the nine months ended December 31, 2025 was \$731,075 (December 31, 2024 - \$225,925) based on accrual of previously granted options expected to vest in the reporting period, the issuance of DSUs as described above and accrual of DSUs expected to be paid out under the Company's employee bonus pool.

(f) **Net income (loss) per share**

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding. Diluted income (loss) per share is computed similar to basic income (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. If these computations prove to be anti-dilutive, diluted income (loss) per share is the same as basic income (loss) per share.

The weighted average number of common shares outstanding for the three and nine months ended December 31, 2025 were 67,147,402 and 66,599,415 respectively (three and nine months ended December 31, 2024 - 64,863,243 and 56,982,620 respectively).

As at December 31, 2025, the following potentially dilutive equity instruments were outstanding: (i) 5,925,000 options (March 31, 2025 - 6,430,000), (ii) 2,173,970 deferred share units (March 31, 2025 - 1,482,162), (iii) debentures convertible into 21,154,545 common shares (March 31, 2025 - 19,758,333), and (iv) coupon interest owing on debentures convertible into 6,120,194 common shares (March 31, 2025 - 5,792,687). The fully diluted number of common shares outstanding as at December 31, 2025 was 103,192,038 (March 31, 2025 - 99,311,510).

13. **GOVERNMENT ASSISTANCE**

VQA Wine Support Program

During the nine months ended December 31, 2025, the Company recognized other revenue from the VQA Wine Support Program of \$5,705,109 (December 31, 2024 - \$2,770,068) (*see note 4*). A total of \$1,715,785 of VQA Wine Support Program revenue is included in accounts receivable as at December 31, 2025 (March 31, 2025 - \$3,304,038). The objective of the program is to provide grants to help wineries invest in growing their VQA wine business and promote investment in growing the VQA and the domestic wine industry in Canada. Funds received under this program are earned in the ordinary course of business based on sales to the LCBO and the Company's determination of product eligibility.

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13. **GOVERNMENT ASSISTANCE, CONTINUED**

Wine Sector Support Program

In June 2022, Agriculture Canada announced the Wine Sector Support Program to provide non-repayable grants to licensed Canadian wineries based on the production of bulk wine fermented in Canada from domestic and/or imported grapes. During the nine months ended December 31, 2025, the Company recognized \$1,058,567 (December 31, 2024 - \$840,640) in funding under this program. This funding is recorded as a reduction to the cost of bulk inventory and will be released to cost of goods sold as it is sold (*see note 5*).

14. **AGREEMENT WITH RENAISSANCE WINE MERCHANTS**

- (a) On November 1, 2023, the Company has entered into a business collaboration agreement between its commercial division, Trajectory Beverage Partners ("TBP"), and Renaissance Wine Merchants Ltd. ("Renaissance") to augment each parties' capabilities in Western Canada (the "Territory"). The agreement commenced November 13, 2023 and was to continue for an initial six-month period, renewing automatically for subsequent six month terms unless cancelled in accordance with its terms.
- (b) In June, 2024, in accordance with the terms of the agreement, TBP gave written notice to exercise a put-option to sell the Western Canada operations of TBP to Renaissance. The agreement closed in August, 2024, resulting in the disposition of:

| | | |
|---|----|---------------------|
| Inventory (at cost) | \$ | 1,439,888 |
| Intangible assets (consisting of distribution rights) | | 823,271 |
| Total estimated proceeds | | <u>\$ 2,263,159</u> |

After deducting the remaining book value of the TBP distribution rights of \$322,135, the Company recorded an estimated gain on sale of \$501,137 on this transaction during the year ended March 31, 2025. The inventory proceeds were received in August, 2024 and applied against the Company non-revolving term loan (*see note 9(b)(v)*). The Company originally estimated the proceeds on the distribution rights based on the forecasted future gross margins of the Western Canada operations to be \$823,271 (*see note 4*). During the current year, the Company received agreed-upon cash proceeds of \$592,072, such that that the remainder of \$231,199 was expensed.

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15. **NON-CASH TRANSACTIONS**

| | December 31 2025 | December 31 2024 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Right-of-use assets acquired under lease liabilities | 122,804 | 19,086 |
| Transfer on accrued debenture interest to debentures payable | 1,005,000 | - |
| Shares issued to Perigon as contingent consideration | 403,418 | - |
| Shares issued on Perigon acquisition | - | 1,300,000 |
| Shares issued on conversion of debenture and accrued interest | - | 145,519 |
| Shares issued on conversion of DSUs | - | 99,800 |
| Right-of-use asset derecognized upon Oakville office sub-lease | - | (487,000) |
| Net investment in Oakville office sub-let recognized as finance lease receivable | - | 288,760 |

16. **CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to provide a return for owners and ensure sufficient resources are available to meet day-to-day operations. Capital is considered to consist entirely of total equity, convertible debentures and bank indebtedness. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company or in the light of changes in economic conditions and the risk characteristics of the underlying assets. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is subject to externally imposed capital requirements related to its term loans and there has been no change in the overall capital risk management strategy during the year.

17. **SEGMENTED INFORMATION**

Business segments

The Company operates in two business segments, namely (i) distribution and sales of products represented in Canada under agency agreements with third parties, and (ii) sales of manufactured wines. The following table presents selected financial information associated with each of these segments for the nine months ended December 31, 2025 and 2024:

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17. **SEGMENTED INFORMATION, CONTINUED**

Nine months ended December 31, 2025

| | Agency | Manufactured | Consolidated |
|--|--------------------|-------------------|--------------------|
| | \$ | wines \$ | \$ |
| Manufactured wines | - | 23,195,469 | 23,195,469 |
| Third-party wines and spirits | 482,227 | - | 482,227 |
| Commission and other | <u>2,638,242</u> | <u>-</u> | <u>2,638,242</u> |
| Gross revenue | 3,120,469 | 23,195,469 | 26,315,938 |
| Inter-segment revenue | <u>(1,288,602)</u> | <u>-</u> | <u>(1,288,602)</u> |
| Net revenue | <u>1,831,867</u> | <u>23,195,469</u> | <u>25,027,336</u> |
| Gross profit | 1,725,885 | 12,906,771 | 14,632,656 |
| Interest and accretion | 9,861 | 1,565,133 | 1,574,994 |
| Depreciation and amortization | 119,018 | 1,152,519 | 1,271,537 |
| Additions of property, plant and equipment and intangible assets | - | 224,676 | 224,676 |

Statement of financial position balances as at
December 31, 2025

| | | | |
|-------------------|-----------|------------|------------|
| Intangible assets | 1,396,810 | 3,319,563 | 4,716,373 |
| Total assets | 2,499,423 | 45,307,882 | 47,807,305 |
| Total liabilities | 1,389,273 | 22,368,279 | 23,757,552 |

Nine months ended December 31, 2024

| | Agency | Manufactured | Consolidated |
|--|------------------|-------------------|-------------------|
| | \$ | wines \$ | \$ |
| Manufactured wines | - | 17,383,304 | 17,383,304 |
| Third-party wines and spirits | 1,834,083 | - | 1,834,083 |
| Commission and other | <u>1,985,295</u> | <u>-</u> | <u>1,985,295</u> |
| Gross revenue | 3,819,378 | 17,383,304 | 21,202,682 |
| Inter-segment revenue | <u>(920,788)</u> | <u>-</u> | <u>(920,788)</u> |
| Net revenue | <u>2,898,590</u> | <u>17,383,304</u> | <u>20,281,894</u> |
| Gross profit | 1,543,680 | 8,516,240 | 10,059,920 |
| Interest and accretion | 14,590 | 1,660,421 | 1,675,011 |
| Depreciation and amortization | 233,366 | 746,446 | 979,812 |
| Additions of property, plant and equipment and intangible assets | - | 209,088 | 209,088 |

Statement of financial position balances as at
March 31, 2025

| | | | |
|-------------------|-----------|------------|------------|
| Intangible assets | 1,505,423 | 3,356,352 | 4,861,775 |
| Total assets | 5,462,438 | 45,753,932 | 51,216,370 |
| Total liabilities | 4,066,124 | 24,449,351 | 28,515,475 |

DIAMOND ESTATES WINES & SPIRITS INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED DECEMBER 31, 2025 AND 2024
(Stated in Canadian dollars, except per share amounts)
(Unaudited - Prepared by Management)

17. **SEGMENTED INFORMATION, CONTINUED**

| Geographic information | December 31 2025 | December 31 2024 |
|-------------------------------|-----------------------------|-----------------------------|
| <i>Revenue</i> | | |
| Canada | \$ 24,386,287 | \$ 19,748,928 |
| Export | 641,049 | 532,966 |
| | <u>\$ 25,027,336</u> | <u>\$ 20,281,894</u> |

18. **CONTINGENT LIABILITY**

In 2026 Q1, the Company identified an internal practice of submitting purchase orders and corresponding invoices to the provincial wholesaler of record under customer names that had not initiated the orders. The Company has disclosed the matter to its provincial wholesaler of record, submitted a formal notification letter, and participated in direct discussions. A comprehensive internal review was completed under the direction of a special Compliance Committee and enhanced internal controls, and revised procedures have since been implemented. In December, 2025, the matter was resolved to the satisfaction of the provincial wholesaler of record at nominal resolution cost to the Company. While the resolution cost was nominal, the Company incurred approximately \$0.1 million in legal and audit-related professional fees in Q3 2026 and \$0.4 million through Q3 2026 YTD in connection with the review process.

19. **SEASONALITY**

Revenue is subject to seasonal variation in demand from its customers for beverage alcohol products. The fourth quarter is traditionally the lowest for revenue in all major sales channels due to softness in demand during the winter months.

20. **SUBSEQUENT EVENTS**

(a) **Deferred share units**

In January 2026, the Company issued an aggregate of 187,501 DSUs in settlement of \$31,875 of previously accrued deferred directors compensation.

(b) **Debentures payable**

In January, 2026, Lassonde Industries Inc. (“Lassonde”) acquired a 10.0% unsecured convertible debenture of Diamond Estates with a stated maturity date of November 9, 2026 in the principal amount of \$1,304,000 (and related accrued coupon interest) from a third party through a privately negotiated transaction. Following the acquisition, Lassonde and parties related to it now hold 100% of the issued and outstanding convertible debentures that have a face value of \$4,654,000.