DIAMOND ESTATES WINES & SPIRITS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

Independent auditor's report

To the Shareholders of Diamond Estates Wines & Spirits Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Diamond Estates Wines & Spirits Inc. and its subsidiaries (together, the Company) as at March 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 31, 2021 and 2020;
- the consolidated statements of net loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5
T: +1 905 815 6300, F: +1 905 815 6499

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
July 22, 2021

DIAMOND ESTATES WINES & SPIRITS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2021 AND 2020

	2021	2020
ASSETS		
Current:		
Accounts receivable (Note 5)	**$ 2,684,546**	$ 3,406,053
Inventories (Note 6)	**23,418,282**	22,099,156
Prepaid expenses	**254,101**	266,146
	26,356,929	25,771,355
Long term:		
Property, plant and equipment (Note 8)	**17,697,058**	18,208,422
Right-of-use assets (Note 9)	**3,180,600**	3,166,836
Intangible assets (Note 10)	**2,585,404**	2,804,615
	$ 49,819,991	$ 49,951,228
LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 11)	**$ 4,734,792**	$ 7,220,669
Current portion of term loans payable (Note 12)	**799,851**	19,161,412
Current portion of lease liabilities (Note 13)	**420,811**	382,730
	5,955,454	26,764,811
Long term:		
Term loans payable (Note 12)	**22,990,244**	-
Lease liabilities (Note 13)	**2,686,996**	2,740,675
	31,632,694	29,505,486
SHAREHOLDERS' EQUITY		
Common shares (Note 14)	**27,690,705**	27,690,705
Contributed surplus	**1,581,984**	1,205,216
Accumulated deficit	**(11,085,392)**	(8,450,179)
	18,187,297	20,445,742
	$ 49,819,991	$ 49,951,228

Subsequent event (Note 23)

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, 2021 AND 2020

	2021	2020
Revenue	**$ 25,552,514**	$ 26,794,230
Cost of sales		
Change in inventories of finished goods and raw materials consumed	**14,113,021**	13,700,815
Freight in & royalties in and other	**908,350**	980,850
Depreciation of property, plant and equipment and right-of-use assets used in production (Notes 8 & 9)	**530,753**	760,827
	15,552,124	15,442,492
Gross profit	**10,000,390**	11,351,738
Expenses		
Employee compensation and benefits	**4,700,316**	6,709,616
General and administrative	**3,076,425**	3,585,660
Advertising and promotion	**919,368**	1,745,664
Delivery and warehousing	**987,755**	821,852
Interest	**939,660**	1,113,986
Financing costs (Note 15(d))	**341,337**	135,050
Depreciation of property, plant and equipment and right-of-use assets used in selling and administration (Notes 8 & 9)	**576,770**	585,231
Amortization of intangible assets (Note 10)	**339,380**	344,277
Share based compensation (Note 15(d))	**330,433**	528,338
	12,211,444	15,569,674
Loss before undernoted item	**(2,211,054)**	(4,217,936)
Restructuring charges	**(578,586)**	-
Gain on sale of capital assets	**154,427**	10,897
Loss before income taxes	**(2,635,213)**	(4,207,039)
Income taxes (recovery) (Note 17)	**-**	(21,000)
Net loss and comprehensive loss	**$ (2,635,213)**	$ (4,186,039)
Basic and diluted loss per share (Note 14(a))	**$ (0.013)**	$ (0.021)

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, 2021 AND 2020

	Note	Common shares Shares	Amount	Contributed surplus	Accumulated deficit	Total
As at April 1, 2019		**148,511,746**	**$ 19,157,313**	**$ 747,081**	**$ (4,264,140)**	**$15,640,254**
Net loss and comprehensive loss		-	-	-	(4,186,039)	(4,186,039)
Share based compensation	**15(a, d)**	-	-	528,338	-	528,338
Proceeds on issuance of common shares	**14(a)**	49,133,805	9,335,423	-	-	9,335,423
Share issuance costs	**14(a)**	-	(1,112,234)	-	-	(1,112,234)
Settlement of deferred share units	**16**	360,015	70,203	(70,203)	-	-
Exercise of options	**15(b)**	2,000,000	240,000	-	-	240,000
As at March 31, 2020		**200,005,566**	**27,690,705**	**1,205,216**	**(8,450,179)**	**20,445,742**
Net loss and comprehensive loss		-	-	-	(2,635,213)	(2,635,213)
Share based compensation and financing costs from warrant issuance	**15(a, d)**	-	-	376,768	-	376,768
As at March 31, 2021		**200,005,566**	**$27,690,705**	**$ 1,581,984**	**$ (11,085,392)**	**$ 18,187,297**

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, 2021 AND 2020

	2021	2019
Operating activities		
Net loss	**$ (2,635,213)**	$ (4,186,039)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment and right-of-use assets	**1,107,523**	1,346,058
Amortization of intangible assets	**339,380**	344,277
Amortization of deferred financing costs	**73,634**	43,329
(Gain) loss on disposal of capital assets	**(154,427)**	(10,897)
Share based compensation and financing costs from warrant issue	**376,768**	528,338
Recovery of deferred income taxes	**-**	(21,000)
Interest expense	**939,660**	1,113,986
Interest paid	**(939,660)**	(1,113,986)
	(892,335)	(1,955,934)
Change in non-cash working capital items		
Accounts receivable	**721,507**	(478,899)
Inventories	**(1,120,222)**	(2,690,865)
Prepaid expenses	**12,045**	(33,554)
Accounts payable and accrued liabilities	**(2,346,855)**	817,359
	(3,625,860)	(4,341,893)
Investing activities		
Purchase of property, plant and equipment	**(360,969)**	(280,131)
Purchase of intangible assets	**(120,169)**	(8,270)
Repayment of note payable	**-**	(550,000)
	(481,138)	(838,401)
Financing activities		
Repayment of lease liabilities	**(448,051)**	(411,844)
Deferred financing costs paid	**(88,325)**	-
Net borrowings (repayments) on revolving term loan	**2,268,374**	(2,371,051)
Repayment on non-revolving term loan	**(375,000)**	(500,000)
Proceeds from issuance of common shares, net of share issuance costs	**-**	8,223,189
Proceeds on exercise of options	**-**	240,000
Proceeds under BCAP non-revolving term loan	**2,750,000**	-
	4,106,998	5,180,294
Change in cash	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**$ -**	$ -

Non-cash transactions: (Note 22)

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

1. NATURE OF OPERATIONS

(a) 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.

(b) **COVID-19 pandemic:**

In March 2020, the World Health Organization characterized the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, as a global pandemic. This has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business, resulting in a global economic slowdown. Equity markets have experienced significant volatility and the governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

These changes have had direct impacts on the Company's business, reducing sales from winery retail (including fewer international visitors), on-premise licensee business, contracts and export channels. The loss of business in those channels has been partially compensated for by increased sales from grocery retail, online, direct delivery and curbside pickups. In order to adapt to this new reality, the Company's retail operations have changed with the introduction of physical distancing, reduced density and a modified shopping experience in all retail locations. This includes touchless retail, limited product tastings and greater use of external physical resources (patios, event canopies and outdoor venues).

Depending on the duration and extent of the ongoing impact of COVID-19, this could materially impact our customers and their demand for our products, our supply chains, lease agreements, banking agreements and related covenants *(see note 12)*. This in turn may have a direct impact on the Company's operating results, cash flows and financial position.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of presentation and statement of compliance**

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). They were authorized for issuance by the Board of Directors on July 22, 2021.

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

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries:

♦	Diamond Estates Wines & Spirits Ltd.	100%
♦	De Sousa Wines Toronto Inc.	100%
♦	Backyard Vineyards Corp.	100%

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.

(c) **Financial instruments**

The Company's financial assets consist entirely of accounts receivable. The Company's financial liabilities consist of accounts payable and accrued liabilities and term loans payable.

(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.

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.

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(c) **Financial instruments, continued**

(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. Applying the expected credit loss model on adoption of IFRS 9 did not have a significant impact on the Company's consolidated financial statements.

(iii) 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. There were no such derivative instruments outstanding at March 31, 2021 and 2020.

(d) **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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(e) **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

(f) **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.

(g) **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.

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

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.

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(h) **Intangible assets, continued**

Indefinite lived intangible assets are not subject to amortization and are assessed annually for impairment using the method described in note 2. The pre-1993 winery licenses and BYV brand name have an indefinite life because the expected usage, period of control and other factors do not limit their life.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units, or "CGUs").

All individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, with the exception of indefinite lived intangibles which are tested for impairment annually in accordance with IAS 36.

An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for CGUs reduce the carrying amount of the assets in that CGU. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the CGU's recoverable amount exceeds its carrying amount. Any reversal cannot result in the carrying amount exceeding the original value less the depreciation or amortization that would have been recognized.

Management has determined, using the above-noted valuation methods, that there is no impairment of intangible assets at March 31, 2021 and 2020.

(h) **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.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(h) Income taxes, continued

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.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(i) **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.

(j) **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.

(k) **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.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(l) **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.

(m) **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.

(n) **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.

Revenue from brand management 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.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(o) **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, that 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) **COVID-19 estimation uncertainty**

The COVID-19 pandemic has had a material impact on the global economy, the scale and duration of which remains uncertain. To date, there has been significant volatility in foreign exchange rates, restrictions on the conduct of businesses, including travel restrictions and supply chain disruptions. Depending on the duration and extent of the impact of COVID-19, this could materially impact the Company's results of operations, cash flows, and financial position and could result in changes to estimates used. Changes related to these could be material.

(ii) **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.

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

Property, plant and equipment and right-of-use assets represent a significant proportion of the asset base of the Company as they amount to 41.9% (2020 - 42.8%) 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.

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 the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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.

(iv) **Gross versus net presentation**

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

(v) **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.

(vi) **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. Actual amounts may vary from these assumptions and cause significant adjustments.

(p) **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.

2. **SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

(p) **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.

(q) **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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(r) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all the required conditions are complied with. Government grants in respect of capital expenditures are credited to the carrying amount of the related asset and are released to income over the expected useful lives of the relevant assets. Government grants which are not associated with an asset are credited to income to net them against the expense to which they relate.

During the year ended March 31, 2021, the Company has recorded funding of $821,545 under the Canadian Employment Wage Subsidy ("CEWS") program and $137,757 under the Canadian Emergency Rent Subsidy ("CERS") program, the proceeds of which have been netted against certain expense categories in the statement of net loss and comprehensive loss. Of that number, $146,151 is included in accounts receivable as at March 31, 2021.

3. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

(a) IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

These standards have been amended to use a consistent definition of materiality throughout all accounting standards, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

(b) IFRS 3 "Business Combinations"

This standard has been amended to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contributions to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. The adoption of these amendments did not have a significant impact on the consolidated financial statements.

4. 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.

(a) IFRS 16 "Leases"

This standard has been amended to provide lessees with an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. This amendment is effective for annual periods beginning on or after June 1, 2020. At this time, the Company has not received rent concessions related to COVID-19 and therefore, this amendment is not expected to have a significant impact on the consolidated statements.

4. **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS, CONTINUED**

(b) **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 requires certain related disclosures. The amendments are effective for annual periods beginning on or after January l, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

(c) **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 l, 2022. The Company has not yet assessed the impact of the amendments on the consolidated financial statements.

(d) **IAS 1 "Presentation of Financial Statements"**

This standard has been amended to clarify that liabilities are classified as either 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. This amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January l, 2023. The Company has not yet assessed the impact of the amendment on the consolidated financial statements.

5. **ACCOUNTS RECEIVABLE**

	2021	2020
Trade receivables	**$ 2,398,643**	$ 2,761,979
Accrued receivables	**264,903**	623,074
Income taxes recoverable	**21,000**	21,000
	$ 2,684,546	$ 3,406,053

The Company has an allowance for doubtful accounts as at March 31, 2021 of $168,961 (2020 - $211,933).

6. **INVENTORIES**

	2021	2020
Bulk wine	**$ 15,847,385**	$ 14,980,806
Bottled wine and spirits	**7,112,765**	6,548,457
Bottling supplies and packaging	**458,132**	569,893
	$ 23,418,282	$ 22,099,156

The Company has a provision for inventory obsolescence as at March 31, 2021 of $81,361 (2020 - $80,701).

7. 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, 2021, the Company held grape vines planted on 18.2 acres (2020 - 18.2 acres), 5.5 of which were on held through the operating lease of the BYV winery property. During the year ended March 31, 2021, the Company harvested 53.4 tons of grapes (2020 - 22.4 tons) valued at $103,485 (2020 - $59,776).

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

	2021	2020
Carrying value, beginning of year	**$ -**	$ -
Net increase in fair value less costs to sell due to biological transformation	**103,485**	59,776
Transferred to inventory on harvest	**(103,485)**	(59,776)
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.

8. **PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Machinery, equipment and vines	Leasehold improvements	Equipment	Vehicles	Computer equipment	Total
Cost								
As at April 1, 2019	$ 1,139,227	$ 16,256,937	$ 11,933,447	$ 62,700	$ 102,512	$ 29,790	$ 534,593	$ 30,059,206
Additions	3,650	65,207	198,538	-	-	-	12,736	280,131
As at March 31, 2020	1,142,877	16,322,144	12,131,985	62,700	102,512	29,790	547,329	30,339,337
Additions	(3,650)	22,969	341,650	-	-	-	-	360,969
As at March 31, 2021	$ 1,139,227	$ 16,345,113	$ 12,473,635	$ 62,700	$ 102,512	$ 29,790	$ 547,329	$ 30,700,306
Accumulated depreciation								
As at April 1, 2019	$ -	$ 4,264,113	$ 6,465,787	$ 45,131	$ 100,962	$ 29,790	$ 379,967	$ 11,285,750
Depreciation	-	377,776	416,658	7,569	1,550	-	41,612	845,165
As at March 31, 2020	-	4,641,889	6,882,445	52,700	102,512	29,790	421,579	12,130,915
Depreciation	-	386,184	434,578	1,600	-	-	49,971	872,333
As at March 31, 2021	$ -	$ 5,028,073	$ 7,317,023	$ 54,300	$ 102,512	$ 29,790	$ 471,550	$ 13,003,248
Net book value								
As at March 31, 2020	$ 1,142,877	$ 11,680,255	$ 5,249,540	$ 10,000	$ -	$ -	$ 125,750	$ 18,208,422
As at March 31, 2021	$ 1,139,227	$ 11,317,040	$ 5,156,612	$ 8,400	$ -	$ -	$ 75,779	$ 17,697,058

9. RIGHT OF USE ASSETS

	Building	Vehicles	Machinery and equipment	Total
Cost				
As at April 1, 2019	**$ -**	**$ 846,502**	**$ 838,342**	**$ 1,684,844**
Right-of-use assets on transition to IFRS 16	2,385,244	-	-	2,385,244
Additions	-	54,486	-	54,486
Disposals	-	(56,963)	-	(56,963)
As at March 31, 2020	**2,385,244**	**844,025**	**838,342**	**4,067,611**
Additions	-	466,543	-	466,543
Disposals	-	(446,106)	-	(446,106)
As at March 31, 2021	**$ 2,385,244**	**$ 864,462**	**$ 838,342**	**$ 4,088,048**
Accumulated depreciation				
As at April 1, 2019	**$ -**	**$ 470,961**	**$ 8,733**	**$ 479,694**
Depreciation	213,082	212,457	20,958	446,497
Disposals	-	(25,416)	-	(25,416)
As at March 31, 2020	**213,082**	**658,002**	**29,691**	**900,775**
Depreciation	213,083	200,052	20,959	434,094
Disposals	-	(427,421)	-	(427,421)
As at March 31, 2021	**$ 426,165**	**$ 430,633**	**$ 50,650**	**$ 907,448**
Net book value				
As at March 31, 2020	**$ 2,172,162**	**$ 186,023**	**$ 808,651**	**$ 3,166,836**
As at March 31, 2021	**$ 1,959,079**	**$ 433,829**	**$ 787,692**	**$ 3,180,600**

10. INTANGIBLE ASSETS

	Pre-1993 winery licenses	Distribution rights	Customer Lists	Brand Names	Trademarks	Computer software	Website	Total
Cost								
As at April 1, 2019	**$ 750,000**	**$ 8,819,763**	**$ 70,000**	**$ 219,000**	**$ 52,358**	**$ 211,717**	**$ 15,335**	**$ 10,138,173**
Additions	-	-	-	-	-	-	8,270	8,270
Disposals	-	-	-	-	-	(14,519)	-	(14,519)
As at March 31, 2020	**750,000**	**8,819,763**	**70,000**	**219,000**	**52,358**	**197,198**	**23,605**	**10,131,924**
Additions	-	-	-	-	-	120,169	-	120,169
As at March 31, 2021	**$ 750,000**	**$ 8,819,763**	**$ 70,000**	**$ 219,000**	**$ 52,358**	**$ 317,367**	**$ 23,605**	**$ 10,252,093**
Accumulated amortization								
As at April 1, 2019	**$ -**	**$ 6,719,968**	**$ 10,500**	**$ -**	**$ 49,743**	**$ 197,198**	**$ 5,623**	**$ 6,983,032**
Amortization	-	328,120	11,667	-	872	-	3,618	344,277
As at March 31, 2020	**-**	**7,048,088**	**22,167**	**-**	**50,615**	**197,198**	**9,241**	**7,327,309**
Amortization	-	322,120	11,667	-	872	-	4,721	339,380
As at March 31, 2021	**$ -**	**$ 7,370,208**	**$ 33,834**	**$ -**	**$ 51,487**	**$ 197,198**	**$ 13,962**	**$ 7,666,689**
Net book value								
As at March 31, 2020	**$ 750,000**	**$ 1,771,675**	**$ 47,833**	**$ 219,000**	**$ 1,743**	**$ -**	**$ 14,364**	**$ 2,804,615**
As at March 31, 2021	**$ 750,000**	**$ 1,449,555**	**$ 36,166**	**$ 219,000**	**$ 871**	**$ 120,169**	**$ 9,643**	**$ 2,585,404**

10. 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 their fair value less costs to sell.

The Company determined the recoverable amount of the pre-1993 winery licenses by estimating their fair value less costs of disposal.

(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.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade accounts payable	**$ 3,389,413**	$ 6,393,629
Accrued liabilities	**1,259,649**	789,743
Government remittances payable	**85,730**	37,297
	$ 4,734,792	$ 7,220,669

12. TERM LOANS PAYABLE

As at March 31, 2021, the balances outstanding on the Company's term loans were as follows:

	2021	2020
BMO term loans:		
Revolving operating term loan	**$ 12,583,995**	$ 10,315,621
Non-revolving term loan	**8,500,000**	8,875,000
BCAP non- revolving term loan (Note 12)(i))	**2,750,000**	-
	23,833,995	19,190,621
Deferred financing costs	**(43,900)**	(29,209)
	23,790,095	19,161,412
Current portion	**(799,851)**	(19,161,412)
	$ 22,990,244	$ -

12. **TERM LOANS PAYABLE, CONTINUED**

(a) On October 26, 2020, the Company entered into an Amended and Restated Credit Agreement ("ARCA") to replace the original the BMO credit agreement dated September 29, 2017. The ARCA was amended on March 26, 2021 (the "First Amendment to the ARCA") and further amended on June 29, 2021 (the Second Amendment to the ARCA"). The ARCA is guaranteed by a general security agreement covering the assets of the Company and its subsidiaries and is subject to the following facilities detailed below.

The initial BMO credit agreement was dated September 29, 2017 and was amended pursuant to a first amending agreement dated July 29, 2019, a second amending agreement (the "Second Amending Agreement") dated December 17, 2019, a third amending agreement (the "Third Amending Agreement") dated May 15, 2020, and a fourth amending agreement (the "Fourth Amending Agreement") dated July 24, 2020.

(b) The Second Amending Agreement, in effect as of March 31, 2020, had a maturity date of September 26, 2020. As that maturity date fell within twelve months of that reporting date, all indebtedness as of March 31, 2020 was classified as current. Under the Fourth Amending Agreement and continued under the ARCA, the term loan maturity date was extended to July 1, 2022. Accordingly, as the maturity date is twelve months after the reporting date, classification of the term loan reverted back to long-term as of March 31, 2021.

Subsequent to year-end, under the Second Amendment to the ARCA dated June 29, 2021, the maturity date of the ARCA was extended by 3 months from July 1, 2022 to October 1, 2022.

(c) The revolving operating term loan is for working capital and general corporate requirements and is subject to the following terms, generally unchanged after the First Amendment to the ARCA:

(i) Revolving credit facility of up to $13,000,000, subject to specified borrowing base margin limitations, with a temporary bulge of an additional $1,000,000 until July 1, 2021
(ii) Monthly interest only payments at CAD prime rate +1.00%
(iii) Standby fee of 0.50% on available unused revolving term credit to be paid on the last day of each quarter

(d) The non-revolving term loan is for the purpose of refinancing the previous term debt and funding scheduled capital expenditures. The loan is subject to the following terms, generally unchanged after the First Amendment to the ARCA:

(i) Initial principal of $10,000,000, amortized over a period of 20 years
(ii) Monthly interest only payments at CAD prime rate +1.25%
(iii) Quarterly principal payments of $125,000

12. **TERM LOANS PAYABLE, CONTINUED**

(e) The BMO credit agreement 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, 2021, there were letters of credit in the amount of $50,000 outstanding with BMO (March 31, 2020 - $74,641).

(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. A swap is in place on the non-revolving term loan to fix the effective interest rate at 4.90% (BA rate of 1.96%) and effective until September 2020.

(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.

(f) 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, 2021, there was a balance of $578,614 drawn on this facility (March 31, 2020 - $688,396), and is included in lease liabilities.

(g) The terms of the BMO credit facility were further changed upon execution of the Fourth Amending Agreement in July, 2020 , as follows:

(i) The maturity date was extended to July 1, 2022;

(ii) The definitions of certain EBITDA adjustments were refined for the quarters ended September 30, 2020 and December 31, 2020;

(iii) The minimum fixed charge coverage ratio was amended to 1.20|1 and 1.05|1 respectively for the quarters ended September 30, 2020 and December 31, 2020; and

(iv) Quarterly principal payments of $125,000 were deferred for the quarters ended September 30, 2020 and December 31, 2020.

(h) The ARCA is subject to the following major financial covenants:

(i) Minimum fixed charge coverage ratio of 1.25|1, amended to 0.70|1 and 0.90|1 respectively for the quarters ended March 31, 2021 and June 30, 2021.

(ii) Maximum ratio of total liabilities to tangible net worth of 2.00|1, amended to 2.15|1 for the quarter ended March 31, 2021.

(iii) Capital expenditure limit of $1,000,000 for the fiscal years ending March 31, 2021 and 2022.

(i) As consideration for the lender amending the credit agreement, (i) the Company paid a cash fee of $34,500 with respect to the Third Amending Agreement, and (ii) with respect to the Fourth Amending Agreement, the Company issued 750,000 warrants to the lender *(see note 14(d))*, each exercisable for one common share in the Company at a price of $0.16 per common share, vesting immediately and expiring as of July 1, 2022.

12. **TERM LOANS PAYABLE, CONTINUED**

(j) On October 26, 2020, the Company obtained a term loan from its existing lender, Bank of Montreal, in the amount of $2,750,000. The loan was advanced under the auspices of the federal government's Business Credit Availability Program ("BCAP"), under which it is secured by an 80% guarantee from the Export Development Corporation ("EDC"). The funds were utilized to fund the Company's contractual grape purchases in the fall of 2020.

The BCAP loan has the following terms and conditions:

- bears interest monthly at CAD prime rate plus 1.25%';
- repayable in 48 equal monthly principal payments of $57,292, starting on the first anniversary of funding;
- EDC guarantee subject to renewal annually at a fee of 1.8% of the amount of the original loan; and
- maturity date of July 1, 2022.

13. **LEASE LIABILITIES**

As a result of initially applying IFRS 16, the Company recognized lease liabilities of $2,385,244 as at April 1, 2019 *(see note 3(a))*. During the year ended March 31, 2020, the Company has not entered into any new lease agreements with Element Inc, which secures Company's obligations under the terms of the lease. Movement in the lease liabilities consist of the following;

	2021	2020
Lease liabilities, beginning of year	**$ 3,123,405**	$ 1,152,482
Lease liabilities on transition to IFRS 16	**-**	2,385,244
Lease liabilities for assets acquired under lease	**466,543**	54,486
Lease liabilities for assets disposed of under lease	**(45,577)**	(56,963)
Interest payable on lease liabilities	**156,303**	160,395
Repayments during the year	**(604,355)**	(572,239)
Other	**11,488**	-
Lease liabilities, end of year	**3,107,807**	3,123,405
Current portion	**420,811**	382,730
Long term portion	**$ 2,686,996**	$ 2,740,675

The following amounts were recognized in profit and loss during the year		
Interest expense on lease liabilities	**$ 156,303**	$ 160,395
Depreciation on right-of-use assets	**434,094**	446,497
Expense related to short-term leases	**-**	81,156
Expenses related to leases of low-value assets	**-**	-

14. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

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, 2021 and 2020. Details of major changes in each component during the current reporting period are as follows:

(a) 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, 2021 was 200,005,566 (2020 - 179,384,775).

As at March 31, 2021, the following potentially dilutive equity instruments were outstanding: (1) 15,100,000 options (2020 - 8,050,000, (2) 2,647,637 deferred share units (2020 - 1,815,037), and (3) 750,000 common share purchase warrants (2020 - Nil). The fully diluted number of common shares outstanding as at March 31, 2021 was 218,503,203 (2020 - 209,870,603).

(b) Issuance of common shares

The Company did not issue any common shares during the year ended March 31, 2021. During the year ended March 31, 2020, common shares were issued as follows:

(i) On July 29, 2019, the Company completed a brokered private placement with Lassonde Industries Inc. ("Lassonde") to issue 36,900,000 common shares at $0.19 per share for gross proceeds of $7,011,000, less issuance costs of $895,491 for cash proceeds of $6,115,509.

(ii) On October 30, 2019, the Company closed a private placement of 12,233,805 common shares at $0.19 per share for gross proceeds of $2,324,423, less issuance costs of $216,743, for cash proceeds of $2,107,680.

(iii) The Company did not issue any common shares during the year ended March 31, 2021.

(c) Settlement of deferred share units

On September 27, 2019, on the retirement of a member of the Board of Directors, 332,451 DSUs were settled in common shares of the Company, and a further 27,564 DSUs on October 19, 2019 for the same member of the Board.

14. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS, CONTINUED

(d) Warrants

As consideration for BMO entering into the Fourth Amending Agreement to the Company's credit facility *(see note 12)*, the Company issued 750,000 warrants to the lender. Each warrant is exercisable into one common share of the Company at an exercise price of $0.16 per common share. The warrants vested immediately and expire on July 1, 2022. 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 0.26%, (2) expected volatility of 85.83%, (3) expected life of 2.0 years, and (4) dividend yield of 0.0%, the fair value attributed to each warrant was $0.06. The total expense recognized of $46,335 has been included in the financing costs line in the statement of net loss and comprehensive loss *(see note 15(d))*.

15. 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.

Stock option activity for the years ended March 31, 2021 and 2020 was as follows:

	2021		2020	
	Options	**Weighted-average exercise price ($)**	Options	Weighted-average exercise price ($)
Outstanding, beginning of year	**8,050,000**	**0.26**	11,850,000	0.25
Options exercised *(see note 15(b))*	**-**	**0.12**	(2,000,000)	0.12
Expiry of options *(see note 15(c))*	**(3,250,000)**	**-**	(2,950,000)	-
Granted to BOD and key management *(see note 15(a))*	**10,300,000**	**0.20**	1,150,000	0.20
Outstanding, end of year	**15,100,000**	**0.26**	8,050,000	0.26

15. **STOCK OPTIONS, CONTINUED**

As at March 31, 2021, 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**
	-	-			
February 27, 2018	500,000	375,000	0.27	1.91	February 26, 2023
October 1, 2018	3,900,000	1,950,000	0.28	2.50	September 30, 2023
September 28, 2019	400,000	100,000	0.20	3.50	September 27, 2024
August 3, 2020	1,250,000	-	0.14	4.35	August 2, 2025
September 2, 2020	7,050,000	-	0.14	4.43	September 1, 2025
September 15, 2020	500,000	-	0.14	4.46	September 14, 2025
March 9, 2021	1,500,000	-	0.18	4.94	March 8, 2026
	15,100,000	2,425,000	0.19	3.87	

(a) Issuance of options

(i) On August 12, 2019, the Company issued stock options to a key member of the management team. 250,000 stock options were issued with an exercise price of $0.19 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 86.73%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.19.

(ii) On September 28, 2019, the Company issued stock options to its directors and key members of the management team. A total of 900,000 stock options were issued, of which 400,000 were to Lassonde, with an exercise price of $0.20 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 86.73%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.12.

(iii) On August 3, 2020, the Company issued stock options to key members of the management team. A total of 1,250,000 stock options were issued with an exercise price of $0.14 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 0.33%, (2) expected volatility of 73.51%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.07.

15. **STOCK OPTIONS, CONTINUED**

(iv) On September 2, 2020, the Company issued stock options to its directors and key members of the management team. A total of 7,050,000 stock options were issued with an exercise price of $0.14 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 0.27%, (2) expected volatility of 73.10%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.07.

(v) On September 15, 2020, the Company issued stock options to key members of the management team. A total of 500,000 stock options were issued with an exercise price of $0.14 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 0.33%, (2) expected volatility of 73.07%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.07.

(vi) On March 9, 2021, the Company issued stock options to a key member of the management team. A total of 1,500,000 stock options were issued with an exercise price of $0.18 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 1.09%, (2) expected volatility of 86.96%, (3) expected life of 5 years, and (4) dividend yield of 0.0%, the fair value attributed to each option was $0.14.

(b) Exercise of options

(i) On October 30, 2019, 2,000,000 of the stock options originally granted on November 10, 2014 were exercised at the purchase price of $0.12 per share for total proceeds of $240,000.

(ii) There were no stock options exercised during the year ended March 31, 2021.

(c) Expiry of options

During the fiscal year ended March 31, 2021, a total of 3,250,000 (2020 - 2,950,000) expired unexercised on the departure of key members of the management team.

15. **STOCK OPTIONS, CONTINUED**

(d) Share based compensation

Total share based compensation recognized for the years ended March 31, 2021 and 2020 was:

		2021		2020
Accrual of previously granted options expected to vest in reporting period	**$**	**204,854**	$	346,402
Issuance of DSUs (Note 16(a))		**125,579**		181,936
Expensed as share based compensation		**330,433**		528,338
Warrants expensed as financing costs (Note 14(d))		**46,335**		-
Total credited to contributed surplus	**$**	**376,768**	$	528,338

16. **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, which is approximately 1.5% of the then issued and outstanding common shares. 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, 2021, the Company issued 832,600 DSUs valued at $125,579 to non-executive directors under the DSU Plan in settlement of deferred directors' compensation, as follows:

- 196,485 DSUs on April 20, 2020 valued at $31,438
- 201,898 DSUs on August 20, 2020 valued at $28,265
- 245,674 DSUs on November 19, 2020 valued at $31,938
- 188,543 DSUs on November 19, 2020 valued at $33,938

During the year ended March 31, 2020, the Company issued 812,120 DSUs valued at $181,936, as follows:

- 259,167 DSUs on April 20, 2020 valued at $77,750
- 256,618 DSUs on August 20, 2020 valued at $43,625
- 185,255 DSUs on November 19, 2020 valued at $36,125
- 111,080 DSUs on March 9, 2021 valued at $24,436

16. DEFERRED SHARE UNITS ("DSUS"), CONTINUED

(b) Settlement of DSUs

To date, a total of 3,208,057 DSUs have been issued, of which 2,647,637 remain outstanding. Following the retirement of members of the Board of Directors, 200,405 DSUs were settled into common shares of the Company in the year ended March 31, 2019 and a further 360,015 DSUs in the year ended March 31, 2020.

17. 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, 2020 and 2019 is as follows:

	2021	2020
Net loss before recovery of income taxes	**$ (2,635,213)**	$ (4,207,039)
Expected income tax recovery	**26.50%**	26.50%
Expected income tax recovery	**$ (698,331)**	$ (1,114,865)
Decrease (increase) resulting from:		
Co-op refundable credit	**-**	(21,000)
Non-deductible expenses	**96,336**	153,311
Change in tax benefits not recognized	**880,462**	844,331
Tax rate differential	**(18,626)**	(6,149)
Other	**(259,841)**	123,372
Recovery of income taxes	**$ -**	$ (21,000)

The recovery of income taxes for the year ended March 31, 2021 was $Nil (2020 - $21,000).

(b) Deferred tax

The following table summarizes the components of deferred tax:

	2021	2020
Deferred tax asset		
Non-capital losses carried forward	**$ 1,465,861**	$ 1,842,787
Deferred tax liabilities		
Property, plant and equipment	**(1,445,275)**	(1,734,214)
Intangible assets	**(1,638)**	(74,129)
Deferred financing costs	**-**	(2,495)
ROU assets and capital leases	**(18,948)**	(31,949)
Net deferred tax liabilities	**$ -**	$ -

17. **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:

	2021	2020
	$	$
Non-capital losses carried forward	**22,105,760**	19,045,330
Capital losses carried forward	**397,388**	397,338
Share issuance and deferred financing costs	**296,286**	284,946
Reserves	**118,810**	205,087
Intangible assets	**572,075**	549,936
Property, plant and equipment	**3,431**	4,340
ROU assets and liability	**-**	77,459

The non-capital loss carry forwards 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 2023. 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		1,665,014
2035		1,387,850
2036		331,652
2037		217,839
2038		1,621,516
2039		2,219,604
2040		2,390,156
2041		1,459,821
	$	27,711,414

18. KEY MANAGEMENT COMPENSATION, RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended March 31, 2021 and 2020, 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:

	2021	2020
Salary	**$ 964,654**	$ 1,136,901
Director fees	**111,828**	72,250
Share based compensation under stock option plan *(see note 15(d))* and DSU Plan *(see note 16)*	**330,433**	528,338
Commissions	**221,531**	64,091
Winery lease payments	**-**	80,000
Grape purchases	**-**	115,143

Accounts payable and accrued liabilities as at March 31, 2021 includes $82,188 (2020 - $100,852) with respect to balances owing to related parties for the transactions disclosed above.

19. 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, 2021 and 2020:

	Year ended March 31, 2021		
	Agency	**Manufactured wines**	**Consolidated**
	$	**$**	$
Gross revenue	**15,301,448**	**10,774,728**	**26,076,176**
Inter-segment revenue	**(523,662)**	**-**	**(523,662)**
Net revenue	**14,777,786**	**10,774,728**	**25,552,514**
Gross profit	**6,009,186**	**3,991,204**	**10,000,390**
Interest	**63,207**	**876,453**	**939,660**
Depreciation and amortization	**565,904**	**880,999**	**1,446,903**
Additions of property, plant and equipment and intangible assets	**-**	**481,138**	**481,138**
	Statement of financial position balances as at March 31, 2021		
Intangible assets	**1,449,555**	**1,135,849**	**2,585,404**
Total assets	**5,615,700**	**44,204,291**	**49,819,991**
Total liabilities	**3,066,855**	**28,565,839**	**31,632,694**

19. **SEGMENTED INFORMATION, CONTINUED**

	Year ended March 31, 2020		
	Agency	**Manufactured wines**	**Consolidated**
	$	**$**	$
Gross revenue	13,844,882	13,567,029	27,411,911
Inter-segment revenue	(617,681)	-	(617,681)
Net revenue	13,227,201	13,567,029	26,794,230
Gross profit	5,610,776	5,740,962	11,351,738
Interest	331,923	782,063	1,113,986
Depreciation and amortization	616,054	1,074,281	1,690,335
Additions of property, plant and equipment and intangible assets	4,397	284,004	288,401
	Statement of financial position balances as at March 31, 2020		
Intangible assets	1,771,675	1,032,940	2,804,615
Total assets	7,105,728	42,845,500	49,951,228
Total liabilities	5,068,246	24,437,240	29,505,486

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

Geographic information

	2021	2020
Revenue		
Canada	**$ 24,244,263**	$ 25,144,719
China and other	**1,308,251**	1,649,511
	$ 25,552,514	$ 26,794,230

20. **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 12)* and there has been no change in the overall capital risk management strategy during the year.

21. **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)

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

			2021		**2020**	
Assets/liabilities	**Category**	**Measurement**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
			$	**$**	$	$
Accounts receivable	Financial assets	Amortized cost	**2,684,546**	**2,684,546**	3,406,053	3,406,053
Accounts payable and accrued liabilities	Financial liabilities	Amortized cost	**4,734,792**	**4,734,792**	7,220,669	7,220,669
Term notes payable	Financial liabilities	Amortized cost	**23,790,095**	**23,790,095**	19,161,412	19,161,412

(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, 2021 would impact interest expense and net income by $249,000 (2020 - $223,000).

(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.

21. FINANCIAL INSTRUMENTS AND RISK FACTORS, CONTINUED

(c) Credit risk, continued

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:

	2021	2020
Current	**$ 1,806,411**	$ 2,705,511
30 days past due	**508,213**	509,159
60 days past due	**70,150**	78,775
90 days past due	**194,422**	102,569
120 days past due	**274,311**	221,972
Amount provided for	**(168,961)**	(211,933)
	$ 2,684,546	$ 3,406,053

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 $400,000 for each annual period (2020 - $2,000,000 with Coface). 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, 2021, sales to three customers, including the Liquor Control Board of Ontario ("LCBO") comprised 53.2% (2020 - 45.1%) of total revenue. As at March 31, 2021, these three customers represented 57.3% of accounts receivable (2020 - 25.5%).

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.

21. 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, 2021 would affect net income and comprehensive income by approximately $5,000 (2020 - $19,000).

(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 12)*.

Total current liabilities as at March 31, 2021 of $5,955,454 (2020 - $26,764,811), which includes accounts payable and accrued liabilities, unearned revenue and deposits received, note payable, current portion of term loans payable and lease liabilities, are considered current and are due within 12 months of the end of the reporting period.

As at March 31, 2021, the Company had a working capital surplus of $20,401,475 (2020 - deficiency of $993,456). The working capital deficiency as at March 31, 2020 resulted from the classification of long-term debt as current *(see note 12)*, and reverted back to long-term in 2021 Q1 based on the extension of the credit agreement to July 1, 2022 (under the terms of the Fourth Amending Agreement).

The following table outlines the Company's contractual undiscounted obligations as at March 31, 2021. 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, 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	4,735	-	-	-	4,735
Term loans payable	844	22,946	-	-	23,790
Lease liabilities	420	887	696	1,106	3,109
Purchase contracts for grapes, packaging and other raw materials	4,501	8,250	-	-	12,751
Total contractual obligations	10,500	32,083	696	1,106	44,385

22. NON-CASH TRANSACTIONS

	2021 **$**	2020 $
Property, plant and equipment and right-of-use assets acquired under lease liabilities	466,543	54,486
Right-of-use assets and lease liabilities on transition to IFRS	-	2,385,244
Lease liabilities for assets disposed of under lease	(45,577)	(56,963)
Issuance of common shares on settlement of DSUs	-	70,203

23. SUBSEQUENT EVENTS

(a) Convertible debentures

On June 10, 2021, the Company announced that it has completed a non-brokered private placement of $1.83 million aggregate principal amount of 10.0 % unsecured convertible debentures of the Company with certain insiders of the Company, including Lassonde and Oakwest Corporation Limited.

(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 will mature on July 2, 2023, unless the holder requests to accelerate the maturity date in the event the Company completes an equity financing for minimum gross proceeds of $2 million within the next 12 months.

(ii) The debentures are convertible at the holder's option from the date of issuance until the maturity date at a conversion price of $0.185. 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. The debentures are 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.

(iii) All securities issued in connection with the offering are subject to a four-month hold period expiring October 11, 2021. The Company intends to use the net proceeds of the offering for general working capital purposes in support of an anticipated increase in operations coinciding with of the reopening of the economy over the next several months.

(b) Second Amendment to ARCA

On June 29, 2021, the Company executed the Second Amendment to the ARCA *(see note 12(b))* that extended the maturity date of the ARCA by 3 months from July 1, 2022 to October 1, 2022.

23. SUBSEQUENT EVENTS, CONTINUED

(c) Options and DSUs

On May 31, 2021, the Board of Directors approved the issuance of:

- 169,688 DSUs valued at $33,938; and
- 500,000 stock options to a key member of management with an exercise price of $0.20 per share with a term of five years, vesting evenly on each anniversary date over four years.