CORBY

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

Q1

CORBY SPIRIT AND WINE LIMITED
Management's Discussion and Analysis
September 30, 2016

The following Management's Discussion and Analysis ("MD&A") dated November 9, 2016, should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the three-month period ended September 30, 2016, prepared in accordance with International Financial Reporting Standards ("IFRS"). These interim condensed financial statements were not audited or reviewed by the Company's external auditors in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of unaudited interim condensed financial statements by an entity's auditor. 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, 2016.

This MD&A contains forward-looking statements, including statements concerning possible or assumed future results of operations of Corby Spirit and Wine Limited ("Corby" or the "Company"), including the statements made under the headings "Strategies and Outlook", "Liquidity and Capital Resources", "Recent Accounting Pronouncements" and "Risks and Risk Management." 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 and uncertainties, including, but not limited to: the impact of competition; the impact, and successful integration of, acquisitions; 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 and other factors could also affect Corby's results. For more information, please see the "Risk and Risk Management" section of 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 November 9, 2016. 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.

Unless otherwise indicated, all comparisons of results for the first quarter of fiscal 2017 (three months ended September 30, 2016) are against results for the first quarter of fiscal 2016 (three months ended September 30, 2015). 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 "CSW.A" (Voting Class A Common Shares) and "CSW.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 from time to time bulk whisky sales to rebalance its maturation inventories. Revenue from Corby's owned-brands predominantly consists of sales made to each of the provincial liquor boards ("LBs") in Canada, and also includes sales to international markets.

Corby's portfolio of owned-brands includes some of the most renowned brands in Canada, including J.P. 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®, Campo Viejo®, Graffigna® and Kenwood® 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. On September 30, 2016, Corby acquired Ungava® Premium Canadian gin, Chic Choc® Spiced rum, and a range of maple-based products.

PR produces the majority of Corby's owned-brands at HWSL's production facility in Windsor, Ontario. Under an administrative services agreement, Corby manages PR's business interests in Canada, including HWSL's production facility. The agreements reflecting these arrangements were scheduled to expire September 29, 2016. On November 11, 2015, the parties entered into new agreements (a distillate supply agreement, a co-pack agreement and an administrative services agreement) each for a ten-year term commencing September 30, 2016, thus extending these arrangements to September 30, 2026.

Corby sources more than 90% of its spirits production requirements from HWSL at its production facility in Windsor, Ontario. As of October 1, 2016 certain recently acquired brands are produced at the facility of Corby's new wholly-owned subsidiary, Ungava Spirits Co. Ltd.'s ("Ungava Spirits") located facility in Cowansville, Quebec. The Company's remaining production requirements have been outsourced to various third party vendors including a third-party manufacturer in the United Kingdom ("UK"). The UK site blends and bottles Lamb's products destined for sale in countries located outside the Americas.

In most provinces, Corby's route to market in Canada entails shipping its products to government-controlled LBs. The LBs then sell directly, or control the sale of, beverage alcohol products to end consumers. Exceptions to this model include 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. Other provinces have aspects of both government-control and private retailing, including British Columbia, Saskatchewan and Quebec.

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 in volume (measured in nine-litre case equivalents). In the past, the Company was able to also provide retail value information (measured in Canadian dollars). However, retail value information has no longer been provided due to the province of British Columbia changing its value data from retail dollars to wholesale dollars. This change in methodology distorts comparability against prior periods and with other provincial LB customers. It is not known at this time when the Company will be able to re-introduce this retail value level of analysis.

In addition to efforts to open new international markets, Corby's international business is concentrated in the United States ("US") and UK and the Company has a different route to market for each. For the US market, Corby manufactures the majority of its products in Canada and ships to its US distributor, Pernod Ricard USA, LLC ("PR USA"), an affiliated company. See the "Related Party Transactions" section of this MD&A for additional details. The market in the US operates a three tier distribution system which often requires a much longer and larger inventory pipeline than in other markets, resulting in a disconnect between quarterly shipment performance, as reported in the financial statements, and the true underlying performance of the brands at retail level during the same quarter.

For the UK market in fiscal 2016, Corby utilized a third party contract bottler and distribution company for the production and distribution of Lamb's rum. These arrangements were terminated on June 30, 2016. Corby's new distribution agreement was effective July 1, 2016 and is finalizing an agreement with a new manufacturer. More information has been provided in the “Related Party Transactions” section of this MD&A. Distributors sell to various local wholesalers and retailers who in turn sell directly to the consumer.

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.

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.

Pursuing new growth opportunities outside of Canada is also a key strategic priority. Our primary goal is to leverage our Canadian whisky expertise and expand our business into markets where we believe there is growth potential in both volume and margin.

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 specialized to meet the differing needs of its customers and the selling channels they inhabit. In all areas of the business, management believes setting clear strategies, optimizing organization structure and increasing efficiencies is key to Corby’s overall success.

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. Corby benefits from having access to leading-edge practices at PR’s North American hub, which is located in Windsor, Ontario, where most of its products are manufactured.

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. As an example, Corby has an agreement in place to continue its successful partnership with the Toronto Transit Commission to provide free transit on New Year’s Eve until 2019. The Company stresses its core values throughout its organization, including those of conviviality, straightforwardness, commitment, integrity and entrepreneurship.

Significant Event

Acquisition of the spirits assets of Quebec-based Domaines Pinnacle

On September 30, 2016, Corby acquired the spirits assets of Domaines Pinnacle Inc. (“Domaines Pinnacle”) for a purchase price of $12 million which was funded from the Company’s existing cash deposits. The transaction included the spirit brands Ungava® Premium Canadian gin, Chic Choc® Spiced rum, and a range of maple-based products as well as the related working capital and production assets located in Cowansville, Quebec. Moving forward the brand portfolio and other assets acquired from Domaines Pinnacle will be operated as Ungava Spirits a new, wholly-owned subsidiary of Corby that purchased the assets. Ungava Spirits will continue to operate the spirits business described above from Cowansville, Quebec.

As the business was acquired on the last day of the quarter, the financial statements for the quarter ended September 30, 2016 and this MD&A do not include any results from operations, and thus only reflect the addition to the balance sheet of the assets acquired. It is anticipated that the newly acquired business will be earnings per share neutral, operating on a break-even earnings basis during its first full-year of operations. More information regarding the acquisition has been provided in Note 4 of the interim condensed consolidated financial statements.

Brand Performance Review

Corby's portfolio of owned-brands accounts for approximately 80% of the Company's total annual revenue. Included in this portfolio are its key brands: J.P. 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 table summarizes the performance of Corby's owned-brands (i.e., Case Goods) 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 net sales revenue). The table includes results for sales in both Canada and international markets. Specifically, the J.P. Wiser's, Lamb's and Polar Ice brands are also sold to international markets, particularly in the US and UK. The newly acquired Ungava Spirits brands have not been included as they were not owned by Corby during the period presented.

BRAND PERFORMANCE CHART - INCLUDES BOTH CANADIAN AND INTERNATIONAL SHIPMENTS

	Three Months Ended			
			Shipment Change	
(Volumes in 000's of 9L cases)	**Sept. 30, 2016** [1]	Sept. 30, 2015	Volume %	Value %
Brand				
J.P. Wiser's Canadian whisky	**201**	223	(10%)	(10%)
Lamb's rum	**125**	110	14%	5%
Polar Ice vodka	**95**	98	(3%)	(11%)
Mixable liqueurs	**43**	43	0%	(2%)
Other Corby-owned brands	**52**	54	(4%)	(4%)
Total Corby brands	**516**	528	(2%)	(6%)

[1] *Excluding the newly acquired Ungava Spirits brands.*

In total, quarterly shipment volume and value were lower when compared with the same period last year, mostly due to the combined impact of a previously disclosed strategy change for Canadian whisky in the US, and timing differences with certain domestic customers' order patterns. For further information on changes in the US refer to the discussion below regarding international markets. It is not unusual for first and second quarter shipments to be impacted by timing of promotional activity and customers' inventory management leading into the busy holiday season. As such, Corby's domestic shipment trends are more complete following its second quarter. Additionally, our performance was impacted by continued growth and innovation in premium spirits at the expense of standard segments where many of Corby-owned brands compete.

Partially offsetting these impacts, was a significant increase in Lamb's rum shipments as the Company completed its initial pipeline fill into our new international distributor in the UK. Value trailed volume as the Company's underlying pricing model with the new UK distributor has changed so that advertising and promotional spend is now included in the price.

Trends in Canada differ significantly from international markets as highlighted in the following table:

(Volumes in 000's of 9L cases)	Three Months Ended **Sept 30 2016** [1]	 Sept 30 2015	Shipment Change Volume %	 Value %
Domestic	**465**	490	(5%)	(7%)
International	**51**	38	33%	2%
Total Corby brands	**516**	528	(2%)	(6%)

[1] *Excluding the newly acquired Ungava Spirits brands.*

In the domestic market, first quarter shipments were down 5% while retail sales volume performance showed only a 1% decline over that same period, thus evidencing a significant timing impact with customer orders patterns. Notwithstanding these timing impacts, Corby's owned-brand portfolio is heavily weighted in the standard to economy segments of the market while the premium range is a more dynamic growth driver for the spirit industry in Canada.

In international markets, completion of our transition to a new UK distributor for our Lamb's international business resulted in favourable shipment timing which was being partially offset by the aforementioned change in strategy for our Canadian Whisky portfolio in the US. It was decided last fiscal year to change our US strategy as the expected consumer demand did not materialize and these products struggled against long established brands in an increasingly price competitive segment. Corby is addressing this by reprioritizing its focus on a smaller number of markets in the US and on the more premium and differentiated craft range (Lot No. 40 and Pike Creek), both of which have achieved a small but growing base of business. As a result of this change, the Company is lapping large pipe line fill volume activity in the comparative periods, however, current period net earnings is reflecting the positive impact of having significantly reduced our related advertising and promotional activities.

Retail Sales Volume 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 volume data, as provided by the ACD, is set out in the following table and is discussed throughout this MD&A. Note that retail sales value information has not been provided as the province of British Columbia began to only provide wholesale pricing data starting in July 2015, thus significantly impacting any meaningful comparison against prior periods and with other LB customers. It is not known at this time when the Company will be able to re-introduce this retail value level of analysis.

It should be noted that the retail information presented does not include international retail sales of Corby-owned brands. While Corby's focus on the US business is increasing, retail data in the US is prepared using limited sampling techniques, which does not provide meaningful trend analysis on a brand that has not yet reached sufficient scale to make such disclosure meaningful. Corby will provide such data as and when it is considered to offer meaningful analysis of brand performance. The newly acquired Ungava Spirits brands have not been included as they were not owned by Corby during the period presented.

RETAIL SALES FOR THE CANADIAN MARKET ONLY [(1)]			
	Three Months Ended		
(Volumes in 000's of 9L cases)	***Sept. 30, 2016*** [(2)]	*Sept. 30, 2015*	*% Retail Volume Growth*
Brand			
J.P. Wiser's Canadian whisky	**173**	175	(1%)
Lamb's rum	**87**	92	(5%)
Polar Ice vodka	**89**	89	0%
Mixable liqueurs	**41**	41	0%
Other Corby-owned brands	**43**	41	4%
Total	**433**	438	(1%)

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

(2) *Excluding the newly acquired Ungava Spirits brands.*

The Canadian spirits industry's retail volume performance increased 1% for the quarter ended September 30, 2016, when compared with the same period last year. The trend was supported by double digit retail sales volume growth in the Irish whiskey category and high single digit sales volume growth in bourbon, tequila, and gin categories which are categories in which Corby did not have owned-brands for the period.

As illustrated above, the performance of Corby's portfolio of owned brands trailed behind the spirits industry on a quarter over quarter comparison basis. The following brand discussion provides a more detailed analysis of the performance of each of Corby's key brands relative to its respective industry category.

Summary of Corby's Key Brands

J.P. Wiser's Canadian Whisky

J.P. Wiser's Canadian whisky, one of the top selling whisky families in Canada, is Corby's flagship brand. The brand's retail volumes for the first quarter were down 1% when compared to the same period last year. Within the range, J.P. Wiser's Deluxe was flat, while J.P. Wiser's Special Blend retail volumes declined 4% compared to last year, broadly in line with the economy segment of Canadian whisky.

On the same quarter over quarter comparison basis, the Canadian whisky category grew 2% in retail volume, supported by successful innovation at premium price points and aggressive competitive retail activity in the economy segment.

During fiscal 2016, Corby launched three innovative new variants of the J.P. Wiser's family across Canada, J.P. Wiser's Hopped, J.P. Wiser's Double Still Rye and J.P. Wiser's Last Barrels a super-premium limited edition. These premium offerings continued to communicate to our consumers J.P. Wiser's unique heritage and quality credentials. New premium point of sale material featuring quality cues and the "J.P. Wiser's, Tastes Like Whisky, Since 1857" campaign was brought to life with television advertising tied closely to sports broadcasts starting April 2016. In late September 2016, Corby began shipping J.P. Wiser's Apple, our newest flavour extension, and a redesigned concept for J.P. Wiser's Vanilla.

A review of J.P. Wiser's Special Blend pricing has also been completed to ensure competitiveness in its key markets.

Lamb's Rum

Lamb's rum, one of the top-selling rum families in Canada, was significantly impacted by unfavourable consumer trends. Retail volumes for the overall rum category declined slightly for the quarter, when compared to the same period last year driven by white (-3%) and dark (-2%) rums, more than offsetting a 2% gain in the spiced rum segment and the positive impact of new flavour entrants.

Lamb's experienced a decline of 5% in retail volume on a quarter over quarter comparison basis. The Lamb's rum product line is heavily weighted in the white and dark segments. It has experienced poor results in the key province of Ontario and faced difficult economic conditions in regional strongholds. Our strategy is to defend these regional strongholds with new targeted campaigns, to aggressively promote the entire range and to launch new flavour variants.

Polar Ice Vodka

Polar Ice vodka is among the top selling vodka brands in Canada. Retail volume was essentially flat for the three months ended September 30, 2016 when compared to the same period last year.

The overall vodka category in Canada remained broadly flat this quarter when compared to the same three-month period last year, with positive performance driven by the premium segment of the category.

The focus of advertising and promotion investment continues to be on driving overall brand awareness and trial of the more premium Polar Ice 90 North with innovative value added promotions, tastings and loyalty rewards programs. As well, we continued digital media to promote Polar Ice 90 North, driving consumers to online (polarice.ca) and social media channels.

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 volume for Corby's mixable liqueurs portfolio was slightly up representing a significant improvement from both the previous quarter and the past twelve months as the brand responded positively to increased in-store merchandising and promotion.

Over the same quarterly period, the liqueurs category retail volume in Canada experienced a 1% increase compared to last year, driven by new innovations and cream based offerings with which McGuinness does not directly compete.

Our current strategy is to expand innovation and focus on strong programming in the retail environment, ensuring that our flavour offering is aligned to consumer trends. Two new flavours, McGuinness Simple Syrup and McGuinness Apple Whisky were launched in the fourth quarter of 2016, followed by McGuinness Butterscotch at the end of September.

Other Corby-Owned Brands

Innovation remains an important pillar for delivering new profit and growth opportunities to the Corby domestic business. Relatively new premium offerings in Canadian whisky such as Pike Creek®, Lot No. 40® and Gooderham & Worts® collectively grew retail volume 119% for the first quarter ended September 30, 2016, outperforming the Canadian whisky category in Canada, which grew 2% over the same period.

Lot No. 40 was awarded *Canadian Whisky of the Year* at the sixth annual Canadian Whisky Awards, the second time it has received the honour in the last three years. Lot No. 40 was also named *Best Canadian Rye Whisky* at the 2016 San Francisco World Spirits Competition.

Royal Reserve® grew retail volumes at 2% for the quarter, in line with the Canadian whisky category. This result is tracking above the trend for the overall economy segment of Canadian whisky, which declined at -5% for the same period.

Financial and Operating Results

The following table presents a summary of certain selected consolidated financial information of the Company for the three-month period ended September 30, 2016 and 2015.

(in millions of Canadian dollars, except per share amounts)		Three Months Ended Sept. 30, 2016		Sept. 30, 2015		$ Change	% Change
Revenue	**$**	**34.6**	$	36.4	$	(1.8)	(5%)
Cost of sales		**(11.7)**		(12.2)		0.5	(4%)
Marketing, sales and administration		**(14.1)**		(15.6)		1.5	(10%)
Other income (expense)		**0.0**		0.0		-	N/A
Earnings from operations		**8.8**		8.6		0.2	2%
Financial income		**0.3**		0.3		(0.0)	(11%)
Financial expenses		**(0.3)**		(0.2)		(0.1)	8%
Net financial income		**0.0**		0.1		(0.1)	(90%)
Earnings before income taxes		**8.8**		8.7		0.1	1%
Income taxes		**(2.4)**		(2.4)		-	N/A
Net earnings	**$**	**6.4**	$	6.3	$	0.1	2%
Per common share							
- Basic net earnings	**$**	**0.23**	$	0.22	$	0.01	5%
- Diluted net earnings	**$**	**0.23**	$	0.22	$	0.01	5%

Overall Financial Results

Net earnings increased $0.1 million or 2% when compared to the same quarter last year. The increase was achieved despite a 5% decline in revenue (mostly on account of decreased shipments due to timing differences), which was more than offset by a reduction in advertising and promotional investment in the US given the Company's change in strategy with respect to Canadian whisky in that market (as previously described in the "Brand Performance Review" section of this MD&A).

Revenue

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

(in millions of Canadian dollars)		Three Months Ended Sept. 30, 2016		Sept. 30, 2015		$ Change	% Change
Revenue streams:							
Case goods	**$**	**27.2**	$	29.0	$	(1.8)	(6%)
Commissions		**6.6**		6.3		0.3	5%
Other services		**0.8**		1.1		(0.4)	(34%)
Revenue	**$**	**34.6**	$	36.4	$	(1.8)	(5%)

The decrease in Case Goods revenue was largely driven by a 5% reduction in shipments quarter over quarter. The shipment performance was on account of several factors (i.e., reduction in J.P. Wiser's in the US due to strategy changes, the impact of declining consumer trends on Lamb's, a shift in customer order timing, and lapping domestic launch of new Canadian whisky innovations J.P. Wiser's Hopped and Double Still Rye) and was partially offset by a one-time pipeline fill as we transitioned to our new Lamb's UK distributor.

Commissions contributed an additional $0.3 million this quarter, largely on account of the PR brand portfolio experiencing a 3% increase in shipments as it continues to benefit from its positioning within the higher growth spirit and wine categories.

Other services represent ancillary revenue incidental to Corby's core business activities, such as logistical fees and from time to time bulk whisky sales. This quarter, the reduced revenue was mostly attributable to an underlying modification to the logistical activities Corby performs. While these modifications impact revenue, net earnings remain virtually unchanged, whereas the Company no longer bears the economic risks associated with this activity.

Cost of sales
Cost of sales dropped 4% or $0.5 million this quarter when compared with the same quarter last year, mostly in-line with the decrease in revenue. Overall gross margin on case goods was 58% this quarter, compared to 59% during the same period last year and is primarily the result of changes to our pricing models in international markets which are believed to better match our business strategy in those markets moving forward.

Marketing, sales and administration
Marketing, sales and administration expenses decreased $1.5 million or 10% when compared with the same quarter last year. The change is comprised of a significant decrease in marketing expenses related to our aforementioned change in strategy in the US, being partially offset by higher overheads which included certain one-off items related to employee costs as well as professional fees associated with the previously announced Domaines Pinnacle asset purchase transaction.

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. The balance is relatively consistent quarter over quarter.

Income taxes
A reconciliation of the effective tax rate to the statutory rates for each period is presented below.

	Three Months Ended	
	Sept. 30, 2016	*Sept. 30, 2015*
Combined basic Federal and Provincial tax rates	**26.9%**	26.9%
Other	**0.4%**	0.4%
Effective tax rate	**27.3%**	27.3%

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of $69.1 million as at September 30, 2016, and its cash generated from operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities, which totalled $25.9 million as at September 30, 2016, and are all due to be paid within one year. The Company does not have any liabilities under short- or long-term debt facilities.

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

(in millions of Canadian dollars)	Three Months Ended Sept. 30, 2016	Sept. 30, 2015	$ Change
Operating activities			
Net earnings, adjusted for non-cash items	**$ 10.7**	$ 10.3	$ 0.4
Net change in non-cash working capital	**(5.2)**	(3.5)	(1.7)
Net payments for interest and income taxes	**(3.4)**	(1.9)	(1.5)
	2.1	4.9	(2.8)
Investing activities			
Additions to property and equipment	**(0.6)**	(0.4)	(0.2)
Business acquisition	**(12.0)**	-	(12.0)
Deposits in cash management pools	**15.9**	0.9	15.0
	3.3	0.5	2.8
Financing activities			
Dividends paid	**(5.4)**	(5.4)	-
Net change in cash	**$ -**	$ -	$ -

Operating activities
Net cash from operating activities decreased $2.8 million this quarter and is reflective of an increase in inventory levels as they were considered unusually low during the same quarter last year, combined with an increase in our regular tax instalments as prescribed by Canadian tax authorities.

Investing activities
Net cash generated from investing activities was $3.3 million for the quarter ended September 30, 2016, representing an increase of $2.8 million when compared to the same period last year.

The Company's completion of the Ungava Spirits transaction and additions to capital assets were more than offset by its withdrawals from cash management pools. Cash management pools represent cash on deposit with Citibank NA 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.

Financing activities
Cash used for financing activities this quarter represents payment of the Company's regular dividend to shareholders and was consistent with the same quarter last year.

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

for	Declaration date	Record Date	Payment date	$ / Share
2017 - Q1	November 9, 2016	November 25, 2016	December 9, 2016	$ 0.21
2016 - Q4	August 24, 2016	September 15, 2016	September 30, 2016	0.19
2016 - Q3	May 4, 2016	May 27, 2016	June 15, 2016	0.19
2016 - Q2	February 3, 2016	February 26, 2016	March 11, 2016	0.19
2016 - special	November 11, 2015 (special dividend)	December 11, 2015	January 8, 2015	0.62
2016 - Q1	November 11, 2015	November 27, 2015	December 11, 2015	0.19
2015 - Q4	August 26, 2015	September 16, 2015	September 30, 2015	0.19
2015 - Q3	May 6, 2015	May 29, 2015	June 12, 2015	0.19
2015 - Q2	February 4, 2015	February 27, 2015	March 13, 2015	0.19
2015 - special	November 05, 2014 *(special dividend)*	December 12, 2014	January 9, 2015	0.62
2015 - Q1	November 05, 2014	November 28, 2014	December 14, 2014	0.19

Outstanding Share Data

As at November 9, 2016, 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, which requires such transactions to undergo an extensive review and receive approval from an Independent Committee of the Board of Directors.

The companies operate under the terms of agreements that became effective on September 29, 2006 (the "2006 Agreements"). These agreements provide the Company with the exclusive right to represent PR's brands in the Canadian market for fifteen years, as well as providing for the continuing production of certain Corby brands by PR at its production facility in Windsor, Ontario, for ten 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. On August 26, 2015, Corby entered into an agreement with PR and certain affiliates amending the September 29, 2006 Canadian representation agreements, pursuant to which Corby will provide more specialized marketing, advertising and promotion services for the PR and affiliate brands under the applicable representation agreements in consideration of an increase to the rate of commission payable to Corby by such entities. On November 11, 2015, Corby and PR entered into agreements for the continued production and bottling of Corby`s owned-brands by Pernod Ricard at the HWSL production facility in Windsor, Ontario, for a 10-year term commencing September 30, 2016. On the same date, Corby and PR also entered into an administrative services agreement, under which Corby will continue to manage PR's business interests in Canada, including the HWSL production facility, with a similar term and commencement date.

In addition to the 2006 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 which expired October 1, 2013 and was extended as noted below. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006. 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 November 9, 2011, Corby entered into an agreement with a PR affiliate 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 of the other PR brands in Corby's portfolio. On September 30, 2013, Corby paid the present value of $10 million, or $10.3 million, for the additional eight years of the new term pursuant to an agreement entered into between Corby and The Absolut Company Aktiebolag, an affiliate of PR and owner of the Absolut brand, to satisfy the parties' obligations under the 2011 agreement. Since the agreement 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.

On July 1, 2012, the Company entered into a five-year agreement with PR USA, an affiliated company, which provides PR USA the exclusive right to represent J.P. 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.

On March 21, 2016 the Company entered into an agreement with Pernod Ricard UK Ltd. ("PRUK"), an affiliated company, which provides PRUK the exclusive right to represent Lamb's rum in Great Britain effective July 1, 2016. Previously, Lamb's rum was represented by an unrelated third party in this market. The agreement provides Lamb's with access to PRUK's extensive national distribution network throughout Great Britain. The agreement is effective for a five-year period ending June 30, 2021. Since the agreement with PRUK is a related party transaction between Corby and PRUK, the agreement was approved by the Independent Committee of the Board of Directors of Corby following a thorough 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 Citibank N.A. effective July 17, 2014. 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 November 9, 2016, as published by Standard & Poor's and Moody's, was BBB- and Baa2, 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 Canadian Dealer Offered Rate ("CDOR") 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)	**Q1 2017**	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Revenue	**$ 34.6**	$ 37.2	$ 28.0	$ 38.3	$ 36.4	$ 32.5	$ 26.8	$ 38.0
Earnings from operations	**8.8**	12.8	5.0	8.2	8.6	9.8	3.1	7.7
Net earnings	**6.4**	9.3	3.7	6.1	6.3	7.3	2.4	5.8
Basic EPS	**0.23**	0.33	0.13	0.22	0.22	0.26	0.08	0.20
Diluted EPS	**0.23**	0.33	0.13	0.22	0.22	0.26	0.08	0.20

The above table 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.

Revenue and net earnings of each the four individual 2016 quarters were higher than that of each of the 2015 quarters. This was primarily attributable to an increase in commissions, due to a negotiated commission rate increase on PR brands effective July 1, 2015. In addition, the fourth quarter of 2016 included bulk whisky sales to a third party customer as the Company rebalanced its maturing inventories.

Recent Accounting Pronouncements

Adoption of new and revised accounting standards
The Company implemented the amendments to IAS 1, “Presentation of Financial Statements”, on July 1, 2016, with no significant impact on the Company’s interim condensed consolidated financial statements.

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, 2017, and accordingly, have not been applied in preparing these interim condensed consolidated financial statements:

(i) Revenue

In May 2014, the IASB released IFRS 15, “Revenue from contracts with customers” (“IFRS 15”), which supersedes IAS 11, “Construction Contracts”, IAS 18, “Revenues”, IFRIC 13, “Customer Loyalty Programmes”, IFRIC 15, “Agreement for the Construction of Real Estate”, IFRIC 18, “Transfers of Assets from Customers” and SIC-31, “Revenue – Barter Transactions Involving Advertising Services”. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 will be effective for Corby’s fiscal year beginning on July 1, 2018, with earlier application permitted. The Company is currently assessing the impact of the new standard on its financial statements and disclosures.

(ii) 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.

This standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. For Corby, this standard will become effective July 1, 2018. The Company is currently assessing the impact of the new standard on its financial statements and disclosures.

(iii) Leases

In January 2016, the IASB issued a new standard IFRS 16, “Leases” (“IFRS 16”), which will ultimately replace IAS 17, “Leases” (“IAS 17”). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessees accounting model, requiring lessees to recognize assets and liability for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively. For Corby, this standard will become effective July 1, 2019. The Company is currently assessing the impact of the new standard on its financial statements and disclosures.

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.

In accordance with the provisions of National Instrument 52-109 – Certification of disclosure in Issuers' Annual and Interim Filings, management, including the CEO and CFO, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Ungava Spirits. Corby acquired the spirit assets of Domaines Pinnacle on September 30, 2016, and the brand portfolio and other assets acquired will be operated as Ungava Spirits Co. Ltd going forward.

The acquisition by Ungava Spirits of the spirits assets of Domaines Pinnacle was completed on September 30, 2016, and as a result the acquired brands and assets have had no impact on the net earnings of the Company for the three-month period ended September 30, 2016. The purchase price has been preliminarily allocated as described in Note 4 to the interim condensed consolidated financial statements for the first quarter ended September 30, 2016.

The scope limitation is primarily based on the time required to assess Ungava Spirits disclosure controls and procedures (DC&P) and internal controls over financial reporting in a manner consistent with the Company's other operations. Further details related to the acquisition of Ungava Spirits is disclosed in the Significant Events section of this MD&A and in Note 4 in the Notes to the Company's interim condensed consolidated financial statements for the first quarter ended September 30, 2016.

Except for the preceding changes, 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. As the Company becomes more reliant on international product sales in the US, UK and other countries-exposure to changes in the laws and regulations in those countries could also adversely affect the operations, financial performance or reputation of the Company.

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 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. Corby continues to identify and offer new innovations in order to address consumer desires.

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. International sales are subject to the variations in distribution systems within each country where the products are sold.

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

Inherent to producing mature products there is a potential for shortages or surpluses in future years if demand and supply are materially different from long-term forecasts.

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 continued to experience 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 and other markets in which it carries on business.

Competition
The Canadian and international 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. Its role as 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 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.

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. An active risk management programme 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.

USD Exposure
The Company's demand for USD has traditionally outpaced its supply, due to USD sourcing of production inputs and Advertising & Promotion expenses 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.

GBP Exposure
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 90% 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.

Information Technology
The Company uses technology supplied by third parties, both related and non-related, to support operations and invests in information technology to improve route to market, reporting, analysis, and marketing initiatives. Issues with availability, reliability and security of systems and technology could adversely impact the Company's ability to compete resulting in corruption or loss of data, regulatory related issues, litigation or brand reputation damage. With the fast paced changing nature of the technology environment including digital marketing the Company works with our third parties to maintain policies, processes and procedures to help secure and protect these information systems as well as consumer, corporate and employee data.

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 table 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 September 30, 2016		
Associated Brand	Associated Market	Goodwill	Intangibles	Total
Various PR brands	Canada	$ -	$ 29.1	$ 29.1
Lamb's rum	International(1)	1.4	11.8	13.2
Corby domestic brands	Canada	1.9	-	1.9
Ungava Spirits brands (preliminary allocation)	Canada	7.9	-	7.9
		$ 11.2	$ 40.9	$ 52.1

(1) The international business for Lamb's rum is primarily focused in the UK, however, the trademarks and licenses puchased 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, 2016.

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Not audited or reviewed by the Company's external auditor)
(in thousands of Canadian dollars)

	Notes	Sept. 30, 2016	Sept. 30, 2015	June 30 2016
ASSETS				
Deposits in cash management pools		**$ 69,096**	$ 93,200	$ 85,031
Accounts receivable	6	**28,794**	32,962	30,045
Income taxes recoverable		**-**	1,105	-
Inventories	7	**57,497**	51,407	54,173
Prepaid expenses		**386**	497	476
Total current assets		**155,773**	179,171	169,725
Deferred income taxes		**2,013**	1,001	2,099
Property and equipment		**13,655**	9,784	11,003
Goodwill		**11,145**	3,278	3,278
Intangible assets		**40,927**	46,810	42,398
Total assets		**$ 223,513**	$ 240,044	$ 228,503
LIABILITIES				
Accounts payable and accrued liabilities	8	**$ 25,900**	$ 31,031	$ 30,719
Income and other taxes payable		**1,069**	-	2,359
Total current liabilities		**26,969**	31,031	33,078
Provision for employee benefits		**24,538**	19,795	24,640
Total liabilities		**51,507**	50,826	57,718
Shareholders' equity				
Share capital		**14,304**	14,304	14,304
Accumulated other comprehensive loss		**(10,026)**	(6,550)	(10,220)
Retained earnings		**167,728**	181,464	166,701
Total shareholders' equity		**172,006**	189,218	170,785
Total liabilities and shareholders' equity		**$ 223,513**	$ 240,044	$ 228,503

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CORBY SPIRIT AND WINE LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Not audited or reviewed by the Company's external auditor)
(in thousands of Canadian dollars, except per share amounts)

	Notes	For the Three Months Ended Sept. 30, 2016	Sept. 30, 2015
Revenue	9	**$ 34,632**	$ 36,457
Cost of sales		**(11,724)**	(12,236)
Marketing, sales and administration		**(14,060)**	(15,602)
Other (expense) income	10	**(5)**	20
Earnings from operations		**8,843**	8,639
Financial income	11	**266**	298
Financial expenses	11	**(260)**	(240)
		6	58
Earnings before income taxes		**8,849**	8,697
Current income taxes		**(2,399)**	(2,279)
Deferred income taxes		**(14)**	(98)
Income taxes		**(2,413)**	(2,377)
Net earnings		**$ 6,436**	$ 6,320
Basic earnings per share		**$ 0.23**	$ 0.22
Diluted earnings per share		**$ 0.23**	$ 0.22
Weighted average common shares outstanding			
Basic		**28,468,856**	28,468,856
Diluted		**28,468,856**	28,468,856

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Not audited or reviewed by the Company's external auditor)
(in thousands of Canadian dollars)

	For the Three Months Ended	
	Sept. 30, 2016	Sept. 30, 2015
Net earnings	**$ 6,436**	$ 6,320
Other Comprehensive Income:		
Amounts that will not be subsequently reclassified to earnings:		
Net actuarial losses	**265**	250
Income taxes	**(71)**	(67)
	194	183
Total comprehensive income	**$ 6,630**	$ 6,503

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Not audited or reviewed by the Company's external auditor)
(in thousands of Canadian dollars)

	Share Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance as at June 30, 2016	$ 14,304	$ (10,220)	$ 166,701	$ 170,785
Total comprehensive income	-	194	6,436	6,630
Dividends	-	-	(5,409)	(5,409)
Balance as at September 30, 2016	**$ 14,304**	**$ (10,026)**	**$ 167,728**	**$ 172,006**
Balance as at June 30, 2015	$ 14,304	$ (6,733)	$ 180,553	$ 188,124
Total comprehensive income	-	183	6,320	6,503
Dividends	-	-	(5,409)	(5,409)
Balance as at September 30, 2015	$ 14,304	$ (6,550)	$ 181,464	$ 189,218

The accompanying notes are an integral part of these consolidated financial statements.

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Not audited or reviewed by the Company's external auditor)
(in thousands of Canadian dollars)

		For the Three Months Ended	
	Notes	**Sept. 30, 2016**	Sept. 30, 2015
Operating activities			
Net earnings		**$ 6,436**	$ 6,320
Adjustments for:			
Amortization and depreciation	12	**1,937**	1,887
Net financial income	11	**(6)**	(58)
Gain on disposal of property and equipment		**-**	(7)
Income tax expense		**2,413**	2,377
Provision for employee benefits		**(97)**	(243)
		10,683	10,276
Net change in non-cash working capital balances	13	**(5,185)**	(3,528)
Interest received		**264**	298
Income taxes paid		**(3,689)**	(2,127)
Net cash from operating activities		**2,073**	4,919
Investing activities			
Additions to property and equipment		**(599)**	(421)
Proceeds from disposition of property and equipment		**-**	11
Business acquisition		**(12,000)**	-
Deposits in cash management pools		**15,935**	900
Net cash from investing activities		**3,336**	490
Financing activity			
Dividends paid		**(5,409)**	(5,409)
Net cash used in financing activity		**(5,409)**	(5,409)
Net increase in cash		**-**	-
Cash, beginning of year		**-**	-
Cash, end of year		**$ -**	$ -

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. GENERAL INFORMATION

Corby Spirit and Wine 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. The Company also supplements these primary sources of revenue with other ancillary activities incidental to its core business, such as logistics fees.

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 controls 51.6% of the outstanding Voting Class A Common Shares of Corby as at September 30, 2016.

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"). These interim condensed consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements, except for changes in accounting policies and methods described in Note 3 to these interim condensed consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's 2016 annual financial statements.

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on November 9, 2016.

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 explained in the accounting policies as described in the most recent annual consolidated financial statements, except for policies and methods described in Note 3 to these interim condensed consolidated financial statements. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Use of Estimates and Judgements
The preparation of these 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 interim condensed 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 interim condensed 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.

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.

Management's most critical estimates in determining the value of assets and liabilities and the most critical judgements in applying accounting policies that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next year have been described in Note 2 of the Company's most recent annual consolidated financial statements. The following discussion is an additional application of critical estimates and assumptions that will have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next year.

(i) Purchase Price Allocation

The purchase price related to a business combination is allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually indentifiable assets and liabilities. As a result, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the impact on future depreciation and amortization expense and impairment tests. In addition, due to the timing and complexities related to business combinations, adjustments to provisional amounts recorded are expected subsequent to the reporting period until the allocation is finalized.

Seasonality
The interim condensed consolidated financial statements should not be taken as indicative of the performance to be expected for the full fiscal year due to the seasonal nature of the spirits business. Corby's operations are typically subject to seasonal fluctuations in that the retail holiday season generally results in an increase in consumer purchases over the course of October, November and December. Further, the summer months traditionally result in higher consumer purchases of spirits as compared to the winter and spring months. As a result, the Company's first and second quarter of each fiscal year tend to reflect the impact of seasonal fluctuations in that more shipments are typically made during those quarters.

3. SIGNIFICANT ACCOUNTING POLICIES

In addition to the accounting policies described in the most recent annual consolidated financial statements, the following policies have been applied to these interim condensed consolidated financial statements.

Business Combinations

The Company applies the acquisition method in accounting for business combinations. The cost of an acquisition is the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition related costs are expensed as incurred.

Goodwill represents the excess of the consideration transferred over the fair value of identifiable assets acquired and liablities assumed in business combinations, all measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period to reflect new information about facts and circumstances that existed at the acquisition date that, if known would have affected the amounts recognized at that time.

Adoption of new and revised accounting standards

The Company implemented the amendments to IAS 1, “Presentation of Financial Statements”, on July 1, 2016, with no significant impact on the Company’s interim condensed consolidated financial statements.

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, 2017, and accordingly, have not been applied in preparing these interim condensed consolidated financial statements:

(i) Revenue

In May 2014, the IASB released IFRS 15, “Revenue from contracts with customers” (“IFRS 15”), which supersedes IAS 11, “Construction Contracts”, IAS 18, “Revenues”, IFRIC 13, “Customer Loyalty Programmes”, IFRIC 15, “Agreement for the Construction of Real Estate”, IFRIC 18, “Transfers of Assets from Customers” and SIC-31, “Revenue – Barter Transactions Involving Advertising Services”. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 will be effective for Corby’s fiscal year beginning on July 1, 2018, with earlier application permitted. The Company is currently assessing the impact of the new standard on its financial statements and disclosures.

(ii) 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.

This standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. For Corby, this standard will become effective July 1, 2018. The Company is currently assessing the impact of the new standard on its financial statements and disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Leases

In January 2016, the IASB issued a new standard IFRS 16, "Leases" ("IFRS 16"), which will ultimately replace IAS 17, "Leases" ("IAS 17"). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessees accounting model, requiring lessees to recognize assets and liability for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 and must be applied retrospectively. For Corby, this standard will become effective July 1, 2019. The Company is currently assessing the impact of the new standard on its financial statements and disclosures.

4. BUSINESS ACQUISITION

On September 30, 2016, the Company acquired the spirits assets of Quebec-based Domaines Pinnacle for a purchase price of $12 million. The transaction includes Domaines Pinnacle's spirits portfolio, including the renowned Ungava® Premium Canadian gin brand, Chic Choc® Spiced rum, a range of maple-based liquor products as well as production assets and related working captial. The acquired brand portfolio and other assets will be operated as Ungava Spirits Co. Ltd., ("Ungava Spirits") a new, wholly-owned subsidiary of Corby.

The acquisition added the Ungava Spirits brands, which include Ungava® Premium Canadian gin brand, Chic Choc® spiced rum, and a range of maple-based liqueurs including Coureur des Bois® and Cabot Trail®, complementing Corby's existing Canadian portfolio. The acquisition was accounted for using the acquisition method.

Acquisition costs of $570 arose as a result of the transaction. These costs have been recognized as part of marketing, sales and administration expenses in the statement of earnings, of which $370 was recognized in the three month period ended September 30, 2016.

The purchase price was funded from the Company's Deposits in cash management pools and is subject to final working capital adjustments.

The Ungava Spirits transaction was completed on September 30, 2016, and as a result the acquired brands and assets have had no impact on the net earnings of the Company for the three-month period ended September 30, 2016. It is impractical to disclose information of revenue and net earnings had the transaction closed on July 1, 2016, as reliable information is not readily available.

The fair values of the identifiable net assets acquired and the total consideration as at September 30, 2016 have been determined provisionally and are subject to adjustment. Provisional amounts for intangible assets have not been separately identified, valued or recognized as part of the purchas price allocation, and are pending completion of a comprehensive valuation. As a result, goodwill, which is the excess fo the purchase price over the fair value of the net identifiable assets acquired, will be adjusted retrospectively to the acquisition date in future reporting periods.

4. BUSINESS ACQUISITION (continued)

Details of the fair value of identifiable assets and liablities acquired, purchase consideration and goodwill are as follows:

Fair value of consideration transferred:		
Cash	$	10,383
Working capital adjustment		1,617
	$	12,000
Identifiable net assets acquired:		
Trade receivables		1,117
Inventory		1,147
Property, plant and equipment		2,519
Trade payables		(647)
	$	4,136
Excess initially allocated to goodwill	$	7,864

Goodwill arising from this transaction is expected to be deductible for tax purposes.

5. FAIR VALUE

The Company uses a fair value hierarchy in order to classify the fair value measurements and disclosures related to the Company's financial assets and financial liabilities. The fair value hierarchy has the following levels:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The Company has no financial instruments carried at fair value on its balance sheet. For financial assets and liabilities that are valued at other than fair value on its balance sheets (i.e., deposits in cash management pools, accounts receivable, accounts payable and accrued liabilities), fair value approximates their carrying value at each balance sheet date due to their short-term maturities. Fair value is determined using Level 2 inputs.

6. ACCOUNTS RECEIVABLE

		Sept. 30, 2016		Sept. 30, 2015		June 30, 2016
Trade receivables	**$**	**15,283**	$	19,557	$	15,152
Due from related parties		**11,772**		11,710		13,055
Other		**1,739**		1,695		1,838
	$	**28,794**	$	32,962	$	30,045

7. INVENTORIES

		Sept. 30, 2016		Sept. 30, 2015		June 30, 2016
Raw materials	**$**	**2,923**	$	2,216	$	2,088
Work-in-progress		**43,835**		42,901		44,005
Finished goods		**10,739**		6,290		8,080
	$	**57,497**	$	51,407	$	54,173

The cost of inventory recognized as an expense and included in cost of goods sold during the three months ended September 30, 2016 was $10,306 (2015 – $10,636). During the three month periods ended September 30, 2016 and 2015 there were no significant write-downs of inventory as a result of net realizable value being lower than cost. No inventory write-downs recognized in previous years were reversed. Inventory write-downs are included in cost of goods sold.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		Sept. 30, 2016		Sept. 30, 2015		June 30, 2016
Trade payables and accruals	**$**	**16,297**	$	21,306	$	22,570
Due from related parties		**7,296**		8,586		6,657
Other		**2,307**		1,139		1,492
	$	**25,900**	$	31,031	$	30,719

9. REVENUE

The Company's revenue consists of the following streams:

	Three Months Ended			
		Sept. 30, 2016		Sept. 30, 2015
Case goods sales	**$**	**27,246**	$	28,998
Commissions (net of amortization of representation rights)		**6,633**		6,322
Other services		**753**		1,137
	$	**34,632**	$	36,457

Commissions for the quarter are shown net of amortization of long-term representation rights and non-refundable upfront fees of $1,471 (2015 - $1,471). Other services include revenues incidental to the manufacture of case goods, such as logistics fees.

10. OTHER (EXPENSE) INCOME

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

	Three Months Ended			
		Sept. 30, 2016		Sept. 30, 2015
Foreign exchange (loss) gain	**$**	**(5)**	$	13
Gain on disposal of property and equipment		**-**		7
	$	**(5)**	$	20

11. NET FINANCIAL INCOME AND EXPENSE

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

	Three Months Ended	
	Sept. 30, 2016	Sept. 30, 2015
Interest income	**$ 266**	$ 298
Net financial impact of pensions	**(260)**	(240)
	$ 6	$ 58

12. EXPENSES BY NATURE

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

	Three Months Ended	
	Sept. 30, 2016	Sept. 30, 2015
Depreciation of property and equipment	**$ 466**	$ 416
Amortization of intangible assets	**1,471**	1,471
Salary and payroll costs	**5,662**	5,368
Expenses related to pensions and benefits	**375**	323
	$ 7,974	$ 7,578

13. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	Three Months Ended	
	Sept. 30, 2016	Sept. 30, 2015
Accounts receivable	**$ 2,368**	$ (8,199)
Inventories	**(2,177)**	(549)
Prepaid expenses	**90**	(271)
Accounts payable and accrued liabilities	**(5,466)**	5,491
	$ (5,185)	$ (3,528)

14. DIVIDENDS

On November 9, 2016 subsequent to the quarter ended September 30, 2016, the Board of Directors declared its regular quarterly dividend of $0.21 per common share, to be paid on December 9, 2016, to shareholders of record as at the close of business on November 25, 2016. This dividend is in accordance with the Company's dividend policy.

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.

15. RELATED PARTY TRANSACTIONS (continued)

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. Recently, the production and administrative agreements were each renewed for a further ten year term, commencing October 2016.

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 which expired October 1, 2013 and was extended as noted below. These brands were acquired by PR subsequent to the original representation rights agreement dated September 29, 2006.

On November 9, 2011, Corby entered into an agreement with a PR affiliate 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 of the other PR brands in Corby's portfolio. On September 30, 2013, Corby paid the present value of $10 million, or $10.3 million, for the additional eight years of the new term pursuant to an agreement entered into between Corby and The Absolut Company Aktiebolag, an affiliate of PR and owner of the Absolut brand, to satisfy the parties' obligations under the 2011 agreement.

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 J. P. Wiser's Canadian whisky and Polar Ice vodka in the US. Previously, J. P. 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.

On March 21, 2016 the Company entered into an agreement with Pernod Ricard UK Ltd. ("PRUK"), an affiliated company, which provides PRUK the exclusive rights to represent Lamb's rum in Great Britain effective July 1, 2016. Previously, Lamb's rum was represented by an unrelated third party in this market. The agreement is effective for a five-year period ending June 30, 2021.

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

	Three Months Ended	
	Sept. 30, 2016	Sept. 30, 2015
Sales to related parties		
Commissions - parent, ultimate parent and affiliated companies	**$ 7,633**	$ 7,265
Products for resale at an export level - affiliated companies	**1,681**	1,394
	$ 9,314	$ 7,040
Cost of goods sold, purchased from related parties		
Distilling, blending, and production services - parent	**$ 5,968**	$ 6,088
Administrative services purchased from related parties		
Marketing, selling and administration services - parent	**$ 638**	$ 638
Marketing, selling and administration services - affiliate	**286**	1,931
	$ 924	$ 2,569

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

During the three month period ending September 30, 2016, Corby sold casks to its parent company for net proceeds of nil (2015 - $12).

15. RELATED PARTY TRANSACTIONS (continued)

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 Citibank N.A.. 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 November 9, 2016, as published by Standard & Poor's and Moody's, was BBB- and Baa2, respectively. PR compensates Corby for the benefit it receives from having the Company participate in the Mirror Netting Services Agreement by paying interest to Corby based upon the 30-day CDOR rate plus 0.40%. During the three month period ending September 30, 2016, Corby earned interest income of $270 from PR (2015 – $304). 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 J. P. 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 the interim condensed consolidated financial statements. Therefore, a table 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

Ungava Spirits Co. Ltd.
291, rue Miner
Cowansville, QC
J2K 3Y6
Tel: 450.263.5835

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

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

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

2816-11th Street NE
Westview Building, Suite 200
Calgary, Alberta
T2E 7S7
Tel: 403.463.3687

395 Park Street
Unit 14
Regina, Saskatchewan
S4N 5B2
Tel: 306.201.9746

13353 Commerce Parkway
Unit 2168
Richmond, British Columbia
V6V 3A1
Tel: 778.296.4500

FOR MORE INFORMATION

Corby Spirit and Wine Limited

R. Patrick O'Driscoll
President and Chief Executive Officer

Antonio Sanchez
Vice-President and Chief Financial Officer

Tel: 416.479.2400
www.corby.ca

Affiliated with Pernod Ricard