DIAMOND ESTATES WINES & SPIRITS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

(Stated in Canadian dollars)

Independent Auditor's Report

To the Shareholders of Diamond Estates Wines and Spirits Inc.:

Opinion

We have audited the consolidated financial statements of Diamond Estates Wines and Spirits Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(c) in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended March 31, 2023 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

MNP LLP
1122 International Blvd, 6th floor, Burlington ON, L7L 6Z8 T: 905.333.9888 F: 905.333.9583

Impairment of long-lived assets

Key Audit Matter Description

The Company performs impairment testing for long-lived assets on an annual basis, or more frequently when there is an indication of impairment. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. The recoverable amounts of the CGUs were mainly determined using key assumptions including the appraisals of long-lived assets. Please refer to Note 3(d) and Note 13 to the consolidated financial statements for further details.

We considered this a key audit matter due to the subjectivity and complexity involved in performing procedures to test key assumptions in determining the recoverable amounts of the CGUs, which involved judgment from management and third-party experts.

Audit Response

We responded to this matter by performing procedures in relation to the impairment of long-lived assets. Our audit work in relation to this included, but was not restricted to, the following:

• Evaluated the appropriateness of the fair value less cost of disposal method and related fair value models;

• Performed a 'retrospective review' to compare management's assumptions in prior year expected future cash flows to the actual results to assess the Company's budgeting process;

• With the assistance of internal and external valuation specialists, evaluated the reasonableness of the Company's fair value model and key assumptions relating to appraisals of long-lived assets;

• Assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements; and

• Tested the mathematical accuracy of management's impairment model and supporting calculations.

Manufactured inventories

Key Audit Matter Description

The Company holds bulk and bottled wine inventories, a portion of which is manufactured by the Company and is valued using the average cost method. Please refer to Notes 3(c), 3(o)(iii), and 9 to the consolidated financial statements for further details.

We considered this a key audit matter due to the magnitude of the manufactured wine inventories balance, the degree of judgment required in allocating overhead costs, and the high degree of audit effort in performing procedures relating to evaluating management's determination of the cost of the inventories.

Audit Response

We responded to this matter by performing procedures in relation to the manufactured inventories. Our audit work in relation to this included, but was not restricted to, the following:

• Attended management's inventory counts at all locations, and performed test counts to ensure the quantities of inventories were accurate;

• Obtained an understanding of management's methodology for allocating direct costs to inventory, and verified a sample of costs in the year to supporting documentation;

• Obtained confirmation directly from Grape Growers of Ontario of all grape purchases made during the year and agreed the details to the amounts capitalized;

• Assessed management's methodology for allocating overhead based on normal capacity and tested the reasonableness of key assumptions used in management's calculation for completeness and accuracy;

• Assessed the accounting treatment of the Wine Sector Support Program grant in accordance with the relevant accounting standards.

Other Matter

The consolidated financial statement for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on July 28, 2022.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Giacomo Angelini.

MNP LLP

Burlington, Ontario — Chartered Professional Accountants

July 28, 2023 — Licensed Public Accountants

MNP

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2023 AND 2022
(Stated in Canadian dollars)

	2023	2022
ASSETS		
Current:		
Accounts receivable (Note 8)	**$ 3,159,280**	$ 5,204,837
Inventories (Note 9)	**26,289,426**	28,913,977
Prepaid expenses	**341,667**	383,727
	29,790,373	34,502,541
Long term:		
Property, plant and equipment (Note 11)	**25,141,085**	25,893,088
Right-of-use assets (Note 12)	**2,554,677**	2,878,226
Intangible assets (Note 13)	**4,483,318**	4,891,344
	$ 61,969,453	$ 68,165,199
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 14)	**$ 6,708,787**	$ 8,799,574
Current portion of term loans payable (Note 15)	**25,658,120**	25,950,258
Current portion of lease liabilities (Note 16)	**456,930**	449,617
Debentures payable (Note 17(c))	**4,359,242**	-
Derivative liability (Note 17(d))	**590,327**	-
	37,773,406	35,199,449
Long term:		
Lease liabilities (Note 16)	**1,906,254**	2,307,983
Deferred income taxes (Note 24)	**-**	344,500
	39,679,660	37,851,932
SHAREHOLDERS' EQUITY		
Common shares (Note 18)	**40,848,245**	40,848,245
Contributed surplus	**3,525,577**	3,023,396
Accumulated deficit	**(22,084,029)**	(13,558,374)
	22,289,793	30,313,267
	$ 61,969,453	$ 68,165,199

Going concern (Note 2(c))

Subsequent event (Note 30)

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

Approved on behalf of the Board:

"David Beutel" Director *"Keith Harris"* Director

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
YEARS ENDED MARCH 31, 2023 AND 2022
(Stated in Canadian dollars, except per share amounts)

	2023	2022
Revenue	**$ 31,722,940**	$ 29,985,857
Cost of sales		
Change in inventories of finished goods and raw materials consumed	**21,112,441**	18,938,193
Depreciation of property, plant and equipment and right-of-use assets used in production (Notes 11 & 12)	**519,551**	630,160
	21,631,992	19,568,353
Gross profit	**10,090,948**	10,417,504
Expenses		
Employee compensation and benefits	**6,871,089**	6,310,211
General and administrative	**4,513,966**	3,825,281
Advertising and promotion	**2,426,293**	1,607,192
Interest and accretion	**2,276,142**	1,191,003
Delivery and warehousing	**1,264,166**	1,032,939
Financing fees/costs	**102,576**	276,598
Share based compensation (Note 19(d))	**502,181**	546,480
Depreciation of property, plant and equipment and right-of-use assets used in selling and administration (Notes 11 & 12)	**672,485**	644,998
Amortization of intangible assets (Note 13)	**364,726**	377,381
	18,993,624	15,812,083
Loss before undernoted items	**(8,902,676)**	(5,394,579)
Gain on debt extinguishment (loss on debt modification) (Note 15(d))	**224,984**	(373,734)
Change in fair value of derivative liability (Note 17(d,i))	**185,264**	141,068
Gain on disposition of right-of-use assets	**129,530**	136,223
Gain on acquisition (Note 6(c))	**-**	2,721,483
Restructuring charge (Note 23)	**(457,257)**	(230,000)
Impairment provision - intangible assets (Note 13)	**(50,000)**	-
Loss before income taxes	**(8,870,155)**	(2,999,539)
Recovery of deferred income taxes (Note 24)	**(344,500)**	(526,557)
Net loss and comprehensive loss	**$ (8,525,655)**	$ (2,472,982)
Basic and diluted loss per share (Note 18(b))	**$ (0.31)**	$ (0.11)

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

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED MARCH 31, 2023 AND 2022
(Stated in Canadian dollars)

	Note	Common shares Shares	Common shares Amount 18(a)	Contributed surplus	Accumulated deficit	Total
As at April 1, 2021		**20,000,557**	**$27,690,705**	**$ 1,581,984**	**$ (11,085,392)**	**$ 18,187,297**
Net loss and comprehensive loss		-	-	-	(2,472,982)	(2,472,982)
Share based compensation and financing costs from warrant issue	**19(d)**	-	-	608,607	-	608,607
Proceeds on issuance of common shares	**18(a)(i)**	3,770,331	6,221,155	565,560	-	6,786,715
Share issuance costs	**21(b)**	-	(363,682)	-	-	(363,682)
Broker warrants	**21(b)**	-	(89,095)	89,095	-	-
Fair value of purchase consideration issued on acquisition of EWG	**18(a)(ii)**	3,055,556	5,500,000	178,150	-	5,678,150
Shares issued on conversion of debenture principal and accrued interest	**18(a)(iii)**	1,049,534	1,889,162	-	-	1,889,162
As at March 31, 2022		**27,875,978**	**40,848,245**	**3,023,396**	**(13,558,374)**	**30,313,267**
Net loss and comprehensive loss		-	-	-	(8,525,655)	(8,525,655)
Share based compensation	**19(d)**	-	-	502,181	-	502,181
As at March 31, 2023		**27,875,978**	**$40,848,245**	**$ 3,525,577**	**$ (22,084,029)**	**$22,289,793**

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

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2023 AND 2022
(Stated in Canadian dollars)

	2023	2022
Operating activities		
Net loss and comprehensive loss	**$ (8,525,655)**	$ (2,472,982)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment and right-of-use assets	**1,192,036**	1,250,655
Amortization of intangible assets	**364,726**	377,381
Amortization of deferred financing costs	**-**	180,936
Gain on disposition of right-of-use assets	**(129,530)**	(136,223)
Change in fair value of derivative liability	**(185,264)**	(141,068)
Interest accretion on debentures payable	**328,782**	-
(Gain on debt extinguishment) Loss on debt modification	**(224,984)**	373,734
Share based compensation and financing costs from warrant issue	**502,181**	568,232
Impairment - capital assets	**50,000**	-
Gain on acquisition (Note 6(c))	**-**	(2,721,483)
Recognition of fair value purchase price accounting adjustment on EWG inventory	**832,213**	658,743
Interest expense	**2,276,142**	1,191,003
Interest paid	**(2,198,874)**	(1,030,079)
Wine Sector Support Program grant received (Note 22)	**1,033,216**	-
Recovery of deferred income taxes	**(344,500)**	(526,557)
	(5,029,511)	(2,427,708)
Change in non-cash working capital items		
Accounts receivable	**2,045,557**	(2,272,274)
Inventories	**983,873**	(1,352,704)
Prepaid expenses	**42,060**	(60,853)
Accounts payable and accrued liabilities	**(2,290,161)**	3,786,481
	(4,248,182)	(2,327,058)
Investing activities		
Purchase of property, plant and equipment and intangible assets	**(295,020)**	(476,757)
Acquisition of Equity Wine Group Inc. (Note 6(a))	**-**	(1,500,000)
Acquisition of Shiny Apple brand (Note 7(b))	**-**	(1,267,000)
Proceeds on disposal of right-of-use assets	**-**	136,223
	(295,020)	(3,107,534)
Financing activities		
Net proceeds on issuance of convertible debentures	**4,806,051**	1,560,822
Repayment of lease liabilities	**(317,801)**	(426,910)
Net draws against (repayments of) revolving term loans	**1,292,342**	(1,123,479)
Repayment on non-revolving term loans	**(1,237,390)**	(867,751)
Net proceeds from issuance of common shares	**-**	6,291,910
	4,543,202	5,434,592
Change in cash	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**$ -**	$ -

Non-cash transactions (Note 26)

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

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. The operations and principal place of business of TBP are located at 100-435 North Service Road West, Oakville, Ontario, L6M 4X8.

2. BASIS OF PRESENTATION AND GOING CONCERN

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted. The consolidated financial statements were authorized for issuance by the Board of Directors on July 28, 2023.

The currency of presentation for these consolidated financial statements is the Canadian dollar, which is also the functional currency of the Company andits subsidiaries.

(b) Basis of presentation

The consolidated financial statements are prepared on a going concern basis under the historical cost convention. Unless otherwise stated, the consolidated financial statements are presented in Canadian dollars. That 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 through Canadian dollar private placements.

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

(c) **Going concern**

The accompanying consolidated financial statements have been prepared using IFRS (as issued by the IASB applicable to a going concern.

Net loss and comprehensive loss for the year ended March 31, 2023 was $8,525,655 (2022 - $2,472,982). Additionally, the Company reported negative cash flow from operations (before changes in non-cash working capital) of $5,029,511 for the year ended March 31, 2023 (2022 - $2,427,708). As at March 31, 2023, the Company had an accumulated deficit of $22,084,029 (March 31, 2022 - $13,558,374) and a working capital deficiency of $7,983,033 (March 31, 2022 - $696,908).

The operations and net loss for rolling twelve-month period ended September 30, 2022 had resulted in the Company being in breach of its quarterly fixed charge covenant under the terms of its then current credit agreement with Bank of Montreal ("BMO"), its primary lender. However, on October 24, 2022, the Company entered into an amendment for which the Company received a waiver on its fixed charge covenant until March 31, 2023 *(see note 15(a))*. The Company has debt repayment requirements of approximately $31.5 million over the next twelve months, including all its bank indebtedness that matures on January 2, 2024 (*(see note 15)*, the current portion of its lease liabilities *(see note 16)*, and the principal amount of the debentures payable plus accrued interest due by November 2, 2023 *(see note 17)*, as well as annual seasonal grape purchase commitments in the fall of 2023 *(see note 29(g))*. These circumstances lend 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 the recurring operating losses and negative cash flows from operating activities, the Company is taking a number of actions to enhance its financial flexibility, to meet its obligations and to fund its ongoing business operations, as evidenced by the restructured credit agreement *(see note 15(a))* and debenture financing arranged in November, 2022 *(see note 17)*. 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.

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 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 consolidated statement of financial position classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

(Stated in Canadian dollars, except per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its Canadian subsidiaries, all of which have also have a year end of March 31, 2023.

♦ Diamond Estates Wines & Spirits Ltd.	100%
♦ De Sousa Wines Toronto Inc.	100%
♦ Backyard Vineyards Corp.	100%
♦ 10028088 Ontario Inc. o/a Shiny Apple Cider	100%

The Equity Wine Group of Companies, including Equity Wine Group Inc., Creekside Estate Winery Inc., 26101636 Ontario Inc. (o/a Queenston Mile Vineyard) and 1314102 Ontario Ltd., all acquired in October, 2021 *(see note 6(a))* were amalgamated with Diamond Estates Wines & Spirits Ltd. on April 1, 2022.

A subsidiary is an entity controlled by the Company. Control exists when the Company has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies applied by the Company in these consolidated financial statements. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

(b) Financial instruments

The Company's financial assets consist entirely of accounts receivable. The Company's financial liabilities consist of accounts payable and accrued liabilities, term loans payable, debentures payable and a derivative liability.

(i) Measurement of financial instruments

Financial instruments are classified into one of the following categories:

- Assets and liabilities at amortized cost
- Fair value through profit or loss ("FVTPL")
- Fair value through other comprehensive income ("FVOCI")

Subsequent measurement of financial instruments is based on their initial classification. Financial instruments classified as assets and liabilities at amortized cost

Transaction costs related to financial assets and liabilities at FVTPL are recognized in profit and loss. When incurred, transaction costs are deducted against the fair value of all the other financial instruments on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Financial instruments, continued

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term or demand nature of these instruments. The fair values of the term loans approximate their carrying values as the contracted lending rates approximate the rates currently available for similar borrowing arrangements. Fair value of the debentures payable and derivative liability is determined by management using available market information or other valuation methodologies.

(ii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period.

An expected credit loss model for financial assets is used under IFRS 9 in order to record allowances for loss. Under the model, expected credit losses are provided for on a forward-looking basis and are based on past history, current market conditions and estimates requiring management judgment.

(iii) Financial assets and financial liabilities

The Company classifies each financial asset at amortized cost and each financial liability into one of two categories depending upon the purpose for which the liability was incurred.

Financial liabilities at FVTPL

Liabilities in this category are derivatives or liabilities classified as held-for-trading or designated as FVTPL on initial recognition. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. Derivatives recognized from the Company's debentures payable that were outstanding for part of the fiscal year were recognized as FVTPL *(see note 17(d))*.

Amortized cost

Liabilities in this category are non-derivative financial liabilities that are not classified as held-for-trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method *(see note 17(c))*.

(iv) Hedge accounting

The Company has chosen not to apply hedge accounting to any of its derivative financial instruments. As a result of this policy choice, these derivative instruments are recorded initially and subsequently at fair value and the change in fair value is recorded directly in the consolidated statements of net loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Inventory

Inventory that is purchased by the Company, including raw materials and wine, is valued at the lower of cost and net realizable value, with cost being determined on an average basis. Grapes produced from vineyards controlled by the Company that are part of inventory are measured at their fair value less costs to sell at the point of harvest. Inventory that is purchased by TBP is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

Inventory of wine that is produced by the Company is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis.

Inventories include all costs to purchase, convert and bring the inventories to their present location and condition. Such costs include purchase price net of discounts and rebates, applicable duties and taxes, transport and handling costs, less any government grants.

The Company tracks other inventory costs, such as direct labour, fixed and variable production overhead, including depreciation of production equipment, maintenance of production buildings and equipment and production management. These costs are allocated to inventory on a per litre basis.

(d) Property, plant and equipment

Depreciation is computed using the following annual rates and methods, which reflect the estimated useful life of the assets as follows:

♦ Buildings	40 years straight-line
♦ Vines	20 years straight-line
♦ Machinery and equipment	5 to 40 years straight-line
♦ Leasehold improvements	Straight-line over term of lease
♦ Vehicles	3 to 5 years straight-line
♦ Computer equipment	5 years straight-line

3. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(e) **Biological assets**

The Company measures biological assets, consisting of grapes grown on vineyards controlled by the Company, at cost, which approximates fair value as there has been minimal biological transformation since the initial cost incurrence. The initial costs incurred are comprised of direct expenditures required to enable the biological transformation of agricultural produce.

At the point of harvest, the fair value of biological assets is determined by reference to local market prices for grapes of a similar quality and the same varietal. At this point, agricultural produce is measured at fair value less cost to sell, which becomes the basis for the cost of inventories after harvest.

Gains or losses arising from a change in fair value less costs to sell are included in the consolidated statements of income and comprehensive income in the period in which they arise.

(f) **Intangible assets**

Intangible assets acquired separately are initially recorded at fair market value and subsequently at cost less accumulated amortization and impairment losses. Subsequent expenditures on development and maintenance of computer software are expensed as incurred.

For an intangible asset acquired based on contingent consideration, the asset purchased is initially recognized including the fair value of the future contingent payments at acquisition, and a financial liability is recognized at the same fair value. Subsequently, the financial liability is measured at amortized cost, following the requirements of IFRS 9. The carrying value of the financial liability is adjusted to reflect actual and updated estimated cash flows whenever the cash flow estimates are revised. The carrying amount of the liability is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate or, where applicable, the revised effective interest rate calculated in accordance with IFRS 9. Subsequent changes in the liability will be recognized against the cost of the asset. This treatment is typically only acceptable if a change in the variable payment is as a consequence of the utility of the asset.

Intangible assets with finite lives are amortized straight line over their useful economic lives as follows:

- Distribution rights - 11 years
- Customer lists - 6 years
- Trademarks - 5 years
- Computer software - 1 - 5 years
- Website - 5 years

3. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(f) **Intangible assets, continued**

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit and loss when the asset is derecognized.

The pre-1993 winery licenses and BYV, EWG and Shiny Apple brand names have an indefinite life because the expected usage, period of control and other factors do not limit their life. Indefinite lived intangible assets are not subject to amortization and are assessed annually for impairment. To test for impairment, the Company primarily compares the amount of the royalty that would have had been paid in an arm's length licensing arrangement to secure access to the same rights to its carrying value. In addition, the Company assesses the fair value of the intangible asset in its respective cash generating unit ("CGU") to the overall fair value of the CGU to determine if the overall asset base supports the value of the intangible asset or if it is impaired. An impairment charge is recorded to the extent the carrying value exceeds the fair value.

(g) **Impairment of non-financial assets**

The Company reviews long-lived assets and definite life intangible assets for impairment when events or circumstances indicate an asset may be impaired. Assets are assigned to a CGU based on the lowest level at which they generate independent cash inflows. When there is an indication of impairment, an impairment charge is recorded to the extent the carrying value of a CGU exceeds the recoverable amount. The recoverable amount is the greater of the CGU's fair value less costs to dispose and its value in use, determined by discounting expected cash flows. An impairment loss is reversed if there is a reversal in circumstances that led to the impairment and if a CGU's recoverable amount increases to the extent that the related assets' carrying amounts are no larger than the amount that would have been determined, net of amortization, had no impairment loss been recorded.

(h) **Government grants**

Grants from the government are recognized at the amount of cash received or to be received when there is reasonable assurance that the grant will be received and the Company will comply with all conditions. Government grants are recognized in the consolidated statements of (loss) earnings as a reduction of the expense that the grant is intended to compensate. In the Company's judgment, based on the provisions of the program, the grant is intended to compensate for inventory production costs that the Company has incurred to produce bulk wine inventory in the prior fiscal year. The grant has been allocated pro rata to the eligible wine produced in the prior year and is recognized in the consolidated statements of (loss) earnings as a reduction in the cost of goods sold in the period the eligible wine is sold or is recognized as a reduction in the cost of inventory to the extent that the eligible wine is unsold and remains in inventory.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(i) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Tax on income is accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that the taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

3. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(j) Provisions and contingencies

Provisions are recognized when a legal or constructive obligation exists as a result of past events and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

When a contingency substantiated by confirming events can be reliably measured and is likely to result in an economic outflow, a liability is recognized at the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or it is not probable to result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

(k) Loss per share

Basic loss per share amounts are calculated by dividing consolidated net loss for the reporting period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted loss per share amounts are calculated by dividing the consolidated net loss attributable to common shareholders by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. Diluted income per share amounts are not presented if their inclusion would be anti-dilutive.

(l) Share based compensation

The Company offers a share option plan for its directors, officers and employees. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured using the Black-Scholes option pricing model. Share based payments expense is recognized upon vesting over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to share capital.

For equity settled transactions, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case the Company measures their value by reference to the fair value of the equity instruments granted.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(m) Deferred share units (DSUs)

The Company grants DSUs to directors as part of their compensation. The DSUs vest immediately upon grant and are only settled in shares. The fair value of each DSU is measured at the date of the grant using the Black-Scholes option pricing model. The resulting compensation expense is charged to income as share based compensation with a corresponding increase to contributed surplus.

(n) Foreign currency translation

In preparing the consolidated financial statements of the Company, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. At the end of each reporting period, monetary assets and liabilities are translated using the foreign exchange rate at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(o) Revenue recognition

The Company recognizes revenue from the sale of goods at a point in time when the performance obligation is fulfilled. Payments received from customers in advance of shipments are initially recorded in unearned revenue and deposits received.

For transactions with provincial liquor boards and licensee retail stores, the Company's terms are "FOB shipping point". Accordingly, sales are recorded when the product is shipped from the Company's distribution facility. Sales to consumers through retail stores and estate wineries are recorded at the time the product is purchased.

Agency revenue is presented net of the related costs as the Company is acting as an agent in these transactions. Revenue is recognized when the related performance obligation is complete, there is certainty about receipt of the consideration and all related costs have been incurred. Commission income is recognized when products are sold and related performance obligations are fulfilled.

The following are deducted from gross revenue to arrive at reported revenue: (i) excise taxes collected on behalf of the federal government, (ii) licensing fees and levies paid on wine sold through the Company's independent Ontario retail stores, (iii) incentive and discount programs and shelving payments provided to customers, (iv) product returns and (v) breakage.

Revenue for custom processing, bulk wine storage and bottling is recognized over a period of time reflecting the Company's efforts to fulfil the related performance obligations.

3. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(p) **Uses of estimates and judgements**

The preparation of these 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, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, include, but are not limited to, the following:

(i) **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.

(ii) **Share based compensation**

Share based compensation: Stock option and warrant fair values utilize option pricing models that require the input of assumptions, including the expected life, volatility of the Company's stock price, forfeitures and the risk free rate. Changes in the assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the stock option or warrants issued.

(iii) **Inventory**

Management is required to make a number of estimates in determining the costs allocated to manufactured inventory, including fixed production overheads based on normal production capacity. Management must also determine if the cost of any inventories exceed its net realizable value ("NRV"), such as cases where prices have decreased or inventories have spoiled or otherwise been damaged. Any obsolescence provision of inventories assessment requires a degree of estimation and judgment. The level of any provision is assessed by considering recent sales experience, the ageing of inventories, damaged, obsolete or slow moving inventories and other factors that affect inventory obsolescence.

(iv) **Property, plant and equipment and right-of-use assets**

Property, plant and equipment and right-of-use ("ROU") assets represent a significant proportion of the asset base of the Company as they amount to 44.7% (2022 - 42.2%) of total assets. Therefore, estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

IFRS requires management to test for impairment of property, plant and equipment and right-of-use assets 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 either the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate or through appraisals where a fair value less cost to sell approach is being utilized.

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.

(v) **Leases**

Critical accounting estimates were made in determining the lease term and incremental borrowing rate. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by using the Company's specific risk portfolio, the security, term and value of the underlying leased asset and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

(vi) **Useful life of intangible assets**

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

3. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(vii) **Impairment 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. Testing indefinite life intangible assets for impairment at least annually involves estimating the fair value using the relief of royalty method. This requires making assumptions about royalty rates, growth rates and discount rates. These assumptions are inherently uncertain and as such, actual amounts may vary from these assumptions and cause significant adjustments.

(viii) **Applying the acquisition method to business combinations**

Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of consideration, both actual and contingent, over the fair value of the net identifiable assets acquired is recognized as goodwill. Non-cash consideration paid must also be measured at its acquisition date fair value. The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions with respect to the fair value of intangible assets require a high degree of judgement and include estimates for anticipated future cash flows and discount factors.

(ix) **Compound financial instruments**

The convertible debentures have been accounted for as a compound financial instrument under IAS 32 - Financial Instruments, and had both a liability and an embedded derivative component. The conversion feature of the convertible debentures was accounted for as a derivative liability and was required to be fair valued on inception and at each reporting period. The estimates, assumptions and judgments made in relation to the fair value of derivative liabilities are subject to measurement uncertainty. The valuation techniques used to determine fair value require inputs that involve assumptions and judgments such as estimating the future volatility of the stock price and expected life. Such judgments and assumptions are inherently uncertain.

(q) **Business combinations**

Business combinations are accounted for using the acquisition method, whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase consideration over such fair value being recorded as goodwill.

If the fair value of the net assets acquired exceeds the purchase consideration, the difference is recognized immediately as a gain on acquisition in the consolidated statement of net income and comprehensive income.

Acquisition costs are expensed during the period in which they are incurred and are included in general and administrative expenses.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(q) **Business combinations, continued**

The Company measures the identifiable assets acquired and liabilities assumed at their fair values on the date of acquisition. This requires estimates and judgments to be made, which are inherently subjective. As such, the amounts assigned to individual identifiable assets and liabilities, including the fair value of inventories, long-lived assets, the recognition and measurement of any unrecorded intangible assets and the determination of goodwill or the gain on acquisition are impacted. Due to the nature of these estimates, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the impact on future cost of goods sold, amortization and impairment tests. In some circumstances, at the acquisition date, provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods pending confirmation or completion of the valuation of the acquired business. However, the measurement period will not exceed one year from the acquisition date.

(r) **Debentures payable**

When a contract contains an embedded derivative, the economic and risk characteristics of both the embedded derivative and host contract are analyzed to understand whether or not they are closely related and to decide whether the embedded derivative should be accounted for separately from the host contract.

The embedded features in the financial instrument issued by the Company are identified at inception. Each feature is evaluated separately and classified either as part of the host liability, as a separate embedded liability or an equity instrument in accordance with the substance of the contractual arrangement.

(s) **Leases**

The Company recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

3. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The Company has applied judgement to determine the lease term for lease contracts which include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized.

Leases with a term less than twelve months or of a low value are expensed as incurred.

4. **RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

(a) **IAS 16 "Property, Plant and Equipment"**

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and require certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the consolidated financial statements.

(b) **IAS 37 "Provisions"**

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the consolidated statements.

(c) **IFRS 9 "Financial Instruments"**

This standard has been amended to address which fees should be included in the 10% test for derecognition of financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the consolidated statements.

5. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

As at the date of authorization of these consolidated financial statements, the IASB has issued the following new or revised standards as detailed below. The Company has not yet assessed the impact of any of the amendments on the consolidated financial statements.

(a) IAS 1 "Presentation of Financial Statements"

This standard has been amended to clarify the classification of liabilities as current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January 1, 2024. The standard has also been amended to specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

(b) IAS 12 "Income Taxes"

This standard has been amended to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

(Stated in Canadian dollars, except per share amounts)

6. ACQUISITION OF EQUITY WINE GROUP INC.

On October 6, 2021, concurrent with the finalization of a private placement *(see note 18(a)(i))*, conversion of debentures *(see note 18(a)(iii))*, and the purchase of the Shiny Apple brand *(see note 7)*, the Company closed on the acquisition of Equity Wine Group Inc. ("EWG"), as detailed below:

(a) Acquisition

On October 6, 2021, the Company acquired 100% of the common shares of EWG for total consideration of $10,925,150, which was funded as follows:

Cash		$ 1,500,000
Issuance of 3,055,556 common shares *(see note 18(a)(ii))*	$ 5,500,000	
Issuance of 2,291,667 share purchase warrants *(see note 21(c))*	477,000	
Liquidity discount *(see note 6(b))*	(298,850)	
		5,678,150
Assumption of EWG's bank indebtedness *(see note 15(a))*.		3,747,000
Total consideration		$ 10,925,150

The results of operations from October 7, 2021 onward have been included in the consolidated financial statements and this acquisition was accounted for as a business combination.

(b) Lockup period

The shares and share purchase warrants issued in connection with the acquisition were subject to certain contractual restrictions on trading for a period of twelve months from the date of issuance with equal portions being released from escrow every quarter. To reflect this lockup period, the fair value of the equity instruments issued was reduced by a liquidity discount of 5% totalling $298,850.

6. **ACQUISITION OF EQUITY WINE GROUP INC., CONTINUED**

(c) **Purchase price allocation**

The following table summarizes the amounts paid or payable at the purchase date and the allocation of the purchase price to the identifiable assets acquired and liabilities assumed based on management's estimate of the fair values at the date of acquisition (stated in 000's).

Assets acquired		
Accounts receivable	$	248
Inventories		4,227
Biological assets		274
Prepaids and deposits		69
Property, plant and equipment (Note 11)		8,807
Intangible assets - brand name (Note 13)		1,300
Intangible assets - customer list (Note 13)		200
		15,125
Liabilities assumed		
Accounts payable and accrued liabilities		476
Deferred income taxes arising on acquisition		1,003
Net assets acquired		**13,646**
Total purchase consideration		**10,925**
Gain on acquisition	**$**	**2,721**

The gain on acquisition derived from the excess of net assets acquired over the purchase consideration, primarily by the fair value of the land and building and inventory acquired from EWG. The consolidated statement of net loss and comprehensive loss reflects the gain on acquisition as recorded as other income. Acquisition costs of $150,000 related to the transactions were expensed to general and administrative expenses.

(d) **Impact of the business combination on the Company's financial performance**

For the year ended March 31, 2022, EWG contributed revenue of $1,830,044 and net loss of $1,034,118 to the Company's results. If the acquisition had occurred on April 1, 2021, management estimates that EWG contributed revenue would have been $4,308,284 and consolidated net loss for the year would have been $2,746,654. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same as if the acquisition had occurred on April 1, 2021.

(Stated in Canadian dollars, except per share amounts)

7. ACQUISITION OF SHINY APPLE BRAND

(a) On October 6, 2021, the Company acquired all of the rights and title to the Shiny Apple craft cider brand (the "Shiny Apple brand") from Stonechurch Vineyard and Winery Holdings Inc. for aggregate consideration of $2,367,000, which was satisfied by a (i) closing cash payment of $1,100,000, (ii) $1,100,000 earn-out payment (deposited into escrow by the Company on closing payable quarterly over the course of 12 months following closing depending on sales targets being met, and (iii) $167,000 in cash for inventory, after settlement of an initial $300,000 inventory holdback. The initial $2 million of consideration was recorded as a brand name intangible asset *(see note 13)*.

(b) By the end of March 31, 2022, it had become apparent that the sales targets upon which the earn-out was based would not be met. As a result, the intangible asset recognized on acquisition was reduced by $1,100,000 *(see note 13)* and a corresponding escrow receivable was set up for the consideration initially paid into escrow on acquisition *(see note 8)*. The escrow receivable that was recoverable at the expiry of the escrow period on September 30, 2022 was received in full on October 5, 2022.

8. ACCOUNTS RECEIVABLE

	2023	2022
Trade receivables	**$ 3,114,403**	$ 3,935,838
Accrued receivables	**44,877**	168,999
Escrow receivable (Note 7(b))	**-**	1,100,000
	$ 3,159,280	$ 5,204,837

The Company has an allowance for doubtful accounts as at March 31, 2023 of $121,638 (March 31, 2022 - $84,849).

9. INVENTORIES

	2023	2022
Bulk wine	**$ 14,238,786**	$ 18,388,770
Bottled wine and spirits	**11,082,446**	9,620,299
Bottling supplies and packaging	**968,194**	904,908
	$ 26,289,426	$ 28,913,977

The Company has a provision for inventory obsolescence as at March 31, 2023 of $45,954 (March 31, 2022 - $19,315). As at March 31, 2023, the Company has made the following adjustments to the carrying value of inventory:

(i) $1,033,216 (March 31, 2022 - $NIL) of the Wine Sector Support Program grant *(see note 22)*. has been recorded as a reduction to the cost of bulk inventory which will be released to cost of goods sold as it is sold, and

(ii) as a result of a reduced grape harvest, inventory has been reduced by $1,713,941 (March 31, 2022 - $NIL) to more accurately reflect allocation of fixed production overheads based on the normal production capacity of the manufacturing facilities.

(Stated in Canadian dollars, except per share amounts)

10. BIOLOGICAL ASSETS

Biological assets consist of grapes prior to harvest that are controlled by the Company. The Company owns land in Ontario to grow grapes in order to secure a supply of quality grapes for the making of wine. As at March 31, 2023, the Company held grape vines planted on 100.2 acres (2022 - 100.2 acres), 5.5 of which were held through the operating lease of the BYV winery property. During the year ended March 31, 2023, the Company harvested 64 tons of grapes (2022 - 239.0 tons) valued at $296,800 (2022 - $408,996).

The changes in the carrying amount of biological assets are as follows:

	2023	2022
Carrying value, beginning of year	**$ -**	$ -
Acquired on EWG acquisition (Note 6(c))	**-**	274,000
Net increase in fair value less costs to sell due to biological transformation	**296,800**	408,996
Transferred to inventory on harvest	**(296,800)**	(682,996)
Carrying value, end of year	**$ -**	$ -

The Company is exposed to financial risk because of the long period of time between the cash outflow required to plant grape vines, cultivate vineyards, and harvest grapes and the cash inflow from selling wine and related products from the harvested grapes. Substantially all of the grapes from owned and leased vineyards are used in the Company's winemaking processes. Owned and leased vineyards, in combination with supply contracts with grape growers, are used to secure a supply of domestic grapes. These strategies reduce the financial risks associated with changes in the grape prices.

(Stated in Canadian dollars, except per share amounts)

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery, equipment and vines	Leasehold improvements	Winery equipment	Vehicles	Computer equipment	Total
Cost								
As at April 1, 2021	**$ 1,139,227**	**$ 16,345,113**	**$ 12,473,635**	**$ 62,700**	**$ 102,512**	**$ 29,790**	**$ 547,329**	**$ 30,700,306**
Acquisition of EWG Group (Note 6(c))	4,161,057	3,920,629	631,847	75,608	-	4,232	14,443	8,807,816
Additions	21,156	130,783	197,066	14,981	-	-	29,450	393,436
As at March 31, 2022	**5,321,440**	**20,396,525**	**13,302,548**	**153,289**	**102,512**	**34,022**	**591,222**	**39,901,558**
Additions	24,376	46,114	165,952	39,132	-	-	12,746	288,320
As at March 31, 2023	**$ 5,345,816**	**$ 20,442,639**	**$ 13,468,500**	**$ 192,421**	**$ 102,512**	**$ 34,022**	**$ 603,968**	**$ 40,189,878**
Accumulated depreciation								
As at April 1, 2021	**$ -**	**$ 5,028,073**	**$ 7,317,023**	**$ 54,300**	**$ 102,512**	**$ 29,790**	**$ 471,550**	**$ 13,003,248**
Depreciation	-	444,348	500,392	13,653	-	1,487	45,342	1,005,222
As at March 31, 2022	**-**	**5,472,421**	**7,817,415**	**67,953**	**102,512**	**31,277**	**516,892**	**14,008,470**
Depreciation	-	483,139	496,234	15,869	-	2,745	42,336	1,040,323
As at March 31, 2023	**$ -**	**$ 5,955,560**	**$ 8,313,649**	**$ 83,822**	**$ 102,512**	**$ 34,022**	**$ 559,228**	**$ 15,048,793**
Net book value								
As at March 31, 2022	**$ 5,321,440**	**$ 14,924,104**	**$ 5,485,133**	**$ 85,336**	**$ -**	**$ 2,745**	**$ 74,330**	**$ 25,893,088**
As at March 31, 2023	**$ 5,345,816**	**$ 14,487,079**	**$ 5,154,851**	**$ 108,599**	**$ -**	**$ -**	**$ 44,740**	**$ 25,141,085**

(Stated in Canadian dollars, except per share amounts)

12. RIGHT OF USE ASSETS

	Building	Vehicles	Machinery and equipment	Total
Cost				
As at April 1, 2021	**$ 2,385,244**	**$ 864,462**	**$ 838,342**	**$ 4,088,048**
Additions	-	110,849	-	110,849
Disposals	-	(247,319)	-	(247,319)
As at March 31, 2022	**2,385,244**	**727,992**	**838,342**	**3,951,578**
Additions	-	146,375	-	146,375
Disposals	-	(262,062)	-	(262,062)
As at March 31, 2023	**$ 2,385,244**	**$ 612,305**	**$ 838,342**	**$ 3,835,891**
Accumulated depreciation				
As at April 1, 2021	**$ 426,165**	**$ 430,633**	**$ 50,650**	**$ 907,448**
Depreciation	213,082	145,036	20,958	379,076
Disposals	-	(213,172)	-	(213,172)
As at March 31, 2022	**639,247**	**362,497**	**71,608**	**1,073,352**
Depreciation	213,082	142,422	20,959	376,463
Disposals	-	(168,601)	-	(168,601)
As at March 31, 2023	**$ 852,329**	**$ 336,318**	**$ 92,567**	**$ 1,281,214**
Net book value				
As at March 31, 2022	**$ 1,745,997**	**$ 365,495**	**$ 766,734**	**$ 2,878,226**
As at March 31, 2023	**$ 1,532,915**	**$ 275,987**	**$ 745,775**	**$ 2,554,677**

(Stated in Canadian dollars, except per share amounts)

13. INTANGIBLE ASSETS

	Pre-1993 winery licenses	Distribution rights	Customer Lists	Brand Names	Trademarks	Computer software	Website	Total
Cost								
As at April 1, 2021	**$ 750,000**	**$ 8,819,763**	**$ 70,000**	**$ 219,000**	**$ 52,358**	**$ 317,367**	**$ 23,605**	**$ 10,252,093**
Acquisition of EWG Group (Note 6(c))	-	-	200,000	1,300,000	-	-	-	1,500,000
Acquisition of Shiny Apple brand (Note 7(a))	-	-	-	2,200,000	-	-	-	2,200,000
Shiny Apple contingent consideration reversal (Note 7(b))	-	-	-	(1,100,000)	-	-	-	(1,100,000)
Additions	-	-	-	-	-	83,321	-	83,321
As at March 31, 2022	**750,000**	**8,819,763**	**270,000**	**2,619,000**	**52,358**	**400,688**	**23,605**	**12,935,414**
Additions	-	-	-	-	-	6,700	-	6,700
Provision for impairment	(50,000)	-	-	-	-	-	-	(50,000)
As at March 31, 2023	**$ 700,000**	**$ 8,819,763**	**$ 270,000**	**$ 2,619,000**	**$ 52,358**	**$ 407,388**	**$ 23,605**	**$ 12,892,114**
Accumulated amortization								
As at April 1, 2021	**$ -**	**$ 7,370,208**	**$ 33,834**	**$ -**	**$ 51,487**	**$ 197,198**	**$ 13,962**	**$ 7,666,689**
Amortization	-	322,120	28,334	-	871	21,335	4,721	377,381
As at March 31, 2022	**-**	**7,692,328**	**62,168**	**-**	**52,358**	**218,533**	**18,683**	**8,044,070**
Amortization	-	322,120	20,000	-	-	20,441	2,165	364,726
As at March 31, 2023	**$ -**	**$ 8,014,448**	**$ 82,168**	**$ -**	**$ 52,358**	**$ 238,974**	**$ 20,848**	**$ 8,408,796**
Net book value								
As at March 31, 2022	**$ 750,000**	**$ 1,127,435**	**$ 207,832**	**$ 2,619,000**	**$ -**	**$ 182,155**	**$ 4,922**	**$ 4,891,344**
As at March 31, 2023	**$ 700,000**	**$ 805,315**	**$ 187,832**	**$ 2,619,000**	**$ -**	**$ 168,414**	**$ 2,757**	**$ 4,483,318**

(Stated in Canadian dollars, except per share amounts)

13. INTANGIBLE ASSETS, CONTINUED

(a) The pre-1993 winery licenses issued to Lakeview Cellars Estate Winery Limited and De Sousa Wines Toronto Inc. grant the licensees considerably more flexibility than post-1993 licenses with respect to blending practices, location of operations and other wine-making matters. These licenses are transferable at the discretion of the Alcohol and Gaming Commission of Ontario ("AGCO"). The Company determined the recoverable amount of the pre-1993 winery license by estimating its fair value less costs to sell.

(b) Distribution rights represent exclusive rights to act as an agent and/or distributor in certain provinces for various beverage alcohol products. These agency relationships are for either a fixed, renewable or unlimited term, subject to termination clauses in the agreements. Under these clauses, and under common law, the Company would be entitled to compensation, typically equal to one months' commission earnings for each year of representation, in the event that a contract is terminated. The distribution rights acquired as part of the TBP (formerly Kirkwood Diamond Canada) acquisition were valued at fiscal 2014 gross margin, normalized for variable selling costs and client relationships retained. The Company estimated that these distribution rights had an original useful life of 17 years, and that the acquisition cost would be amortized on a straight-line basis over their estimated remaining life as of October 1, 2014, the commencement date of the partnership, of 11 years.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Trade accounts payable	**$ 4,479,415**	$ 6,664,784
Accrued liabilities	**2,127,721**	2,072,352
Government remittances payable	**101,651**	62,438
	$ 6,708,787	$ 8,799,574

15. TERM LOANS PAYABLE

As at March 31, 2023, the balances outstanding on the Company's term loans were as follows:

	2023	2022
BMO term loans:		
Revolving term loan	**$ 13,996,205**	$ 12,781,235
Non-revolving term loan	**9,943,000**	10,746,200
BCAP non- revolving term loan	**1,718,915**	2,422,823
	25,658,120	25,950,258
Current portion of non-revolving terms loans	**(25,658,120)**	(2,986,193)
Remaining portion classified as current due to covenant breach (Note 15(b))	**-**	(22,964,065)
	$ -	$ -

15. **TERM LOANS PAYABLE, CONTINUED**

(a) On October 24, 2022, the Company entered into an amendment to its Second Amended and Restated Credit Agreement ("SARCA") with Bank of Montreal ("BMO"), the major terms of which are outlined below:

(i) **Credit limits:** The credit limits remained unchanged (i) the revolving term loan of $14.4 million with an accordion feature to fund future growth, and (ii) the non-revolving term loan of $10.8 million.

(ii) **Maturity dates:** The maturity dates remained unchanged with the revolving and non-revolving facilities having a two-year term expiring as at January 2, 2024, including the Business Credit Availability Program ("BCAP") facility, such that all indebtedness has been classified as current as of March 31, 2023 *(see note 2(c))*.

(iii) **Interest rates:** Under the current amendment, the interest rate increased by 1.00% on each component of the facility as follows:

- prime plus 2.40% under the revolving term facility;
- prime plus 2.65% under the non-revolving term facility; and
- prime plus 2.65% under the BCAP Facility.

(iv) **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, and (ii) the BCAP loan is repayable in monthly principal payments of $57,292.

(v) **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.

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

15. **TERM LOANS PAYABLE, CONTINUED**

(b) For each of the rolling twelve-month periods ended March 31, 2022, June 30, 2022 and September 30, 2022, the Company was in breach of its fixed charge covenant ratio, for which the Company had not received a waiver by quarter-end. However, on October 24, 2022, the Company entered into an amended SARCA (s*ee note 15(a))* for which the Company received a waiver on its fixed charge covenant until March 31, 2023 *(see note 29(b))*. This covenant breach has required the non-current portion of the BMO term loans of $22,964,065 to be classified as a current liability under IFRS as at March 31, 2022. The Company was in compliance with its other covenants as at March 31, 2023 and 2022.

(c) The SARCA includes the following sub-facilities:

(i) Letter of credit sub-facility included under the umbrella of the $13,000,000 revolving term loan, up to a maximum of $1,000,000 at a rate of CAD prime +2.50% having a term of up to 1 year. As at March 31, 2023, there were letters of credit in the amount of $50,000 outstanding with BMO (March 31, 2022 - $50,000);

(ii) Bankers' acceptance ("BA") sub-facility included under the umbrella of the revolving and non-revolving term loans, with a minimum draw of $1,000,000, terms of 28 to 182 days, fees charged at rates 2.50% to 2.75% per annum on the face amount of the BA plus interest at the BA rate;

(iii) Treasury risk management facility of up to $1,500,000 to facilitate hedging of interest rate risk and foreign exchange risk at market rates as determined by the lender. There are no amounts currently outstanding on this facility; and

(iv) A master lease finance line facility of $2,500,000 is available to the Company to finance equipment under the BMO Equipment Leasing Group and shall reduce monthly in accordance with agreed upon terms based on market rates at the time of each advance. As at March 31, 2023, there was a balance of $342,127 drawn on this facility (March 31, 2022 - $463,284), and is included in lease liabilities.

(d) Management had determined that the SARCA amendments of November 24, 2021 constituted a modification of long-term debt, which resulted in the debt being valued at present values of future cash flows. As a result, the Company recorded a loss on debt modification of $373,734 during the year ended March 31, 2022. Management then assessed and determined that the SARCA amendments of October 24, 2022 *(see note 15(a))* constituted an extinguishment of the long-term debt, not a further debt modification. Accordingly, the remaining unamortized debt modification balances were reversed and recognized as income in the amount of $224,984 during the year ended March 31, 2023.

(Stated in Canadian dollars, except per share amounts)

16. LEASE LIABILITIES

Movement in the lease liabilities during the year were as follows:

	2023	2022
Lease liabilities, beginning of year	**$ 2,757,600**	$ 3,107,807
Lease liabilities for assets acquired under lease	**146,375**	110,849
Lease liabilities for assets disposed of under lease	**(193,225)**	(34,146)
Interest payable on lease liabilities	**134,827**	142,865
Repayments during the year	**(482,393)**	(569,775)
Lease liabilities, end of year	**2,363,184**	2,757,600
Current portion	**(456,930)**	(449,617)
Long term portion	**$ 1,906,254**	$ 2,307,983

The following amounts were recognized in profit and loss during the year

	2023	2022
Interest expense on lease liabilities	**$ 134,827**	$ 142,865
Depreciation on right-of-use assets	**376,463**	379,076
Expense related to short-term leases	**83,845**	28,684

17. DEBENTURES PAYABLE

November, 2022 placement

(a) On November 2, 2022, the Company completed a non-brokered private placement of $4,884,000 of 10.0% unsecured convertible debentures of the Company, the net proceeds of which were used for general working capital and investment purposes. Certain insiders of the Company, including Lassonde and a related company controlled by its chairman, subscribed for $3.35 million of the total placement.

(b) The major terms of the debentures were as follows:

(i) The debentures bear interest from the date of issue at 10.0% per annum, calculated monthly, in arrears. The interest accrues on the principal outstanding under the debentures until such principal is repaid or converted. The debentures mature one year from their date of issuance, being November 2, 2023, unless the holder requests to accelerate the maturity date in the event the Company completes an equity financing within the next 12 months.

(ii) The debentures are 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 debentures on the maturity date would constitute non-compliance by the Company under its senior borrowing obligations, the holder has 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, subject to TSXV approval.

17. **DEBENTURES PAYABLE, CONTINUED**

(iii) Upon any event of default, the principal amount and all accrued but unpaid interest of the debenture shall become immediately payable, together with a penalty fee equal to 1% of the obligations), and the holder shall 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 are subject to a four-month hold period expiring four months and one day from their date of issuance.

(c) The convertible 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 convertible debentures were initially recognized with a fair value of $4,884,000 less transaction costs of $77,949 less the fair value of the embedded derivative of $775,591. After recording interest accretion on the debenture payable of $328,782, the carrying value of the debenture as at March 31, 2023 was $4,359,242.

Interest on the debentures in the amount of $199,375 has been accrued as at March 31, 2022 and is included in accounts payable and accrued liabilities.

(d) The derivative was separated as a FVTPL instrument and is re-measured at each reporting period with subsequent changes in fair value recorded in the consolidated statements of net loss and comprehensive loss. The difference between the fair value of the embedded derivative on initial recognition of $775,591 and the fair value on March 31, 2023 of $590,327 resulted in the change of fair value of $185,265 being recognized as income during the year ended March 31, 2023.

June, 2021 placement

(e) On June 10, 2021, the Company completed a non-brokered private placement of $1.83 million of 10.0% unsecured convertible debentures of the Company with certain insiders of the Company, including Lassonde and Oakwest Corporation Limited.

(f) On October 7, 2021, the debenture holders elected to convert the debentures and accrued interest totalling $1,889,162 into common shares *(see note 18(a)(iii))*.

(g) The major terms of the debentures were as follows:

(i) The 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 debentures until such principal was repaid or converted.

(ii) The debentures were convertible at the holder's option from the date of issuance until the maturity date at a fixed conversion price of $1.80 on the principal portion and market rate on the date of conversion for accrued interest. The debentures were also redeemable at the Company's option, subject to an early redemption fee during the first 12 months following closing of the offering of an additional 1% interest and, if during the first six months, a minimum six months interest.

17. **DEBENTURES PAYABLE, CONTINUED**

(h) (i) The convertible debentures have been accounted for as a compound financial instrument under IAS 32 - Financial Instruments, and had both a liability and an embedded derivative component. The convertible debentures was initially recognized with a fair value of $1,935,595 less transaction costs of $92,932 less the fair value of the embedded derivative of $141,068.

(ii) The initial fair value of $1,935,595 less the face value of the debt of $1,830,000, net of transaction fees reimbursed to one the debenture holders of $18,221, resulted in initial recognition of a deferred loss of $123,816. As a result of the debenture conversion, the initial amount of the deferred loss has been expensed as a financing cost in the consolidated statements of net loss and comprehensive loss for the year ended March 31, 2022.

(i) 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 loss and comprehensive loss. As a result of the debenture conversion, the fair value of the embedded derivative on initial recognition of $141,068 was recognized as income during the year ended March 31, 2022.

18. **SHARE CAPITAL**

On November 10, 2021, the Company announced implementation of the consolidation of its share capital on a 10 for 1 basis. All common share and equity instrument transactions and balances up to that date, including earnings per share, have been retroactively restated to give effect to that consolidation. Shareholder authorization to effect the share consolidation was approved pursuant to a special resolution passed by shareholders on September 28, 2021.

Continuity schedules for each component of the Company's share capital and other equity instruments are disclosed in the consolidated statements of changes in shareholders' equity for the years ended March 31, 2023 and 2022. Details of major changes in share capital during the current reporting period are as follows:

(a) **Issuance of common shares**

The Company executed the following share capital transactions concurrently on October 6, 2021:

(i) The Company closed a brokered private placement consisting of the issuance of 3,770,331 units at a price of $1.80 per unit for gross proceeds of $6,786,715 less share issue costs of $494,805 for net proceeds of $6,291,910. Each unit consisted of one common share and three-quarters of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of $2.20 per common share for 36 months *(see note 21(a)*.

18. SHARE CAPITAL, CONTINUED

(ii) In connection with the acquisition of EWG *(see note 6(a)),* the Company issued 3,055,556 common shares to the shareholders of EWG valued at $5,500,000, at a deemed issuance price of $1.80 per share. EWG shareholders also received 2,291,667 common share purchase warrants, with each warrant exercisable to acquire one common share at an exercise price of $2.20 per common share for 36 months *(see note 21(c).*

(iii) Upon conversion of the debentures *(see note 17(f))*, the Company issued 1,049,534 common shares valued at $1,889,162 in full satisfaction of the outstanding debenture principal and accrued interest.

The Company did not issue any common shares during the year ended March 31, 2023.

(b) **Loss per share**

Basic loss per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the year ended March 31, 2023 was 27,875,978 (2022 - 21,979,998).

As at March 31, 2023, the following potentially dilutive equity instruments were outstanding: (i) 1,735,000 options (March 31, 2022 - 1,785,000, (ii) 528,778 deferred share units (March 31, 2022 - 335,073), (iii) 5,555,905 common share purchase warrants (March 31, 2022 - 5,630,905), (iv) debentures convertible into 6,105,000 common shares (March 31, 2022 - Nil). The fully diluted number of common shares outstanding as at March 31, 2023 was 41,800,661 (March 31, 2022 - 35,626,956).

19. STOCK OPTIONS

The Company has adopted a stock option plan under which it may grant options to acquire shares of the Company to directors, officers and consultants of the Company. The maximum number of common shares issuable pursuant to the plan is equal to 10% of the issued and outstanding common shares at the close of business on the date of any grant, with an additional restriction of 5% to any one individual in a twelve month period.

(Stated in Canadian dollars, except per share amounts)

19. STOCK OPTIONS, CONTINUED

Stock option activity for the years ended March 31, 2023 and 2022 was as follows:

	2023		2022	
	Options	**Weighted -average exercise price ($)**	Options	Weighted-average exercise price ($)
Outstanding, beginning of year	**1,785,000**	**1.84**	1,510,000	1.90
Granted to key member of management *(see note 19(a))*	**200,000**	**0.90**	-	-
Granted to BOD and key management *(see note 19(a))*	**-**	**-**	375,000	1.74
Forfeiture of options *(see note 19(c))*	**(200,000)**	**2.37**	(100,000)	2.37
Expiry of options	**(50,000)**	**-**	-	-
Outstanding, end of year	**1,735,000**	**1.75**	1,785,000	1.84

As at March 31, 2023, the issued and outstanding options to acquire common shares of the Company are as follows:

	Number of options				
Grant date	**Granted**	**Exercisable**	**Exercise price ($)**	**Remaining life**	**Expiry date**
October 1, 2018	365,000	365,000	2.80	0.50	October 1, 2023
September 28, 2019	40,000	30,000	2.00	1.50	September 28, 2024
August 3, 2020	50,000	25,000	1.40	2.35	August 3, 2025
September 2, 2020	580,000	290,000	1.40	2.43	September 2, 2025
September 15, 2020	25,000	12,500	1.40	2.46	September 15, 2025
March 9, 2021	150,000	75,000	1.80	2.94	March 9, 2026
May 17, 2021	50,000	12,500	2.00	3.13	May 17, 2026
August 24, 2021	50,000	12,500	1.80	3.38	August 24, 2026
October 26, 2021	150,000	37,500	1.40	3.58	October 26, 2026
January 30, 2022	75,000	18,750	1.36	3.84	January 30, 2027
August 28, 2022	200,000	0	0.90	4.40	January 30, 2027
	1,735,000	878,750	1.75	2.48	

19. **STOCK OPTIONS, CONTINUED**

(a) Issuance of options

The Board of Directors authorized the issuance of stock options during the years ended March 31, 2023 and 2022 as follows:

(i) On August 28, 2022, the Board of Directors authorized the issuance of 200,000 stock options to a key member of management. The options each have an exercise price of $0.90 and a term of 5 years, vesting as to 25% per year on each anniversary date over the next 4 years. The fair value of the options was calculated with the Black-Scholes option pricing model, using the assumptions of: (1) risk free interest rate of 2.87%, (2) expected volatility of 74.9%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, such that the fair value attributed to each option was $0.51.

(ii) On January 30, 2022, the Company issued stock options to members of the management team. A total of 75,000 stock options were issued with an exercise price of $1.36 per share with a term of five years, vesting evenly on each anniversary date over 4 years. The fair value of these options was calculated with the Black-Scholes option pricing model, using the assumptions of: (1) risk free interest rate of 1.23%, (2) expected volatility of 75.2%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.76.

(iii) On October 26, 2021, the Company issued 150,000 stock options to a key member of management. The options have an exercise price of $1.80 and a term of 5 years, vesting as to 25% per year on each anniversary date over the next 4 years. The fair value of the options was calculated with the Black-Scholes option pricing model, using the assumptions of: (1) risk free interest rate of 0.45%, (2) expected volatility of 88.1%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, such that the fair value attributed to each option was $1.26.

(iv) On August 24, 2021, the Company issued 100,000 stock options to members of management. The options each have an exercise price of $1.80 and a term of 5 years, vesting as to 25% per year on each anniversary date over the next 4 years. The fair value of the options was calculated with the Black-Scholes option pricing model, using the assumptions of: (1) risk free interest rate of 0.71%, (2) expected volatility of 72.0%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, such that the fair value attributed to each option was $0.89.

(v) On May 17, 2021, the Company issued 50,000 stock options to a key member of management. The options each have an exercise price of $2.00 and a term of 5 years, vesting as to 25% per year on each anniversary date over the next 4 years. The fair value of the options was calculated with the Black-Scholes option pricing model, using the assumptions of: (1) risk free interest rate of 0.75%, (2) expected volatility of 72.8%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, such that the fair value attributed to each option was $1.08.

(b) Exercise of options

There were no stock options exercised during the years ended March 31, 2023 or 2022.

(Stated in Canadian dollars, except per share amounts)

19. STOCK OPTIONS, CONTINUED

(c) Expiry of options

During the fiscal year ended March 31, 2023, a total of 200,000 options (2022 - 100,000) were forfeited upon the departure of key members of the management team. A further 50,000 expired unexercised during the year.

(d) Share based compensation

Total share based compensation recognized for the years ended March 31, 2023 and 2022 was:

	2023	2022
Accrual of previously granted options expected to vest in reporting period	**$ 308,605**	$ 469,199
Accrual of DSUs (Note 20(a))	**193,576**	77,281
Expensed as share based compensation	**502,181**	546,480
Warrants expensed as financing costs (Note 21(d))	**-**	21,752
	$ 502,181	$ 568,232

20. DEFERRED SHARE UNITS ("DSUS")

On September 26, 2019, the Board of Directors approved an increase in the maximum number of common shares reserved for issuance under the Company's DSU plan (the "DSU Plan") from 2,000,000 to 3,000,000, and a further 1,000,000 per year at each of the 2020 and 2021 Annual General Meeting of shareholders of the Corporation, such that the total pool had been 5,000,000 DSUs. On November 10, 2021, as part of the announced 10:1 share consolidation, the total current DSU pool was consolidated on the same basis to 500,000 DSUs.

The DSU Plan provides that the maximum number of DSUs issuable to insiders (as that term is defined by the Exchange) pursuant to the DSU Plan, together with any common shares issuable pursuant to any other security-based compensation arrangement of the Company, will not exceed 10% of the total number of outstanding common shares. The DSUs issued under this plan to non-executive directors are to be settled in common shares of the Company when the director retires from all positions with the Company.

(a) Issuance of DSUs:

During the year ended March 31, 2023, the Company issued 193,705 DSUs valued at $193,576 to non-executive directors under the DSU Plan in settlement of deferred directors' compensation (2022 - 70,313 DSUs valued at $117,656).

(b) Settlement of DSUs

To date, a total of 584,818 DSUs have been issued, of which 528,778 remain outstanding. There were no settlements of DSUs into common shares during the years ended March 31, 2023 or 2022.

(Stated in Canadian dollars, except per share amounts)

21. **WARRANTS**

Warrant activity for the years ended March 31, 2023 and 2022 was as follows:

	2023		2022	
	Warrants	**Weighted -average exercise price ($)**	Warrants	Weighted-average exercise price ($)
Outstanding, beginning of year	**5,630,905**	**2.17**	75,000	1.60
Compensation warrants *(see note 21(d)))*	**-**	**-**	150,000	1.80
Issued as part of October, 2021 financing *(see note 21(a))*	**-**	**-**	2,827,798	2.20
Broker units *(see note 21(b))*	**-**	**-**	163,680	1.80
Broker unit warrants *(see note 21(b))*	**-**	**-**	122,760	2.20
Issued to EWG shareholders as partial consideration for EWG acquisition *(see note 21(c))*	**-**	**-**	2,291,667	2.20
Expired unexercised	**(75,000)**	**1.60**	-	-
Outstanding, end of year	**5,555,905**	**2.17**	5,630,905	2.17

As at March 31, 2023, the issued and outstanding share purchase warrants to acquire common shares of the Company are as follows:

Description	**Grant date**	**Number of options Granted**	**Exercise price ($)**	**Remaining life**	**Expiry date**
EWG acquisition warrants	October 6, 2021	2,291,667	2.20	1.52	October 6, 2024
Financing warrants	October 6, 2021	2,827,798	2.20	1.52	October 6, 2024
Broker warrants	October 6, 2021	163,680	1.80	0.52	October 6, 2023
Broker unit warrants	October 6, 2021	122,760	2.20	1.52	October 6, 2024
Compensation warrants	December 31, 2021	150,000	1.80	1.75	December 31, 2024
		5,555,905	2.17	1.49	

(a) In connection with the private placement that closed on October 6, 2021 *(see note 18(a)(i))*, the Company also issued 2,827,798 common share purchase warrants, exercisable at $2.20 per common share for 36 months. The fair value of the warrants was calculated with the Black-Scholes option pricing model, using the assumptions of: (1) risk free interest rate of 0.57%, (2) expected volatility of 30.0%, (3) expected life of 3 years, and (4) dividend yield of 0.0%, such that the fair value attributed to each warrant was $0.20.

21. **WARRANTS, CONTINUED**

(b) In addition to cash commissions and other transaction costs of $363,682, the Company also issued 163,680 broker warrants to the agent for conducting the private placement. Each broker warrant entitles the holder to acquire one unit (a "Broker Unit") at $1.80 per Broker Unit for a period for 24 months. Each Broker Unit consists of one common share and three-quarters of one common share purchase warrant (each whole warrant, a "Broker Unit Warrant"). Each Broker Unit Warrant is exercisable to acquire one common share at an exercise price of $2.20 per common share for 36 months.

The fair value of the options was calculated with the Black-Scholes option pricing model, using the assumptions of: (1) risk free interest rate of 0.17%, (2) expected volatility of 68.8%, (3) expected life of 2 years, and (4) dividend yield of 0.0%, such that the fair value attributed to each option was $0.50 for a total value of $89,095.

(c) In connection with the EWG acquisition that closed on October 6, 2021 *(see note 6(a))*, the Company also issued 2,291,667 common share purchase warrants, exercisable under the same terms as detailed in note 21(b). The fair value attributed to each warrant, using the same Black-Scholes inputs, was also $0.20.

(d) As consideration for BMO entering into the SARCA *(see note 15(a))*, the Company issued 150,000 warrants to the lender on December 31, 2021. Each warrant is exercisable into one common share of the Company at an exercise price of $1.80 per common share. The warrants vested immediately and expire on December 31, 2024. The fair value of the warrants was calculated with the Black-Scholes option pricing model, using the assumptions of: (1) risk free interest rate of 0.41%, (2) expected volatility of 30.0%, (3) expected life of 3 years, and (4) dividend yield of 0.0%, the fair value attributed to each warrant was $0.15. The total expense recognized of $21,752 has been included in the financing costs line in the statements of net loss and comprehensive loss.

22. **GOVERNMENT GRANTS**

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. In January 2023, the Company received $1,540,172 under this program. The grant has been accounted for as compensation for inventory production costs that the Company incurred to produce bulk wine in the prior year, and it will be recognized in the consolidated statements of net loss and comprehensive loss as a reduction in the cost of goods sold in the period the eligible wine is sold. For the year ended March 31, 2023, $506,956 of the grant has been recognized as a credit to cost of goods sold and $1,033,216 has been recorded as a reduction to the cost of inventory which will be released to cost of goods sold as it is sold.

Covid-19 funding

During the year ended March 31, 2023, the Company has recorded funding of $Nil (2022 - $107,317) under the Canadian Employment Wage Subsidy ("CEWS") program and $Nil (2022 - $27,898) under the Canadian Emergency Rent Subsidy ("CERS") program, the proceeds of which have been netted against certain expense categories in the statements of consolidated net loss and comprehensive loss.

(Stated in Canadian dollars, except per share amounts)

23. RESTRUCTURING CHARGES

As part of the Company's restructuring plan, included in restructuring charges for the year ended March 31, 2023 are severance charges in the amount of $457,257 (2022 - $230,000). The current year amount remains unpaid as at year-end and is included in accounts payable and accrued liabilities.

24. INCOME TAXES

(a) **Income rate reconciliation**

The reconciliation of the combined Canadian federal and provincial statutory income tax rates on the net income for the years ended March 31, 2023 and 2022 is as follows:

	2023	2022
Net loss before recovery of income taxes	**$ (8,870,155)**	$ (2,999,539)
Expected income tax recovery	**26.50%**	26.50%
Expected income tax recovery	**$ (2,350,591)**	$ (794,878)
Decrease (increase) resulting from:		
Non-deductible expenses	**178,409**	(530,496)
Change in tax benefits not recognized	**2,218,355**	831,821
Tax rate differential	**(19,015)**	(17,932)
Other	**(371,658)**	(15,072)
Recovery of income taxes	**$ (344,500)**	$ (526,557)

(b) **Deferred tax**

The following table summarizes the components of deferred tax:

	March 31, 2022	Recognized in profit and loss	Recognized in equity	March 31, 2023
Deferred tax assets				
Non-capital losses carried forward	**$ 2,416,791**	$ (1,012,979)	$ -	**$ 1,403,812**
Share issuance and deferred financing costs	**131,123**	27,183	22,313	**180,619**
	2,547,914	**(985,796)**	**22,313**	**1,584,431**
Deferred tax liabilities				
Property, plant and equipment	**(2,062,294)**	1,095,986	-	**(966,308)**
Intangible assets	**(463,218)**	10,163	-	**(453,055)**
Inventory	**(335,407)**	220,537	-	**(114,870)**
ROU assets and capital leases	**(31,495)**	(18,703)	-	**(50,198)**
	(2,892,414)	**1,307,983**	**-**	**(1,584,431)**
Net deferred tax liabilities	**$ (344,500)**	**$ 322,187**	**$ 22,313**	**$ -**

(Stated in Canadian dollars, except per share amounts)

24. **INCOME TAXES, CONTINUED**

(c) **Unrecognized deferred tax assets**

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2023	2022
	$	$
Non-capital losses carried forward	**33,575,239**	23,754,331
Capital losses carried forward	**397,388**	397,388
Share issuance and deferred financing costs	**(1,595)**	321,070
Reserves	**384,242**	37,000
Intangible assets	**1,150,496**	1,055,062
Property, plant and equipment	**1,402,025**	1,449,497
Farm loss carryforward	**468,202**	468,202
Term loan	**92,781**	373,734
Total unrecognized deductible temporary differences	**37,468,778**	27,856,284

The non-capital loss carryforwards expire as noted in the table below. The net capital loss carry forwards may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in the next few years. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

2028	$	915,543
2029		632,792
2030		8,635,937
2031		3,750,634
2032		2,007,278
2033		475,778
2034		1,728,129
2035		1,749,980
2036		664,607
2037		438,392
2038		466,140
2039		3,367,309
2040		2,856,319
2041		1,933,842
2042		2,753,728
2043		6,506,238
	$	38,882,646

(Stated in Canadian dollars, except per share amounts)

25. KEY MANAGEMENT COMPENSATION, RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended March 31, 2023 and 2022, the Company had the following related party transactions, including (i) compensation of key management personnel and directors, and (ii) transactions with entities related to or controlled by directors, as follows:

		2023		2022
Salary	**$**	**876,088**	$	790,277
Director fees		**-**		77,750
Share based compensation *(see note 19(d))*		**394,816**		413,091
Commissions		**57,426**		367,268

Accounts payable and accrued liabilities as at March 31, 2023 includes $105,816 (2022 - $85,876) with respect to balances owing to related parties for the transactions disclosed above.

26. NON-CASH TRANSACTIONS

	2023 **$**	2022 $
Right-of-use assets acquired under lease liabilities	**146,375**	110,849
Proceeds from disposition of right-of-use assets applied against lease liabilities	**193,225**	34,146
Accounts payable offset against debenture proceeds	**-**	158,025
Shares issued on conversion of debentures and accrued interest	**-**	1,889,162
Shares and warrants issued for EWG acquisition	**-**	5,678,150
Shiny Apple brand purchase consideration held in escrow	**-**	1,100,000
BMO bank debt assumed on EWG acquisition	**-**	3,747,182

27. 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 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 *(see note 15)* and there has been no change in the overall capital risk management strategy during the year.

(Stated in Canadian dollars, except per share amounts)

28. 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 years ended March 31, 2023 and 2022:

	Year ended March 31, 2023		
	Agency	**Manufactured wines**	**Consolidated**
	$	**$**	$
Gross revenue	**14,975,252**	**17,554,017**	**32,529,269**
Inter-segment revenue	**(806,329)**	**-**	**(806,329)**
Net revenue	**14,168,923**	**17,554,017**	**31,722,940**
Gross profit	**4,993,956**	**5,096,992**	**10,090,948**
Interest and accretion	**53,788**	**2,222,354**	**2,276,142**
Depreciation and amortization	**570,059**	**986,703**	**1,556,762**
Additions of property, plant and equipment and intangible assets	**-**	**295,020**	**295,020**
	Statement of financial position balances as at March 31, 2023		
Intangible assets	**805,315**	**3,678,003**	**4,483,318**
Total assets	**5,785,124**	**56,184,329**	**61,969,453**
Total liabilities	**4,538,449**	**35,141,211**	**39,679,660**

	Year ended March 31, 2022		
	Agency	**Manufactured wines**	**Consolidated**
	$	**$**	$
Gross revenue	15,597,163	14,962,656	30,559,819
Inter-segment revenue	(573,962)	-	(573,962)
Net revenue	15,023,201	14,962,656	29,985,857
Gross profit	5,574,209	4,843,295	10,417,504
Interest	53,670	1,137,333	1,191,003
Depreciation and amortization	573,801	1,078,738	1,652,539
Additions of property, plant and equipment and intangible assets	-	476,757	476,757
	Statement of financial position balances as at March 31, 2022		
Intangible assets	1,127,435	3,763,909	4,891,344
Total assets	6,110,279	62,054,920	68,165,199
Total liabilities	4,289,684	33,562,248	37,851,932

Transactions between segments are measured at the exchange amount, which approximates fair value. All of the Company's long lived assets are located in Canada.

(Stated in Canadian dollars, except per share amounts)

28. **SEGMENTED INFORMATION, CONTINUED**

Geographic information	**2023**	2022
Revenue		
Canada	**$ 30,351,998**	$ 27,577,832
China and other	**1,370,942**	2,408,025
	$ 31,722,940	$ 29,985,857

29. **FINANCIAL INSTRUMENTS AND RISK FACTORS**

(a) Risk management

The Company is exposed to interest rate risk, credit risk, foreign currency risk, liquidity risk and concentration risk associated with its financial assets and liabilities. Management has the overall responsibility for the establishment and approval of the Company's risk management policies. The Company's objectives are to manage the risks and risk exposure through a combination of sound business practices and the involvement of management in the daily operations.

(b) Classification of financial instruments

The classification and measurement of the financial assets and liabilities, as well as their carrying amounts and fair values, are as follows:

			2023		**2022**	
Assets/liabilities	**Category**	**Measurement**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
			$	**$**	$	$
Accounts receivable	Financial assets	Amortized cost	**3,159,280**	**3,159,280**	5,204,837	5,204,837
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	**6,708,787**	**6,708,787**	8,799,574	8,799,574
Term loans payable	Financial liabilities	Amortized cost	**25,658,120**	**25,658,120**	25,950,258	25,950,258
Debentures payable	Financial liabilities	Amortized cost	**4,359,242**	**4,359,242**	-	-
Derivative liability	Financial liabilities	FVTPL	**590,327**	**590,327**	-	-

(c) **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company is exposed to interest rate risk primarily through its floating interest rate bank indebtedness, credit facilities and lease liabilities. Assuming that other variables remain constant, a 1% change in the prime lending rate as at March 31, 2023 would impact annual interest expense and net income by $257,000 (2022 - $264,000).

(Stated in Canadian dollars, except per share amounts)

29. **FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED**

(d) **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. The Company is exposed to credit risk on its accounts receivable. Its exposure is generally limited to the carrying amount on the consolidated statements of financial position. The Company minimizes credit risk on cash by depositing with only reputable financial institutions.

Management reviews credit risk on the Company's trade receivables through established credit monitoring policies, including analysis of historical payment trends, customer history and events to assess if there should be any allowance for accounts receivable for balances that are impaired. Provisions are recognized based on the expected credit losses in order to reflect risks related to bad debts. Aged amounts receivable and related provision are as follows:

	2023	2022
Current	**$ 1,736,563**	$ 824,754
30 days past due	**305,886**	1,803,319
60 days past due	**100,474**	512,075
90 days past due	**43,486**	266,246
120 days past due	**1,094,509**	783,292
Escrow receivable *(see note 8)*	**-**	1,100,000
Amount provided for	**(121,638)**	(84,849)
	$ 3,159,280	$ 5,204,837

The Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. Customers with no credit evaluation are required to pay cash with no credit terms. The Company has a credit insurance policy with Export Canada Development (for export customers only). The policy's maximum liability is $650,000 for each annual period (2022 - $400,000). Based on the historical information and the credit quality of accounts receivable, management has assessed credit risk as low. It is reasonably possible that the actual amount of loss, if any, incurred on trade receivables will differ from management's estimate.

(e) **Concentration risk**

Concentration risk is the risk arising from a dependence on one customer or supplier for a significant portion of sales or purchases. The risk of a significant customer having financial difficulties would have a negative impact on the Company. During the year ended March 31, 2023, sales to three customers, including the Liquor Control Board of Ontario ("LCBO") comprised 46.8% (2022 - 48.9%) of total revenue. As at March 31, 2023, these three customers represented 26.0% of accounts receivable (2022 - 31.9%).

The Company has many other sales to distributors and customers and, other than disclosed above, is not dependent on the sales to any one single customer. The Company also has a larger supplier who represents a significant portion of its purchases.

29. **FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED**

(f) **Foreign currency risk**

Foreign currency risk is the risk that changes in foreign currency rates will adversely affect the Company. The Company conducts transactions with parties worldwide, and as a result, certain of the Company's accounts receivable and accounts payable balances are denominated in United States dollars ("USD"), Australian dollars ("AUD"), Euros ("EUR") and British pounds ("GBP"). A significant change in currency exchange rate between the Canadian dollar relative to these currencies could have an effect on the operating results. The Company has not hedged its exposure to currency fluctuations. Based on this exposure and assuming that all other variables remain constant, a +/- 10% change in the value of the Canadian dollar relative to these currencies as at March 31, 2023 would affect net income and comprehensive income by approximately $5,000 (2022 - $39,000).

(g) **Liquidity risk**

Liquidity risk is the risk arising from the Company not being able to meet its obligations as they come due. The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for its financial liabilities as well as forecasting cash inflows and outflows due in day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity presented in bank indebtedness and term loans payable *(see note 15).*

Total current liabilities as at March 31, 2023 of $37,773,406 (March 31, 2022 - $35,199,449), which includes accounts payable and accrued liabilities, current portion of term loans payable and lease liabilities, debentures payable and derivative liability, are considered current and are due within 12 months of the end of the reporting period. It also includes the non-current portion of the BMO term loans of $Nil (March 31, 2022 - $22,964,065) being classified as current due to the Company being in breach of its fixed charge covenant ratio for the twelve-month period ended March 31, 2022, However, on October 24, 2022, the Company entered into an amended SARCA (s*ee note 15(a))* for which the Company received a waiver on its fixed charge covenant until March 31, 2023.

29. FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED

The following table outlines the Company's estimated contractual undiscounted obligations as at March 31, 2023. The Company analyzes contractual obligations for financial liabilities in conjunction with other commitments in managing liquidity risk. Contractual obligations include term loans payable, lease liabilities, debentures payable and contracts for the purchase of grapes, packaging and other raw materials.

	<1 year	2-3 years	4-5 years $ (000's)	>5 years	Total
Accounts payable and accrued liabilities	6,709	-	-	-	6,709
Term loans payable	25,658	-	-	-	25,658
Lease liabilities	457	783	523	601	2,363
Debentures payable	5,372	-	-	-	5,372
Purchase contracts for grapes, packaging and other raw materials	3,654	3,654	-	-	7,308
Total contractual obligations	41,850	4,437	523	601	47,410

30. SUBSEQUENT EVENTS

(a) **Related party loan**

In May, 2023, the Company received a loan in the principal amount of $750,000 from a related party, the proceeds of which are intended to be used for general working capital purposes. The loan is unsecured, subordinated to the Company's senior lender, bears interest at prime plus 1 %, and is repayable within 120 business days of being advanced.

(b) **DSU issuance**

In May, 2023, the Company issued an aggregate of 285,980 DSUs in settlement of $100,093 of deferred directors' compensation.

(c) **Covenant waiver**

On May 31, 2023, the Company's primary lender consented in writing to waive the Company's requirement to comply with the fixed charge coverage ratio "(FCCR") covenant for the twelve month rolling period ended June 30, 2023.