DIAMOND ESTATES WINES & SPIRITS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

THREE-MONTH PERIODS ENDED JUNE 30, 2017 AND 2016

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The following management discussion and analysis ("MD&A") of Diamond Estates Wines & Spirits Inc. ("Diamond" or "the Company") provides a review of corporate developments, results of operations and financial position for the three month period ended June 30, 2017 ("Q1 2018") compared with the corresponding period ended June 30, 2016 ("Q1 2017"). This discussion is prepared as of August 22, 2017 and should be read in conjunction with the (i) unaudited interim condensed consolidated financial statements and accompanying notes of Diamond for Q1 2018 and Q1 2017 and (ii) both the audited consolidated financial statements and MD&A for the fiscal years ended March 31, 2017 and March 31, 2016. All note references are made in reference to these consolidated financial statements. Additional information regarding Diamond is available on Diamond's SEDAR profile at www.sedar.com. The results reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, which is the Company's functional currency.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements. Forward-looking statements can often 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 the Company 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 MD&A. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the ability of the Company to obtain necessary financing, the economy generally, the global financial crisis, conditions in the target market of the Company, consumer interest in the services and products of the Company, competition and anticipated and unanticipated costs. Such statements could also be materially affected by environmental regulation, liquor regulation, taxation policies, competition, the lack of available and qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal or external sources. Actual results, performance or achievement could differ materially from those expressed herein. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this MD&A. 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. Readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted in this MD&A under "Risk Factors".

NON-IFRS FINANCIAL MEASURE

Management uses net income (loss) and comprehensive income (loss) as presented in the unaudited interim condensed consolidated statements of net income (loss) and comprehensive income (loss) as well as "EBITDA" as a measure to assess performance of the Company. EBITDA is another financial measure and is reconciled to net income (loss) and comprehensive income (loss) below under "Results of Operations".

EBITDA is a supplemental financial measure to further assist readers in assessing the Company's ability to generate income from operations before taking into account the Company's financing decisions, depreciation of property, plant and equipment and amortization of intangible assets. EBITDA comprises gross margin less operating costs before financial expenses, depreciation and amortization, non-cash expenses such as share-based compensation, one-time and other unusual items, and income tax. Gross margin is defined as gross profit excluding depreciation on property, plant and equipment used in production. Operating expenses exclude interest, depreciation on property, plant and equipment used in selling and administration, and amortization of intangible assets.

EBITDA does not represent the actual cash provided by the operating activities nor is it a recognized measure of financial performance under IFRS. Readers are cautioned that this measure should not be considered as a replacement for those as per the unaudited interim condensed consolidated financial statements prepared under IFRS. The Company's definitions of this non-IFRS financial measure may differ from those used by other companies.

COMPANY OVERVIEW

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, Dois Amigos, Dan Aykroyd, Fresh, McMichael Collection, Benchmark and Seasons. Through its wholly-owned subsidiary, Kirkwood Diamond Canada Partnership ("KDC"), 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 Fat Bastard wines from France, Kaiken wines from Argentina, Charles Wells beers from England, Hpnotiq Liqueur from France, Anciano wines from Spain, Francois Lurton wines from France and Argentina, Brick Brewing from Canada, Blue Nun wines from Germany, coolers and spirits from Independent Distillers in New Zealand, Evan Williams Bourbon from USA, Flor de Cana rum from Nicaragua and Iceberg Vodka from Canada.

The Company's mission is to build lasting, mutually beneficial relationships with channel partners, growers, suppliers and employees. To meet this goal, the Company is undertaking significant investments in winemaking, brand marketing, sales programming, performance management and back office infrastructure, including information systems which will support growth in an efficient, profitable manner. Based on its analysis of the market, the Company believes that the long-term growth prospects for the domestic and import beverage alcohol markets in Canada are positive. Diamond is also a significant participant in the export market, with a particular focus on China, where demand for Canadian wines is robust.

The Company is committed to delivering these results through its distribution network focused on the provincial liquor boards, licensed restaurants and bars, grocery chains, Diamond's three retail locations and export channels. The Company has a total workforce of approximately 106 full-time employees, including 48 engaged in the selling and marketing of its brands, 24 in the manufacturing and distribution of its brands, 15 involved in the retailing of its domestic products through our retail facilities and 19 in accounting and administration, including the Executive. The Company also uses a number of independent representatives that are compensated by commissions to sell its product in the licensee channel.

Q1 2018 Highlights

- Revenue was $9.6 million, an increase of 5.3% from $9.1 million in Q1 2017 led by strong growth in export sales and the LCBO channel, which includes grocery stores;

- Gross margin was $4.5 million, representing 46.3% of revenue, compared to $4.0 million, or 43.8% of revenue in Q1 2017, as the winery division implemented targeted price increases, reduced promotional activity in the LCBO channel and generated improved operating leverage;

- EBITDA rose 11.5% to $1.4 million, compared to $1.3 million in Q1 2017, as the winery division generated increased operating leverage attributable to increased sales volume;

- Cash flow from operating activities, before changes in non-cash working capital items, increased 24.7% to $1.2 million, up from $1.0 million in Q1 2017, reflecting the increased operating leverage;

- Net income increased 23.5% to $0.9 million, compared to $0.7 million in Q1 2017;

- On April 6, 2017, the Company announced an agreement to acquire the 49.99% minority interest in its agency business, Kirkwood Diamond Canada ("KDC") previously owned by its joint venture partner, Kirkwood Brands Ltd. The Company agreed to pay $4.4 million to complete the acquisition. On May 5, 2017, the Company completed the transaction, increasing its interest in the agency business to 100%;

- On May 17, 2017, the Company opened its new retail store, Lakeview Wine Co., at its production facility in Niagara-on-the-Lake, Ontario; and

- The winery continues to win accolades, earning 15 awards at the 2017 Finger Lakes International Wine Competition that included a prestigious 'Best in Show' for icewine.

QUARTERLY PERFORMANCE (UNAUDITED)

The following table highlights certain key quarterly financial highlights. Commentary on the selected highlights is included under "Results of Operations" and "Liquidity and Capital Resources".

	Jun-2017 Q1 2018 $	Mar-2017 Q4 2017 $	Dec-2016 Q3 2017 $	Sep-2016 Q2 2017 $	Jun-2016 Q1 2017 $	Mar-2016 Q4 2016 $	Dec-2015 Q3 2016 $	Sep-2015 Q2 2016 $
Balance sheet								
Working capital surplus (deficiency)	3,566,738	8,405,028	10,891,386	4,459,859	3,813,331	(6,115,079)	4,596,716	4,650,888
Bank indebtedness (total)	9,633,395	5,312,135	3,968,458	9,711,878	11,482,181	10,217,851	8,838,028	9,580,031
Term debt and finance leases	8,208,220	8,397,214	8,377,352	9,899,747	10,113,287	10,386,559	10,655,417	10,918,203
Total equity	16,928,201	20,426,142	21,366,906	13,255,420	12,569,465	11,844,230	13,898,966	13,868,639
Income statement								
Revenue	9,632,299	6,060,573	8,814,451	10,264,535	9,149,120	6,122,684	7,856,521	7,987,895
Gross margin	4,456,048	2,363,565	3,439,436	4,412,224	4,006,465	1,896,265	3,017,018	3,647,707
EBITDA	1,449,304	(495,849)	590,197	1,407,895	1,299,367	(839,497)	640,627	986,139
Net income (loss)	884,402	(971,482)	8,788	781,224	716,202	(2,109,709)	(76,434)	381,742
Basic income (loss) per share	0.01	(0.01)	0.00	0.01	0.01	(0.02)	0.00	0.00
Diluted income (loss) per share	0.01	(0.01)	0.00	0.01	0.01	(0.02)	0.00	0.00

See definition of selected terms under the heading "Non-IFRS Financial Measures"

RESULTS OF OPERATIONS

	Q1 2018	Q1 2017
Revenue	**$ 9,632,299**	$ 9,149,120
Cost of sales	**5,176,251**	5,142,655
Gross margin	**4,456,048**	4,006,465
Gross margin (% of revenue)	***46.3***	*43.8*
Operating expenses	**3,006,744**	2,707,098
Operating expenses (% of revenue)	***31.2***	*29.6*
EBITDA	**1,449,304**	1,299,367
Interest	**217,062**	286,864
Depreciation and amortization	**331,063**	287,268
Income from operations	**901,179**	725,235
Share based compensation	**16,777**	9,033
Net income (loss) and comprehensive income (loss)	**$ 884,402**	$ 716,202
Portion attributable to:		
Shareholders	**$ 865,507**	$ 606,864
Non-controlling interest	**18,895**	109,338
	$ 884,402	$ 716,202

See definition of selected terms under the heading "Non-IFRS Financial Measures"

Revenue for Q1 2018 was $9,632,299 versus $9,149,120 in Q1 2017, an increase of 5.3% driven by growth in export sales in the winery division which increased the proportion of revenue derived from the winery division to 56.5% in Q1 2018 from 53.8% in Q1 2017. Gross margin was up 11.2% to $4,456,048 in Q1 2018 from $4,006,465 in Q1 2017. As a percentage of revenue, gross margin increased to 46.3% in Q1 2018 from 43.8% in Q1 2017 as the winery division's gross margin increased significantly to 49.9% from 43.6%. Operating expenses increased by $299,646 to 31.2% of revenue in Q1 2018 from 29.6% in Q1 2017 to support growth, primarily in personnel costs as well as advertising and promotion. EBITDA climbed 11.5% to $1,449,304 from $1,299,367 in Q1 2017, reflecting EBITDA margins of 15.0% and 14.2% respectively. Net income increased 23.5% to $884,402 in Q1 2018 from $716,202 in Q1 2017.

Total revenue in the winery division grew by $520,262 to $5,441,893 in Q1 2018 from $4,921,631 in Q1 2017, a year over year increase of 10.6%. Export revenue increased 24.0% to $2,633,736 in Q1 2018 from $2,140,677 in Q1 2017 as the Company continued to benefit from growth in demand from China. Revenue from the Liquor Control Board of Ontario (LCBO) also grew by 32.0% in Q1 2018 over Q1 2017 as the Company continues to benefit from the launch of wine in grocery stores. Spending on direct programming in the LCBO, which is accounted for as a reduction of revenue, decreased by $310,000 in Q1 2018 as compared to Q1 2017. Partially offsetting growth in the export and LCBO channels were declines in revenue from the sale of bulk wine to other wineries and sales to licensee customers. The decline in sales to licensees is driven by an insufficient supply of suitable wine for this channel. The Company has chosen to allocate product to allow it to support its export and grocery customers. As a result, several products have been temporarily discontinued, primarily affecting the LCBO and licensee customers. This is an industry-wide problem in Ontario that is expected to ameliorate as the 2016 and 2017 wines reach maturity and supply improves. As supply permits, the Company anticipates that it will reintroduce the temporarily suspended products back into the market. Those products accounted for nil revenue in Q1 2018, a decline of $422,000 from Q1 2017.

Q1 2018 revenue in the agency division declined slightly by $37,083, or 0.9%, to $4,190,406 in Q1 2018 from $4,227,489 in Q1 2017. Revenue in Q1 2017 included an unusually high amount for severance in lieu of notice from a supplier of $228,000. Excluding this non-recurring item, revenue in Q1 2018 increased by $190,917, or 4.8% over Q1 2017. The increase was driven by growth from several brands within the portfolio in both the western and central Canadian regions, including Ontario. The proportion of revenue derived from commissions in Q1 2018 was 24.7% versus 27.0% in Q1 2017 (23.6% when excluding the non-recurring severance revenue). A certain amount of movement between agents of suppliers is common in the industry and to be expected.

Gross margin in the winery division was $2,713,057 in Q1 2018 as compared to $2,146,427 in Q1 2017, a period over period increase of 26.4%. Gross margin in the winery division (as a percentage of winery revenue) increased to 49.9% in Q1 2018 from 43.6% in Q1 2017, an improvement of 6.3%. The increase was driven by several factors. The Company spent less on direct programming in the LCBO, which improved gross margin by 3.2% in Q1 2018 over Q1 2017. The balance of the improvement in gross margin results from a combination of targeted price increases, operating leverage and product mix.

Gross margin in the agency division was $1,742,991 in Q1 2018 compared to $1,860,039 in Q1 2017, a period over period decrease of 6.3%. Gross margin in the agency division (as a percentage of agency revenue) was 41.6% in Q1 2018 compared to 44.0% in Q1 2017. The primary cause of the decrease relates to the $228,000 severance payment received by the agency in Q1 2017. Excluding this non-recurring revenue, gross margin increased by 0.8% from a normalized 40.8% in Q1 2017. This increase reflects actions taken to improve margins through pricing initiatives, cost control and product mix, partially offset by margin reductions taken to clear out excess inventory.

Operating expenses, which exclude interest, depreciation on property, plant and equipment used in selling and administration, and amortization of intangible assets, were $3,006,744 in Q1 2018 compared to $2,707,098 in Q1 2017, a period over period increase of 11.1%. Employee compensation and benefits in Q1 2018 totalled $1,596,241 compared to $1,486,150 in Q1 2017, an increase of 7.4%. The period over period increase primarily relates to annual merit increases for employees, additional staff to support the new winery retail store, financial planning and analysis staff and accruals for the profit sharing program.

Advertising and promotion expense in Q1 2018 was $359,632 compared to $257,217 in Q1 2017, an increase of $102,415, or 39.8%. Of this increase, $77,033 was in the winery division and related mainly to spending on in-store tasting programs in the grocery channel, advertising and promotions related to the opening of the new retail store, and brand awareness campaigns. The remaining $25,381 of the increase relates to the agency division, where the Company acts as a distributor and funds promotional activity.

Delivery and warehousing expenses increased 10.8% to $309,888 for Q1 2018 from $279,558 in Q1 2017. The increase primarily relates to the agency division for growth in sales of special order import products to licensees in Ontario and the storage charges related to higher inventory balances, which are expected to decrease as excess product is sold.

General and administrative expenses increased 6.9% in Q1 2018 to $762,106 from $712,593 in Q1 2017. The increases were related to legal fees associated with the acquisition of the non-controlling interest in KDC, human resource consulting fees and higher costs for information technology support related to infrastructure and system upgrades. This increase was partially offset by lower automotive expenses associated with conversion to a fleet program and reduced bad debts provisions.

Interest expense declined by 24.3% in Q1 2018 to $217,062 from $286,864 in Q1 2017. This largely reflects the temporary application of the proceeds from the issuance of common stock in December 2016 against outstanding loans.

Depreciation and amortization expenses increased by $43,795 in Q1 2018 to $331,063 compared to $287,268 in Q1 2017. The increase was primarily associated with vehicles procured under the fleet program that was introduced in the second half of fiscal 2017 and the construction of the new winery retail store that opened in Q1 2018.

Share-based compensation expense was $16,777 in Q1 2018 compared to $9,033 in Q1 2017, an increase of $7,744, which relates to an accounting adjustment for stock options issued in prior years. There were no options granted or deferred shares issued in Q1 2018.

LIQUIDITY AND CAPITAL RESOURCES

	June 30, 2017	March 31, 2017
Accounts receivable	**$ 5,179,570**	$ 3,583,926
Inventory	**14,837,931**	16,587,546
Prepaid expenses	**356,384**	321,313
Other	**12,062**	-
Total current assets	**20,385,947**	20,492,785
Property, plant and equipment	**17,160,248**	15,974,405
Intangible assets	**3,450,454**	3,509,447
Total assets	**$ 40,996,649**	$ 39,976,637
Bank indebtedness	**$ 9,633,395**	$ 5,312,135
Accounts payable and accrued liabilities and other	**6,226,833**	5,225,846
Unearned revenue and deposits received	**-**	390,730
Current portion of long term debt and finance leases	**958,981**	934,476
Loan payable - non-controlling interest	**-**	224,570
Total current liabilities	**16,819,209**	12,087,757
Term loans payable, net of current portion	**6,772,886**	6,969,961
Finance leases, net of current portion	**476,353**	492,777
Total liabilities	**24,068,448**	19,550,495
Shareholders' equity	**16,928,201**	16,655,794
Non-controlling interest	**-**	3,770,348
	$ 40,996,649	$ 39,976,637

The Company's consolidated financial position has changed significantly as at June 30, 2017 from that as at March 31, 2017, largely due to the acquisition of the non-controlling interest in KDC for a purchase price of $4,399,120 (*see note 11 to the Q1 2018 interim consolidated financial statements*)

The increase in accounts receivable of $1,595,644 is attributable to the seasonality of the business in which revenue for Q4 2017 was significantly lower than in Q1 2018, as is typical.

Inventory balances declined by $1,749,615 from March 31, 2017 to $14,837,931 as at June 30, 2017. Of this decline, $1,341,630 was in the winery division reflecting the draw down of bulk wine. The balance of $407,985 was in the agency division and is reflective of the Company's efforts to eliminate excess stock and improve inventory turns.

Working capital decreased by $4,838,290 to $3,566,738 as at June 30, 2017 compared to $8,405,028 as at March 31, 2017, almost entirely due to the purchase of the non-controlling interest in KDC for $4,399,120 on May 5, 2017 (*see note 11 to the Q1 2018 interim consolidated financial statements*), as there was a temporary reduction in the revolving credit facility at March 31, 2017 from the receipt of proceeds from the issuance of common shares in December, 2016. For the same reason, total bank indebtedness increased by $4,321,260 to $9,633,395 as at June 30, 2017 compared to $5,312,135 as at March 31, 2017. The Company is in compliance with all debt covenants as at June 30, 2017.

The Company's debt to equity ratio increased to 1.05:1 as at June 30, 2017 from 0.68:1 as at March 31, 2017, where debt is defined as total liabilities less other current liabilities and equity is defined as shareholders' equity plus non-controlling interest. This is the result of the elimination of the non-controlling interest and increase in bank debt resulting from the acquisition of full ownership of KDC during the quarter.

CAPITALIZATION

The Company has common shares and other equity instruments outstanding at each reporting date as follows:

	June 30, 2017	March 31, 2017	Change in period
Common shares	140,248,840	140,248,840	-
Deferred share units	1,124,882	1,124,882	-
Stock Options	6,150,000	6,150,000	-
Total equity instruments	147,523,722	147,523,722	-

There were no changes to the Company's overall capitalization during Q1 2018.

STRATEGIC OUTLOOK AND DIRECTION

Diamond is committed to building enduring, high quality beverage alcohol brands that celebrate life and achievement in a socially responsible manner. The Company believes in the development of leading brands that recognize the consumer's interest in wine, beer, ready-to-drink beverages and spirits, addressing their desire to explore the many exciting offerings that the Company has available. Vertically integrated, Diamond combines a modern and efficient production facility for Niagara wines with a national marketing agency for its broad portfolio of leading international wines and spirits. The Company is well positioned to add to its throughput of wine production and leverage its national sales force to increase the number of brands under agency without a significant change in its cost structure.

The Canadian beverage alcohol market continues to grow strongly, outpacing most consumer categories. Statistics Canada recently reported[1] that in the year ended March 31, 2016 ("2016"), $22.1 billion worth of alcoholic beverages was sold in Canada, up 3.5% from the previous year ended March 31, 2015 ("2015"). The volume of alcohol sold increased 2.2% to 3,102 million litres in 2016, compare to a 1.5% increase in 2015. Canadian wine sales increased 3.3% in 2016 (2015 – 4.1%) to 496 million litres, up from 480.5 million litres in 2015. The value of wine sold increased 4.1% to $7 billion in 2016 from $6.74 billion in 2015. This is equivalent to 16.5 litres per capita in 2016, up from 16.1 litres per capita in 2015. Spirits sales increased 3.6% to $5.1 billion in 2016 from $4.9 billion in 2015. By volume, the increase was 2.9% to 164.6 million litres (or 5.45 litres per capita) in 2016 from 160 million litres (or 5.4 litres per capita) in 2015. Similarly, beer sales increased by 2.3% to $9.2 billion in 2016 from $9.0 billion in 2015. Volume sales were 2.3 billion litres (or 76.0 litres per capita) in 2016 compared to 2.2 billion litres (or 75.6 litres per capita) in 2015. The market share for wine (in dollar volume) was 31.64% in 2016, up from 31.40% in 2015. Beer represented 41.5% in 2016 (2015 – 42.0%) and spirits sales represented 23.1% in 2016 (2015 – 23.1%). The remaining market share is made up of Ciders, Coolers and Other Refreshment Beverages (CCORB), which sold 155 million litres in 2016, up from 138 million litres in 2015.

Ontario wineries have a 31.3% share[2] of the total market by volume in Ontario, but that figure falls to 6.1% when including only Vintner Quality Alliance ("VQA") wine. In most other international wine regions, the domestic share is consistently above 70%[3]. There are significant opportunities to grow the sales and market share of Ontario wines, in particular VQA wines, given increasing consumption, expanding points of distribution, competitive pricing and continuous quality improvements as the industry matures[2]. Diamond will continue to focus on further developing its existing brands of VQA certified wines that include Lakeview Cellars, EastDell, Seasons, 20 Bees, Dan Aykroyd and Fresh. This continued focus will include additional investment in marketing, promotion and advertising to insure top of mind awareness and preference for the Company's brands.

Recent provincial government announcements in New Brunswick, Saskatchewan, BC and Ontario involving the sale of alcohol in grocery stores represents a significant change in the government policies of the past. Although each province is choosing different policy directions, the opening up of market channels is a positive development for Diamond, particularly in the Province of Ontario, which represents a significant proportion of sales.

Demand for imported wine in China continues to grow strongly. China imported 638 million litres (or US$2.4 billion) of bottled wine in 2016, according to customs data, an increase of 15% in volume and 16% in value over 2015[4]. Canadian wine producers are in the very early stages of capitalizing on this opportunity. Canadian wine exports to China totaled 1.3 million litres in 2016, up 6% from the prior year, according to Statistics Canada. International Wine and Spirit Research (ISWR) reported that China is on pace to become the world's second largest wine-consuming country by 2020, surpassing the United Kingdom and France and trailing only the United States.

Within its portfolio of international brands, the Company's emphasis in its agency division will be on building awareness, sales and profit for its existing customer base, while continuing to identify new brand entrants that the Company can represent in the Canadian market. These new brand entrants will include international wines and spirits from a variety of global regions with a specific focus on brands that currently do not have distribution within the Canadian marketplace or are dissatisfied with their current distribution arrangements.

1 http://www.statcan.gc.ca/daily-quotidien/170502/dq170502a-eng.htm

2 /LCBO Ontario Wine Quarterly Scorecard Report – Period 13 2016-17

3 http://wgao.ca/ontariowineindustry

4 http://www.decanterchina.com/en/news/2016-china-wine-import-figures-round-up-australia-grows-by-40

RISK FACTORS

BUSINESS RISKS

The following risk factors should be carefully considered in evaluating the Company and the industry it operates in. The risks presented below may not be all of the risks that Diamond may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. New risks may emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

ADDITIONAL FINANCING

Diamond will require additional financing in order to make further investments or take advantage of future opportunities. The ability of Diamond to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of Diamond. There can be no assurance that Diamond will be successful in its efforts to arrange additional financing on terms satisfactory to Diamond. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of Diamond may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, Diamond may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

PROFITABILITY

There is no assurance that Diamond will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue Diamond's business development and marketing activities. If Diamond does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

DEPENDENCE ON MANAGEMENT AND KEY PERSONNEL

Diamond will depend on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term. Diamond's success will depend in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on Diamond's business, financial condition, results of operations and prospects. The contributions of the existing management team to the immediate and near term operations of Diamond are likely to be of central importance. In addition, the competition for qualified personnel in the industry is competitive and there can be no assurance that Diamond will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Diamond.

GOVERNMENT REGULATION OF LIQUOR INDUSTRY

Diamond will operate in the highly regulated retail liquor industry in the Province of Ontario and throughout Canada. The Alcohol and Gaming Commission of Ontario (the "AGCO"), the Liquor Control Board of Ontario (the "LCBO") and similar Liquor Boards throughout Canada, may issue decisions, enact rules, new legislation or regulations or may make changes to existing legislation or regulations, all of which can impact the operation of Diamond both favourably and unfavourably. There is no assurance that new legislation or regulations or changes to existing legislation or regulations or decisions of any regulatory bodies in the retail liquor industry in Canada will not adversely affect the operations, profitability, or distributable cash of Diamond.

SIGNIFICANT COMPETITION

The alcoholic beverage industry in Canada is intensely competitive, consisting of many large and small Canadian corporations and international corporations with some possessing extensive experience and financial resources.

MANAGEMENT OF GROWTH

Diamond may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Diamond to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Diamond to deal with this growth may have a material adverse effect on Diamond's business, financial condition, results of operations and prospects.

ISSUANCE OF DEBT

From time to time, Diamond may enter into transactions to acquire assets or the shares of other organizations or seek to obtain additional working capital. These transactions may be financed in whole or in part with debt, which may increase Diamond's debt levels above industry standards for companies of similar size. Depending on future plans, Diamond may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to Diamond. The level of Diamond's indebtedness, from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

LABOUR COSTS AND SHORTAGES AND LABOUR RELATIONS

The success of Diamond's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of Diamond to hire or retain staff at current wage levels. The occurrence of either of these events could have an adverse effect on Diamond's results of operations. Diamond does not currently have unionized staff but no assurance can be made that some or all of the employees of Diamond will not unionize in the future. If successful, such an occurrence could increase labour costs and thereby have an adverse effect on Diamond's results of operations.

AGRICULTURAL RISK

The production and sale of wine is dependent upon a consistent supply of high-quality grapes available at reasonable prices. Should some or all of the wineries that Diamond works with be unable to produce the quality of grapes necessary to produce wine, such a shortfall in product could adversely affect the operations, profitability, and/or distributable cash of Diamond.

Diamond expects to continue to increase its share of the premium wine business in Canada, principally through the sale of VQA wines, and as a result is more dependent on the quality and supply of domestically grown premium quality grapes. If any of Diamond's vineyards experience certain weather variations, natural disasters, pestilence, other severe environmental problems or other occurrences, Diamond may not be able to secure a sufficient supply of grapes and there could be a decrease in the production of certain products from those regions and/or an increase in costs. In the past, where there was a significant reduction in domestically sourced grapes, the Government of Ontario, in conjunction with the Wine Council of Ontario and the Ontario Grape Growers Marketing Board, agreed to temporarily increase the blending of imported wines, which enables Diamond to continue to supply wines to the market. There is no certainty that such intervention will be available to the same extent in the future, if at all. The inability to secure premium quality grapes could impair the ability of Diamond to supply wines to its customers.

FOREIGN EXCHANGE

Foreign exchange risk exists on the purchases of all agency brand inventories purchased in foreign currencies for British Columbia and Alberta, which are predominately in Euros and Australian dollars. Diamond currently does not enter into foreign exchange contracts.

ENERGY COSTS

Diamond could experience an increase in energy costs which could result in higher transportation, freight and other operating costs. Diamond's future operating expenses and margins will be dependent on its ability to manage the impact of cost increases. Diamond cannot guarantee that it will be able to pass along increased energy costs to its customers through increased prices.

TAXATION

Canada imposes excise and other taxes on beverage alcohol products in varying amounts which have been subject to change. Significant increases in excise and other taxes on beverage alcohol products could materially and adversely affect Diamond's financial condition or results of operations. In addition, federal and provincial governmental agencies extensively regulate the beverage alcohol products industry concerning such matters as licensing, trade practices, permitted and required labelling, advertising and relations with consumers and retailers. Certain federal and provincial regulations also require warning labels and signage. New or revised regulations or increased licensing fees, requirements or taxes could also have a material adverse effect on Diamond's financial condition or results of operations.

TRADEMARKS

Diamond considers its trademarks, particularly certain brand names and product packaging, advertising and promotion design and artwork to be of significant importance to its business and ascribes a significant value to these intangible assets. Diamond will rely on trademark laws and other arrangements to protect its proprietary rights. There can be no assurance that the steps taken by Diamond to protect its intellectual property rights will preclude competitors from developing confusingly similar brand names or promotional materials. Diamond believes that its proprietary rights do not infringe upon the proprietary rights of third parties, but there can be no assurance in this regard.

IMPORTANCE OF INVENTORY, WAREHOUSE AND DISTRIBUTION SYSTEMS

Diamond's inventory, warehouse and distribution systems are critical components of its operations. Diamond's ability to maintain and upgrade the capabilities of these systems is important to its future performance. If Diamond is unable to maintain the inventory, warehouse and distribution systems or fails to adequately upgrade these systems, Diamond's operations could be adversely affected with the further material adverse effect being on financial results of operations.

WHOLESALE COST INCREASES

Wholesale costs are dependent on a number of factors, including inflation and fuel prices. Any attempt to pass on an increase in wholesale costs to consumers through product price increases could have a material adverse effect on Diamond's sales while a failure to effectively pass any such increases on to consumers could have a material adverse effect on Diamond's result of operations.

DISTRIBUTION BUSINESS

Diamond's business model includes a number of wine and alcohol brands that are represented on an agency basis. There is a risk that such agency brands are sold to an entity that has a pre-existing distribution agency relationship with a provider other than Diamond, and Diamond's revenues and profitability could suffer as result. Furthermore, Diamond's distribution business depends on the ability to retain its current brands as well as attracting additional brands in the future, and a failure to do so could negatively impact revenues and profitability of Diamond.

CREDIT RISK

Credit risk arises from credit exposure to customers through outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the Company's financial assets. The objective of managing counter-party credit risk is to prevent losses in financial assets. The Company assesses the credit quality of its counter-parties, taking into account their financial position, past experience and other factors. As the large majority of the Company's accounts receivable balances are collectable from government-controlled liquor boards, management believes the Company's credit risk relating to accounts receivable is at an acceptably low level.

EXPOSURE TO INTEREST RATE FLUCTUATIONS

The Company has a high level of floating rate debt. Interest rate risk exists as an increase in interest rates would increase the Company's overall financing costs and have a material impact on Diamond's financial position over the long term.

ENVIRONMENTAL COMPLIANCE

Environmental liabilities may potentially arise when companies are in the business of manufacturing products and, thus, required to handle potentially hazardous materials. As an owner and lessor of property, the Company is subject to various federal and provincial laws relating to environmental matters. Such laws provide that the Company could be held liable for the cost of removal and remediation of hazardous substances on its properties. Management is of the opinion that the risk of environmental liabilities is considered minimal.

PACKAGING

The Company purchases glass, bag in box and other components used in the bottling and packaging of wine. The largest component in the packaging of wine is glass, of which there are few domestic or international suppliers. Diamond sources glass from various distributors and manufacturers both domestically and internationally to insure an adequate supply. As there is currently only one commercial supplier of glass in Canada, any interruption in supply could have an adverse impact on the Company's ability to supply its markets.

INDUSTRY CONSOLIDATION

In recent years, the global beverage alcohol industry has experienced a significant amount of consolidation. Industry consolidation can have varying degrees of impact and, in some cases, may even create exceptional opportunities. Either way, management believes that the Company is well positioned to deal with this or other changes to the competitive landscape in Canada.

RISKS RELATED TO COMMON SHARE INVESTMENTS

PRICE VOLATILITY OF PUBLICLY TRADED SECURITIES

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for Diamond's shares will be subject to market trends generally, notwithstanding any potential success of Diamond in creating revenues, cash flows or earnings. The value of Diamond's shares will be affected by such volatility. A public trading market in the Common Shares having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of common shares at any given time, which presence is dependent on the individual decisions of investors over which Diamond has no control. There can be no assurance that an active trading market in securities of Diamond will be established and sustained. The market price for Diamond's securities could be subject to wide fluctuations, which could have an adverse effect on the market price of Diamond. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance, net asset values or prospects of particular companies. If an active public market for Diamond's shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

DILUTION

Diamond may make future acquisitions or enter into financings or other transactions involving the issuance of securities of Diamond which may be dilutive to the existing shareholders.

DIVIDENDS

Diamond has not paid any dividends on its outstanding common shares. Any payments of dividends on the common shares of Diamond will be dependent upon the financial requirements to finance future growth, the financial condition of Diamond and other factors which Diamond's board of directors may consider appropriate in the circumstance. It is unlikely that Diamond will pay dividends in the immediate or foreseeable future.

FINANCIAL MARKET TURMOIL

Global financial market and economic conditions can pose a significant threat to economic growth in almost all sectors and economies, causing a decline in consumer and business confidence, a reduction in credit availability and a dampening in business and household spending.

USES OF ESTIMATES AND JUDGEMENTS

The preparation of these unaudited interim condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made. These include, but are not limited to, the following:

FAIR VALUE OF GRAPES AT THE POINT OF HARVEST

Where possible, the fair value of grapes at the point of harvest is determined by reference to local market prices for grapes of a similar quality and the same varietal. For grapes for which local market prices are not readily available, the average price of similar grapes is used. The fair value of grapes is included in the cost of bulk wine inventory.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represent a significant proportion of the asset base of the Company as they amount to 41.9% of total assets as at June 30, 2017 (March 31, 2017 - 40.0%). Therefore, estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

IFRS requires management to test for impairment of property, plant and equipment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the Company's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life.

GROSS VERSUS NET PRESENTATION

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Company and its business partners are reviewed to determine each party's respective role in the transaction. Where the Company's role in a transaction is that of principal, revenue is recognized on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost. Where the Company's role in a transaction is that of an agent, revenue is recognized on a net basis with revenue representing the margin earned.

USEFUL LIFE OF INTANGIBLE ASSETS

Significant judgement is involved in the determination of useful life for the computation of depreciation of intangible assets. No assurance can be given that actual useful lives will not differ significantly from current assumptions.

USEFUL LIFE OF INTANGIBLE ASSETS

Testing intangible assets for impairment involves estimating the recoverable amount of the CGUs to which intangible assets are allocated. This requires making assumptions about future cash flows, growth rates, market conditions and discount rates, which are inherently uncertain. Actual amounts may vary from these assumptions and cause significant adjustments. Management has concluded that a 10% change in any key assumption in the impairment test of intangible assets would not result in an impairment of intangible assets as at March 31, 2017 and March 31, 2016.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As at the date of authorization of these unaudited interim condensed consolidated financial statements, the IASB has issued the following new or revised standards which are not yet effective:

(a) **IFRS 9: "Financial Instruments: Classification and Measurement of Financial Assets and Financial Liabilities"** was issued by the IASB in July, 2014 and will replace IAS 39 "Financial Instruments: Recognition and Measurement". In addition, IFRS 7 "Financial Instruments: Disclosures" was amended to include additional disclosure requirements on transition to IFRS 9. The mandatory effective date of applying these standards is for annual periods beginning on or after January 1, 2018. The standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. The standard requires that for financial liabilities measured at fair value, any changes in an entity's own credit risk are generally to be presented in other comprehensive income instead of net earnings. A new hedge accounting model is included in the standard, as well as increased disclosure requirements about risk management activities for entities that apply hedge accounting. The Company is currently evaluating the potential impact of this standard; however, it is not expected to have a significant impact on the consolidated financial statements.

(b) **IFRS 15: "Revenue from Contracts with Customers"** was issued by the IASB in May, 2014 and will supercede IAS 18 "Revenue" and IAS 11 "Construction Contracts". The standard details a revised model for the recognition of revenue from contracts with customers. In April 2016, the IASB has amended IFRS 15 to clarify the guidance on identifying performance obligations, licences of intellectual property and principal versus agent. The amendments also provide additional practical expedients on transition. The standard is effective for first interim periods within annual periods beginning on or after January 1, 2018. The Company is currently in the process of evaluating the potential impact this new guidance will have on the Company's consolidated financial statements. The Company has not completed this evaluation and therefore, cannot conclude whether the guidance will have a significant impact on the consolidated financial statements at this time. However, based on preliminary work completed, the Company is considering the implications the new standard may have on its agency wine businesses, presentation of certain customer related trade spending, as well as the timing of recognition of certain promotional discounts, which are areas that could potentially be impacted by the adoption of the new guidance.

(c) **IFRS 16 "Leases"** was issued by the IASB in January 2016 and will ultimately replace IAS 17, "Leases" and related interpretations. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Company has adopted IFRS 15, Revenue from Contracts with Customers. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all leases contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Company has significant contractual obligations in the form of operating leases under IAS 17, there will be a material increase to both assets and liabilities on adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine the impact of adopting this standard.