DIAMOND ESTATES WINES & SPIRITS INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTH PERIODS ENDED DECEMBER 31, 2017 AND 2016

(Unaudited - Prepared by Management)

(These unaudited interim condensed consolidated financial statements, prepared by management, have not been reviewed by the company's external auditors)

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 AND MARCH 31, 2017
(Unaudited - Prepared by Management)

	December 31 2017	March 31 2017
ASSETS		
Current:		
Cash	**$ 615,587**	$ -
Accounts receivable	**7,456,800**	3,583,926
Inventories	**16,009,272**	16,587,546
Prepaid expenses	**420,304**	321,313
	24,501,963	20,492,785
Long term:		
Property, plant and equipment	**18,754,392**	15,974,405
Intangible assets	**3,278,023**	3,509,447
	$ 46,534,378	$ 39,976,637
LIABILITIES		
Current:		
Bank indebtedness (Note 6)	**$ -**	$ 5,312,135
Accounts payable and accrued liabilities	**6,923,026**	5,225,846
Unearned revenue and deposits received	**-**	390,730
Loan payable - non-controlling interest	**-**	224,570
Current portion of term loans payable (Note 7)	**415,295**	741,547
Current portion of finance leases (Note 8)	**200,728**	192,929
	7,539,049	12,087,757
Long term:		
Term loans payable (Note 7)	**21,026,370**	6,969,961
Finance leases (Note 8)	**372,445**	492,777
	28,937,864	19,550,495
SHAREHOLDERS' EQUITY		
Common shares (Notes 9 & 10)	**16,657,513**	16,635,745
Contributed surplus	**569,028**	1,021,226
Retained earnings (accumulated deficit)	**369,973**	(1,001,177)
Non-controlling interest (Note 11)	**-**	3,770,348
	17,596,514	20,426,142
	$ 46,534,378	$ 39,976,637

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

Approved on behalf of the Board:

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

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME
THREE AND NINE MONTH PERIODS ENDED DECEMBER 31, 2017 AND 2016
(Unaudited - Prepared by Management)

	Three month period ended December 31 2017	**Nine month period ended December 31 2017**	Three month period ended December 31 2016	Nine month period ended December 31 2016
Revenue	**$ 10,350,258**	**$ 28,891,837**	$ 8,814,451	$ 28,228,105
Cost of sales				
Change in inventories of finished goods and raw materials consumed	**5,150,651**	**14,837,155**	5,060,470	15,531,086
Freight in and other	**364,998**	**861,957**	314,545	838,894
Depreciation of property, plant and equipment used in production	**127,619**	**512,450**	184,287	543,482
	5,643,268	**16,211,562**	5,559,302	16,913,462
Gross profit	**4,706,990**	**12,680,275**	3,255,149	11,314,643
Expenses				
Employee compensation and benefits	**1,445,409**	**4,583,843**	1,419,377	4,448,841
General and administrative	**779,075**	**2,231,328**	696,230	2,062,747
Advertising and promotion	**437,754**	**1,248,693**	407,684	949,491
Delivery and warehousing	**302,636**	**929,246**	312,988	918,848
Interest on bank indebtedness	**209,103**	**674,857**	253,033	817,042
Financing costs	**18,579**	**117,831**	7,500	38,215
Restructuring charges	**836,350**	**836,350**	-	133,562
Amortization of intangible assets	**85,488**	**258,430**	87,334	258,437
Depreciation of property, plant and equipment used in selling and administration	**83,029**	**243,955**	51,199	102,967
Share based compensation	**5,193**	**165,697**	11,016	74,780
Loss on disposition of property, plant and equipment	**-**	**-**	-	3,502
	4,202,616	**11,290,230**	3,246,361	9,808,432
Net income and comprehensive income	**$ 504,374**	**$ 1,390,045**	$ 8,788	$ 1,506,211
Net income (loss) and comprehensive income attributable to:				
Shareholders	**$ 504,374**	**$ 1,371,150**	$ (33,566)	$ 1,325,191
Non-controlling interest	**-**	**18,895**	42,354	181,020
	$ 504,374	**$ 1,390,045**	$ 8,788	$ 1,506,211
Basic income per share (Note 9(b))	**$ 0.00**	**$ 0.01**	$ 0.00	$ 0.01
Diluted income per share (Note 9(b))	**$ 0.00**	**$ 0.01**	$ 0.00	$ 0.01

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

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
PERIOD FROM APRIL 1, 2016 TO DECEMBER 31, 2017
(Unaudited - Prepared by Management)

	Note	Common shares Shares	Common shares Amount	Contributed surplus	Retained earnings (accumulated deficit)	Shareholders' equity	Non-controlling interest	Total
As at April 1, 2016		**100,137,037**	**$ 8,522,378**	**$ 937,413**	**$ (1,711,121)**	**$ 7,748,670**	**$ 4,095,560**	**$ 11,844,230**
Proceeds on issuance of common shares	**9(a)**	40,000,000	8,800,000	-	-	8,800,000	-	8,800,000
Share issuance costs	**9(a)**	-	(708,315)	-	-	(708,315)	-	(708,315)
Net income and comprehensive income		-	-	-	1,325,191	1,325,191	181,020	1,506,211
Share based compensation		-	-	74,780	-	74,780	-	74,780
Draw from KDC by non-controlling interest		-	-	-	-	-	(150,000)	(150,000)
As at December 31, 2016		**140,137,037**	**16,614,063**	**1,012,193**	**(385,930)**	**17,240,326**	**4,126,580**	**21,366,906**
Exercise of options		111,804	22,361	-	-	22,361	-	22,361
Net income (loss) and comprehensive income (loss)		-	-	-	(615,247)	(615,247)	(356,232)	(971,479)
Share based compensation		-	-	9,033	-	9,033	-	9,033
Share issuance costs	**9(a)**	-	(679)	-	-	(679)	-	(679)
As at March 31, 2017		**140,248,841**	**16,635,745**	**1,021,226**	**(1,001,177)**	**16,655,794**	**3,770,348**	**20,426,142**
Exercise of options		125,000	21,768	(8,018)	-	13,750	-	13,750
Net income and comprehensive income		-	-	-	1,371,150	1,371,150	18,895	1,390,045
Share based compensation	**10**	-	-	165,697	-	165,697	-	165,697
Acquisition of non-controlling interest	**11**	-	-	(609,877)	-	(609,877)	(3,789,243)	(4,399,120)
As at December 31, 2017		**140,373,841**	**$ 16,657,513**	**$ 569,028**	**$ 369,973**	**$ 17,596,514**	**$ -**	**$ 17,596,514**

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

DIAMOND ESTATES WINES & SPIRITS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTH PERIODS ENDED DECEMBER 30, 2017 AND 2016
(Unaudited - Prepared by Management)

	December 31 2017	December 31 2016
Operating activities		
Net income	**$ 1,390,045**	$ 1,506,211
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	**756,405**	646,449
Amortization of intangible assets	**258,430**	258,437
Share based compensation	**165,697**	74,780
Loss on disposal of property, plant and equipment	**-**	3,502
Interest expense	**674,857**	817,402
Interest paid	**(623,081)**	(868,033)
Unrealized gain on derivative financial instruments	**-**	(5,460)
	2,622,353	2,433,288
Change in non-cash working capital items		
Accounts receivable	**(3,872,874)**	(829,210)
Inventories	**672,099**	518,028
Biological assets	**-**	(17,480)
Prepaid expenses	**(98,991)**	538
Accounts payable and accrued liabilities	**1,407,458**	(736,463)
Unearned revenue and deposits received	**(390,730)**	(46,526)
	339,315	1,322,175
Investing activities		
Acquisition of non-controlling interest (Note 11)	**(4,399,120)**	-
Purchase of property, plant and equipment	**(3,349,065)**	(438,930)
Purchase of intangible assets	**(26,878)**	(20,942)
Proceeds from disposition of property, plant and equipment	**-**	20,570
	(7,775,063)	(439,302)
Financing activities		
Bank indebtedness	**(5,312,135)**	(6,249,392)
Repayment of loan payable - non-controlling interest	**(224,570)**	(74,982)
Proceeds on issuance of term loans payable (Note 7)	**18,690,257**	-
Payment of financing costs on issuance of term loans payable	**(262,312)**	-
Net proceeds (repayments) on revolving term loans and operating lines payable	**3,013,720**	(2,493,605)
Repayment on non-revolving term loans payable	**(7,711,508)**	-
Repayment of finance leases	**(155,867)**	(6,579)
Net proceeds from issuance of common shares	**-**	8,091,685
Proceeds on exercise of options	**13,750**	-
Draw from KDC by non-controlling interest	**-**	(150,000)
	8,051,335	(882,873)
Change in cash	**615,587**	-
Cash, beginning of period	**-**	-
Cash, end of period	**$ 615,587**	$ -

Non-cash transactions: (Note 12)

The accompanying notes form an integral part of these unaudited interim condensed 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, Kirkwood Diamond Canada Partnership ("KDC"), 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 KDC are located at 1155 North Service Road West, Oakville, Ontario, L6M 3E3.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as issued by the IASB, and accordingly do not include all the information required for full annual financial statements by IFRS. They have been prepared using the same accounting policies that were described in note 2 to the Company's annual consolidated financial statements for the year ended March 31, 2017 which were prepared in accordance with IFRS as issued by the IASB except for the accounting policies listed below in note 2(a) and note 2(b).

The unaudited interim condensed consolidated financial statements have not been reviewed by the Company's external auditors. They were authorized for issuance by the Board of Directors on February 21, 2018.

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, unless otherwise stated.

The note disclosures for these unaudited interim condensed financial statements only present material changes to the disclosures found in the Company's audited consolidated financial statements for the years ended March 31, 2017 and 2016, as follows:

(a) **Basis of consolidation**

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

♦ Diamond Estates Wines & Spirits Ltd.	100%
♦ De Sousa Wines Toronto Inc.	100%
♦ Kirkwood Diamond Canada (partnership) *(See note 11)*	100%

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) **Property, plant and equipment**

Effective April 1, 2017, as the result of a review of depreciation methods and estimated useful lives of property, plant and equipment, the Company has changed the method of depreciation for its property, plant and equipment in the winery division to the straight-line method and revised the useful lives of certain property, plant and equipment, from a range of 5 to 25 years to a range of 5 to 40 years. The changes were made on a prospective basis to better reflect the recognition of the benefits derived from ownership of the assets being depreciated in each period. The increase in depreciation for the three and nine month periods ended December 31, 2017 as a result of these changes totalled $6,987 and $70,467 respectively.

The new rates at which winery property, plant and equipment will be depreciated are as follows:

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

3. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

(a) **IAS 7 "Statement of Cash Flow"** has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. The new requirements were adopted effective April 1, 2017 and the adoption of these amendments did not have a significant impact on the consolidated financial statements.

(b) **IAS 12 "Income Taxes"** was amended by the IASB in January, 2016 to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. The amendments are effective for annual periods beginning on or after January 1, 2017. The new requirements were adopted effective April 1, 2017 and the adoption of these amendments did not have a significant impact on the consolidated financial statements.

4. NEW AND REVISED IFRS STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

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

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

4. NEW AND REVISED IFRS STANDARDS AND INTERPRETATIONS NOT YET ADOPTED, CONTINUED

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

5. SEASONALITY

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

6. BANK INDEBTEDNESS

As more fully described in note 7, the Company executed a new credit agreement with Bank of Montreal ("BMO"), its new primary lender, on September 29, 2017. This agreement replaces its previous agreement with Meridian Credit Union ("MCU") and the previous KDC agreement with Canadian Imperial Bank of Commerce ("CIBC").

As at December 31, 2017, amounts drawn against these operating facilities were as follows:

	December 31 2017	March 31 2017
MCU Operating Line	**$ -**	$ 2,764,099
CIBC Operating Line	**-**	2,548,036
	$ -	$ 5,312,135

As at December 31, 2017 there were no letters of credit outstanding with MCU (March 31, 2017 - $24,641).

7. TERM LOANS PAYABLE

As at December 31, 2017, the balances outstanding on the Company's term loans were as follows:

	December 31 2017	March 31 2017
BMO term loans:		
Revolving operating term loan	**$ 11,684,724**	$ -
Non-revolving term loan	**10,000,000**	-
MCU term loans:		
Non-revolving loan #1	**-**	6,612,003
Non-revolving loan #2	**-**	1,099,505
	21,684,724	7,711,508
Financing costs	**(243,059)**	-
	21,441,665	7,711,508
Current portion	**(415,295)**	(741,547)
	$ 21,026,370	$ 6,969,961

The BMO credit agreement executed on September 29, 2017 is guaranteed by a general security agreement covering the assets of the Company and its subsidiaries and is subject to the following facilities and terms:

The revolving operating term loan is for working capital and general corporate requirements and is subject to the following terms:

(a) Revolving credit facility of up to $13,000,000 subject to specified borrowing base margining limitations
(b) Monthly interest only payments at CAD prime rate +1.00%
(c) Due on September 26, 2020
(d) Standby fee of 0.50% on available unused revolving term credit to be paid on the last day of each quarter

The non-revolving term loan is for the purpose of refinancing the existing MCU term debt and funding scheduled fiscal 2018 capital expenditures. The loan is subject to the following terms:

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

7. TERM LOANS PAYABLE, CONTINUED

The BMO credit agreement includes the following sub-facilities facilities

(a) 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 September 30, 2017 there were no letters of credit outstanding
(b) Bankers' acceptance 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 at rates of CAD prime +2.50% to CAD prime +2.75%. As at September 30, 2017 there were no bankers' acceptances outstanding
(c) 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. As at September 30, 2017 there were no amounts outstanding on this facility

The Company also has available a delayed draw term loan of $2,500,000 to finance future capital expenditures at a rate of CAD prime +1.25%, repayable in quarterly principal instalments commencing at the end of the fiscal quarter in which the initial draw takes place. A standby fee in the amount of 0.55% to be payable quarterly is due on the undrawn portion of this loan. There was no balance drawn on this facility as at December 31, 2017.

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. There was no balance drawn on this facility as at December 31, 2017.

The BMO credit agreement is subject to the following major financial covenants:

(a) Minimum fixed charge coverage ratio of 1.25|1
(b) Maximum ratio of total liabilities to tangible net worth of 2.00|1
(c) Annual capital expenditures are not to exceed $5,000,000 in fiscal 2018 and $1,500,000 in subsequent years without prior bank approval

The Company paid out the balances on its previous MCU term loans on September 29, 2017 with the proceeds from the BMO loans.

As at December 31, 2017 a letter of credit in the amount of $24,641 was outstanding with BMO (March 31, 2017 - $Nil).

8. FINANCE LEASES

On August 2, 2016, the Company executed a Master Lease Agreement ("MLA") with Element Fleet Management Inc. for the acquisition, management and disposal of automobiles to support sales and marketing functions. The leases are primarily for a 48 month period, expiring at various times up to March 2021 and provide for the transfer of the risks and rewards of ownership of the automotive equipment to the Company. Accordingly, each lease has been classified as a finance lease and a corresponding asset and lease obligation has been recognized in the financial statements. The effective interest rates implicit in each lease range from 3.31% to 3.41%.

The following is a schedule of future minimum annual lease payments for vehicles under finance leases together with the balance of the obligations as at December 31, 2017.

	Minimum lease payments	Present value of minimum lease payments
Not later than one year	**$ 217,306**	$ 200,729
Later than one year and up to lease expiry	**386,994**	372,444
	604,300	573,173
Less: interest	**(31,127)**	-
Total obligations under finance leases	**573,173**	573,173
Less: current portion	**(200,728)**	(200,728)
	$ 372,445	$ 372,445

Estimated principal repayments are as follows:

Year ending March 31, 2018	**$ 49,838**
Year ending March 31, 2019	**198,226**
Year ending March 31, 2020	**193,238**
Year ending March 31, 2021	**131,871**
	$ 573,173

Vehicles acquired under finance leases during the three and nine month periods ended December 31, 2017 totalled $Nil and $43,334 respectively (three and nine month periods ended December 31, 2016 - $65,833 and $490,977 respectively). Interest expense on the finance leases for the three and nine month periods ended December 31, 2017 was $5,250 and $16,992 respectively (three and nine month periods ended December 31, 2016 - $1,963 and $2,271 respectively).

9. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

Authorized
Unlimited Common shares, no par value

Continuity schedules for each component of the Company's share capital and other equity instruments are disclosed in the unaudited interim condensed consolidated statements of changes in shareholders' equity for the period from April 1, 2016 to December 31, 2017. Details of major changes in each component during that period are as follows:

(a) **Private placement**

On December 20, 2016, the Company completed a brokered private placement of 40,000,000 common shares at an issuance price of $0.22 per common share for gross proceeds of $8,800,000, less issuance costs of $708,994, for net proceeds of $8,091,006.

(b) **Income per share**

Basic income per share is computed using the weighted average number of common shares outstanding. The weighted average number of common shares outstanding for the three and nine month periods ended December 31, 2017 was 140,261,069 and 140,252,932 respectively (three and nine month periods ended December 31, 2016 - 104,919,646 and 101,737,037).

As at December 31, 2017, the following potentially dilutive equity instruments were all outstanding: (1) 5,925,000 options (2016 - 6,682,400), and (2) 1,563,238 deferred share units (2016 - 1,124,882). The fully diluted number of common shares outstanding for the nine month period ended December 31, 2017 was 147,862,079 (2016 - 147,944,319).

10. DEFERRED SHARE UNITS ("DSUS")

On June 21, 2016, 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 1,000,000 to 2,000,000, which is approximately 1.4% 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.

On August 29, 2017, the Company issued an aggregate of 438,356 DSUs to non-executive directors under the DSU Plan in settlement of $128,000 of deferred directors' compensation.

To date, a total of 1,563,238 DSUs have been issued. The DSUs are to be settled in common shares of the Company when the director retires from all positions with the Company.

11. KIRKWOOD DIAMOND CANADA PARTNERSHIP AND NON-CONTROLLING INTEREST

On May 5, 2017, the Company closed on the previously announced acquisition of the 49.99% interest in KDC, its agency business, that was owned by its partner. As such, the Company now owns 100% of KDC.

The purchase price of $4,399,120 was allocated by eliminating the non-controlling interest balance of $3,789,243, with the remaining $609,887 being recorded as a reduction to contributed surplus as detailed in the Interim Condensed Consolidated Statement of Changes in Shareholders' Equity.

12. NON-CASH TRANSACTIONS

	December 31 2017	December 31 2016
Property, plant and equipment acquired under finance leases (Note 8)	**$ 43,334**	$ 65,833
Purchases of property, plant and equipment included in accounts payable and accrued liabilities	**237,818**	-
	$ 281,152	$ 65,833

13. SEGMENTED INFORMATION

Business segments

The Company operates in two business segments, namely (i) sales of manufactured wines and (ii) distribution and sales of products represented in Canada under agency agreements with third parties. The following table presents selected financial information associated with each of these segments for the nine months ended December 31, 2017 and 2016:

	Nine month period ended December 31, 2017		
	Agency	**Manufactured wines**	**Consolidated**
	$	**$**	$
Gross revenue	**13,781,431**	**15,443,823**	**29,225,254**
Inter-segment revenue	**(333,417)**	**-**	**(333,417)**
Net revenue	**13,448,014**	**15,443,823**	**28,891,837**
Gross profit	**5,903,326**	**6,776,949**	**12,680,275**
Interest on bank indebtedness	**75,526**	**599,331**	**674,857**
Depreciation and amortization	**335,246**	**679,589**	**1,014,835**
Additions of property, plant and equipment and intangible assets	**59,488**	**3,597,607**	**3,657,095**
	Statement of financial position balances as at December 31, 2017		
Intangible assets	**2,500,645**	**777,378**	**3,278,023**
Total assets	**9,921,601**	**36,612,777**	**46,534,378**
Total liabilities	**4,114,936**	**24,822,928**	**28,937,864**

	Nine month period ended December 31, 2016		
	Agency	**Manufactured wines**	**Consolidated**
	$	**$**	$
Gross revenue	13,642,986	15,028,931	28,671,917
Inter-segment revenue	(443,812)	-	(443,812)
Net revenue	13,199,174	15,028,931	28,228,105
Gross profit	5,460,500	5,854,143	11,314,643
Interest on bank indebtedness	111,414	705,628	817,042
Depreciation and amortization	308,858	596,028	904,886
Additions of property, plant and equipment and intangible assets	59,488	3,597,607	3,657,095
	Statement of financial position balances as at March 31, 2017		
Intangible assets	2,743,435	766,012	3,509,447
Total assets	9,451,497	30,525,140	39,976,637
Total liabilities	4,942,006	14,608,489	19,550,495

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

13. SEGMENTED INFORMATION, CONTINUED

Geographic information

	2017	2016
Revenue		
Canada	**$ 21,127,484**	$ 22,427,967
China and other	**7,764,353**	5,800,138
	$ 28,891,837	$ 28,228,105

14. FINANCIAL INSTRUMENTS AND RISK FACTORS

(a) **Fair value of financial instruments**

The fair values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, unearned revenue and deposits received and loan payable - non-controlling interest approximate their fair values due to the short-term or demand nature of these balances. The fair values of the respective term loans and finance leases approximate their carrying values as the contracted lending rates approximate the rates currently available for similar borrowing arrangements.

(b) **Fair value of derivative financial instruments**

The fair value of the foreign exchange forward contracts is determined based on the difference between the contract rate and the forward rate at the date of valuation and is included in accounts receivable in the interim condensed consolidated statements of financial position.

(c) **Foreign exchange forward contracts and currency risk**

The Company uses a hedging program to reduce its exposure to significant fluctuations as they relate to commitments to source products in foreign currencies. The Company's strategy is to hedge approximately 70% of its annual requirements an minimum of two months prior to the purchase obligation arising. As at December 31, 2017, the Company had no foreign exchange forward contracts outstanding. On contracts outstanding at December 31, 2016, a 1% increase or decrease to the exchange rate of the US dollar would impact the Company's net earnings by approximately $3,000.

15. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified, where applicable, to conform to the presentation adopted in the current quarter.