



CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

Q1

CORBY SPIRIT AND WINE LIMITED

Management's Discussion and Analysis

September 30, 2020

The following Management's Discussion and Analysis ("MD&A") dated November 12, 2020 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, 2020, 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, 2020.

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 the COVID-19 pandemic; 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 12, 2020. 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 2021 (three months ended September 30, 2020) are against results for the first quarter of fiscal 2020 (three months ended September 30, 2019). 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, McGuinness® liqueurs, and Ungava® gin, Chic Choc® Spiced rum, and Cabot Trail® maple cream liqueur (Coureur des Bois®, in Quebec) (collectively, the “Ungava Spirit Brands,”) and the Foreign Affair® wine brands (the “Foreign Affair Brands”). 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®, 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.

PR produces the majority of Corby’s owned-brands under a distillate agreement and a co-pack agreement, each expiring September 30, 2026 at HWSL’s production facility in Windsor, Ontario. Under an administrative services agreement which also expires September 30, 2026, the parties provide certain services to each other and, until June 30, 2020, Corby managed some of PR’s business interests in Canada, including HWSL’s production facility.

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. Corby’s wholly-owned subsidiary, the Foreign Affair Winery Ltd., produces the Foreign Affair Brands and operates the winery and vineyard, based in Ontario’s Niagara region (the “Foreign Affair Winery”). 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 other international markets, Corby products are distributed by PR affiliates or third parties (more information is provided in the “Related Party Transactions” section of this MD&A).

Corby's operations are subject to seasonal fluctuations: sales are typically strong in the first and second quarters, while third-quarter sales usually decline after the end of the retail holiday season. Fourth-quarter sales typically increase again with the onset of warmer weather as consumers tend to increase their purchasing levels during the summer season. In addition, retail sales comparisons can be affected by timing of key holidays and LB reporting calendars.

Strategies

Corby's ambition is to be the leading spirits and wines company in Canada. Our strategy is designed to achieve this ambition with responsible, sustainable and profitable growth through targeted brand investment that the Company believes will also produce strong and consistent cash flows to sustain a generous dividend policy.

The Company believes that Corby's iconic Canadian brand portfolio provides a route to sustainable value creation, complemented by the exclusive representation of a broad portfolio of international brands. Operating in the mature yet growing Canadian spirits and wines market, brand performance is driven by evolving consumer trends, the deep understanding of which is the foundation for market success.

Active brand management is the foundation of Corby's strategy, driving growth through volume, price and mix, with passionate teams dedicated to developing and executing plans with rigor and agility. The Company believes that providing offerings across different price points will provide Corby the opportunity to capture the long-term trend toward premiumization and help it maintain relevance for more budget conscious occasions. Improving profitability through the pursuit of efficiencies is another important lever as we work to maximize revenue growth management, cost optimization and advertising and promotion effectiveness.

Consumer insight-led innovations are essential to Corby's strategy to capture growth in the ever-changing environment. These innovations will target different activities encompassing the entirety of the consumer proposition including new product development to bring to life new-to-world products and range extensions or limited editions that expand a brand's footprint to new consumers and occasions. Related to innovation, to ensure the portfolio continues to provide relevant consumer propositions, M&A remains a strategic option. This can encompass acquisition of brands to develop the portfolio or adjacent businesses to complement our current business.

Export provides a clear growth opportunity and the Company intends to continue actively developing its export business.

The Company believes its unique position in Canada, as well as its partnership with its ultimate parent, the world number two spirits company, PR, enables Corby to leverage both local and global expertise. The relationship with PR provides an important revenue stream with a complementary premium international portfolio that expands Corby's market presence and sustains an organization able to bring world class expertise.

The Company is of the view that expertise is provided through world class talents, beginning with consumer insights, encompassing commercial teams with national route to market coverage, and leveraging PR for the production expertise at the Hiram Walker distillery, home of our flagship brand J.P. Wiser's Canadian whisky. Having access to national sales data through our membership in the ACD, combined with our investments in promotion management tools, provides Corby with a data-rich foundation from which to drive its strategy.

Our strategy is founded on our values. Being a consumer-centric company means reflecting in our own organization the society that we operate in. Diversity and inclusion is another strategic focus and an ongoing journey to have highly engaged and performing teams in the Company.

Sustainability and Responsibility ("S&R") initiatives are an important part of how we connect with our communities, partner with our customers, and support our employees. Through our partnership with our ultimate parent, PR, the Company believes that it is able to leverage the global best practices, expertise and resources of PR's S&R programs in order to enhance the positive impact of Corby's own activities.

Outlook

The global disruption caused by the COVID-19 pandemic has continued for longer than was expected when the World Health Organization declared the disease to be a pandemic in March 2020. In Canada, the pandemic initially resulted in country-wide government restrictions and regional closures of non-essential businesses including restaurants, bars and other on-premise establishments. Many non-essential businesses have recently been permitted to open on a phased basis, though restrictions remain in a number of jurisdictions in Canada and are being adjusted in response to the evolving spread of the pandemic. In contrast to blanket closures that were put in place at the start of the crisis, restrictions are now more targeted. Importantly for the industry in which Corby operates, the LBs and retail stores in most provinces have remained open, albeit with supplier and customer restrictions.

The Canadian on-premise sector (bars, clubs and restaurants) which accounts for around 9% of Canada's market volumes and the travel retail sector which accounts for around 2% of market volumes, have been hard hit, with volumes reducing in Q1 by around 44% and 83% respectively. Those losses have been more than compensated with consumer demand led growth in the Canadian off-premise channel which usually accounts for 89% of the market and now accounts for 95% of the market.

This strong growth has been a challenge for LBs in particular, to ensure sufficient stock on shelves. This concern has manifested itself with efforts among some LBs to accelerate their orders ahead of the important October to December trading period.

Corby's business has similarly shown good resilience through the crisis to date. As a manufacturer and distributor of alcoholic beverages, Corby is deemed to be an essential business in Canada. Nonetheless, the health and safety of our employees and business partners remains the key priority and we have limited the scope of our operations and where possible, employees are working from their home. As well, in conjunction with LB social distancing measures and limitations on in-store activities, our commercial team presence and activity have decreased in retail stores but has adapted its methodology to connect virtually.

To help ease the impact of the crisis for our communities and business partners, Corby, together with HWSL, extended help through production and coordination of hand sanitizer donations (and materials for production of hand sanitizer) and is providing support to our suppliers and to our on-premise partners.

To date, our overall financial results have not been negatively impacted by the COVID-19 pandemic; however, some brands with a more pronounced exposure to the on-premise channel have been harder hit. As the pandemic evolves, its full duration and impact on the Company's liquidity and the financial position is yet unknown and cannot be reasonably estimated at this time. Corby has already taken, and will continue to take, action to mitigate the effects of the COVID-19 pandemic on its day-to-day business operations while prioritizing the best interests of its employees, customers and business partners. A comprehensive cost mitigation program is ongoing, together with active management of our financial position. Ways of working have adapted for containment measures, so that supply chains remain operational.

As this is a developing matter, management continues to monitor the situation closely as the external political, economic, and social developments evolve, and our business and industry is impacted.

Significant Event

Renewal of exclusive rights to represent Pernod Ricard S.A. brands in Canada

On September 24, 2020, Corby renewed its exclusive right to represent PR's brands in Canada for a further five years and three months, effective July 1, 2021 until September 29, 2026, with a potential for automatic renewal for a further three years thereafter, subject to the achievement of certain performance criteria (the "2021 Agreement"). The end of the term of the new Canadian representation agreement aligns with those of existing production and administrative services agreements between Corby and PR, which were renewed in 2016. The agreement secures for Corby the continuation of the commission income revenue stream which generated \$31.5 million in fiscal year 2020, through the representation of the premium international portfolio of PR. This income stream has grown 10% compound annual growth rate over the previous five years. The commission rate remains unchanged.

At the commencement of the five-year and three-month initial term of the agreement, Corby will pay an up-front fee of \$54.5 million. The up-front fee will be amortized on a straight-line basis over this initial term of the agreement resulting in \$10.4 million pre-tax charge to income on an annual basis. Commissions earned through the representation of PR brands covered under the agreement will be reported net of amortization of the up-front fee. Amortization of the 2021 Agreement upfront fees will begin as of July 1, 2021. The residual balance of the 2006 representation rights agreement and the agreement regarding Absolut vodka currently in place (both described in the “Related Party Transactions” section of this MD&A) will be fully amortized during fiscal 2021 and will result in an increase in amortization from \$5.7 million in the previous year to \$7.2 million in the current year. Renewal terms will be subject to additional term upfront fees.

Corby anticipates that the transaction will provide the Company with continuity and greater assurance with respect to earnings, in addition to the leverage of a global player in PR and its brands (more information is provided in the “Related Party Transactions” section of this MD&A). Corby will fund the payment of the upfront fees through its deposits in cash management pools.

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, 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. As described in the “Outlook” section of this MD&A, Corby’s domestic shipment volumes are impacted by the restrictions in the on-premise channel and the LB order phasing as well as consumer demand.

BRAND PERFORMANCE CHART - INCLUDES BOTH CANADIAN AND INTERNATIONAL SHIPMENTS				
	<i>Three Months Ended</i>			
	<i>Sep. 30,</i>	<i>Sep. 30,</i>	<i>Shipment Change</i>	
<i>(Volumes in 000's of 9L cases)</i>	2020	2019	<i>Volume</i>	<i>Value</i>
			<i>%</i>	<i>%</i>
Brand				
J.P. Wiser’s Canadian whisky	239	220	8%	15%
Polar Ice vodka	97	95	2%	4%
Lamb’s rum	115	110	5%	10%
Mixable liqueurs	45	41	11%	9%
Ungava Spirits Brands	38	38	1%	(1%)
Other Corby-owned brands ¹	52	54	(5%)	(4%)
Total Corby brands	586	558	5%	9%

⁽¹⁾ For presentation purposes, Foreign Affair Winery has been grouped with other Corby-owned brands as full comparable periods have been attained.

In the three-month period ended September 30, 2020, Corby’s owned-brands shipment volume grew 5% while shipment value increased 9% compared to the same period in the prior year. Revenue was influenced by liquor board order phasing ahead of the upcoming holiday season and strong domestic performance of J.P. Wiser’s and Mixable Liqueurs as well as Lamb’s rum in export markets. Shipment volumes are performing ahead of retail

volumes. A similar impact is evident for the PR represented portfolio with LB order phasing driving a strongly favourable effect on commission income.

Both domestic and international markets were impacted by COVID-19 social distancing and containment measures (including regional restrictions for bars and restaurants) during the first quarter of fiscal 2021. International market performance was also impacted by COVID-19 related travel restrictions that impacted the duty-free channel, in addition to variations in local consumer purchasing behaviours. The UK and the US market have seen a similar market effect as in Canada in which the off-premise performance has more than compensated for declines in on-premise and travel retail.

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

<i>(Volumes in 000's of 9L cases)</i>	<i>Three Months Ended</i>			
	Sep. 30, 2020	<i>Sep. 30,</i> 2019	<i>Shipment Change</i>	
			<i>Volume</i> %	<i>Value</i> %
Domestic	516	501	3%	7%
International	70	57	23%	23%
Total Corby brands	586	558	5%	9%

Domestic shipments grew 3% in volume and 7% in value in the first quarter compared to the same period last year. Performance on J.P. Wiser's Deluxe, McGuinness and Meaghers liqueurs and Cabot Trail maple cream liqueur delivered strong year over year growth, thriving in at-home consumption occasions. Domestic performance was also affected by liquor board order timing

On international performance, strong performance of Lambs in the UK market and healthy distributor sell-out of J.P. Wiser's in the US market resulted in first quarter shipment volumes growth of 23% and shipment value growth of 23% compared to the same period last year. Market and product mix also drove value growth ahead of volume growth.

Retail Sales Performance / Spirit Market Trends

It is important 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.

Consumer consumption behaviours have naturally adapted to the physical distancing and containment measures imposed by authorities. Restaurants and bars in many jurisdictions across the country have yet to fully reopen and are subject to changing regional limitations. Consumption at-home has increased, with reduced frequency of in-store visits. E-commerce channels, ability to purchase on-line, and click-and-collect vary across the different provincial regions. Through our J.P. Wiser's and Foreign Affair Winery brand homes, Corby is able to provide e-commerce purchasing to consumers as permitted by applicable legislation.

In the quarter ended September 30, 2020, the Canadian spirits industry delivered retail sales volume growth of 7%, and 10% in retail value when compared to the same period in the prior year. At the onset of COVID-19 social distancing measures, consumers initially increased their purchases of familiar brands and large formats and increased their basket sizes. More recently, consumer habits have reverted to more discerning selections. Quarter retail sales were highly impacted by these changes in consumer purchase patterns as purchases for at-home consumption increased amidst uncertainties regarding business closures. Industry trends were led by retail sales volume and value growth in the vodka, coffee and cream liqueurs, gin, tequila and cognac categories.

Corby's portfolio is heavily weighted in the Canadian whisky, rum and vodka categories; together they make up about 85% of the Company's total retail volumes. Overall retail volume declined 2% in the three months ended September 30, 2020 compared to same period in the prior year; shipment volume grew 3% in the same comparable period. While the decline in retail volumes is driven by Polar Ice vodka, which has a strong on-premise

footprint, along with Lambs and other Corby-owned brands, Corby's flagship brand, J.P. Wisers, successfully grew value and volume, while mixable liqueurs capitalized on the home consumption cocktail opportunity.

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 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.

Retail Sales Performance / Summary of Corby's Key Brands

RETAIL SALES FOR THE CANADIAN MARKET ONLY (AS PROVIDED BY THE ACD⁽¹⁾)								
	<i>Three Months Ended</i>				<i>Twelve Months Ended</i>			
	<i>Sep 30,</i>	<i>Sep 30,</i>	<i>% Retail</i>	<i>% Retail</i>	<i>Sep 30,</i>	<i>Sep 30,</i>	<i>% Retail</i>	<i>% Retail</i>
	2020	2019	<i>Volume</i>	<i>Value</i>	2020	2019	<i>Volume</i>	<i>Value</i>
<i>(Volumes in 000's of 9L cases)</i>			<i>Growth</i>	<i>Growth</i>			<i>Growth</i>	<i>Growth</i>
Brand								
J.P. Wiser's Canadian whisky	189	186	2%	1%	779	756	3%	4%
Polar Ice vodka	86	96	(10%)	(9%)	347	359	(3%)	(2%)
Lamb's rum	76	80	(5%)	(3%)	296	310	(5%)	(2%)
Mixable liqueurs	42	40	5%	7%	152	155	(2%)	1%
Ungava Spirits Brands	31	28	9%	11%	139	117	19%	20%
Other Corby-owned brands ⁽²⁾	46	49	(6%)	(3%)	194	195	(0%)	1%
Total	470	479	(2%)	(1%)	1,907	1,892	1%	3%

⁽¹⁾ Refers to sales at the retail store level in Canada, as provided by the Association of Canadian Distillers.
⁽²⁾ For presentation purposes, Foreign Affair Brands been grouped with other Corby-owned brands as full comparable periods have been attained.

J.P. Wiser's Canadian Whisky

The J.P. Wiser's message of friendship and human connection is even more important in a world where social distancing is the new norm. J.P. Wiser's Canadian whisky is Corby's flagship brand and one of Canada's best-selling Canadian whiskies. The brand's retail volumes (excluding Special Blend) grew 4% in the three months ended September 30, 2020 compared to same period in the prior year, achieving a new twelve-month milestone of over 500k 9L cases sold, while retail value (excluding Special Blend) grew 5% compared to the same period last year. Retail sales volumes for the Canadian whisky category grew 1%, while retail value for the category improved 2% over the same period.

The introduction of a new bottle design in 2020 represents the culmination of the J.P. Wiser's packaging restage evolution that began in 2017. The modern and more premium bottle shape and label redesign elevates and rejuvenates the brand, making it more relevant to today's consumer. As a result, we are seeing market share gains and attracting new consumers.

Within the J. P. Wiser's premium range, organic growth in both retail volume and value was posted by J.P. Wiser's Deluxe and J.P. Wiser's ready-to-pour Old Fashioned and Manhattan cocktails as well as the J.P. Wiser's flavours.

The brand continued to receive prestigious accolades that speak to its quality; J.P. Wiser's 23-Year-Old Cask Strength Blend was awarded *Best Canadian Blended Limited Release Whisky*, J.P. Wiser's 18-Year-Old was awarded *Best Canadian Corn Whisky* and Darryl Sittler Alumni Whisky Series was awarded *World's Best Canadian Blended Whisky* at the 2020 World Whiskies Awards. Yvan Cournoyer and Dave Keon Alumni Whisky Series, and J.P. Wiser's Seven Rebels were awarded Gold at the 2020 Canadian Whisky Awards.

Corby has strategically separated the premium variants of J.P. Wiser's from its standard offering of Special Blend, differentiating the J.P. Wiser's premium range with enhanced packaging and premium innovations. Wiser's Special Blend retail volumes dipped 2% and decreased 5% in retail value growth in the quarter ended September 30, 2020 .

Polar Ice Vodka

Polar Ice vodka is among the top-selling vodka brands in Canada and is a favourite in the on-premise channel. As a result, Polar Ice was highly impacted by on-going COVID-19 related restrictions and on-premise closures. Retail value declined 9% while retail volume decreased 10%. The overall vodka category in Canada grew 11% in retail volume and 12% in value on a comparable basis driven by the premium and flavoured vodka segment. The standard vodka category, where Polar Ice Vodka competes, improved 6% in retail volume and 5% in value compared to the same period in the prior year.

The brand is responding to a combination of strategic price repositioning, targeted marketing campaigns, and new packaging.

Lamb's Rum

Lamb's rum, one of the top-selling rum families in Canada, continued to be impacted by ongoing changes in consumer trends for standard rum particularly in regional strongholds. Retail volumes for the overall rum category rebounded as a result of COVID-19 pandemic-influenced purchasing with growth of 4% for the quarter ended September 30, 2020, while retail values improved 7% compared to the same period last year. Growth was driven by the premium rum segment. The economy rum category, however, grew retail volumes by 2% and retail value by 3%. Lamb's performance suffered as a result of COVID-19 related on-premise restrictions and declined 5% in retail volumes and 3% in retail value.

The Lamb's rum product line is heavily weighted in the dark and white segments, which have faced evolving consumer preferences in recent years and increased competitor pressure in key markets. Our strategy remains to defend regional strongholds with targeted campaigns, focus on the most differentiated variants and to launch new flavour variants and format innovations to help 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 rebounded 5% for the quarter ended September 30, 2020 compared to the same period last year, while retail value grew 7% as the at-home cocktailing trend grows. The liqueurs category grew 11% for the quarter ended September 30, 2020 compared to the same period last year in both retail value and volume with category growth driven primarily by traditional coffee and cream liqueurs.

Our strategy has been to expand innovation and focus on strong programming in the retail environment, ensuring that our flavour offering is aligned to consumer trends. For example, an expanded range of flavour offerings in a convenient 375mL format is designed 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 9% in volume and 11% in value, for the quarter ended September 30, 2020 compared to the same period last year. The flagship brand, Ungava gin, was flat in retail volume and grew 2% in retail value, lagging the Canadian gin category, which grew 12% in retail volume while retail value grew 18%. While Ungava gin is the market value leader in the super-premium gin category, the category continues to evolve with new entrants and hyper-local innovations.

Cabot Trail maple-based liqueurs (in Quebec, Coureur des Bois) continued to perform well, benefiting from increased distribution and successful recruitment through retail tastings. Retail volume and value increased 20% in the three months ended September 30, 2020 compared to the same period last year. Cabot Trail benefitted from increased consumer interest in coffee and cream liqueurs during COVID-19 pandemic social distancing.

Other Corby-Owned Brands

Premium offerings in Canadian whisky such as Lot No. 40, Pike Creek, and Gooderham & Worts (collectively known as the Northern Border Collection) declined 8% in retail volume and 4% in retail value.

Pike Creek 21-Year-Old Oloroso Cask Finish won *Whisky of the Year* at the 2020 Canadian Whisky Awards where Lot No. 40, Pike Creek, and Gooderham & Worts were all awarded medals. In addition, at the 2020 World Whiskies Awards, Lot No. 40 Cask Strength: Third Edition won *World's Best Canadian Rye Whisky*.

Pike Creek recently collaborated with Foreign Affair Winery in a dual launch of Pike Creek 15-Year-Old Cabernet Sauvignon Finish, a whisky aged in Foreign Affair Winery's cabernet sauvignon casks and Whisky Barrelled Cabernet Sauvignon, aged in Pike Creek Whisky barrels.

Foreign Affair Brands 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. Retail performance is typically impacted by customer ordering patterns and does not capture direct delivery and on-site sales to consumers. The Foreign Affair Brands won top awards, including Silver and Gold medals at the Ontario Wine Awards and has recently launched the inaugural Whisky Barreled Cabernet Sauvignon, aged in Pike Creek whisky barrels.

Royal Reserve® declined 5% in retail volume and 3% in retail value during the quarter ended September 30, 2020.

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, 2020 and 2019:

<i>(in millions of Canadian dollars, except per share amounts)</i>	<i>Three Months Ended</i>			
	Sep. 30, 2020	Sep. 30, 2019	\$ Change	% Change
Revenue	\$ 43.4	\$ 38.6	\$ 4.8	12%
Cost of sales	(16.0)	(15.0)	(0.9)	6%
Marketing, sales and administration	(12.8)	(14.9)	2.1	(14%)
Other income (expense)	0.1	(0.0)	0.1	(274%)
Earnings from operations	14.7	8.7	6.0	70%
Financial income	0.2	0.4	(0.2)	(54%)
Financial expenses	(0.2)	(0.2)	0.0	(18%)
Net financial income	0.0	0.2	(0.2)	(93%)
Earnings before income taxes	14.7	8.9	5.9	67%
Income taxes	(3.9)	(2.4)	(1.5)	64%
Net earnings	\$ 10.8	\$ 6.5	\$ 4.4	68%
Per common share				
- Basic net earnings	\$ 0.38	\$ 0.23	\$ 0.15	65%
- Diluted net earnings	\$ 0.38	\$ 0.23	\$ 0.15	65%

Overall Financial Results

Net earnings grew \$4.4 million or 68% for the quarter ended September 30, 2020 compared to the same period last year. Strong PR brand commission revenue and Case Goods performance, strategic concentration of marketing and sales promotional activities and well controlled administrative expenses drove favourable results.

Revenue

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

<i>(in millions of Canadian dollars)</i>	<i>Three Months Ended</i>			
	Sep. 30, 2020	Sep. 30, 2019	\$ Change	% Change
Revenue streams:				
Case goods	\$ 33.8	\$ 31.1	\$ 2.7	9%
Commissions	8.3	6.4	1.9	30%
Other services	1.3	1.1	0.2	16%
Revenue	\$ 43.4	\$ 38.6	\$ 4.8	12%

Case Goods revenue increased \$2.7 million, or 9% for the quarter ended September 30, 2020, when compared to the same period last year. Growth during the period was attributable to strong shipments resulting from LB orders and UK and US market performance. This was partially offset by portfolio challenges arising from on-premise closures related to the COVID-19 pandemic.

Commissions increased \$1.9 million, or 30% as PR's portfolio performed well in market during the first quarter. As well imported brands were heavily impacted by LB order timing in an uncertain COVID-19 environment as the LBs worked to secure inventory ahead of the upcoming holiday season. The PR portfolio benefitted from its positioning within 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, on-premise spirit, wine and merchandise sales, and occasional bulk whisky sales. Revenues from other services grew \$0.2 million, or 16% in the quarter ended September 30, 2020 and are attributable to increased bulk whisky sales.

Cost of sales

Cost of sales was \$16.0 million, an increase of \$0.9 million, or 6% when compared to same period last year. The overall increase in cost of sales is the result of product and market mix as well as increased bulk sales. On a case rate basis our Case Goods costs have increased 1.7%. Cost increases have been offset by price initiatives and trade promotion optimization resulting in overall gross margin of 55%, an increase compared to 53% in the same period last year (note: Commissions are not included in this calculation).

Marketing, sales and administration

Marketing, sales and administration expenses decreased \$2.1 million, or 14% for the quarter ended September 30, 2020. Marketing and promotional investment for the first quarter strategically focused on key priorities, J.P. Wiser's Deluxe and Ungava Spirits Brands and decreased compared to the same time last year due to pandemic related programming restrictions and campaign adjustments. Overhead expenses were well-controlled and decreased as a result of decreased office, travel and meeting expenses, as our teams adapted to connecting virtually where possible.

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. Interest income for the quarter ended September 30, 2020 decreased compared to the prior year as interest rates decreased in connection with the economic downturn which resulted from the COVID-19 pandemic.

Income taxes

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

	<i>Three Months Ended</i>	
	Sep. 30, 2020	<i>Sep. 30, 2019</i>
Combined basic Federal and Provincial tax rates	26.5%	26.7%
Other	0.1%	0.4%
Effective tax rate	26.6%	27.1%

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of \$79.6 million as at September 30, 2020, and its cash generated from operating activities. Corby's contractual maturities are represented by its accounts payable and accrued liabilities and the short-term lease liabilities which totalled \$36.9 million as at September 30, 2020 and are all due to be paid within one year. In addition, the Company has long-term lease liabilities of \$3.3 million which will be paid over the next 5 years and thereafter.

On September 24, 2020 Corby signed an agreement with PR whereby Corby will continue to represent PR brands in the Canadian market for a five year and three-month period beginning July 1, 2021. The 2021 Agreement requires a payment of \$54.5 million before October 1, 2021. Corby will fund this payment through its deposits in cash management pools. See the "Significant Event" section of this MD&A for further details.

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

<i>(in millions of Canadian dollars)</i>	<i>Three Months Ended</i>		
	Sep. 30, 2020	<i>Sep. 30, 2019</i>	<i>\$ Change</i>
Operating activities			
Net earnings, adjusted for non-cash items	\$ 17.9	\$ 11.2	\$ 6.7
Net change in non-cash working capital	(7.9)	(2.8)	(5.1)
Net payments for interest and income taxes	(5.8)	(2.7)	(3.1)
	4.2	5.7	(1.5)
Investing activities			
Additions to property and equipment	(0.2)	(0.1)	(0.1)
Additions to intangible assets	-	(0.1)	0.1
Deposits in cash management pools	2.1	1.2	0.9
	1.9	1.0	0.9
Financing activities			
Payment of lease liabilities	(0.4)	(0.4)	-
Dividends paid	(5.7)	(6.3)	0.6
	(6.1)	(6.7)	0.6
Net change in cash	\$ -	<i>\$ -</i>	<i>\$ -</i>

Operating activities

Net cash generated from operating activities was \$4.2 million during the quarter ended September 30, 2020 compared to \$5.7 million during the same period last year, representing a decrease of \$1.5 million. Increased earnings were offset by higher tax payments and increases in working capital balances. Income tax payments during the current year period included the payment of fourth quarter fiscal 2020 tax instalments which were deferred under COVID-19 pandemic-related government relief measures. Working capital was primarily impacted by higher customer receivables due to increased sales in the current year quarter compared to the prior year.

Investing activities

Net cash used in investing activities was \$1.9 million for the quarter ended September 30, 2020 compared to \$1.0 million in the same period of the prior year. Investing activities include withdrawals and deposits into Corby's cash management pools, as well as additions to capital assets in both the current and the prior comparable period. In the quarter ended September 30, 2020, \$2.1 million was deposited into Corby's cash management pools.

Cash management pools represent cash on deposit with Citibank NA via Corby's Mirror Netting Service Agreement with PR. Corby has daily access to these funds and earns a market rate of interest from PR on its deposits. Changes in cash management pools reflect amounts either deposited in or withdrawn from these bank accounts and are simply a function of Corby's cash requirements during the period. 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 \$6.1 million for the quarter ended September 30, 2020, compared to \$6.7 million last year. Financing activity reflects dividend payments paid to shareholder and the payment of lease liabilities.

On November 12, 2020, subsequent to the quarter ended September 30, 2020, Corby's Board of Directors declared its regular quarterly dividend of \$0.22 per common share, to be paid December 11, 2020, to shareholders of record as at the close of business on November 27, 2020. Despite the COVID-19 pandemic and an uncertain economic outlook, given the Company's performance and the strong cash position the Board of Directors decided to exercise their discretion to declare a quarterly dividend aligned to Corby's dividend policy. The policy provides that, 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.

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

<u>For</u>	<u>Declaration date</u>	<u>Record Date</u>	<u>Payment date</u>	<u>\$ / Share</u>
2021 - Q1	November 12, 2020	November 27, 2020	December 11, 2020	\$ 0.22
2020 - Q4	August 26, 2020	September 16, 2020	September 30, 2020	0.20
2020 - Q3	May 13, 2020	May 27, 2020	June 12, 2020	0.20
2020 - Q2	February 12, 2020	February 26, 2020	March 6, 2020	0.22
2020 - Q1	November 6, 2019	November 22, 2019	December 6, 2019	0.22
2019 - Q4	August 21, 2019	September 11, 2019	September 27, 2019	0.22
2019 - Q3	May 8, 2019	May 24, 2019	June 14, 2019	0.22
2019 - Q2	February 13, 2019	February 27, 2019	March 8, 2019	0.22
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

Outstanding Share Data

As at November 12, 2020, 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 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 managed PR's business interests in Canada, including the Windsor production facility, until June 30, 2020. 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 certain of PR's business interests in Canada, including the HWSL production facility, with a similar term and commencement date. Following PR's recent decision to reorganize its global operations, Corby management of the HWSL production facility ended as of July 1, 2020.

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 \$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. On March 28, 2019 the agreement was amended to include Ungava Gin. The agreement is effective for a five-year period ending June 30, 2021.

On September 24, 2020, Corby renewed its exclusive right to represent PR's brands in Canada for a further five years and three months, effective July 1, 2021 until September 29, 2026, with a potential for automatic renewal for a further three years thereafter, subject to the achievement of performance criteria. The end of the term of the new Canadian representation agreement aligns with those of existing production and administrative services agreements with PR, renewed in 2016. Since the 2021 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 extensive review and with external financial and legal advice. See “Significant event - Renewal of exclusive rights to represent Pernod Ricard S.A. brands in Canada”, above for additional details.

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 12, 2020, as published by Standard & Poor’s and Moody’s, was BBB+ and Baa1, 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 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

<i>(in millions of Canadian dollars, except per share amounts)</i>	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue	\$ 43.4	\$ 38.2	\$ 33.1	\$ 43.4	\$ 38.6	\$ 39.2	\$ 31.0	\$ 41.9
Earnings from operations	14.7	9.8	6.9	10.6	8.7	10.5	5.9	9.1
Net earnings	10.8	7.2	5.2	7.8	6.5	7.8	4.5	6.9
Basic EPS	0.38	0.25	0.18	0.28	0.23	0.27	0.16	0.24
Diluted EPS	0.38	0.25	0.18	0.28	0.23	0.27	0.16	0.24

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.

Recent Accounting Pronouncements

Recent accounting pronouncements in effect

A number of new standards, amendments to standards and interpretations are effective for the financial period ended September 30, 2020, and accordingly, have been applied in preparing these interim condensed consolidated financial statements:

a) Definition of a Business

In October 2018, the International Accounting Standards Board (the “IASB”) issued amendments to IFRS 3 “Business Combinations” (“IFRS 3”). The amendments clarify and narrow the definition of a business. To be considered a business an acquisition must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. For Corby, this amendment became effective July 1, 2020. These amendments did not impact the Company’s interim condensed consolidated financial statements.

b) *Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”*

In October 2018, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” (“IAS 1”) and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (“IAS 8”). The amendments to IAS 1 and IAS 8 clarify the definition of “material” and align the definition used in the Conceptual Framework and throughout all accounting standards. The amendments are effective for annual periods beginning on or after January 1, 2020. For Corby, this amendment became effective July 1, 2020. The new amendments did not have a significant impact on the Company’s interim condensed consolidated financial statements and disclosures.

c) *Leases*

In May 2020, the IASB issued an amendment to IFRS 16, “Leases” (“IFRS 16”). The amendment provides lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19 related rent concession is a lease modification. The amendment is to be applied retrospectively for fiscal years beginning on or after June 1, 2020. For Corby, this amendment became effective July 1, 2020 and did not have a significant impact on the Company’s interim condensed consolidated financial statements.

Recent accounting pronouncements not in effect

The below standard has been issued but is not yet effective for the financial period ended June 30, 2021, and accordingly, has not been applied in preparing the interim condensed financial statements:

(i) *Presentation of Financial Statements*

Further, in October 2018, IASB issued amendments to IAS 1 and IAS 8 clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2022. For Corby, this amendment will become effective July 1, 2022 and is not expected to have a significant impact on the Company’s interim condensed financial statements.

Internal Controls Over Financial Reporting

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

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

There were no changes in internal controls 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.

COVID-19 Pandemic

The COVID-19 pandemic has resulted in economic volatility in global markets. While governments and central banks have responded with monetary and fiscal interventions to stabilize economies and ease financial disruption, it is not currently known how these interventions will impact debt and equity markets or the economy generally. The ultimate impact of the COVID-19 pandemic on the global economy and its duration remain uncertain, and disruptions caused by the COVID-19 pandemic may adversely affect Corby's performance.

As a manufacturer and distributor of alcoholic beverages, Corby is deemed to be an essential business in Canada and remains open for business. Nonetheless, the health and safety of our employees and business partners remains the key priority. We have limited the scope of our operations and where possible, employees are working from their homes. As well, in conjunction with LB social distancing measures and limitations on in-store activities, our commercial team presence and activity have decreased in retail stores, but have adapted its methodology to connect virtually.

As the COVID-19 pandemic continues to evolve, its full duration and impact of on the Company's liquidity and the financial position is yet unknown and cannot be reasonably estimated at this time and will depend on future developments which involve a high degree of uncertainty and cannot be predicted. This includes but is not limited to the spread of the disease, duration of the outbreak, changes to global government regulations, the impact on consumers (including LBs) and possible disruptions in the supply chain. Corby has already taken, and will continue to take, action to mitigate the effects of the COVID-19 pandemic on its day-to-day business operations with the best interests of its employees, customers and business partners at the center. A comprehensive cost mitigation program is ongoing, together with active management of our financial position. Ways of working have adapted for containment measures, so that supply chains remain operational.

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. The duration and impact of the COVID-19 pandemic on consumer consumption patterns remains unknown. 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 or pandemic) 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 or regional or global disruptions related to the COVID-19 pandemic, 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, 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 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 counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of its counterparties, 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.

USD Exposure

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

GBP Exposure

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

Third-Party Service Providers

HWSL provides more than 90% of the Company's production requirements, among other services including administration and information technology. The Company is also reliant upon certain third-party service providers in respect of certain of its operations. It is possible that negative events affecting HWSL and these third-party service providers could, in turn, negatively impact the Company. While the Company has no direct control over how HWSL and 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 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 Indefinite-life Intangible Assets

Goodwill and indefinite-life intangible assets account for a significant amount of the Company's total assets. Indefinite-life intangible assets are included in Corby's consolidated balance sheet in intangible assets (which also includes finite-lived intangible assets such as software and representation rights).

Goodwill and indefinite-lived 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. 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 indefinite-life intangible assets and details the amounts associated with each brand (or basket of brands) and market as at September 30, 2020:

Associated Brand	Associated Market	Carrying Values as at Sep. 30, 2020		
		Goodwill	Intangibles	Total
Lamb's rum	United Kingdom ⁽¹⁾	\$ 1.3	\$ 11.8	\$ 13.1
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
		\$ 8.7	\$ 17.5	\$ 26.2

⁽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 indefinite-life 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 9 of the annual audited consolidated financial statements for the year ended June 30, 2020.

CORBYS SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(not audited or reviewed by the Company's external auditor)

(in thousands of Canadian dollars)

As at	Notes	Sept. 30, 2020	Sept. 30, 2019 ⁽¹⁾	June 30, 2020
ASSETS				
Deposits in cash management pools		\$ 79,553	\$ 59,900	\$ 81,681
Accounts receivable	4	30,958	29,914	26,332
Income taxes recoverable		-	95	-
Inventories	5	62,950	63,751	61,344
Prepaid expenses		471	811	439
Total current assets		173,932	154,471	169,796
Other assets		4,472	1,438	4,693
Right-of-use assets		4,649	5,933	4,913
Property, plant and equipment		18,376	18,595	18,785
Goodwill		8,757	8,757	8,757
Intangible assets		25,446	31,611	27,438
Total assets		\$ 235,632	\$ 220,805	\$ 234,382
LIABILITIES				
Accounts payable and accrued liabilities	6	\$ 33,353	\$ 29,988	\$ 35,034
Income and other taxes payable		2,178	-	3,958
Current lease liabilities		1,335	1,518	1,362
Total current liabilities		36,866	31,506	40,354
Provision for employee benefits		14,926	13,024	15,253
Deferred income taxes		2,465	2,304	2,588
Long-term lease liabilities		3,327	4,417	3,563
Total liabilities		57,584	51,251	61,758
Shareholders' equity				
Share capital		14,304	14,304	14,304
Accumulated other comprehensive loss		(1,576)	(2,966)	(1,868)
Retained earnings		165,320	158,216	160,188
Total shareholders' equity		178,048	169,554	172,624
Total liabilities and shareholders' equity		\$ 235,632	\$ 220,805	\$ 234,382

⁽¹⁾ Certain comparative information has been reclassified to conform to the current year's presentation.

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

CORBY SPIRIT AND WINE LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(not audited or reviewed by the Company's external auditor)

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

	Notes	For the Three Months Ended	
		Sept. 30, 2020	Sept. 30, 2019
Revenue	7	\$ 43,418	\$ 38,637
Cost of sales		(15,961)	(15,018)
Marketing, sales and administration		(12,799)	(14,889)
Other income (expense)	8	78	(45)
Earnings from operations		14,736	8,685
Financial income	9	165	356
Financial expense	9	(153)	(186)
		12	170
Earnings before income taxes		14,748	8,855
Current income taxes		(4,148)	(2,005)
Deferred income taxes		226	(390)
Income taxes		(3,922)	(2,395)
Net earnings		\$ 10,826	\$ 6,460
Basic earnings per share		\$ 0.38	\$ 0.23
Diluted earnings per share		\$ 0.38	\$ 0.23
Weighted average common shares outstanding			
Basic		28,468,856	28,468,856
Diluted		28,468,856	28,468,856

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

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(not audited or reviewed by the Company's external auditor)

(in thousands of Canadian dollars)

	Notes	Sept. 30, 2020	Sept. 30, 2019
Net earnings		\$ 10,826	\$ 6,460
Other Comprehensive Income:			
Amounts that will not be subsequently reclassified to earnings:			
Net actuarial gains		397	355
Income taxes		(105)	(95)
		292	260
Total comprehensive income		\$ 11,118	\$ 6,720

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(not audited or reviewed by the Company's external auditor)

(in thousands of Canadian dollars)

	Share Capital	Other Comprehensiv e (Loss) Income	Retained Earnings	Total
Balance as at June 30, 2020	\$ 14,304	\$ (1,868)	\$ 160,188	\$ 172,624
Total comprehensive income	-	292	10,826	11,118
Dividends	-	-	(5,694)	(5,694)
Balance as at September 30, 2020	\$ 14,304	\$ (1,576)	\$ 165,320	\$ 178,048
Balance as at June 30, 2019	\$ 14,304	\$ (3,226)	\$ 158,019	\$ 169,097
Total comprehensive income	-	260	6,460	6,720
Dividends	-	-	(6,263)	(6,263)
Balance as at September 30, 2019	\$ 14,304	\$ (2,966)	\$ 158,216	\$ 169,554

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

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)

	<i>For the Three Months Ended</i>		
	Notes	Sept. 30, 2020	Sept. 30, 2019 ⁽¹⁾
Operating activities			
Net earnings		\$ 10,826	\$ 6,460
Adjustments for:			
Amortization and depreciation	10	3,014	2,635
Net financial income	9	(12)	(170)
Income tax expense		3,922	2,395
Provision for employee benefits		170	(132)
		17,920	11,188
Net change in non-cash working capital balances	11	(7,945)	(2,760)
Interest received		132	345
Income taxes paid		(5,929)	(3,089)
Net cash from operating activities		4,178	5,684
Investing activities			
Additions to property and equipment		(218)	(160)
Additions to intangible assets		(15)	(66)
Deposits in cash management pools		2,128	1,236
Net cash from investing activities		1,895	1,010
Financing activities			
Payment of lease liabilities		(379)	(431)
Dividends paid		(5,694)	(6,263)
Net cash used in financing activities		(6,073)	(6,694)
Net increase in cash		-	-
Cash, beginning of year		-	-
Cash, end of year		\$ -	\$ -

⁽¹⁾ Certain comparative information has been reclassified to conform to the current year's presentation.

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

CORBY SPIRIT AND WINE LIMITED

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(not audited or reviewed by the Company's external auditor)

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

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, 2020.

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 2020 annual financial statements.

These interim condensed consolidated financial statements were approved by the Company's Board of Directors on November 12, 2020.

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.

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.

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

Estimates and 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, except for the impact of the adoption of the new and revised standards and interpretations described below.

In addition, in March 2020, the World Health Organization declared the outbreak of a novel coronavirus disease ("COVID-19") as a pandemic. In Canada the pandemic initially resulted in country-wide government restrictions and regional closures of non-essential businesses until further notice including restaurants, bars and other on-premise establishments. Many non-essential businesses have recently been permitted to open on a phased basis, though restrictions remain in a number of jurisdictions in Canada and they are changing in response to the evolving spread of the pandemic. From the blanket closures that were the response at the start of the crisis, restrictions are now more targeted. Importantly for the industry, the liquor boards and retail stores in most provinces have remained open, albeit with supplier and customer restrictions.

As this is a developing matter, management continues to monitor the situation closely as the external political, economic, and social developments evolve, and our business and industry is impacted. The outbreak may impact the future collectability of receivables, recoverability of property, plant and equipment, goodwill and intangible assets. The pandemic's duration and impact on the Company's liquidity and financial position in future periods cannot be reasonably estimated at this time. For the three-month period ended September 30, 2020, the financial results have not been negatively impacted by COVID-19 and no indicators of impairment have arisen as a result of the pandemic

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, 2020, and accordingly, have been applied in preparing these interim condensed consolidated financial statements:

a) *Definition of a Business*

In October 2018, the IASB issued amendments to IFRS 3 “Business Combinations” (“IFRS 3”). The amendments clarify and narrow the definition of a business. To be considered a business an acquisition must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are effective for annual periods beginning on or after January 1, 2020. For Corby, this amendment became effective July 1, 2020. These amendments did not impact the Company’s interim condensed consolidated financial statements.

b) *Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”*

In October 2018, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (“IAS 1 and IAS 8”). The amendments to IAS 1 and IAS 8 clarify the definition of “material” and align the definition used in the Conceptual Framework and throughout all accounting standards. The amendments are effective for annual periods beginning on or after January 1, 2020. For Corby, this amendment became effective July 1, 2020. The new amendments did not have a significant impact on the Company’s interim condensed consolidated financial statements and disclosures.

c) *Leases*

In May 2020, the IASB issued an amendment to IFRS 16, “Leases” (“IFRS 16”). The amendments provides lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19 related rent concession is a lease modification. The amendments are to be applied retrospectively for fiscal years beginning on or after June 1, 2020. For Corby, these amendments became effective July 1, 2020 and did not have a significant impact on the Company’s interim condensed consolidated financial statements.

Recent accounting pronouncements not in effect

The below standard has been issued but is not yet effective for the financial period ended June 30, 2021, and accordingly, has not been applied in preparing the interim condensed financial statements:

a) *Presentation of Financial Statements*

Further, in October 2018, IASB issued amendments to IAS 1 and IAS 8 clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2022. For Corby, this amendment will become effective July 1, 2022 and is not expected to have a significant impact on the Company’s interim condensed financial statements.

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.

For financial assets and liabilities that are valued at other than fair value on its balance sheets (i.e., deposits in cash management pools, accounts receivable, accounts payable and accrued liabilities), fair value approximates their carrying value at each balance sheet date due to their short-term maturities. Fair value is determined using Level 2 inputs. 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, 2020	Sept. 30, 2019	June 30 2020
Trade receivables	\$ 16,235	\$ 14,565	\$ 16,431
Due from related parties	13,630	13,701	8,117
Other	1,093	1,648	1,784
	\$ 30,958	\$ 29,914	\$ 26,332

5. INVENTORIES

	Sept. 30, 2020	Sept. 30, 2019	Jun. 30 2020
Raw materials	\$ 4,384	\$ 3,910	\$ 4,269
Work-in-progress	46,060	48,686	47,284
Finished goods	12,506	11,155	9,791
	\$ 62,950	\$ 63,751	\$ 61,344

The cost of inventory recognized as an expense and included in cost of goods sold during the three-month period ended September 30, 2020 was \$14,454 (2019 - \$13,994). During the three-month period ended September 30, 2020 there were write-downs of \$83 (2019 - nil) on 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, 2020	Sept. 30, 2019	Jun. 30 2020
Trade payables and accruals	\$ 22,054	\$ 20,836	\$ 24,938
Due from related parties	9,803	7,631	8,697
Other	1,496	1,521	1,399
	\$ 33,353	\$ 29,988	\$ 35,034

7. REVENUE

The Company's revenue consists of the following streams:

	<i>Three months ended</i>	
	Sept. 30, 2020	Sept. 30, 2019
Case goods sales	\$ 33,775	\$ 31,094
Commissions (net of amortization of representation rights)	8,332	6,415
Other services	1,311	1,128
	\$ 43,418	\$ 38,637

Commissions for the quarter are shown net of amortization of long-term representation rights of \$1,807 (2019 - 1,445). Other services include revenues incidental to the manufacture of Case Goods, such as logistics fees, miscellaneous bulk spirit sales, and on-premise spirit and merchandise sales.

8. OTHER INCOME (EXPENSE)

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

	<i>Three months ended</i>	
	Sept. 30, 2020	Sept. 30, 2019
Foreign exchange gain (loss)	\$ 78	\$ (38)
Other income	-	(7)
	\$ 78	\$ (45)

9. NET FINANCIAL INCOME AND EXPENSE

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

	<i>Three months ended</i>	
	Sept. 30, 2020	Sept. 30, 2019
Interest income	\$ 165	\$ 356
Interest expense on lease liabilities	(33)	(42)
Net financial impact of pensions	(120)	(144)
	\$ 12	\$ 170

10. EXPENSES BY NATURE

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

	<i>Three months ended</i>	
	Sept. 30, 2020	Sept. 30, 2019 ⁽¹⁾
Depreciation of property and equipment	\$ 628	\$ 599
Depreciation of right-of-use assets	381	400
Amortization of intangible assets	2,005	1,636
Salary and payroll costs	6,438	6,603
Expenses related to pensions and benefits	395	330

⁽¹⁾ Certain comparative information has been reclassified to conform to the current year's presentation.

11. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	<i>Three months ended</i>	
	Sept. 30, 2020	Sept. 30, 2019
Accounts receivable	\$ (4,626)	\$ 2,346
Inventories	(1,606)	(1,839)
Prepaid expenses	(32)	(257)
Accounts payable and accrued liabilities	(1,681)	(3,010)
	\$ (7,945)	\$ (2,760)

12. DIVIDENDS

On November 12, 2020 subsequent to the quarter ended September 30, 2020, the Board of Directors declared its regular quarterly dividend of \$0.22 per common share, to be paid on December 11, 2020, to shareholders of record as at the close of business on November 27, 2020. This dividend is 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.

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 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 managed PR's business interests in Canada, including the Windsor production facility, until June 30, 2020. 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 certain of PR's business interests in Canada, including the HWSL production facility, with a similar term and commencement date. Following PR's recent decision to reorganize its global operations, Corby management of the HWSL production facility ended as of July 1, 2020.

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.

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.

On September 24, 2020, Corby renewed its exclusive right to represent PR's brands in Canada for a further five years and three months, effective July 1, 2021 until September 29, 2026, with a potential for automatic renewal for a further three years thereafter, subject to the achievement of performance criteria. The end of the term of the new Canadian representation agreement aligns with those of existing production and administrative services agreements with PR, renewed in 2016. Since the 2021 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.

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

	<i>Three months ended</i>	
	Sept. 30, 2020	Sept. 30, 2019
Sales to related parties		
Commissions - parent, ultimate parent and affiliated companies	\$ 9,560	\$ 7,388
Products for resale at an export level - affiliated companies	1,884	1,622
	\$ 11,444	\$ 9,010
Cost of goods sold, purchased from related parties		
Distilling, blending, and production services - parent	\$ 6,995	\$ 5,741
Administrative services purchased from related parties		
Marketing, selling and administration services - parent	\$ 810	\$ 556

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

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 12, 2020, as published

by Standard & Poor's and Moody's, was BBB+ and Baa1, 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, 2020, Corby earned interest income of \$130 from PR (2019 – \$376). 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.

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. COMMITMENT

On September 24, 2020 Corby signed an agreement with its ultimate parent whereby Corby will continue to represent PR Brands for a five year and three month period beginning July 1, 2021. The agreement requires a payment of \$54.5 million before October 1, 2021. Corby will fund the payment of the upfront fee through its deposits in cash management pools. See Related Party Transactions – Note 13 for further details.

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FOR MORE INFORMATION

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