CORBY

Corby Distilleries Limited

Consolidated Financial Statements

For the Three and Nine Month Periods Ended
March 31, 2013 and 2012

Q3

Affiliated with Pernod Ricard

CORBY DISTILLERIES LIMITED
Management's Discussion and Analysis
March 31, 2013

The following Management's Discussion and Analysis ("MD&A") dated May 9, 2013, should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes as at and for the three and nine month periods ended March 31, 2013, prepared in accordance with International Financial Reporting Standards ("IFRS"). These unaudited interim condensed financial statements do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should also be read in conjunction with the most recently prepared annual consolidated financial statements for the year ended June 30, 2012.

This MD&A contains forward-looking statements, including statements concerning possible or assumed future results of operations of Corby Distilleries Limited ("Corby" or the "Company"). Forward-looking statements typically are preceded by, followed by or include the words "believes", "expects", "anticipates", "estimates", "intends", "plans" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, including, but not limited to: the impact of competition; business interruption; trademark infringement; consumer confidence and spending preferences; regulatory changes; general economic conditions; and the Company's ability to attract and retain qualified employees. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted elsewhere in this MD&A.

This document has been reviewed by the Audit Committee of Corby's Board of Directors and contains certain information that is current as of May 9, 2013. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Corby will provide updates to material forward-looking statements, including in subsequent news releases and its interim management's discussion and analyses filed with regulatory authorities as required under applicable law. Additional information regarding Corby, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

The Company's fiscal year end is June 30. Unless otherwise indicated, all comparisons of results for the third quarter of fiscal 2013 (three months ended March 31, 2013) are against results for the third quarter of fiscal 2012 (three months ended March 31, 2012). All dollar amounts are in Canadian dollars unless otherwise stated.

Business Overview

Corby is a leading Canadian marketer of spirits and importer of wines. Corby's national leadership is sustained by a diverse brand portfolio that allows the Company to drive profitable organic growth with strong, consistent cash flows. Corby is a publicly traded company, with its shares listed on the Toronto Stock Exchange under the symbols "CDL.A" (Voting Class A Common Shares) and "CDL.B" (Non-Voting Class B Common Shares). Corby's Voting Class A Common Shares are majority-owned by Hiram Walker & Sons Limited ("HWSL") (a private company) located in Windsor, Ontario. HWSL is a wholly-owned subsidiary of international spirits and wine company Pernod Ricard S.A. ("PR") (a French public limited company), which is headquartered in Paris, France. Therefore, throughout the remainder of this MD&A, Corby refers to HWSL as its parent, and to PR as its ultimate parent. Affiliated companies are those that are also subsidiaries of PR.

The Company derives its revenues from the sale of its owned-brands ("Case Goods"), as well as earning commission income from the representation of selected non-owned brands in Canada ("Commissions"). The Company also supplements these primary sources of revenue with other ancillary activities incidental to its core business, such as logistics fees and miscellaneous bulk spirit sales. Revenue from Corby's owned-brands predominantly consists of sales made to each of the provincial liquor boards in Canada, and also includes sales to international markets. Comparative figures for the nine-month period ended March 31, 2012 also include contract bottling services which were derived from a formerly owned bottling facility (sold October 31, 2011).

Corby's portfolio of owned-brands includes some of the most renowned brands in Canada, including Wiser's® Canadian whisky, Lamb's® rum, Polar Ice® vodka and McGuinness® liqueurs. Through its affiliation with PR, Corby also represents leading international brands such as ABSOLUT® vodka, Chivas Regal®, The Glenlivet® and Ballantine's® Scotch whiskies, Jameson® Irish whiskey, Beefeater® gin, Malibu® rum, Kahlúa® liqueur, Mumm® champagne, and Jacob's Creek®, Wyndham Estate®, Stoneleigh® and Graffigna® wines. In addition to representing PR's brands in Canada, Corby also provides representation for certain selected, unrelated third-party brands ("Agency brands") when they fit within the Company's strategic direction and, thus, complement Corby's existing brand portfolio.

Most recently the Company expanded its Agency portfolio via a new agreement with The Wine Group LLC ("The Wine Group"), providing Corby with the exclusive rights to represent The Wine Group brands in Canada for the next five years. The agreement compliments Corby's owned and represented brands and expands Corby offerings in the premium wine sector. Corby will represent all The Wine Group brands, including Cupcake Vineyards, Big House Wine Co., Cocobon, Concannon Vineyard, Grayfox Vineyards and Mogen David Wine Co.

Pursuant to a production agreement that expires in September 2016, PR produces Corby's owned-brands at HWSL's production facility in Windsor, Ontario. Under the production agreement, Corby manages PR's business interests in Canada, including HWSL's production facility, also until September 2016.

The Company sources more than 80% of its spirits production requirements from HWSL at its production facility in Windsor, Ontario. The Company's remaining production requirements have been outsourced to third party vendors. The formerly owned plant in Montréal, Québec, continues to manufacture most of the Corby products that were produced there prior to the sale. The Company also utilizes a third-party manufacturer in the UK to produce its Lamb's rum products destined for sale in countries located outside North America. Corby's Lamb's rum products sold in North America continue to be manufactured at HWSL's production facility.

In most provinces, Corby's route to market in Canada entails shipping its products to government-controlled liquor boards ("LBs"). The LBs then sell directly, or control the sale of, beverage alcohol products to end consumers. The exception to this model is Alberta, where the retail sector is privatized. In this province, Corby ships products to a bonded warehouse that is managed by a government-appointed service provider who is responsible for warehousing and distribution into the retail channel.

Corby's shipment patterns to the LBs will not always exactly match short-term consumer purchase patterns. However, given the importance of monitoring consumer consumption trends over the long term, the Company stays abreast of consumer purchase patterns in Canada through its member affiliation with the Association of Canadian Distillers ("ACD"), which tabulates and disseminates consumer purchase information it receives from the LBs to its industry members. Corby refers to this data throughout this MD&A as "retail sales", which are measured both in volume (measured in nine-litre-case equivalents) and in retail value (measured in Canadian dollars).

Corby's international business is concentrated in the US and UK and the Company has a different route to market for each. For the US market, Corby manufactures its products in Canada and ships directly to its US distributor. For the UK market, Corby utilizes a third party contract bottler and distribution company for the production and distribution of Lamb's rum. International sales typically account for less than 10% of Corby's total annual sales. Distributors in both markets sell to various local wholesalers and retailers who in turn sell directly to the consumer. Reliable consumer purchase data is not readily available for these international markets and is, therefore, not discussed in this MD&A.

Corby’s operations are subject to seasonal fluctuations: sales are typically strong in the first and second quarters, while third-quarter sales usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather as consumers tend to increase their purchasing levels during the summer season.

Strategies and Outlook

Corby’s business strategies are designed to maximize sustainable long-term value growth, and thus deliver solid profit while continuing to produce strong and consistent cash flows from operating activities. The Company’s portfolio of owned and represented brands provides an excellent platform from which to achieve its current and long-term objectives moving forward.

Management believes that having a focused brand prioritization strategy will permit Corby to capture market share in the segments and markets that are expected to deliver the most growth in value over the long term. Therefore, the Company’s strategy is to focus its investments on, and leverage the long-term growth potential of, its key brands. As a result, Corby will continue to invest behind its brands to promote its premium offerings where it makes the most sense and drives the most value for shareholders.

Brand prioritization requires an evaluation of each brand’s potential to deliver upon this strategy, and facilitates Corby’s marketing and sales teams’ focus and resource allocation. Over the long term, management believes that effective execution of its strategy will result in value creation for shareholders. Past disposal transactions (i.e., the sale of the Seagram Coolers brand in March 2011, and the October 2011 sale of certain non-core brands and the subsidiary that owned the Montreal bottling facility) reflect this strategy by streamlining Corby’s portfolio and eliminating brands with below average performance trends, thus refocusing resources on key brands.

Of primary importance to the successful implementation of our brand strategies is an effective route to market strategy. Corby is committed to investing in its trade marketing expertise and ensuring that its commercial resources are focused around the differing needs of its customers and the selling channels they inhabit.

In addition, management is convinced that innovation is essential to seizing new profit and growth opportunities. Successful innovation can be delivered through a structured and efficient process as well as consistent investment in consumer insight and research and development (“R&D”). As far as R&D is concerned, the Company benefits from access to leading-edge practices at PR’s North American hub, which is located in Windsor, Ontario. Building upon the Company’s success as a leader in the Canadian whisky category, Corby launched Wiser’s Spiced, a variant of the iconic Wiser’s Canadian whisky brand, and introduced two premium small-batch Canadian whiskies, “Pike Creek” and “Lot 40”.

Finally, the Company is a strong advocate of social responsibility, especially with respect to its sales and promotional activities. Corby will continue to promote the responsible consumption of its products in its activities. The Company stresses its core values throughout its organization, including those of conviviality, straightforwardness, commitment, integrity and entrepreneurship.

Brand Performance Review

Corby’s portfolio of owned-brands accounts for more than 80% of the Company’s total annual revenue. Included in this portfolio are its key brands: Wiser’s Canadian whisky, Lamb’s rum, Polar Ice vodka and Corby’s mixable liqueur brands. The sales performance of these key brands significantly impacts Corby’s net earnings. Therefore, understanding each key brand is essential to understanding the Company’s overall performance.

Shipment Volume and Shipment Value Performance

The following chart summarizes the performance of Corby's owned-brands in terms of both shipment volume (as measured by shipments to customers in equivalent nine-litre cases) and shipment value (as measured by the change in gross sales revenue). The chart includes results for sales in both Canada and international markets. Specifically, the Wiser's, Lamb's and Polar Ice brands are also sold to international markets, particularly in the US and UK. International sales typically account for less than 10% of Corby's total annual revenues.

BRAND PERFORMANCE CHART - INCLUDES BOTH CANADIAN AND INTERNATIONAL SHIPMENTS

	Three Months Ended				*Nine Months Ended*			
Volumes (in 000's of 9L cases)	***Mar. 31, 2013***	*Mar. 31, 2012*	*Shipment % Volume Change*	*Shipment % Value Change*	***Mar. 31, 2013***	*Mar. 31, 2012*	*Shipment % Volume Change*	*Shipment % Value Change*
Brand								
Wiser's Canadian whisky	**161**	171	(6%)	(5%)	**609**	597	2%	4%
Lamb's rum	**94**	118	(21%)	(20%)	**409**	438	(7%)	(4%)
Polar Ice vodka	**84**	85	(1%)	2%	**291**	292	0%	2%
Mixable liqueurs	**38**	34	10%	14%	**136**	137	(1%)	3%
Total Key Brands	**376**	408	(8%)	(5%)	**1,445**	1,464	(1%)	1%
All other Corby-owned brands	**44**	52	(15%)	(10%)	**163**	174	(6%)	(1%)
Total Corby brands	**420**	460	(9%)	(6%)	**1,608**	1,638	(2%)	1%
Disposed brands	**-**	-	-	-	**-**	108	(100%)	(100%)
Total Corby brands including disposed brands	**420**	460	(9%)	(6%)	**1,608**	1,746	(8%)	(4%)

Note that the above chart segregates "Disposed Brands" from the other Corby-owned brands. Disposed Brands include brands that are no longer owned by Corby as a result of the sale of certain non-core brands and the subsidiary that owned the Montreal plant on October 31, 2011. Shipment information associated with these Disposed Brands has been segregated in an effort to display the non-recurring impact on Corby's shipments, as comparisons with prior periods are otherwise not meaningful given that Corby no longer owns these brands. The sale of these non-core brands supports management's brand prioritization strategy, allowing Corby to focus resources to drive long-term value growth for key brands.

For the three-month period ended March 31, 2013, Corby's brands cycled against an unfavourable shift in customer shipment patterns which resulted in declines of -9% in volume and -6% for value when compared to the same three-month period last year. Lamb's rum shipments, in particular, were impacted by this swing in shipment patterns between third and fourth quarters. During the third quarter ended March 31, 2013, Corby's mixable liqueur brands benefited from shipments of innovative new flavour variants (McGuinness Whipped Cream, McGuinness Blueberry Pancake, and McGuinness Glazed Donut); again year-to-date results are more indicative of the brands' overall performance.

For the nine-month period ended March 31, 2013, Corby brands (excluding Disposed Brands) experienced -2% decline in volumes and +1% growth in value when compared to the same nine-month period last year. Wiser's Canadian Whisky, Corby's flagship brand, continues to drive positive results with shipment volume and value increases of +2% and +4%, respectively. While market trends for Canadian whisky are in decline, Wiser's continues to outperform its category with strong support from various media and other promotional programmes in the Canadian market. In addition, Wiser's new innovative brand extension 'Wiser's Spiced' was a significant contributor to the brand's overall shipment performance with shipments of fourteen thousand 9-litre cases year-to-date. Lamb's rum continues to struggle in a challenging category. The brand's shipments declined -7% in volume and -4% in value compared to the same nine-month period last year.

Internationally, Corby's shipment volumes declined -11% on a year-to-date basis when compared to the same period last year, which is due to declines in Lamb's in the UK and Wiser's and Polar Ice in the US. Market softness in the UK as well as supply chain improvements has impacted Lamb's rum shipment volumes. In the US, volumes were impacted as our new distributor continues to reposition our brands for long-term value growth.

Retail Volume and Retail Value Performance

It is of critical importance to understand the performance of Corby's brands at the retail level in Canada. Analysis of performance at the retail level provides insight with regards to consumers' current purchase patterns and trends. Retail sales data, as provided by the ACD, is set out in the following chart and is discussed throughout this MD&A. It should be noted that the retail sales information presented does not include international retail sales of Corby-owned brands, as this information is not readily available. International sales typically account for less than 10% of Corby's total annual revenues.

RETAIL SALES FOR THE CANADIAN MARKET ONLY[1]

	Three Months Ended				*Nine Months Ended*			
Volumes (in 000's of 9L cases)	***Mar. 31, 2013***	*Mar. 31, 2012*	*% Retail Volume Change*	*% Retail Value Change*	***Mar. 31, 2013***	*Mar. 31, 2012*	*% Retail Volume Change*	*% Retail Value Change*
Brand								
Wiser's Canadian whisky	**154**	155	(1%)	(1%)	**561**	556	1%	1%
Lamb's rum	**86**	90	(5%)	(9%)	**332**	353	(6%)	(6%)
Polar Ice vodka	**77**	77	0%	0%	**275**	274	0%	1%
Mixable liqueurs	**32**	34	(6%)	(5%)	**137**	142	(3%)	(3%)
Total Key Brands	**348**	356	(2%)	(3%)	**1,306**	1,325	(1%)	(1%)
All other Corby-owned brands	**46**	49	(6%)	(8%)	**158**	165	(4%)	(5%)
Total	**394**	405	(3%)	(4%)	**1,464**	1,490	(2%)	(2%)

[1] *Refers to sales at the retail store level in Canada, as provided by the Association of Canadian Distillers.*

In an effort to maintain focus on Corby's continuing business activities and the Company's brand prioritization strategy, Disposed Brands have been excluded from the above chart.

The Canadian spirits industry as a whole delivered moderate growth during the nine-month period ended March 31, 2013, with retail volume increases of +1% and retail value increases of +2% when compared to the same period last year. Even the typically dynamic vodka and rum (driven by spiced rum) categories experienced moderate growth of only +1% in retail volume and +2% in retail value during the nine-month period. It should be noted that retail sales performance for the three-month period ended March 31, 2013, was negatively impacted by having fewer trading days this quarter when compared with the same quarter last year. As a result, nine-month trends are more reflective of brand market performance.

As the retail sales chart above denotes, Corby's brand portfolio was impacted by overall industry trends, falling short of retail volume and retail value performance attained during the same three- and nine-month periods last year. While Wiser's continued to outperform its category in Canada, the rest of the portfolio did not match their respective categories' performance on a year-to-date basis. Further discussion of each of Corby's key brands is noted below.

Summary of Corby's Key Brands

Wiser's Canadian Whisky
Corby's flagship brand, Wiser's Canadian whisky, continued to outperform the Canadian whisky category with +1% growth in both retail sales volume and value during the nine-month period ended March 31, 2013. Meanwhile the Canadian whisky category declined -1% in retail volume while retail value remained flat during this period. The Company continued to build upon the brand's success and capitalize on market trends for premium and flavoured spirits with the launch of Wiser's Spiced, which was a significant contributor to the brand's overall growth on a year-to-year basis.

Lamb's Rum
Lamb's rum, one of the top-selling rum families in Canada, experienced a -6% decline in retail volumes and retail value during the nine-month period ended March 31, 2013, which is similar to trends seen in the white rum segment (-5% in both retail sales volume and value). Growth in the rum category has been entirely driven by spiced rum. During the summer months of 2012, the Company re-launched its spiced rum variant, Lamb's Black Sheep, offering an improved flavour profile and new packaging. Since the re-launch, Lamb's Black Sheep has had promising results with retail value and retail volume growth of +4% and +6%, respectively.

Polar Ice Vodka
Polar Ice vodka is among the top three largest vodka brands in Canada. On a year-to-date basis, the brand's retail volumes remained consistent while its retail sales increased +1% when compared to the same nine-month period last year. The vodka category reported slightly more positive trends with retail volumes +1% and retail values +2% for the same period. Polar Ice continues to be supported through investment in key markets, specifically Alberta, and with an outdoor "Canada's Vodka" media campaign.

Mixable Liqueurs
Corby's portfolio of mixable liqueur brands consists of McGuinness liqueurs (which is Canada's largest mixable liqueur brand family) and Meaghers liqueurs. Retail value and volumes for Corby's mixable liqueurs portfolio fell behind market trends (retail volume and value at -3%) when compared to the same nine-month period last year, while the category as a whole declined -1% for volume and -2% for value over this same period. Corby's mixable liqueur brands were adversely impacted by production delays during the first half of this year which negatively impacted retail sales. The brand's shipment levels have since recovered.

Other Corby-Owned Brands
Other Corby-Owned brands as a group had declines in retail volume and retail value of -4% and -5%, respectively, for the nine-month period ended March 31, 2013. Royal Reserve, a Canadian whisky, is the most significant brand in this grouping. This brand's performance was behind the Canadian whisky category as a whole, with retail volumes at -6% and retail value at -7% for the same nine-month period. Retail performance for the brand experienced difficulties in Western Canada as consumers trended toward more premium whisky offerings. Also included in this group are two new premium small-batch Canadian whisky innovations introduced earlier in this fiscal year, "Pike Creek" and "Lot 40", both of which have been well received by the whisky community. Lot 40 was recently named "Canadian Whisky of the Year" by Whisky Advocate magazine.

Financial and Operating Results

The following table presents a summary of certain selected consolidated financial information of the Company for the three- and nine-month periods ended March 31, 2013 and 2012.

(in millions of Canadian dollars, except per share amounts)	Three Months Ended Mar. 31, 2013	Mar. 31, 2012	$ Change	% Change	Nine Months Ended Mar. 31, 2013	Mar. 31, 2012	$ Change	% Change
Revenue	**$ 25.7**	$ 29.2	$ (3.5)	(12%)	**$ 99.3**	$ 114.3	$ (15.0)	(13%)
Cost of sales	**(9.5)**	(11.7)	2.2	(19%)	**(37.3)**	(47.9)	10.6	(22%)
Marketing, sales and administration	**(11.2)**	(11.5)	0.3	(2%)	**(35.5)**	(35.9)	0.4	(1%)
Gain on sale of plant and brands	**-**	-	-	N/A	**-**	21.5	(21.5)	(100%)
Other income (expense)	**0.2**	0.1	0.1	64%	**0.1**	0.2	(0.1)	(73%)
Earnings from operations	**5.1**	6.1	(1.0)	(16%)	**26.6**	52.2	(25.6)	(49%)
Financial income	**0.4**	0.5	(0.1)	(20%)	**1.3**	1.5	(0.2)	(12%)
Financial expenses	**(0.1)**	(0.2)	0.1	(50%)	**(0.4)**	(0.4)	0.0	(12%)
Net financial income	**0.3**	0.3	-	0%	**1.0**	1.1	(0.1)	(12%)
Earnings before income taxes	**5.4**	6.4	(1.0)	(15%)	**27.6**	53.3	(25.8)	(48%)
Income taxes	**(1.5)**	(1.8)	0.3	(18%)	**(7.6)**	(12.1)	4.5	(37%)
Net earnings	**$ 4.0**	$ 4.6	$ (0.6)	(14%)	**$ 20.0**	$ 41.2	$ (21.3)	(52%)
Per common share								
- Basic net earnings	**$ 0.14**	$ 0.16	$ (0.02)	(14%)	**$ 0.70**	$ 1.45	$ (0.75)	(52%)
- Diluted net earnings	**$ 0.14**	$ 0.16	$ (0.02)	(14%)	**$ 0.70**	$ 1.45	$ (0.75)	(52%)

Overall Financial Results

For the three-month period ended March 31, 2013, net earnings decreased $0.6 million when compared to the same three-month period last year. Cessation of bulk whisky sales to a former contract bottling customer (-$0.6 million in net earnings), and lower Case Good shipments were mostly responsible. Partially offsetting these impacts were favourable changes in administrative expenses. It should be noted that Corby fulfilled its bulk whisky obligations to a former contract bottling customer on September 30, 2012, and therefore, the current quarter does not include bulk whisky sales.

The nine-month period ended March 31, 2012 was substantially impacted by a sale transaction completed on October 31, 2011 whereby Corby sold certain non-core brands and the subsidiary that owned the manufacturing plant in Montréal, Quebec. The impacts of this transaction complicate the comparison of the nine-month period ended March 31, 2013 to the same period last year. Therefore, in order to make comparisons on a like-for-like basis, the chart below removes the effects of the aforementioned sale transaction on net earnings by excluding the Disposed Brands and earnings related to the subsidiary that owned the manufacturing plant in Montreal, Quebec:

(in millions of Canadian dollars)	Nine Months Ended Mar. 31, 2013	Mar. 31, 2012	$ Change	% Change
Net earnings	**$ 20.0**	$ 41.2	$ (21.3)	(52%)
Less transaction impacts:				
Net gain on sale transaction	**-**	17.7	(17.7)	(100%)
Earnings from brands and plant	**-**	2.1	(2.1)	(100%)
	-	19.7	(19.7)	(100%)
Net earnings, excl. transaction	**$ 20.0**	$ 21.5	$ (1.5)	(7%)

After excluding the significant impacts the sale transaction had on the year-to-date comparative period, net earnings decreased 7% or $1.5 million. Cessation of bulk whisky sales to a former contract bottling customer (-$0.9M in net earnings), and increased advertising and promotional spend on Corby's key brands and US market opportunities are the primary drivers for the decrease. Partially offsetting these impacts were favourable changes in administrative expenses.

Revenue

The following highlights the key components of the Company's revenue streams:

	Three Months Ended				*Nine Months Ended*			
(in millions of Canadian dollars)	***Mar. 31, 2013***	*Mar. 31, 2012*	*$ Change*	*% Change*	***Mar. 31, 2013***	*Mar. 31, 2012*	*$ Change*	*% Change*
Revenue streams:								
Case goods (ex. disposed brands)	**$ 22.0**	$ 23.1	$ (1.1)	(5%)	**$ 81.9**	$ 81.9	$ -	0%
Commissions	**2.7**	2.9	(0.2)	(7%)	**11.9**	12.4	(0.5)	(4%)
Other services	**1.0**	3.2	(2.2)	(69%)	**5.5**	6.9	(1.4)	(20%)
Revenue, ex. disposed brands	**25.7**	29.2	(3.5)	(12%)	**99.3**	101.2	(1.9)	(2%)
Disposed brands	**-**	-	-	N/A	**-**	13.1	(13.1)	(100%)
Revenue	**$ 25.7**	$ 29.2	$ (3.5)	(12%)	**$ 99.3**	$ 114.3	$ (15.0)	(13%)

Revenue for the quarter declined 12% when compared to the same quarter last year. The decrease was primarily the result of the Company's cessation of bulk whisky sales to a former contract bottling customer (categorized in the chart above as "other services"). The Company's contractual obligations to sell bulk were completed in September 2012. In addition, a relatively soft spirits market (especially in categories in which Corby is heavily weighted, such as white rum) combined with a shift in customer shipment patterns saw reductions in both Case Goods and Commissions.

On a year-to-date comparison basis, revenues (excluding Disposed Brands) decreased 2% (or $1.9 million) when compared to the same nine-month period last year. The decrease was largely due to the aforementioned cessation of bulk whisky sales to a former contract bottling customer (categorized in the revenue chart as "other services). Commissions were also lower on account of discontinued representation of certain non-owned brands.

Cost of sales

Significant decreases in cost of sales for both the quarter (-$2.2 million) and nine-month period (-$10.6 million) ended March 31, 2013, were primarily the result of the aforementioned sale transaction, as the Company no longer incurred production costs associated with the Disposed Brands and the formerly owned bottling facility.

Gross margins were 58.8% and 57.4% for the three- and nine-month periods ended March 31, 2013, respectively, versus 55.6% and 53.1% for the same three- and nine-month periods last year (note: commissions are not included in this calculation). The improved gross margin is a result of the sale transaction and our strategic focus on increasing value. The revenues derived from the Disposed Brands and the formerly owned bottling facility generated significantly less margin than Corby's remaining Case Goods business.

Marketing, sales and administration

On a quarter-over-quarter comparison basis, marketing, sales and administration expenses decreased 2% or $0.3 million. Higher advertising and promotional spending in support of Corby's key brands was offset by lower administrative related costs when compared to the same period last year. More specifically, the comparative period included costs associated with a project the Company had undertaken to transform its sales and trade-marketing organization in Canada.

On a year-to-date basis, marketing, sales and administration expenses were $35.5 million, representing a decrease of $0.4 million, or 1%, when compared to the same nine-month period last year. Similar to the quarter, the decrease on a year-to-date basis was the result of higher advertising and promotional spend being offset by lower administrative costs. Management continues to target advertising and promotional spend towards market opportunities, innovation and consumer trends.

Other Income and Expenses

Other income and expenses include such items as realized foreign exchange gains and losses, gains on sale of property and equipment, and amortization of actuarial gains and losses related to the Company's pension and post-retirement benefit plans. Other income and expenses remained relatively consistent on both a three- and nine-month year-over-year comparison basis.

Net Financial Income

Net financial income is comprised of interest earned on deposits in cash management pools, offset by interest costs associated with the Company's pension and post-retirement benefit plans. This balance is relatively consistent for both the three- and nine-month comparative periods.

Income taxes

On a quarter over quarter comparison basis, income tax expense declined $0.3 million. The reduced income tax is mostly the result of having lower earnings this quarter. On a year-to-date comparison basis, income tax expense declined $4.5 million. The substantial decrease is primarily the result of the comparative period including additional income tax associated with the aforementioned sale transaction dated October 31, 2011. The following chart provides a reconciliation of the effective tax rate to the statutory rates for each period:

	Three Months Ended		*Nine Months Ended*	
	Mar. 31 2013	*Mar. 31 2012*	***Mar. 31 2013***	*Mar. 31 2012*
Combined basic Federal and Provincial tax rates	**26%**	27%	**26%**	27%
Net capital gain on disposal of plant and non-core brands	**0%**	0%	**0%**	(4%)
Other	**1%**	1%	**2%**	(0%)
Effective tax rate	**27%**	28%	**28%**	23%

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of $97.8 million as at March 31, 2013, and its cash generated from operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities, which totalled $20.8 million as at March 31, 2013, and are all due to be paid within one year. The Company does not have any liabilities under short- or long-term debt facilities.

In addition, and as discussed in the Related Party section of this MD&A, the company has a commitment to purchase the representation rights for ABSOLUT and Plymouth gin brands for an additional term beginning September 30, 2013. The additional term will commence September 30, 2013 and last until September 29, 2021 and will require a cash payment of $10.3 million on the date of commencement. The cost of the additional term will be recorded as a definite-lived intangible asset and will be amortized on a straight-line basis over the 8 year term of the agreement. The amortization will be recorded net of commissions. This treatment is consistent with current accounting policies applied to long-term representation rights. Funding for the settlement of this commitment will be sourced from deposits in cash management pools.

The Company believes that its deposits in cash management pools, combined with its historically strong operational cash flows, provide for sufficient liquidity to fund its operations, investing activities and commitments for the foreseeable future. The Company's cash flows from operations are subject to fluctuation due to commodity, foreign exchange and interest rate risks. Please refer to the "Risks and Risk Management" section of this MD&A for further information.

Cash flows

	Three Months Ended			*Nine Months Ended*		
(in millions of Canadian dollars)	***Mar. 31, 2013***	*Mar. 31, 2012*	*$ Change*	***Mar. 31, 2013***	*Mar. 31, 2012*	*$ Change*
Operating activities						
Net earnings, adjusted for non-cash items	**$ 6.3**	$ 7.4	$ (1.1)	**$ 30.6**	$ 32.7	$ (2.1)
Net change in non-cash working capital	**(2.7)**	(1.2)	(1.5)	**(2.7)**	10.9	(13.6)
Net payments for interest and income taxes	**(2.4)**	(1.0)	(1.4)	**(11.2)**	(6.2)	(5.0)
	1.2	5.2	(4.0)	**16.7**	37.4	(20.7)
Investing activities						
Additions to capital assets	**(0.4)**	(0.3)	(0.1)	**(0.6)**	(0.6)	-
Net proceeds from sale of plant and brands	**-**	(0.7)	0.7	**-**	37.3	(37.3)
Proceeds from disposition of capital assets	**0.2**	0.1	0.1	**0.3**	0.3	-
Deposits in cash management pools	**18.7**	52.0	(33.3)	**12.3**	(9.8)	22.1
	18.4	51.1	(32.7)	**12.0**	27.2	(15.2)
Financing activities						
Proceeds from Note Receivable	**0.6**	0.6	-	**0.6**	0.6	-
Dividends paid	**(20.2)**	(56.9)	36.7	**(29.3)**	(65.2)	35.9
	(19.6)	(56.3)	36.7	**(28.7)**	(64.6)	35.9
Net change in cash	**$ -**	$ -	$ -	**$ -**	$ -	$ -

Operating activities

Cash flows from operating activities for the quarter were $1.2 million compared to $5.2 million in the same quarter last year. Net earnings (adjusted for non-cash items), was slightly lower than the comparative quarter due to lower Case Good volumes and bulk whisky sales, further compounded by unfavourable movements in non-cash working capital, specifically inventories, and higher tax instalments.

During the nine-month period, net cash flows from operating activities was $16.7 million compared to $37.4 million in the same period last year, representing a decrease of $20.7 million. The aforementioned sale transaction significantly impacted non-cash working capital balances. In addition, income taxes due on the sale transaction resulted in an increase in tax payments (+$3.9 million) compared to the same nine-month period last year.

Investing activities

Cash management pools represent cash on deposit with The Bank of Nova Scotia via Corby's Mirror Netting Service Agreement with PR. Corby has daily access to these funds and earns a market rate of interest from PR on its deposits. Changes in cash management pools reflect amounts either deposited in or withdrawn from these bank accounts and are simply a function of Corby's cash requirements during the period of time being reported on. For more information related to these deposits, please refer to the “Related Party Transactions” section of this MD&A.

Cash flows from investing activities decreased $32.7 million on a quarter over quarter comparison basis. The change is mostly the result of the Company withdrawing less cash due to changing dividend requirements.

On a year-to-date comparison basis, cash flows from investing activities decreased $15.2 million. The comparative period included $37.3 million in proceeds from the aforementioned sale transaction and was partially offset by the change in amounts withdrawn from (deposited in) cash management pools.

Financing activities

Cash used for financing activities totalled $19.6 million for the quarter and $28.7 million on a year-to-date basis and represents the payment of dividends to shareholders and proceeds received from the long-term note receivable during the period. The payment of these dividends is in accordance with the Company’s stated dividend policy.

The following table summarizes dividends paid and payable by the Company over the last two fiscal years:

Declaration date	Record Date	Payment date	$ / Share
May 9, 2013	May 31, 2013	June 14, 2013	$ 0.17
February 6, 2013	February 28, 2013	March 15, 2013	0.17
November 7, 2012 *(special dividend)*	December 14, 2012	January 10, 2013	0.54
November 7, 2012	November 30, 2012	December 14, 2012	0.17
August 29, 2012	September 15, 2012	September 30, 2012	0.15
May 10, 2012	May 31, 2012	June 15, 2012	0.15
February 8, 2012	February 29, 2012	March 15, 2012	0.15
November 9, 2011 *(special dividend)*	December 15, 2011	January 3, 2012	1.85
November 9, 2011	November 30, 2011	December 15, 2011	0.15
August 24, 2011	September 15, 2011	September 30, 2011	0.14
May 11, 2011	May 31, 2011	June 15, 2011	0.14

Outstanding Share Data

As at May 9, 2013, Corby had 24,274,320 Voting Class A Common Shares and 4,194,536 Non-Voting Class B Common Shares outstanding. The Company does not have a stock option plan, and therefore, there are no options outstanding.

Related Party Transactions

Transactions with parent, ultimate parent, and affiliates

Corby engages in a significant number of transactions with its parent company, its ultimate parent and various affiliates. Specifically, Corby renders services to its parent company, its ultimate parent, and affiliates for the marketing and sale of beverage alcohol products in Canada. Furthermore, Corby outsources the large majority of its distilling, maturing, storing, blending, bottling and related production activities to its parent company. A significant portion of Corby’s bookkeeping, recordkeeping services, data processing and other administrative services are also outsourced to its parent company. Transactions with the parent company, ultimate parent and affiliates are subject to Corby’s related party transaction policy.

The companies operate under the terms of agreements that became effective on September 29, 2006. These agreements provide the Company with the exclusive right to represent PR’s brands in the Canadian market for 15 years, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario, for 10 years. Corby also manages PR's business interests in Canada, including the Windsor production facility. Certain officers of Corby have been appointed as directors and officers of PR's Canadian entities, as approved by Corby's Board of Directors.

In addition to the aforementioned agreements, Corby signed an agreement on September 26, 2008, with its ultimate parent to be the exclusive Canadian representative for the ABSOLUT vodka and Plymouth gin brands, for a five-year term expiring October 1, 2013. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006.

Further, on November 9, 2011, Corby entered into an agreement with PR for a new term for Corby's exclusive right to represent ABSOLUT vodka in Canada from September 30, 2013 to September 29, 2021, which is consistent with the term of Corby's Canadian representation for the other PR brands in Corby's portfolio. Under the agreement, Corby will pay the present value of $10 million for the additional eight years of the new term to PR at its commencement. Since the agreement with PR is a related party transaction, the agreement was approved by the Independent Committee of the Corby Board of Directors, in accordance with Corby's related party transaction policy, following an extensive review and with external financial and legal advice. Pursuant to this agreement, Corby also agreed to continue with the mirror netting arrangement with PR and its affiliates, under which Corby's excess cash will continue to be deposited to cash management pools. The mirror netting arrangement with PR and its affiliates is further described below.

On July 1, 2012, the Company entered into a five year agreement with Pernod Ricard USA, LLC ("PR USA"), an affiliated company, which provides PR USA the exclusive right to represent Wiser's Canadian whisky and Polar Ice vodka in the US. The agreement provides these key brands with access to PR USA's extensive national distribution network throughout the US and complements PR USA's premium brand portfolio. The agreement is effective for a five year period ending June 30, 2017. The agreement with PR USA is a related party transaction between Corby and PR USA, as such; the agreement was approved by the Independent Committee of the Board of Directors of Corby following an extensive review, in accordance with Corby's related party transaction policy.

Deposits in cash management pools

Corby participates in a cash pooling arrangement under a Mirror Netting Service Agreement, together with PR's other Canadian affiliates, the terms of which are administered by The Bank of Nova Scotia. The Mirror Netting Service Agreement acts to aggregate each participant's net cash balance for purposes of having a centralized cash management function for all of PR's Canadian affiliates, including Corby. As a result of Corby's participation in this agreement, Corby's credit risk associated with its deposits in cash management pools is contingent upon PR's credit rating. PR's credit rating as at May 9, 2013, as published by Standard & Poor's and Moody's, was BBB- and Baa3, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Netting Service Agreement by paying interest to Corby based upon the 30-day LIBOR rate plus 0.40%.

Corby accesses these funds on a daily basis and has the contractual right to withdraw these funds or terminate these cash management arrangements upon providing five days' written notice.

Selected Quarterly Information

Summary of Quarterly Financial Results

(in millions of Canadian dollars, except per share amounts)	**Q3 2013**	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Revenue	**$ 25.7**	$ 37.7	$ 35.9	$ 32.4	$ 29.2	$ 40.9	$ 44.2	$ 40.1
Earnings from operations	**5.1**	12.0	9.5	6.6	6.1	33.6	12.6	9.4
Net earnings, excluding undernoted items (1)	**4.0**	9.0	7.0	4.9	4.6	9.0	9.9	6.8
Net earnings	**4.0**	9.0	7.0	4.9	4.6	27.1	9.5	6.8
Basic EPS	**0.14**	0.32	0.25	0.17	0.16	0.95	0.33	0.24
Diluted EPS	**0.14**	0.32	0.25	0.17	0.16	0.95	0.33	0.24

(1) Net earnings have been adjusted for the net after-tax gain on the sale of plant and brands of $17.7 million in 2012.

The above chart demonstrates the seasonality of Corby's business, as sales are typically strong in the first and second quarters, while third-quarter sales (January, February and March) usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather, as consumers tend to increase their purchasing levels during the summer season.

The chart also highlights the effect the aforementioned sale transaction (i.e., the sale of the Disposed Brands and the subsidiary that owned the Montreal plant in Q2-2012) had on the quarterly results. The line item in the chart "Net earnings, excluding undernoted items" removes the gain on sale impacts. Also note that revenue and ongoing net earnings have been substantially impacted as well, given the fact the company sold various brands and a contract bottling facility and thus no longer recognized revenue associated with the brands and activities after the date of sale.

For further information regarding the sale transaction please refer to Note 19 to the audited consolidated financial statements for the year ending June 30, 2012.

New Accounting Pronouncements

(a) New accounting standards

(i) Deferred Taxes – Recovery of Underlying Assets

The IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12 amendment"), which introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The IAS 12 amendment is effective for annual periods beginning on or after January 1, 2012. The IAS 12 amendment did not have an impact on the Company's results of operations, financial position or disclosures.

(ii) Financial Instruments - Disclosures

On June 16, 2011 the IASB issued amendments to IAS 1, "Presentation of Financial Statements." The amendments enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements. A requirement has been added to present items in other comprehensive income grouped on the basis of whether they may be subsequently reclassified to earnings in order to more clearly show the effect the items of other comprehensive income may have on future earnings. The amendments are effective for annual periods beginning on or after July 1, 2012. The amendments have not had an impact on the Company's presentation of other comprehensive income.

(b) Recent accounting pronouncements

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending June 30, 2013, and accordingly, have not been applied in preparing these consolidated financial statements:

(i) Consolidated Financial Statements

In May 2011 the IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Ventures" ("IFRS 11"), and IFRS 12, "Disclosure of Interest in Other Entities" ("IFRS 12"). In addition, the IASB amended IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") and IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"). The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by entities that have an interest in an arrangement that is jointly controlled. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interest in other entities and the effects of those interests on its financial performance.

IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. For Corby, this set of standards and amendments become effective July 1, 2013. The Company is currently assessing the impact of IFRS 10, 11, and 12 and the amendments to IAS 27 and 28 on its consolidated financial statements.

(ii) Fair Value Measurement

On May 12, 2011 the IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13") which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. IFRS 13 applies to all International Financial Reporting Standards that require or permit fair value measurements or disclosures. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is effective for annual periods beginning on or after January 1, 2013, and must be applied prospectively. For Corby this standard becomes effective July 1, 2013. The Company is currently assessing the impact of IFRS 13 on its consolidated financial statements.

(iii) Employee Benefits

On June 16, 2011 the IASB issued amendments to IAS 19, "Employee Benefits" ("IAS 19"), which eliminates the option to defer the recognition of actuarial gains and losses through the "corridor" approach, revises the presentation of changes in assets and liabilities arising from defined benefit plans and enhances the disclosures for defined benefit plans. IAS 19 is effective for annual periods beginning on or after January 1, 2013, and must be applied retrospectively. For Corby, the revisions to this standard become effective July 1, 2013. Preliminary assessments have determined that a $10.3 million retrospective adjustment to decrease opening equity (with an offsetting increase in liabilities) will be required as at July 1, 2012. The Company continues to assess other impacts the amendments will have on its consolidated financial statements.

(iv) Financial Instruments – Asset and Liability Offsetting

The IASB has issued amendments to IFRS 7 and IAS 32, "Financial Instruments: Presentation" ("IAS 32"), which clarify the requirements for offsetting financial instruments and require new disclosures on the effect of offsetting arrangements on an entity's financial position. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. For Corby, this standard will become effectively July 1, 2013. The Company is assessing the impact of the amendments to IFRS 7 and IAS 32 on its consolidated financial statements.

(v) Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 and must be applied retrospectively. For Corby, this standard will become effective July 1, 2015. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

Internal Controls Over Financial Reporting

The Company maintains a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

In addition, the CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial reporting and financial statement preparation.

There were no changes in internal control over financial reporting during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risks & Risk Management

The Company is exposed to a number of risks in the normal course of its business that have the potential to affect its operating and financial performance.

Industry and Regulatory

The beverage alcohol industry in Canada is subject to government policy, extensive regulatory requirements and significant rates of taxation at both the federal and provincial levels. As a result, changes in the government policy, regulatory and/or taxation environments within the beverage alcohol industry may affect Corby's business operations, causing changes in market dynamics or changes in consumer consumption patterns. In addition, the Company's provincial LB customers have the ability to mandate changes that can lead to increased costs, as well as other factors that may impact financial results.

The Company continuously monitors the potential risk associated with any proposed changes to its government policy, regulatory and taxation environments and, as an industry leader, actively participates in trade association discussions relating to new developments.

Consumer Consumption Patterns

Beverage alcohol companies are susceptible to risks relating to changes in consumer consumption patterns. Consumer consumption patterns are affected by many external influences, not the least of which is the economic outlook and overall consumer confidence in the stability of the economy as a whole. Corby offers a diverse portfolio of products across all major spirits categories and at various price points, which complements consumer desires and offers exciting innovation.

Distribution/Supply Chain Interruption

The Company is susceptible to risks relating to distributor and supply chain interruptions. Distribution in Canada is largely accomplished through the government-owned provincial LBs and, therefore, an interruption (e.g., a labour strike) for any length of time may have a significant impact on the Company's ability to sell its products in a particular province and/or market.

Supply chain interruptions, including a manufacturing or inventory disruption, could impact product quality and availability. The Company adheres to a comprehensive suite of quality programs and proactively manages production and supply chains to mitigate any potential risk to consumer safety or Corby's reputation and profitability.

Environmental Compliance

Environmental liabilities may potentially arise when companies are in the business of manufacturing products and, thus, required to handle potentially hazardous materials. As Corby outsources its production, including all of its storage and handling of maturing alcohol, the risk of environmental liabilities is considered minimal. Corby currently has no significant recorded or unrecorded environmental liabilities.

Industry Consolidation

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

Competition

The Canadian beverage alcohol industry is extremely competitive. Competitors may take actions to establish and sustain a competitive advantage through advertising and promotion and pricing strategies in an effort to maintain market share. Corby constantly monitors the market and adjusts its own strategies as appropriate. Competitors may also affect Corby's ability to attract and retain high-quality employees. The Company's long heritage attests to Corby's strong foundation and successful execution of its strategies. Being a leading Canadian beverage alcohol company helps facilitate recruitment efforts.

Credit Risk

Credit risk arises from deposits in cash management pools held with PR via Corby's participation in the Mirror Netting Service Agreement (as previously described in the "Related Party Transactions" section of this MD&A), as well as credit exposure to customers, including outstanding accounts and note receivable. The maximum exposure to credit risk is equal to the carrying value of the Company's financial assets. The objective of managing counter-party credit risk is to prevent losses in financial assets. The Company assesses the credit quality of its counter-parties, taking into account their financial position, past experience and other factors. As the large majority of Corby's accounts receivable balances are collectable from government-controlled LBs, management believes the Company's credit risk relating to accounts receivable is at an acceptably low level. The Company's note receivable is secured.

Exposure to Interest Rate Fluctuations

The Company does not have any short- or long-term debt facilities. Interest rate risk exists, as Corby earns market rates of interest on its deposits in cash management pools and also has a note receivable that earns a fixed rate of interest. An active risk management program does not exist, as management believes that changes in interest rates would not have a material impact on Corby's financial position over the long term.

Exposure to Commodity Price Fluctuations

Commodity risk exists, as the manufacture of Corby's products requires the procurement of several known commodities, such as grains, sugar and natural gas. The Company strives to partially mitigate this risk through the use of longer-term procurement contracts where possible. In addition, subject to competitive conditions, the Company may pass on commodity price changes to consumers through pricing over the long term.

Foreign Currency Exchange Risk

The Company has exposure to foreign currency risk, as it conducts business in multiple foreign currencies; however, its exposure is primarily limited to the US dollar ("USD") and UK pound sterling ("GBP"). Corby does not utilize derivative instruments to manage this risk. Subject to competitive conditions, changes in foreign currency rates may be passed on to consumers through pricing over the long term.

<u>USD Exposure</u>
The Company's demand for USD has traditionally outpaced its supply, due to USD sourcing of production inputs exceeding that of the Company's USD sales. Therefore, decreases in the value of the Canadian dollar ("CAD") relative to the USD will have an unfavourable impact on the Company's earnings.

<u>GBP Exposure</u>
The Company's exposure to fluctuations in the value of the GBP relative to the CAD was reduced as both sales and cost of production are denominated in GBP. While Corby's exposure has been minimized, increases in the value of the CAD relative to the GBP will have an unfavourable impact on the Company's earnings.

Third-Party Service Providers

HWSL, which Corby manages on behalf of PR, provides more than 80% of the Company's production requirements, among other services including administration and information technology. However, the Company is reliant upon certain third-party service providers in respect of certain of its operations. It is possible that negative events affecting these third-party service providers could, in turn, negatively impact the Company. While the Company has no direct control over how such third parties are managed, it has entered into contractual arrangements to formalize these relationships. In order to minimize operating risks, the Company actively monitors and manages its relationships with its third-party service providers.

Brand Reputation and Trademark Protection

The Company promotes nationally branded, non-proprietary products as well as proprietary products. Damage to the reputation of any of these brands, or to the reputation of any supplier or manufacturer of these brands, could negatively impact consumer opinion of the Company or the related products, which could have an adverse impact on the financial performance of the Company. The Company strives to mitigate such risks by selecting only those products from suppliers that strategically complement Corby's existing brand portfolio and by actively monitoring brand advertising and promotion activities. The Company registers trademarks, as applicable, while constantly watching for and responding to competitive threats, as necessary.

Valuation of Goodwill and Intangible Assets

Goodwill and intangible assets account for a significant amount of the Company's total assets. Goodwill and intangible assets are subject to impairment tests that involve the determination of fair value. Inherent in such fair value determinations are certain judgments and estimates including, but not limited to, projected future sales, earnings and capital investment; discount rates; and terminal growth rates. These judgments and estimates may change in the future due to uncertain competitive market and general economic conditions, or as the Company makes changes in its business strategies. Given the current state of the economy, certain of the aforementioned factors affecting the determination of fair value may be impacted and, as a result, the Company's financial results may be adversely affected.

The following chart summarizes Corby's goodwill and intangible assets and details the amounts associated with each brand (or basket of brands) and market:

		Carrying Values as at March 31, 2013		
Associated Brand	Associated Market	Goodwill	Intangibles	Total
Various PR brands	Canada	$ -	$ 38.5	$ 38.5
Lamb's rum	United Kingdom[1]	1.4	11.8	13.2
Corby domestic brands	Canada	1.9	-	1.9
		$ 3.3	$ 50.3	$ 53.6

[1] The international business for Lamb's rum is primarily focused in the UK, however, the trademarks and licences purchased, relate to all international markets outside of Canada, as Corby previously owned the Canadian rights.

Therefore, economic factors (such as consumer consumption patterns) specific to these brands and markets are primary drivers of the risk associated with their respective goodwill and intangible assets valuations.

Employee Future Benefits

The Company has certain obligations under its registered and non-registered defined benefit pension plans and other post-retirement benefit plan. There is no assurance that the Company's benefit plans will be able to earn the assumed rate of return. New regulations and market-driven changes may result in changes in the discount rates and other variables, which would result in the Company being required to make contributions in the future that differ significantly from estimates. An extended period of depressed capital markets and low interest rates could require the Company to make contributions to these plans in excess of those currently contemplated, which, in turn, could have an adverse impact on the financial performance of the Company. Somewhat mitigating the impact of a potential market decline is the fact that the Company monitors its pension plan assets closely and follows strict guidelines to ensure that pension fund investment portfolios are diversified in-line with industry best practices. For further details related to Corby's defined benefit pension plans, please refer to Note 15 of the consolidated financial statements for the year ended June 30, 2012.

CORBY DISTILLERIES LIMITED
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)
(in thousands of Canadian dollars)

	Note	**March 31, 2013**	June 30, 2012	March 31, 2012
ASSETS				
Deposits in cash management pools		**$ 97,769**	$ 110,113	$ 106,430
Accounts receivable	4	**26,492**	28,611	26,309
Income and other taxes recoverable		**2,090**	-	-
Inventories	5	**50,286**	47,760	50,048
Prepaid expenses		**341**	555	326
Current portion of note receivable	6	**600**	600	600
Total current assets		**177,578**	187,639	183,713
Note receivable	6	**600**	1,200	1,200
Property and equipment		**7,244**	7,524	6,721
Goodwill		**3,278**	3,278	3,278
Intangible assets		**50,374**	53,771	54,904
Total assets		**$ 239,074**	$ 253,412	$ 249,816
LIABILITIES				
Accounts payable and accrued liabilities	7	**$ 20,773**	$ 22,400	$ 18,916
Income and other taxes payable		**-**	3,656	3,979
Total current liabilities		**20,773**	26,056	22,895
Provision for pensions		**10,876**	10,550	10,856
Deferred income taxes		**972**	983	853
Total liabilities		**32,621**	37,589	34,604
Shareholders' equity				
Share capital		**14,304**	14,304	14,304
Retained earnings		**192,149**	201,519	200,908
Total shareholders' equity		**206,453**	215,823	215,212
Total liabilities and shareholders' equity		**$ 239,074**	$ 253,412	$ 249,816

See accompanying notes to the interim condensed consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)
(in thousands of Canadian dollars, except per share amounts)

		For the Three Months Ended		For the Nine Months Ended	
	Note	**March 31, 2013**	March 31, 2012	March 31, 2013	March 31, 2012
Revenue	9	**$ 25,671**	$ 29,171	**$ 99,279**	$ 114,313
Cost of sales		**(9,459)**	(11,681)	**(37,273)**	(47,817)
Marketing, sales and administration		**(11,238)**	(11,528)	**(35,454)**	(35,970)
Disposal transaction	10	**-**	-	**-**	21,532
Other income and expense	11	**164**	103	**54**	174
Earnings from operations		**5,138**	6,065	**26,606**	52,232
Financial income		**415**	514	**1,317**	1,510
Financial expenses		**(100)**	(151)	**(353)**	(428)
Net financial income	12	**315**	363	**964**	1,082
Earnings before income taxes		**5,453**	6,428	**27,570**	53,314
Current income taxes		**(1,489)**	(1,820)	**(7,627)**	(11,038)
Deferred income taxes		**4**	31	**10**	(1,109)
Income taxes		**(1,485)**	(1,789)	**(7,617)**	(12,147)
Net earnings		**$ 3,968**	$ 4,639	**$ 19,953**	$ 41,167
Basic earnings per share		**$ 0.14**	$ 0.16	**$ 0.70**	$ 1.45
Diluted earnings per share		**$ 0.14**	$ 0.16	**$ 0.70**	$ 1.45
Weighted average common shares outstanding					
Basic		**28,468,856**	28,468,856	**28,468,856**	28,468,856
Diluted		**28,468,856**	28,468,856	**28,468,856**	28,468,856

See accompanying notes to the interim condensed consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)
(in thousands of Canadian dollars)

	For the Three Months Ended		*For the Nine Months Ended*	
	March 31, 2013	March 31, 2012	**March 31, 2013**	March 31, 2012
Net earnings	**$ 3,968**	$ 4,639	**$ 19,953**	$ 41,167
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income	**$ 3,968**	$ 4,639	**$ 19,953**	$ 41,167

See accompanying notes to the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)
(in thousands of Canadian dollars)

	Share Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance as at June 30, 2012	$ 14,304	$ -	$ 201,519	$ 215,823
Net earnings	-	-	19,953	19,953
Other comprehensive income	-	-	-	-
Dividends	-	-	(29,323)	(29,323)
Balance as at March 31, 2013	**$ 14,304**	**$ -**	**$ 192,149**	**$ 206,453**
Balance as at July 1, 2011	$ 14,304	$ -	$ 224,935	$ 239,239
Net earnings	-	-	41,167	41,167
Other comprehensive income	-	-	-	-
Dividends	-	-	(65,194)	(65,194)
Balance as at March 31, 2012	$ 14,304	$ -	$ 200,908	$ 215,212

See accompanying notes to the interim condensed consolidated financial statements

CORBY DISTILLERIES LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)
(in thousands of Canadian dollars)

	Notes	*For the Three Months Ended* **March 31, 2013**	March 31, 2012	*For the Nine Months Ended* **March 31, 2013**	March 31, 2012
Operating activities					
Net earnings		**$ 3,968**	$ 4,639	**$ 19,953**	$ 41,167
Adjustments for:					
Amortization and depreciation	13	**1,384**	1,340	**4,131**	4,331
Net financial income	12	**(315)**	(363)	**(964)**	(1,082)
Disposal transaction	10	**-**	-	**-**	(21,532)
Gain on disposal of property and equipment		**(74)**	(42)	**(143)**	(128)
Income tax expense		**1,485**	1,789	**7,617**	12,147
Provision for pensions		**(118)**	13	**50**	(2,218)
		6,330	7,376	**30,644**	32,685
Net change in non-cash working capital balances	14	**(2,723)**	(1,164)	**(2,753)**	10,850
Interest received		**479**	486	**1,269**	1,401
Income taxes paid		**(2,873)**	(1,446)	**(12,466)**	(7,586)
Net cash from operating activities		**1,213**	5,252	**16,694**	37,350
Investing activities					
Additions to property and equipment		**(421)**	(310)	**(624)**	(619)
Net proceeds on disposal transaction		**-**	(711)	**-**	37,376
Proceeds from disposition of property and equipment		**154**	110	**309**	281
Deposits in cash management pools		**18,667**	51,997	**12,344**	(9,794)
Net cash from investing activities		**18,400**	51,086	**12,029**	27,244
Financing activity					
Proceeds from note receivable		**600**	600	**600**	600
Dividends paid		**(20,213)**	(56,938)	**(29,323)**	(65,194)
Net cash used in financing activity		**(19,613)**	**(56,338)**	**(28,723)**	**(64,594)**
Net increase in cash		**-**	-	**-**	-
Cash, beginning of period		**-**	-	**-**	-
Cash, end of period		**$ -**	$ -	**$ -**	$ -

See accompanying notes to the interim condensed consolidated financial statements

1. GENERAL INFORMATION

Corby Distilleries Limited ("Corby" or the "Company") is a leading Canadian marketer of spirits and importer of wines. The Company derives its revenues from the sale of its owned-brands in Canada and other international markets, as well as earning commissions from the representation of selected non-owned brands in the Canadian marketplace. Revenues predominantly consist of sales made to each of the provincial liquor boards in Canada.

Corby is controlled by Hiram Walker & Sons Limited ("HWSL"), which is a wholly owned subsidiary of Pernod Ricard, S.A. ("PR"), a French public limited company that owned 51.6% of the outstanding Voting Class A Common Shares of Corby as at June 30, 2012.

Corby is a public company incorporated and domiciled in Canada, whose shares are traded on the Toronto Stock Exchange. The Company's registered address is 225 King Street West, Suite 1100, Toronto, ON M5V 3M2.

2. BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared using the accounting policies that were described in Note 3 to the Company's annual consolidated financial statements as at and for the year ended June 30, 2012, except as described in Note 3(a) to these condensed consolidated financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the Company's 2012 annual financial statements.

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on May 9, 2013.

Functional and presentation currency

The Company's interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate applying at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies are recognized at the historical exchange rate applicable at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applying at the balance sheet date. Foreign currency differences related to operating activities are recognized in earnings from operations for the period; foreign currency differences related to financing activities are recognized within net financial income.

2. BASIS OF PREPARATION (continued)

Basis of Measurement

These interim condensed consolidated financial statements are prepared in accordance with the historical cost model, except for certain categories of assets and liabilities, which are measured in accordance with other methods provided for by IFRS as described in Note 3 to the Company's annual consolidated financial statements as at and for the year ended June 30, 2012. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Seasonality

The interim condensed consolidated financial statements should not be taken as indicative of the performance to be expected for the full year due to the seasonal nature of the spirits business. Corby's operations are subject to seasonal fluctuations as sales are typically strong in the first and second quarters, while third-quarter sales usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather as consumers tend to increase their purchasing levels during the summer season.

Use of Estimates and Judgements

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are made on the assumption the Company will continue as a going concern and are based on information available at the time of preparation. Estimates may be revised where the circumstance on which they were based change or where new information becomes available. Future outcomes can differ from these estimates.

Judgement is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated.

The Company has applied judgement in determining the tax rates used for measuring deferred taxes and identifying the indicators of impairment for property and equipment, goodwill and intangible assets. In the absence of standards or interpretations applicable to a specific transaction, management uses its judgement to define and apply accounting policies that provide relevant and reliable information in the context of the preparation of the financial statements.

Estimates are used when estimating the useful lives of property and equipment and intangible assets for the purpose of depreciation and amortization, when accounting for or measuring items such as allowances for uncollectible accounts receivable and inventory obsolescence, assumptions underlying the actuarial determination of provision for pensions, income and other taxes, provisions, certain fair value measures including those related to the valuation of share-based payments and financial instruments, and when testing goodwill, intangible assets and other assets for impairment. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) New accounting standards

(i) Deferred Taxes – Recovery of Underlying Assets

The IASB issued an amendment to IAS 12, “Income Taxes” (“IAS 12 amendment”), which introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The IAS 12 amendment is effective for annual periods beginning on or after January 1, 2012. The IAS 12 amendment did not have an impact on the Company’s results of operations, financial position or disclosures.

(ii) Financial Instruments - Disclosures

On June 16, 2011 the IASB issued amendments to IAS 1, “Presentation of Financial Statements.” The amendments enhance the presentation of Other Comprehensive Income (“OCI”) in the financial statements. A requirement has been added to present items in other comprehensive income grouped on the basis of whether they may be subsequently reclassified to earnings in order to more clearly show the effect the items of other comprehensive income may have on future earnings. The amendments are effective for annual periods beginning on or after July 1, 2012. The amendments have not had an impact on the Company’s presentation of other comprehensive income.

(b) Recent accounting pronouncements

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending June 30, 2013, and accordingly, have not been applied in preparing these consolidated financial statements:

(i) Consolidated Financial Statements

In May 2011 the IASB issued IFRS 10, “Consolidated Financial Statements” (“IFRS 10”), IFRS 11, “Joint Ventures” (“IFRS 11”), and IFRS 12, “Disclosure of Interest in Other Entities” (“IFRS 12”). In addition, the IASB amended IAS 27, “Consolidated and Separate Financial Statements” (“IAS 27”) and IAS 28, “Investments in Associates and Joint Ventures” (“IAS 28”). The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by entities that have an interest in an arrangement that is jointly controlled. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interest in other entities and the effects of those interests on its financial performance.

IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. For Corby, this set of standards and amendments become effective July 1, 2013. The Company is currently assessing the impact of IFRS 10, 11, and 12 and the amendments to IAS 27 and 28 on its consolidated financial statements.

(ii) Fair Value Measurement

On May 12, 2011 the IASB issued IFRS 13, “Fair Value Measurement” (“IFRS 13”) which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. IFRS 13 applies to all International Financial Reporting Standards that require or permit fair value measurements or disclosures. IFRS 13 defines fair value as the price that would be

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Recent accounting pronouncements (continued)

received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is effective for annual periods beginning on or after January 1, 2013, and must be applied prospectively. For Corby this standard becomes effective July 1, 2013. The Company is currently assessing the impact of IFRS 13 on its consolidated financial statements.

(iii) Employee Benefits

On June 16, 2011 the IASB issued amendments to IAS 19, “Employee Benefits” (“IAS 19”), which eliminates the option to defer the recognition of actuarial gains and losses through the “corridor” approach, revises the presentation of changes in assets and liabilities arising from defined benefit plans and enhances the disclosures for defined benefit plans. IAS 19 is effective for annual periods beginning on or after January 1, 2013, and must be applied retrospectively. For Corby, the revisions to this standard become effective July 1, 2013. Preliminary assessments have determined that a $10.3 million retrospective adjustment to decrease opening equity (with an offsetting increase in liabilities) will be required as at July 1, 2012. The Company continues to assess other impacts the amendments will have on its consolidated financial statements.

(iv) Financial Instruments – Asset and Liability Offsetting

The IASB has issued amendments to IFRS 7 and IAS 32, “Financial Instruments: Presentation” (“IAS 32”), which clarify the requirements for offsetting financial instruments and require new disclosures on the effect of offsetting arrangements on an entity’s financial position. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. For Corby, this standard will become effective July 1, 2013. The Company is assessing the impact of the amendments to IFRS 7 and IAS 32 on its consolidated financial statements.

(v) Financial Instruments

The IASB has issued a new standard, IFRS 9, “Financial Instruments” (“IFRS 9”), which will ultimately replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity’s credit risk are presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 and must be applied retrospectively. For Corby, this standard will become effective July 1, 2015. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	Mar. 31, 2013	June 30, 2012	Mar. 31, 2012
Trade receivables	$ **15,234**	$ 19,722	$ 17,992
Due from related parties	**11,248**	8,852	8,302
Other receivables	**10**	37	15
	$ **26,492**	$ 28,611	$ 26,309

Other receivables included amounts owing from Brick Brewing Co., Limited related to the sale of the Seagram Coolers brand on March 15, 2011. At March 31, 2013 the balance represents interest accrued on the secured promissory note receivable as described in Note 6 of these financial statements.

5. INVENTORIES

	Mar. 31, 2013	June 30, 2012	Mar. 31, 2012
Raw materials	$ **2,406**	$ 1,597	$ 1,795
Work-in-progress	**38,875**	40,703	41,413
Finished goods	**9,005**	5,460	6,841
	$ **50,286**	$ 47,760	$ 50,048

The cost of inventory recognized as an expense and included in cost of goods sold for the three and nine months ended March 31, 2013 were $7,803 and $30,001, (2012 - $9,345 and $39,692), respectively. During the nine month periods ended March 31, 2013 and 2012, the Company did not record any significant write-downs of inventory as a result of net realizable value being lower than cost. During the nine month periods ending March 31, 2013 and 2012, the Company did not reverse any significant inventory write-downs recognized in previous periods.

6. NOTE RECEIVABLE

	Mar. 31, 2013	June 30, 2012	Mar. 31, 2012
Note receivable	$ **1,200**	$ 1,800	$ 1,800
Less: current portion	**600**	600	600
	$ **600**	$ 1,200	$ 1,200

As part of the Company's sale of the Seagram Coolers brand on March 15, 2011, the purchase price was satisfied in part by a promissory note secured by specific property and issued by the purchaser in favour of Corby for $2,400, which will be paid in equal annual instalments of $600 plus interest of 5% per annum, with the final payment due January 31, 2015. For additional information regarding this disposal transaction, please refer to Note 19 of the most recently prepared annual consolidated financial statements for the year ended June 30, 2012.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Mar. 31, 2013	June 30, 2012	**Mar. 31, 2012**
Trade payables and accruals	**$ 16,120**	$ 16,584	$ 12,388
Due to related parties	**4,653**	5,816	6,528
	$ 20,773	$ 22,400	$ 18,916

8. DIVIDENDS

On May 9, 2013, subsequent to the quarter-ended March 31, 2013, the Board of Directors declared its regular quarterly dividend of $0.17 per common share, payable June 14, 2013, to the shareholders of record as at the close of business on May 31, 2013.

All dividends are in accordance with the Company's dividend policy.

9. REVENUE

The Company's revenue consists of the following streams:

	Three Months Ended		*Nine Months Ended*	
	Mar. 31, 2013	Mar. 31, 2012	**Mar. 31, 2013**	Mar. 31, 2012
Case good sales	**$ 22,052**	$ 23,131	**$ 81,887**	$ 85,212
Commissions	**2,700**	2,885	**11,875**	12,350
Other services	**919**	3,155	**5,517**	16,751
	$ 25,671	$ 29,171	**$ 99,279**	$ 114,313

Commissions for the three and nine month periods are shown net of long-term representation rights amortization of $1,133 and $3,398, (2012 - $1,133 and $3,398), respectively. Other services include revenues incidental to the manufacture of case goods, logistics fees and miscellaneous bulk spirit sales (the comparative period also includes contract bottling revenues).

10. DISPOSAL TRANSACTION

On October 31, 2011, the Company completed a transaction to sell the shares of the wholly-owned subsidiary that owned the manufacturing and bottling facility located in Montreal, Quebec. The transaction resulted in the sale of 17 brands, as well as the Montreal-based manufacturing facility where a significant portion of the brands were produced, for a total purchase price of $39,660; including the cost of inventory and other working capital items associated with the brands and manufacturing facility sold. For the nine months ended March 31, 2012 the gain on sale was calculated as follows:

10. DISPOSAL TRANSACTION (continued)

Proceeds, including inventory and other working capital items	$	39,660
Book value of assets sold, including inventory and other working capital items		(17,820)
Curtailment gain with respect to employee future benefit plans		2,168
Transaction costs		(2,476)
Gain on sale before income taxes		21,532
Income taxes		(3,855)
Net gain on sale	$	17,677

The agreement contains customary representations, warranties and covenants. In addition, as part of the agreement, Corby agreed to indemnify the purchaser, Sazerac Company, Inc. ("Sazerac"), in respect of a misrepresentation, breach of covenant, pre-closing liabilities and certain environmental matters. Based on current facts and circumstances, no material liability is anticipated in respect of this indemnification, and no provision has been made in the financial results for this contingency.

11. OTHER INCOME AND EXPENSE

The Company's other income (expense) consist of the following amounts:

	Three Months Ended		*Nine Months Ended*	
	Mar. 31, 2013	Mar. 31, 2012	**Mar. 31, 2013**	Mar. 31, 2012
Foreign exchange (losses) gains	**$ (36)**	$ 50	**$ (5)**	$ 83
Gains on disposal of property and equipment	**75**	42	**143**	128
Amortization of actuarial gains (losses) under defined benefit plans	**125**	11	**(84)**	(37)
	$ 164	$ 103	**$ 54**	$ 174

12. NET FINANCIAL INCOME

The Company's financial income (expense) consists of the following amounts:

	Three Months Ended		*Nine Months Ended*	
	Mar. 31, 2013	Mar. 31, 2012	**Mar. 31, 2013**	Mar. 31, 2012
Interest income	**$ 415**	$ 514	**$ 1,317**	$ 1,510
Interest expense	**(7)**	(2)	**(75)**	(23)
Net financial impact of pensions	**(93)**	(149)	**(278)**	(405)
	$ 315	$ 363	**$ 964**	$ 1,082

13. EXPENSES BY NATURE

Earnings from operations include depreciation and amortization, as well as personnel expenses as follows:

	Three Months Ended		*Nine Months Ended*	
	Mar. 31, 2013	Mar. 31, 2012	**Mar. 31, 2013**	Mar. 31, 2012
Depreciation of property and equipment	**$ 251**	$ 207	**$ 733**	$ 933
Amortization of intangible assets	**1,133**	1,133	**3,398**	3,398
Salary and payroll costs	**5,163**	5,161	**14,857**	16,024
Expenses (recoveries) related to pensions and benefits	**342**	490	**1,480**	(762)
	$ 6,889	$ 6,991	**$ 20,468**	$ 19,593

14. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	Three Months Ended		*Nine Months Ended*	
	Mar. 31, 2013	Mar. 31, 2012	**Mar. 31, 2013**	Mar. 31, 2012
Accounts receivable	**$ 4,239**	$ 3,962	**$ 2,119**	$ 4,696
Inventories	**(3,580)**	(959)	**(2,526)**	3,389
Prepaid expenses	**249**	480	**214**	1,405
Income tax and other taxes recoverable / payable	**(16)**	830	**(907)**	(131)
Accounts payable and accrued liabilities	**(3,615)**	(5,477)	**(1,653)**	1,491
	$ (2,723)	$ (1,164)	**$ (2,753)**	$ 10,850

15. RELATED PARTY TRANSACTIONS

Transactions with parent, ultimate parent, and affiliates

The majority of Corby's issued and outstanding voting Class A shares are owned by HWSL. HWSL is a wholly-owned subsidiary of PR. Therefore, HWSL is Corby's parent and PR is Corby's ultimate parent. Affiliated companies are subsidiaries which are controlled by Corby's parent and/or ultimate parent.

The companies operate under the terms of agreements that became effective on September 29, 2006. These agreements provide the Company with the exclusive right to represent PR's brands in the Canadian market for 15 years, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario, for 10 years. Corby also manages PR's business interests in Canada, including the Windsor production facility. Certain officers of Corby have been appointed as directors and officers of PR's Canadian entities, as approved by Corby's Board of Directors.

In addition to the aforementioned agreements, Corby signed an agreement on September 26, 2008, with its ultimate parent to be the exclusive Canadian representative for the ABSOLUT vodka and Plymouth gin brands, for a five-year term expiring October 1, 2013. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006.

On November 9, 2011, the Company announced that it has entered into an agreement with PR for a new term for Corby's exclusive right to represent ABSOLUT vodka and Plymouth gin brands in Canada from September 30, 2013 to September 29, 2021, which is consistent with the term of Canadian representation for the other PR brands

15. RELATED PARTY TRANSACTIONS (continued)

in Corby’s portfolio. Under the agreement, Corby will pay the present value of $10 million (determined as at the agreement date) for the additional eight years of the new term to PR at its commencement.

Effective as of July 1, 2012, the Company entered into a five year agreement with Pernod Ricard USA, LLC (“PR USA”), an affiliated company, which provides PR USA the exclusive rights to represent Wiser’s Canadian whisky and Polar Ice vodka in the US. Previously, Wiser’s Canadian whisky and Polar Ice vodka were represented by an unrelated third party in this market. The agreement is effective for a five year period ending June 30, 2017. Since the agreement with PR USA is a related party transaction between Corby and PR USA, the agreement was approved by the Independent Committee of the Board of Directors of Corby following an extensive review, in accordance with Corby's related party transaction policy.

Transactions between Corby and its parent, ultimate parent and affiliates during the period are as follows:

	Three Months Ended		*Nine months ended*	
	Mar. 31, 2013	Mar. 31, 2012	**Mar. 31, 2013**	Mar. 31, 2012
Sales to related parties				
Commissions - parent, ultimate parent and affiliated companies	**$ 3,346**	$ 3,408	**$ 13,281**	$ 13,281
Blending and bottling services - parent	**-**	-	**-**	217
Products for resale at an export level - affiliated companies	**744**	92	**2,423**	340
Bulk spirits - parent	**-**	20	**3**	170
	$ 4,090	$ 3,520	**$ 15,707**	$ 14,008
Cost of goods sold, purchased from related parties				
Distilling, blending, and production services - parent	**$ 5,618**	$ 5,301	**$ 15,938**	$ 14,374
Bulk spirits - parent	**-**	-	**-**	700
	$ 5,618	$ 5,301	**$ 15,938**	$ 15,074
Administrative services purchased from related parties				
Marketing, selling and administration services- parent	**$ 511**	$ 511	**$ 1,533**	$ 1,533

Balances outstanding with related parties are due within 60 days, are to be settled in cash and are unsecured.

Corby has a number of defined benefit pension plans; for the three and nine month periods ending March 31, 2013, contributions to these plans totaled $323 and $959, (2012 - $303 and $942), respectively.

During the three and nine month periods ending March 31, 2013, Corby sold casks to its parent company for net proceeds of $150 and $300 (2012 - $109 and $277), respectively.

Deposits in cash management pools

Corby participates in a cash pooling arrangement under the Mirror Netting Service Agreement together with PR’s other Canadian affiliates, the terms of which are administered by The Bank of Nova Scotia. The Mirror Netting Services Agreement acts to aggregate each participant’s net cash balance for the purposes of having a centralized cash management function for all of PR’s Canadian affiliates, including Corby.

As a result of Corby’s participation in this agreement, Corby’s credit risk associated with its deposits in cash management pools is contingent upon PR’s credit rating. PR’s credit rating as at May 9, 2013, as published by Standard & Poor’s and Moody’s, was BBB- and Baa3, respectively. PR compensates Corby for the benefit it

15. RELATED PARTY TRANSACTIONS (continued)

receives from having the Company participate in the Mirror Netting Services Agreement by paying interest to Corby based upon the 30-day LIBOR rate plus 0.40%. During the three and nine month periods ending March 31, 2013, Corby earned interest income of $399 and $1,260 from PR (2012 – $486 and $1,336), respectively. Corby has the right to terminate its participation in the Mirror Netting Services Agreement at any time, subject to five days' written notice.

16. SEGMENT INFORMATION

Corby has two reportable segments: Case Goods and Commissions. Corby's Case Goods segment derives its revenue from the production and distribution of its owned beverage alcohol brands. Corby's portfolio of owned-brands includes some of the most renowned and respected brands in Canada, such as Wiser's Canadian whisky, Lamb's rum, Polar Ice vodka, and McGuinness liqueurs.

Corby's Commissions segment earns commission income from the representation of non-owned beverage alcohol brands in Canada. Corby represents leading international brands such as ABSOLUT vodka, Chivas Regal, The Glenlivet and Ballantine's scotches, Jameson Irish whiskey, Beefeater gin, Malibu rum, Kahlúa liqueur, Mumm champagne, and Jacob's Creek and Wyndham Estate wines.

The Commissions segment's financial results are fully reported as "Commissions" in Note 9 of these interim condensed consolidated statements. Therefore, a chart detailing operational results by segment has not been provided as no additional meaningful information would result.

OFFICES

Executive Office
225 King Street West
Suite 1100
Toronto, Ontario
M5V 3M2
Tel: 416.479.2400

Registered Office
225 King Street West
Suite 1100
Toronto, Ontario
M5V 3M2
Tel: 416.479.2400

Distillery
2072 Riverside Drive East
Windsor, Ontario
N8Y 4S5
Tel: 519.254.5171

Sales Offices
225 King Street West
Suite 1100
Toronto, Ontario
M5V 3M2
Tel: 416.479.2400

4858, Rue Levy
Ville Saint-Laurent, Quebec
H4R 2P1
Tel: 514.856.4320

84 Chain Lake Drive
Suite 405,
Halifax, Nova Scotia
B3S 1A2
Tel: 902.445.0705

10455-172 Street NW
Edmonton, Alberta
T5S 1K9
Tel: 780.442.9000

13353 Commerce Parkway
Unit 2168
Richmond, British Columbia
V6V 3A1
Tel: 604.276.8121

2825 Saskatchewan Drive
Unit 202
Regina, Saskatchewan
S4T 1H3
Tel: 306.586.6546

FOR MORE INFORMATION

Corby Distilleries Limited

R. Patrick O'Driscoll
President and Chief Executive Officer

John Leburn
Vice-President and Chief Financial Officer

Tel: 416.479.2400

www.corby.ca

Affiliated with Pernod Ricard