CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

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CORBY SPIRIT AND WINE LIMITED
Management's Discussion and Analysis
September 30, 2018

The following Management's Discussion and Analysis ("MD&A") dated November 7, 2018 should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes as at and for the three-month period ended September 30, 2018, prepared in accordance with International Financial Reporting Standards ("IFRS"). These interim condensed consolidated 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 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, 2018.

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 7, 2018. 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 2019 (three months ended September 30, 2018) are against results for the first quarter of fiscal 2018 (three months ended September 30, 2017). All dollar amounts are in Canadian dollars unless otherwise stated.

Business Overview

Corby is a leading Canadian manufacturer, marketer and importer of spirits and 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 certain brands, including Ungava® gin, Chic Choc® Spiced rum, Cabot Trail® maple cream liqueur (Coureur des Bois®, in Quebec), and a range of maple-based products (collectively, the "Ungava Spirits Brands"). On October 2, 2017, Corby acquired the Foreign Affair® wine brands, including Temptress, Enchanted, Amarosé and The Conspiracy brands (collectively, the "Foreign Affair Wines").

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. 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 10-year term commencing September 30, 2016, thus replacing the agreements that expired September 20, 2016 and 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. Corby's wholly-owned subsidiary, Ungava Spirits Co. Ltd. ("Ungava Spirits") produces the Ungava Spirits Brands and operates the Cowansville, Quebec production facility acquired on September 30, 2016. Corby's wholly-owned subsidiary, the Foreign Affair Winery Ltd., produces the Foreign Affair Wines and operates the winery and vineyard, based in Ontario's Niagara region, acquired on October 2, 2017. 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 North America.

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-controlled 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). Current retail value information as discussed in this MD&A is based on available pricing information as provided by the ACD and the LBs.

In addition to a focus on 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 its products in Canada and ships to third party US distributors. 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, Corby entered into a distribution agreement with a related party for the distribution of Lamb's rum (more information is provided in the "Related Party Transactions" section of this MD&A) and, a co-packing agreement for the production of the brand was entered into with Angus Dundee Distillers PLC, a third-party manufacturer, each of which is effective as of July 1, 2016.

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. In addition, retail sales comparisons can be affected by timing of key holidays and LB reporting calendars.

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 those brands to promote its premium offerings where it makes the most sense and drives the most value for Corby 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 this strategy will result in value creation for Corby 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 both innovation and acquisitions are 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. Corby assesses potential acquisition opportunities against specific criteria including its core competencies and strategic priorities.

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.

Significant Events

Corby declares special dividend and amends regular dividend policy
On November 7, 2018, the Corby Board of Directors declared a special dividend of $0.44 per share payable on January 11, 2019 on the Voting Class A Common Shares and Non-voting Class B Common Shares of Corby to shareholders of record as at the close of business on December 14, 2018. The special dividend will result in a cash distribution of approximately $12.5 million to shareholders and will be sourced from Corby's current surplus cash position. This payment represents cash that the Board considers to be in excess of its requirements to fund future growth opportunities.

Further, the Corby Board of Directors also announced an amendment to its dividend policy. Subject to business conditions and opportunities and appropriate adjustment for extraordinary events, regular dividends will be paid quarterly, on the basis of an annual amount equal to the greater of 90% of net earnings per share in the preceding fiscal year ended June 30, and $0.60 per share. Previously, the policy provided for such dividends to be based on an annual amount equal to the greater of 85% of net earnings per share in the preceding fiscal year ended June 30, and $0.60 per share. Under the amended policy, the Corby Board of Directors declared a regular dividend of $0.22 per share payable on December 7, 2018 on the Voting Class A Common Shares and Non-voting Class B Common Shares of Corby to shareholders of record as at the close of business on November 23, 2018.

New US Distribution Agreements

Corby entered into an agreement providing 375 Park Avenue Spirits (a dba of Luctor International, LLC ("375 Park Avenue Spirits")) the exclusive right to represent J.P. Wiser's Canadian whisky and Lamb's rum in the US effective as of July 1, 2018 for a five-year period to June 30, 2023, subject to extension as provided for under the agreement.

In addition, Corby entered into an agreement providing Hotaling & Co. ("Hotaling") the exclusive right to represent Corby's Northern Border Collection of Canadian whiskies (the “Northern Border Collection”), consisting of Lot No. 40®, Pike Creek®, and Gooderham & Worts®, and Ungava® gin in the US effective as of July 1, 2018 for a five-year period to June 30, 2023.

Finally, effective July 1, 2018, Polar Ice vodka will be imported under an agreement with MHW, Ltd. ("MHW"). This agreement is for a term of one year, subject to extension as provided for under the agreement. Effective October 18, 2018, RNDC Texas LLC will distribute the brand in Texas for the next five years, subject to extension as provided for under the agreement entered into with Corby.

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, Corby’s mixable liqueur brands and the Ungava Spirits 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, Polar Ice, Lot No. 40, Pike Creek, and the Ungava Spirits Brands are also sold to international markets, particularly in the US and UK.

BRAND PERFORMANCE CHART - INCLUDES BOTH CANADIAN AND INTERNATIONAL SHIPMENTS

	Three Months Ended			
			Shipment Change	
	Sep. 30,	Sep. 30,	Volume	Value
(Volumes in 000's of 9L cases)	**2018**	2017	%	%
Brand				
J.P. Wiser's Canadian whisky	**202**	190	6%	7%
Lamb's rum	**102**	104	(2%)	(2%)
Polar Ice vodka	**95**	92	4%	4%
Mixable liqueurs	**40**	42	(6%)	(2%)
Ungava Spirits Brands	**29**	27	9%	5%
Foreign Affair Brands [1]	**2**	-	N/A	N/A
Other Corby-owned brands	**53**	51	5%	14%
Total Corby brands	**523**	506	3%	6%

(1) Comparative information has not been provided for Foreign Affair Brands, as these brands were not owned by Corby prior to October 2, 2017.

Corby's owned-brands experienced strong first quarter shipments with a 6% increase in shipment value and 3% growth in shipment volumes when compared to the same period last year. Revenue increase was driven by the performance of J.P. Wiser's, Polar Ice, the Ungava Spirits Brands and integration of Foreign Affair Wines, as well as value growth delivered through tactical price adjustments and international markets.

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

	Three Months Ended			
			Shipment Change	
	Sep. 30,	Sep. 30,	Volume	Value
(Volumes in 000's of 9L cases)	**2018**	2017	%	%
Domestic	**479**	457	5%	6%
International	**44**	49	(11%)	8%
Total Corby brands	**523**	506	3%	6%

First quarter domestic shipments grew 5% in volume and 6% in value when compared to the same time last year. Results for the previous fiscal year were impacted as the LCBO normalized higher inventory levels pre-emptively built ahead of an adverted strike. Current year shipments also benefited from innovations such as the collaboration with the NHL® Alumni Association on the Alumni Whisky Series and Lambs Sociable Pineapple and Soda which helped to offset some of the ongoing challenges with standard variants in regional strongholds. Corby's domestic shipment value benefited from favourable mix effects of the premium Ungava Spirits Brands, Foreign Affair Wines and launch of higher marque innovations.

In international markets, shipment value grew 8% despite volume performance of -11%. Value growth was driven by product and market mix through increased focus on premium and higher marque variants. Volume was impacted by order phasing across several smaller markets.

Retail Sales Performance / Spirit Market Trends

To provide context for the following analysis, the Canadian spirits industry posted retail sales volume growth of 2% and retail sales value growth of 3% for the quarter ended September 30, 2018, when compared to the same period last year. Industry trends were led by strong retail sales growth in the Irish whiskey, cognac, gin and tequila categories from both volume and value gains.

Corby's portfolio is heavily weighted in the Canadian whisky, rum and vodka categories; together they make up over 87% of the Company's total retail volumes. The vodka category led retail sales growth as both retail sales volume and value increased 3%. The Canadian whisky category grew nearly 1% in volume and 2% in value driven by flavoured whiskies and super-premium brands. The rum category declined 2% in volume and 1% in value. Gin is a growing priority within the Corby portfolio. The gin category saw volume increase 8% and value by 11% from growth of super-premium brands.

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 and value data, as provided by the ACD, is set out in the following table and is discussed throughout this MD&A.

It should be noted that the retail information presented does not include international retail sales of Corby-owned brands and on-site winery sales.

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.

Retail Sales Performance / Summary of Corby's Key Brands

RETAIL SALES FOR THE CANADIAN MARKET ONLY (AS PROVIDED BY THE ACD[1])

	Three Months Ended				*Twelve Months Ended*			
			% Retail	*% Retail*			*% Retail*	*% Retail*
	Sep 30	*Sep 30*	*Volume*	*Value*	***Sep 30***	*Sep 30*	*Volume*	*Value*
(Volumes in 000's of 9L cases)	***2018***	*2017*	*Growth*	*Growth*	***2018***	*2017*	*Growth*	*Growth*
Brand								
J.P. Wiser's Canadian whisky	**177**	176	1%	3%	**746**	736	1%	3%
Polar Ice vodka	**93**	89	4%	5%	**352**	349	1%	2%
Lamb's rum	**82**	83	(1%)	(4%)	**326**	343	(5%)	(4%)
Mixable liqueurs	**40**	41	(1%)	0%	**161**	160	1%	2%
Ungava Spirits Brands	**22**	18	17%	14%	**94**	74	27%	25%
Foreign Affair Brands	**1**	1	35%	30%	**3**	3	0%	(4%)
Other Corby-owned brands	**47**	44	7%	5%	**190**	188	1%	2%
Total	**462**	452	2%	3%	**1,872**	1,853	1%	2%

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

J.P. Wiser's Canadian Whisky

J.P. Wiser's Canadian whisky, one of Canada's best-selling Canadian whiskies, is Corby's flagship brand. The brand's retail volumes for the first quarter grew 1% with retail value growing 3% compared to the same quarter last year. Retail sales volumes for the Canadian whisky category grew 1% while retail value for the category grew 2% in the comparative period.

Within the range, organic growth was posted by J.P. Wiser's Apple Whisky, J.P. Wiser's Spiced Vanilla Whisky and J.P. Wiser's Triple Barrel Rye. Wiser's Special Blend declined 2% while J.P. Wiser's Deluxe dipped slightly as it laps prior year programming.

This quarter, we partnered with the NHL® Alumni Association to produce a range of super-premium, limited edition releases of Canadian whiskies blended to match each featured player's unique style. As well, we introduced J.P. Wiser's Old-Fashioned Whisky Cocktail, a ready-to-serve that provides the convenience to make classic cocktails at home.

These new offerings, along with innovations launched in fiscal 2018 (including J.P. Wiser's 15-Year-Old and a limited release of J.P. Wiser's 35-Year-Old), continue to enhance J.P. Wiser's unique heritage and superior quality credentials. The brand is being supported nationally with a second phase of the successful "Hold it High" campaign in a range of media channels.

J.P. Wiser's variants continue to receive prestigious accolades. J.P. Wiser's 35-Year-Old was awarded the *Whisky of the Year* at the 2018 Canadian Whisky Awards. J.P. Wiser's Dissertation was awarded *Best Canadian Blended Whisky*, J.P. Wiser's Toffee Whisky was awarded *Best Canadian Flavoured Whisky* at the World Whiskies Awards for 2018 and J.P. Wiser's 18-Year-Old and J.P. Wiser's Triple Barrel Rye won Gold and Silver respectively at the 2018 San Francisco World Spirits Competition.

Polar Ice Vodka

Polar Ice vodka is among the top-selling vodka brands in Canada. Retail volume grew 4% in the first quarter while retail value grew 5%. This growth stemmed from a rebound in Alberta following a strategic price repositioning and increased share of consumer demand in Ontario.

The overall vodka category in Canada grew 3% in retail volume and value on a comparable basis. Dynamics within the category shifted in the first quarter as the standard vodka category grew at a faster pace than premium vodka. The standard vodka category grew 4% in retail volume and 3% in retail value for the quarter ended September 30, 2018. The premium vodka segment grew 2% in retail volume and 3% in retail value.

Our advertising and promotion investment continued to focus on brand awareness and consumer trial, while range extensions, including Polar Ice Arctic Extreme and Polar Ice Ontario Peach, continued to deliver premiumization.

Polar Ice won Silver at the 2018 International Wine and Spirits Competition and Polar Ice Arctic Extreme won Double Gold at the 2018 San Francisco World Spirits Competition.

Lamb's Rum

Lamb's rum, one of the top-selling rum families in Canada, has been impacted by ongoing changes in consumer trends for standard rum, as well as difficult economic conditions in regional strongholds. Retail volumes for the overall rum category declined 2% for the quarter while retail values decreased 1% when compared to the same period last year. The economy rum category was flat in retail volumes and edged up 1% in retail value on a quarterly comparable period.

Lamb's experienced a 1% decline in retail volumes and a 4% decline in retail value when compared to the same period last year. The Lamb's rum product line is heavily weighted in the dark and white segments, categories which have faced evolving consumer preferences in recent years and increased competitor pressure in key markets. Our strategy remains to defend its regional strongholds with targeted campaigns (including the "Hometown Heroes" campaign), to focus on the most differentiated variants and to launch new flavour variants and format innovations. The recently launched Lamb's Sociable Pineapple and Soda, has already become Newfoundland's #2 ready-to-drink and is helping to stabilize family performance and recruit new drinkers.

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 lagged category trends with retail volume declined 1% for the first quarter, while retail value remained flat to the same comparable period.

The liqueurs category grew 3% in retail volume and 4% in retail value for the quarter ended September 30, 2018. Category growth was primarily led by new innovations and cream-based offerings.

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. Recently launched innovation, McGuinness Ruby Red Grapefruit as well as the launch of an expanded range of flavour offerings in a convenient 375mL format, to encourage consumer trial. McGuinness also benefited from co-branded programs activated in retail and on-premise and through social media.

Ungava Spirits Brands

Retail volume and value for the Ungava Spirits Brands increased 17% and 14%, respectively, for the quarter ended September 30, 2018. The flagship brand, Ungava gin, grew 17% in both retail volume and value, outperforming the Canadian gin category, which grew 8% in retail volume while retail value grew 11%. Ungava gin continued to be the market leader in the super-premium gin category and expand its global footprint.

Cabot Trail maple-based liqueurs (in Quebec, Coureur des Bois) continued to perform strongly benefiting from increased distribution and successful recruitment from retail tastings. Retail volumes increased 12% in the first quarter while retail values grew 15%.

Two new-to-world wine innovations were recently launched in the Quebec grocery channel by Ungava Spirits. Distribution in this channel is restricted to wines bottled in Quebec which Corby is now able to access by utilizing the acquired Cowansville production facility. Divine Sunshine, a contemporary rose blend made with California grapes, and Coureurs des Vignes, a premium French wine brand are our first entries into this unique channel.

Foreign Affair Wines

The Foreign Affair Wines (which Corby acquired on October 2, 2017) represent Corby's first foray into the VQA Canadian wine category. In addition to the LBs, Foreign Affair Wines are available through several channels including direct delivery (on-premise and wine club) and the on-site winery visitor centre, where the majority of sales are conducted.

Only retail sales conducted through the LBs are reported by the ACD. LB retail sales volume increased 35% for the quarter ended September 30, 2018 when compared to the same period last year while retail value grew 30%. The Canadian table wine category retail volumes decreased 1% for the first quarter while retail value increased 1%.

Foreign Affair Wines have been winning top awards in recent months, including Gold medals at the Ontario Wine Awards, the Lieutenant Governor's Award of Excellence in Ontario Wines, Silver at the Decanter International Wine Awards and Gold at the National Wine Awards of Canada.

Other Corby-Owned Brands

Premium offerings in Canadian whisky such as Pike Creek, Lot No. 40 and Gooderham & Worts (collectively known as the Northern Border Collection) grew retail volume and value 6% for the quarter ended September 30, 2018, outperforming the Canadian whisky category in Canada. Innovation remains an important pillar for delivering new profit and growth opportunities to the Corby domestic business. The Rare Range series (featuring Pike Creek 21-Year-Old, Lot No. 40 12-Year-Old Cask Strength and Gooderham & Worts Little Trinity 17-Year-Old) launched in the prior fiscal has received wide acclaim, winning various medals at the Canadian Whisky Awards 2018.

In addition, Lot No. 40 and Gooderham & Worts were both awarded *Canadian Connoisseur Whisky of the Year* at the seventh annual Canadian Whisky Awards for 2017. Lot No. 40 has consistently won top awards in the most prestigious Canadian and International competitions including Silver at the 2018 San Francisco World Spirits Competition. Gooderham & Worts was also awarded *World's Best Canadian Blended* at the World Whiskies Awards for 2017. Gooderham & Worts Little Trinity (17-Year-Old) was awarded *Best Canadian Blended Limited Release* at the World Whiskies Award for 2018.

Royal Reserve® retail volume increased 7% and value 5% for the first quarter when compared to the same period last year overcoming a significant increase in competitive retail activity in the economy segment of Canadian whisky and industry-wide softness in the Canadian whisky category.

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, 2018 and 2017.

(in millions of Canadian dollars, except per share amounts)	**Sept. 30, 2018**	Sept. 30, 2017 (1)	$ Change	% Change
	Three Months Ended			
Revenue	**$ 37.9**	$ 35.6	$ 2.3	6%
Cost of sales	**(14.1)**	(13.2)	(0.9)	6%
Marketing, sales and administration	**(15.1)**	(14.5)	(0.6)	4%
Other income (expense)	**0.0**	0.0	-	N/A
Earnings from operations	**8.7**	7.9	0.8	10%
Financial income	**0.3**	0.3	0.0	35%
Financial expenses	**(0.1)**	(0.2)	0.1	(34%)
Net financial income	**0.2**	0.1	0.1	198%
Earnings before income taxes	**8.9**	8.0	0.9	11%
Income taxes	**(2.4)**	(2.2)	(0.2)	11%
Net earnings	**$ 6.5**	$ 5.9	$ 0.7	11%
Per common share				
- Basic net earnings	**$ 0.23**	$ 0.21	$ 0.02	10%
- Diluted net earnings	**$ 0.23**	$ 0.21	$ 0.02	10%

(1) The Company has adjusted amounts reported previously in the interim condensed consolidated statement of earnings as a result of the retrospective application IFRS 15, Revenue from Contracts with Customers.

Overall Financial Results

Net earnings increased $0.7 million or 11% when compared to the same quarter last year. Results were driven by robust market performance, increased commissions from PR brands and the addition of the Foreign Affair Wines (acquired October 2, 2017), partially offset by strategic investment behind priority and recently acquired brands.

Revenue

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

(in millions of Canadian dollars)	**Sept. 30, 2018**	Sept. 30, 2017 (1)	$ Change	% Change
	Three Months Ended			
Revenue streams:				
Case Goods	**$ 30.0**	$ 28.2	$ 1.8	6%
Commissions	**7.0**	6.6	0.4	6%
Other services	**0.9**	0.8	0.1	9%
Revenue	**$ 37.9**	$ 35.6	$ 2.3	6%

(1) The Company has adjusted amounts reported previously in the interim condensed consolidated statement of earnings as a result of the retrospective application IFRS 15, Revenue from Contracts with Customers.

Case Goods revenue increased $1.8 million, or 6%, for the three-month period ended September 30, 2018, when compared to the same period last year. Growth is attributable to strong domestic shipments lapping prior year LCBO normalization of inventory levels, Ungava Spirits Brands, the addition of the Foreign Affair Wines, and international market performance.

Commissions increased $0.4 million, or 6%, attributable to strong PR spirits portfolio performance which lapped prior year LCBO strike distortion. The PR brand portfolio continues to benefit from its positioning within the premium categories along with PR's investment to build these brands in Canada.

Other services represent ancillary revenue incidental to Corby's core business activities, such as logistical fees and from time to time bulk whisky sales.

Cost of sales
Cost of sales was $14.1 million, an increase of $0.9 million, or 6% when compared to the same quarter last year. The increase is in line with Case Goods growth and is also attributable to the addition of Foreign Affair Wines. Combined with tactical pricing in regional strongholds, overall gross margin on Case Goods was flat at 55% compared to the same period last year (note: commissions are not included in this calculation).

Marketing, sales and administration
Marketing, sales and administration expenses increased $0.6 million, or 4% compared to the same period last year. This was driven by timing of promotional investment behind J.P. Wiser's, the Northern Border Collection, Ungava Spirits Brands and the Foreign Affair Wines, and to support entry into the Quebec grocery wine channel. Overheads also increased as we integrated the structure that supports Foreign Affair Wines and reflected general increases in headcount expenditures.

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. A slight increase in interest income for the quarter ended September 30, 2018 is due to increases in the Canadian Dealer Offered Rate ("CDOR") compared to the same time last year.

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

	Three Months Ended	
	Sept. 30, 2018	*Sept. 30, 2017*
Combined basic Federal and Provincial tax rates	**26.9%**	26.8%
Other	**0.3%**	0.3%
Effective tax rate	**27.2%**	27.1%

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of $68.9 million as at September 30, 2018, and its cash generated from operating activities. Corby's total contractual maturities are represented by its accounts payable and accrued liabilities, which totalled $28.1 million as at September 30, 2018 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

	Three Months Ended		
(in millions of Canadian dollars)	**Sept. 30, 2018**	Sept. 30, 2017	$ Change
Operating activities			
Net earnings, adjusted for non-cash items	**$ 9.7**	$ 9.7	$ -
Net change in non-cash working capital	**(2.2)**	(1.1)	(1.1)
Net payments for interest and income taxes	**(2.2)**	(2.3)	0.1
	5.3	6.4	(1.1)
Investing activities			
Additions to capital assets	**(0.1)**	(0.3)	0.2
Business acquisition	**-**	(6.0)	6.0
Deposits in cash management pools	**1.1**	5.9	(4.8)
	1.0	(0.4)	1.4
Financing activities			
Dividends paid	**(6.3)**	(6.0)	(0.3)
Net change in cash	**$ -**	$ -	$ -

Operating activities
Net cash from operating activities was $5.3 million during the quarter ended September 30, 2018, compared to $6.4 million last year, representing a decrease of $1.1 million. Cash flows from operating activities were impacted by the timing of collections from customers and payments to vendors in addition to payments related to interest and income taxes.

Investing activities
Net cash generated from investing activities was $1.0 million for the year ended September 30, 2018, compared to $0.4 million used in the prior year. Investing activities include additions to capital assets in both the current and prior year periods. The prior year also includes payments related to Corby's acquisition of the Foreign Affair Wines which was completed on October 2, 2017.

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. 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 was $6.3 million for the quarter ended September 30, 2018, compared to $6.0 million last year, and represents payment of the Company's regular dividend to shareholders. Regular quarterly dividends increased to $0.22 per share in the current fiscal, compared to $0.21 per share 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
2019 - special	November 7, 2018	December 14, 2018	January 11, 2019	$ 0.44
2019 - Q1	November 7, 2018	November 23, 2018	December 7, 2018	0.22
2018 - Q4	August 22, 2018	September 12, 2018	September 28, 2018	0.22
2018 - Q3	May 9, 2018	May 25, 2018	June 13, 2018	0.22
2018 - Q2	February 7, 2018	February 23, 2018	March 9, 2018	0.22
2018 - Q1	November 8, 2017	November 24, 2017	December 8, 2017	0.22
2017 - Q4	August 23. 2017	September 15, 2017	September 29, 2017	0.21
2017 - Q3	May 10, 2017	May 26, 2017	June 14, 2017	0.21
2017 - Q2	February 8, 2017	February 24, 2017	March 10, 2017	0.21
2017 - Q1	November 9, 2016	November 25, 2016	December 9, 2017	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

Outstanding Share Data

As at November 7, 2018, 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 require 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 North American 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 agreed to 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 agreed to 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 continues 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 (the "2011 Agreement"). 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 2011 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 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.

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 7, 2018, 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 2019**	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Revenue (1)	**$ 37.9**	$ 39.5	$ 28.8	$ 40.2	$ 35.6	$ 39.5	$ 28.2	$ 39.9
Earnings from operations	**8.7**	12.6	6.5	7.9	7.9	11.7	4.6	9.8
Net earnings	**6.5**	9.3	4.8	5.8	5.9	8.7	3.3	7.2
Basic EPS	**0.23**	0.33	0.17	0.20	0.21	0.30	0.12	0.25
Diluted EPS	**0.23**	0.33	0.17	0.20	0.21	0.30	0.12	0.25

(1) Revenue for the comparative periods, fiscal 2018 and 2017, has been adjusted to reflect the Company's retrospective application of IFRS 15, Revenue from Contracts with Customers.

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.

The Ungava Spirits Brands were acquired on September 30, 2016 and are reflected in results beginning with the second quarter of 2017. In fiscal 2018 the Ungava Spirits Brands have contributed $8.9 million to revenues.

Revenues for the second, third and fourth quarters of 2018 include Case Good sales for the Foreign Affair Wines, which were acquired on October 2, 2017 and since the completion of the acquisition have contributed $1.6 million to revenues and is net earnings accretive.

Recent Accounting Pronouncements

A number of new standards, amendments to standards and interpretations are effective for the financial period ended September 30, 2018, and accordingly, have been applied in preparing these consolidated financial statements:

(i) Revenue

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), which provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and was therefore applied for the first time by the Company for the interim period beginning July 1, 2018.

The Company adopted IFRS 15 using the full retrospective approach with restatement. After completing the analysis of significant customer contracts, the Company determined that the implementation of IFRS 15 did not result in a significant impact to the Company's financial position and performance. The application of IFRS 15 has required that certain advertising and promotional expenditures, when paid directly to customers, be classified as a reduction to revenue. The following chart summarizes the impact of IFRS 15 on the Company's interim condensed consolidated statement of earnings for the three-month period ending September 30, 2017 and on the Company's consolidated statement of earnings for the year ending June 30, 2018:

Statement of earnings impacts	September 30 2017	June 30 2018
Revenue	$ (0.3)	$ (0.9)
Marketing, sales & administration	0.3	0.9
Earnings from operations	-	-
Net Earnings	$ -	$ -

The Company's accounting policies for revenues have been updated to reflect the more extensive requirements under IFRS 15 and are outlined below.

The Company derives its revenue from Case Goods sales, Commissions and revenues from ancillary activities. The Company recognizes revenue when control of the goods or services sold has been transferred to the customer. Revenue is measured at the amount of consideration to which the Company expects to be entitled after deducting trade discounts, volume rebates and sales-related taxes and duties.

(i) Case Good Sales

Corby's Case Goods are primarily sold to provincial liquor boards and international customers. Transfer of control over Case Goods is achieved when products are shipped from the Company's various distribution sites and accepted by the customer. For sales to consumers through the Company's winery retail store, the transfer of control is deemed to occur when the product is purchased by the consumer.

Case Goods sales are recorded net of costs of services provided by customers which include: distribution, listing costs for new products, promotional activities at point of sale and other advertising and promotional services provided directly by customers.

(ii) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, revenue is recognized in the amount of the commission to which the Company is contractually entitled in exchange for representation services performed. Commissions are reported net of amortization of long-term representation rights. The long-term representation rights represent the cost of the Company's exclusive right to represent PR's brands in Canada and are amortized on a straight-line basis over the term of their respective agreements.

(iii) Revenue from ancillary activities

Revenue from ancillary activities include logistics fees and bulk whisky sales. Logistics fees are recognized as services are rendered. Bulk whisky sales are recognized when control of the goods has been transferred to the customer.

(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 own 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 became effective July 1, 2018. The adoption of IFRS 9 did not have a significant impact on the Company’s interim condensed consolidated financial statements.

Changes to the classification of Corby’s financial assets and liabilities under IFRS 9 are as follows:

Financial Asset/Liability	Category Under IAS 39	Category under IFRS 9
Deposits in cash management pools	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Loans and receivables	Amortized cost

Recent accounting pronouncements not in effect

The below standards have been issued but are not yet effective for the financial period ended September 30, 2018, and accordingly, have not been applied in preparing these consolidated financial statements:

(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 lessee accounting model, requiring lessees to recognize assets and liabilities 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.

(iv) Uncertainty over Income Tax Treatments

In June 2017, the IASB issued a new interpretation IFRIC 23, “Uncertainty over Income Tax Treatments” (“IFRIC 23). IFRIC 23 specifies the accounting treatment for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over the tax treatments. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. 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*, the Company has limited the design of its disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Foreign Affair Winery Limited ("Foreign Affair Winery"). Corby acquired the Foreign Affair Wines on October 2, 2017, and the brand portfolio and other assets acquired are currently operated by Corby's wholly-owned subsidiary, Foreign Affair Winery.

Further details related to the acquisition of the Foreign Affair Wines is include in Note 6 in the Notes to the Company's annual audited consolidated financial statements for the year ended June 30, 2018.

Since the completion of the acquisition of Foreign Affair Wines on October 2, 2017, the acquired brands and assets have contributed $1.6 million to revenues and is net earnings accretive. The purchase price has been allocated as described in Note 6 to the annual audited consolidated financial statements for the year ended June 30, 2018.

The scope limitation discussed under this section is primarily based on the time required to assess Foreign Affair Winery's disclosure controls and procedures and internal controls over financial reporting in a manner that is consistent with the Company's other operations. Subsequent to the acquisition on October 2, 2017, the Company began and is now well underway on the integration of Foreign Affair Winey into our systems and control structures. The assessment on the design effectiveness of disclosure controls and procedures and internal controls over financial reporting is on track for completion within the required time frame enabling the assessment of operating effectiveness thereafter.

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.

Additionally, 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 (including on matters such as regulatory requirements, import duties and taxation) 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. Additionally, the legalization of recreational cannabis in Canada could have the potential to impact consumer consumption patterns with respect to beverage alcohol products. 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, or a change in business model 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 maturing products, there is a potential for shortages or surpluses in future years if demand and supply are materially different from long-term forecasts. Additionally, the loss through contamination, fire or other natural disaster of the stock of maturing products may result in significant reduction in supply and, as a result, Corby may not be able to meet customer demands. The Company monitors category trends and regularly reviews maturing inventory levels.

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 largely 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.

Corby's ability to properly complete acquisitions and subsequently integrate them may affect its results
Corby monitors growth opportunities that may present themselves to Corby, including by way of acquisitions. While we believe that an acquisition may create the opportunity to realize certain benefits, achieving these benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in an efficient manner, as well as our ability to realize any anticipated growth opportunities or costs savings from combining the target's assets and operations with our existing brands and operations. Integration efforts following any acquisition (including the recent acquisitions of the Ungava Spirits Brands and Foreign Affair Winery) may require the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. In addition, Corby may be required to assume greater-than-expected liabilities due to liabilities that are undisclosed at the time of completion of an acquisition. A failure to realize, in whole or in part, the anticipated benefits of an acquisition may have a negative impact on the results or financial position of Corby.

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, which may negatively affect our sales, revenues and profitability. Corby constantly monitors the market and adjusts its own advertising, promotion and pricing 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 collectible 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.

<u>USD Exposure</u>
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.

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

Third-Party Service Providers
HWSL, which Corby manages on behalf of PR, provides more than 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.

Additionally, although the Company registers trademarks, as applicable, it cannot be certain that trademark registrations will be issued with respect to all the Company's applications. Also, while Corby constantly watches for and responds to competitive threats, as necessary, the Company cannot predict challenges to, or prevent a competitor from challenging, the validity of any existing or future trademark issued or licensed to Corby.

Information Technology and Cyber Security

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 these 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 as at September 30, 2018:

		Carrying Values as at September 30, 2018		
Associated Brand	Associated Market	Goodwill	Intangibles	Total
Various PR brands	Canada	$ -	$ 17.4	$ 17.4
Lamb's rum	United Kingdom[1]	1.4	11.8	13.2
Ungava brands [2]	Canada	5.1	3.2	8.3
Foreign Affair Winery brands	Canada	0.4	2.5	2.9
Other domestic brands	Canada	1.9	-	1.9
		$ 8.8	$ 34.9	$ 43.6

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

[2] The Ungava brands include trademarks related to Ungava Premium Canadian Gin, Chic Choc Spiced Rum and Cabot Trail maple-based liqueurs.

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 10 of the annual audited consolidated financial statements for the year ended June 30, 2018.

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, 2018		Sept. 30, 2017	June 30, 2018
ASSETS						
Deposits in cash management pools		**$**	**68,902**	$	68,353	$ 69,955
Deposit on business acquisition			**-**		5,957	-
Accounts receivable	4		**30,533**		31,329	33,469
Inventories	5		**61,752**		57,734	59,789
Prepaid expenses			**645**		846	593
Total current assets			**161,832**		164,219	163,806
Other assets			**2,284**		-	1,830
Property, plant and equipment			**18,748**		14,570	19,331
Goodwill			**8,757**		8,403	8,757
Intangible assets			**34,866**		38,204	36,311
Total assets		**$**	**226,487**	$	225,396	$ 230,035
LIABILITIES						
Accounts payable and accrued liabilities	6	**$**	**28,112**	$	29,449	$ 31,242
Income and other taxes payable			**810**		325	1,240
Total current liabilities			**28,922**		29,774	32,482
Provision for employee benefits			**9,161**		17,922	9,991
Deferred income taxes			**3,257**		333	2,868
Total liabilities			**41,340**		48,029	45,341
Shareholders' equity						
Share capital			**14,304**		14,304	14,304
Accumulated other comprehensive income (loss)			**700**		(5,800)	486
Retained earnings			**170,143**		168,863	169,904
Total shareholders' equity			**185,147**		177,367	184,694
Total liabilities and shareholders' equity		**$**	**226,487**	$	225,396	$ 230,035

The accompanying notes are an integral part of these 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, 2018	Sept. 30, 2017 (1)
Revenue	7	**$ 37,883**	$ 35,634
Cost of sales		**(14,050)**	(13,205)
Marketing, sales and administration		**(15,118)**	(14,524)
Other (expenses) income	8	**(23)**	35
Earnings from operations		**8,692**	7,940
Financial income	9	**365**	271
Financial expenses	9	**(126)**	(191)
		239	80
Earnings before income taxes		**8,931**	8,020
Current income taxes		**(2,119)**	(1,983)
Deferred income taxes		**(310)**	(187)
Income taxes		**(2,429)**	(2,170)
Net earnings		**$ 6,502**	$ 5,850
Basic earnings per share		**$ 0.23**	$ 0.21
Diluted earnings per share		**$ 0.23**	$ 0.21
Weighted average common shares outstanding			
Basic		**28,468,856**	28,468,856
Diluted		**28,468,856**	28,468,856

(1) In preparing its comparative information, the Company has adjusted amounts reported previously in the interim condensed consolidated statement of earnings as a result of the retrospective application of IFRS 15, Revenue from Contracts with Customers. Refer to Note 2 for details regarding adjusted amounts.

The accompanying notes are an integral part of these 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)

		Sept. 30, 2018		Sept. 30, 2017
Net earnings	**$**	**6,502**	$	5,850
Other Comprehensive Income:				
Amounts that will not be subsequently reclassified to earnings:				
Net actuarial gains		**293**		297
Income taxes		**(79)**		(80)
		214		217
Total comprehensive income	**$**	**6,716**	$	6,067

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 Income (Loss)		Retained Earnings		Total
Balance as at June 30, 2018	$	14,304	$	486	$	169,904	$	184,694
Total comprehensive income		-		214		6,502		6,716
Dividends		-		-		(6,263)		(6,263)
Balance as at September 30, 2018	**$**	**14,304**	**$**	**700**	**$**	**170,143**	**$**	**185,147**
Balance as at June 30, 2017	$	14,304	$	(6,017)	$	168,991	$	177,278
Total comprehensive income		-		217		5,850		6,067
Dividends		-		-		(5,978)		(5,978)
Balance as at September 30, 2017	$	14,304	$	(5,800)	$	168,863	$	177,367

CORBY SPIRIT AND WINE LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Not audited or reviewed by the Company's external auditor)
(in thousands of Canadian dollars)

	Notes	For the Three Months Ended Sept. 30, 2018	Sept. 30, 2017
Operating activities			
Net earnings		**$ 6,502**	$ 5,850
Adjustments for:			
Amortization and depreciation	10	**2,140**	2,009
Net financial income	9	**(239)**	(80)
Gain on disposal of property and equipment		**(14)**	(2)
Income tax expense		**2,429**	2,170
Provision for employee benefits		**(1,115)**	(221)
		9,703	9,726
Net change in non-cash working capital balances	11	**(2,209)**	(1,062)
Interest received		**363**	271
Income taxes paid		**(2,551)**	(2,570)
Net cash from operating activities		**5,306**	6,365
Investing activities			
Additions to property and equipment		**(110)**	(347)
Proceeds from disposition of property and equipment		**14**	17
Business acquisition		**-**	(5,957)
Deposits in cash management pools		**1,053**	5,900
Net cash from (used in) investing activities		**957**	(387)
Financing activity			
Dividends paid		**(6,263)**	(5,978)
Net cash used in financing activity		**(6,263)**	(5,978)
Net increase in cash		**-**	-
Cash, beginning of year		**-**	-
Cash, end of year		**$ -**	$ -

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

1. GENERAL INFORMATION

Corby Spirit and Wine Limited ("Corby" or the "Company") is a leading Canadian manufacturer, marketer and importer of spirits and 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, 2018.

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. SIGNIFICANT ACCOUNTING POLICIES

(i) 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 below. These interim condensed consolidated financial statements should be read in conjunction with the Company's 2018 annual financial statements.

These consolidated financial statements were approved by the Company's Board of Directors on November 7, 2018.

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

Basis of Measurement
These interim condensed consolidated financial statements are prepared in accordance with the historical cost model, except for certain categories of assets and liabilities, which are measured in accordance with other methods provided for by IFRS as described in the most recent annual consolidated financial statements, except for recently adopted policies and methods described below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(i) Basis of Preparation (continued)

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 changes or where new information becomes available. Future outcomes can differ from these estimates.

Judgment 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, judgment and estimates are often interrelated.

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 changes or where new information becomes available. Future outcomes can differ from these estimates.

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

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.

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.

(ii) Adoption of New and Revised Standards and Interpretations

Recent accounting pronouncements

A number of new standards, amendments to standards and interpretations are effective for the financial period ended September 30, 2018, and accordingly, have been applied in preparing these consolidated financial statements:

(a) Revenue

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), which provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and was therefore applied for the first time by the Company for the interim period beginning July 1, 2018.

The Company adopted IFRS 15 using the full retrospective approach with restatement. After completing the analysis of significant customer contracts, the Company determined that the implementation of IFRS 15 did not

(ii) Adoption of New and Revised Standards and Interpretations (continued)

result in a significant impact to the Company's financial position and performance. The application of IFRS 15 has required that certain advertising and promotional expenditures, when paid directly to customers, be classified as a reduction to revenue. The following chart summarizes the impact of IFRS 15 on the Company's interim condensed consolidated statement of earnings for the three-month period ending September 30, 2017 and on the Company's consolidated statement of earnings for the year ending June 30, 2018:

Statement of earnings impacts		Sept. 30, 2017		June 30, 2018
Revenue	$	(336)	$	(871)
Marketing, sales & administration		336		871
Earnings from operations		-		-
Net Earnings	$	-	$	-

The Company's accounting policies for revenues have been updated to reflect the more extensive requirements under IFRS 15 and are outlined below.

The Company derives its revenue from Case Goods sales, Commissions and revenues from ancillary activities. The Company recognizes revenue when control of the goods or services sold has been transferred to the customer. Revenue is measured at the amount of consideration to which the Company expects to be entitled after deducting trade discounts, volume rebates and sales-related taxes and duties.

(i) Case Good Sales

Corby's Case Goods are primarily sold to provincial liquor boards and international customers. Transfer of control over Case Goods is achieved when products are shipped from the Company's various distribution sites and accepted by the customer. For sales to consumers through the Company's winery retail store, the transfer of control is deemed to occur when the product is purchased by the consumer.

Case Goods sales are recorded net of costs of services provided by customers which include: distribution, listing costs for new products, promotional activities at point of sale and other advertising and promotional services provided directly by customers.

(ii) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, revenue is recognized in the amount of the commission to which the Company is contractually entitled in exchange for representation services performed. Commissions are reported net of amortization of long-term representation rights. The long-term representation rights represent the cost of the Company's exclusive right to represent PR's brands in Canada and are amortized on a straight-line basis over the term of their respective agreements.

(iii) Revenue from ancillary activities

Revenue from ancillary activities include logistics fees and bulk whisky sales. Logistics fees are recognized as services are rendered. Bulk whisky sales are recognized when control of the goods has been transferred to the customer.

(b) *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

(ii) Adoption of New and Revised Standards and Interpretations (continued)

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 own 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 became effective July 1, 2018. The adoption of IFRS 9 did not have a significant impact on the Company's interim condensed consolidated financial statements.

Changes to the classification of Corby's financial assets and liabilities under IFRS 9 are as follows:

Financial Asset/Liability	Category Under IAS 39	Category under IFRS 9
Deposits in cash management pools	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Loans and receivables	Amortized cost

Recent accounting pronouncements not in effect

The below standards have been issued but are not yet effective for the financial period ended September 30, 2018, and accordingly, have not been applied in preparing these consolidated financial statements:

(c) 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 lessee accounting model, requiring lessees to recognize assets and liabilities 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.

(d) Uncertainty over Income Tax Treatments

In June 2017, the IASB issued a new interpretation IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23). IFRIC 23 specifies the accounting treatment for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over the tax treatments. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. 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.

3. 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.

3. FAIR VALUE (CONTINUED)

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, deposit on business acquisition, 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. Level 3 inputs are used to determine the fair value of pension plan assets contained within the infrastructure and real estate funds.

4. ACCOUNTS RECEIVABLE

	Sept. 30, 2018	Sept. 30, 2017	June 30, 2018
Trade receivables	**$ 17,288**	$ 17,677	$ 19,503
Due from related parties	**10,613**	11,847	12,137
Other	**2,632**	1,805	1,829
	$ 30,533	$ 31,329	$ 33,469

5. INVENTORIES

	Sept. 30, 2018	Sept. 30, 2017	June 30, 2018
Raw materials	**$ 3,581**	$ 3,522	$ 3,424
Work-in-progress	**46,425**	44,038	46,875
Finished goods	**11,746**	10,174	9,490
	$ 61,752	$ 57,734	$ 59,789

The cost of inventory recognized as an expense and included in cost of goods sold during the three month period ended September 30, 2018 was $12,634 (2017 – $11,721). During the three-month period ended September 30, 2018 there were no 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.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Sept. 30, 2018	Sept. 30, 2017	June 30, 2018
Trade payables and accruals	**$ 16,513**	$ 17,171	$ 23,706
Due to related parties	**8,468**	8,739	6,071
Other	**3,131**	3,539	1,465
	$ 28,112	$ 29,449	$ 31,242

7. REVENUE

The Company's revenue consists of the following streams:

		Three Months Ended		
		Sept. 30, 2018		Sept. 30, 2017
Case Goods sales	**$**	**29,996**	$	28,190
Commissions (net of amortization of representation rights)		**7,000**		6,633
Other services		**887**		811
	$	**37,883**	$	35,634

Commissions for the quarter are shown net of amortization of long-term representation rights and non-refundable upfront fees of $1,445 (2017 - $1,471). Other services include revenues incidental to the manufacture of Case Goods, such as logistics fees and miscellaneous bulk spirit sales.

8. OTHER (EXPENSES) INCOME

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

		Three Months Ended		
		Sept. 30, 2018		Sept. 30, 2017
Foreign exchange (loss) gain	**$**	**(25)**	$	33
Gain on disposal of property and equipment		**14**		2
Other expenses		**(12)**		-
	$	**(23)**	$	35

9. NET FINANCIAL INCOME AND EXPENSE

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

		Three Months Ended		
		Sept. 30, 2018		Sept. 30, 2017
Interest income	**$**	**365**	$	271
Net financial impact of pensions		**(126)**		(191)
	$	**239**	$	80

10. EXPENSES BY NATURE

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

		Three Months Ended		
		Sept. 30, 2018		Sept. 30, 2017
Depreciation of property and equipment	**$**	**695**	$	538
Amortization of intangible assets		**1,445**		1,471
Salary and payroll costs		**6,273**		6,148
Expenses related to pensions and benefits		**329**		355
	$	**8,742**	$	8,512

11. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	Three Months Ended	
	Sept. 30, 2018	Sept. 30, 2017
Accounts receivable	**$ 2,936**	$ 3,499
Inventories	**(1,963)**	(2,374)
Prepaid expenses	**(52)**	(319)
Accounts payable and accrued liabilities	**(3,130)**	(1,868)
	$ (2,209)	$ (1,062)

12. DIVIDENDS

On November 7, 2018 subsequent to the quarter ended September 30, 2018, the Board of Directors declared its regular quarterly dividend of $0.22 per common share, to be paid on December 7, 2018, to shareholders of record as at the close of business on November 23, 2018. The Board of Directors also declared a special dividend of $0.44 per common share, payable January 11, 2019, to shareholders of record as at the close of business on December 14, 2018. The dividends are in accordance with the Company's dividend policy.

13. 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.

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, 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. 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 North American entities, as approved by Corby's Board of Directors. In 2015, 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 $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.

13. RELATED PARTY TRANSACTIONS (CONTINUED)

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 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, 2018	Sept. 30, 2017
Sales to related parties		
Commissions - parent, ultimate parent and affiliated companies	**$ 7,874**	$ 7,602
Products for resale at an export level - affiliated companies	**982**	1,757
	$ 8,856	$ 9,359
Cost of goods sold, purchased from related parties		
Distilling, blending, and production services - parent	**$ 6,036**	$ 6,154
Administrative services purchased from related parties		
Marketing, selling and administration services - parent	**$ 523**	$ 658
Marketing, selling and administration services - affiliate	**-**	190
	$ 523	$ 848

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

During the three months ended September 30, 2018, Corby sold casks to its parent company for net proceeds of $14 (2017 - $17).

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 Service 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 7, 2018, 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 CDOR rate plus 0.40%. During the three months ended September 30, 2018, Corby earned interest income of $384 from PR (2017 – $281). Corby has the right to terminate its participation in the Mirror Netting Service Agreement at any time, subject to five days' written notice.

14. 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.

14. SEGMENT INFORMATION (CONTINUED)

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 7 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.

15. SUBSEQUENT EVENTS

On November 7, 2018, subsequent to the first quarter ended September 30, 2018, the Board of Directors of Corby declared a special dividend in the amount of $0.44 per common share. This dividend will be paid on January 11, 2019, on Voting Class A Common Shares and Non-voting Class B Common Shares of the Company to shareholders of record as at the close of business on December 14, 2018. This dividend will be in addition to Corby's regular dividend of $0.22 per share, which was also declared by Corby's Board of Directors on the same day. The special dividend will result in a cash distribution of approximately $12.5 million to shareholders and will be sourced from the Company's current surplus cash deposits.

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