



CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2021 AND 2020

Q3

CORBY SPIRIT AND WINE LIMITED

Management's Discussion and Analysis

March 31, 2021

The following Management's Discussion and Analysis ("MD&A") dated May 13, 2021 should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes as at and for the three and nine-month period ended March 31, 2021, 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 May 13, 2021. 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 third quarter of fiscal 2021 (three months ended March 31, 2021) are against results for the third quarter of fiscal 2020 (three months ended March 31, 2020). 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. Restrictions on non-essential businesses remain or have been reintroduced in a number of jurisdictions in Canada and are being adjusted in response to the evolving spread of the pandemic. 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 accounted for around 8% of Canada's market volumes and the travel retail sector which accounted for around 2% of market volumes pre-pandemic, have been hard hit, with volumes reducing in the nine months ended March 31, 2021 by around 62% and 77% respectively. Those losses have been more than compensated with consumer demand led growth in the Canadian off-premise channel which accounted for 90% of the market in the nine months ended March 31, 2020 and now accounts for 97% of the market in the nine month period ended March 31, 2021.

In particular, LBs have faced increasing volatility in consumer purchasing patterns and supply chain continuity. As a result, they have worked proactively to ensure sufficient stock on shelves. This has resulted in efforts among some LBs to accelerate their orders ahead of the important October to December trading period, with normalization of orders returning during Corby's second quarter. As the pandemic continued, global logistic routing and supply chain restrictions developed. This drove LBs to accelerate their orders again in the third quarter of this fiscal year to secure supply of imported products requiring long transportation times ahead of further potential disruptions.

Corby's business has 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 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 has adapted its methodology to connect virtually while providing support to our suppliers and to our on-premise partners.

As we enter the second year of the pandemic, 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. This quarter, we started to lap significant changes in customer purchase behaviours that were seen at the onset of the pandemic.

Although the pandemic is ongoing, Corby continues to monitor 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. Ways of working have adapted for tight management of costs and containment measures; supply chains remain operational.

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								
(Volumes in 000's of 9L cases)	Three Months Ended				Nine Months Ended			
	Mar. 31, 2021	Mar. 31, 2020	Shipment Change		Mar. 31, 2021	Mar. 31, 2020	Shipment Change	
			Volume %	Value %			Volume %	Value %
Brand								
J.P. Wiser's Canadian whisky	180	181	(1%)	1%	655	637	3%	5%
Polar Ice vodka	76	85	(11%)	(13%)	256	277	(8%)	(5%)
Lamb's rum	96	87	11%	14%	339	320	6%	9%
Mixable liqueurs	29	28	4%	7%	120	115	4%	7%
Ungava Spirits Brands	37	32	14%	19%	120	112	7%	6%
Other Corby-owned brands ¹	45	49	(8%)	(14%)	154	161	(4%)	(9%)
Total Corby brands	463	462	0%	1%	1,644	1,622	1%	3%

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

Corby’s owned-brands experienced 1% shipment volume growth and value growth of 3% when compared to the nine-month period ended March 31, 2020 and grew 1% in value while remaining flat in volume compared to the three months ended March 31, 2020. Performance in the third quarter reflects the lapping of high shipment growth in the prior comparable period, corresponding to the March 2020 pandemic-influenced consumer pantry loading effect and is an expected normalization. The LB order phasing for the fiscal year to date has been a departure from other years as the normalization in the third quarter followed a markedly subdued second quarter performance and a very strong first quarter performance which was influenced by LB order phasing ahead of the key October-December trading period. Revenue for the nine-month period ended March 31, 2021, was driven by strong domestic performance of J.P. Wiser’s, Mixable Liqueurs, Cabot Trail and Lamb’s rum in export markets.

Strong performance of the PR represented portfolio was also enhanced by LB order phasing which resulted in robust commission income growth.

Off-premise and retail have been very dynamic in the international markets, resulting in strong consumer pull and channel growth.

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

	Three Months Ended				Nine Months Ended			
	Mar. 31, 2021	Mar. 31, 2020	Shipment Change		Mar. 31, 2021	Mar. 31, 2020	Shipment Change	
			Volume %	Value %			Volume %	Value %
<i>(Volumes in 000's of 9L cases)</i>								
Domestic	399	419	(5%)	(3%)	1,448	1,464	(1%)	2%
International	64	43	50%	48%	196	158	24%	13%
Total Corby brands	463	462	0%	1%	1,644	1,622	1%	3%

Performance on J.P. Wiser's Deluxe, J.P. Wiser's Old Fashioned, McGuinness and Meaghers liqueurs and Cabot Trail maple cream liqueur delivered strong year over year growth, thriving in at-home consumption occasions. Domestic performance on Corby owned case goods cycled consumer pantry loading in the comparable period and continued closures in the on-premise channel in the current year. Fiscal year to date domestic shipments grew 2% in value and declined 1% in volume compared to the same period last year with effective value conversion delivered through favourable mix and optimization of trade spend and promotions. Third quarter domestic shipments declined 5% in volume and 3% in value.

On international performance, third quarter shipment volumes grew 50% while shipment value grew 48% compared to the same period last year. Improvement was driven by strong performance of Lamb's Rum in the UK market where Lamb's Spiced rum is the fastest growing spiced rum in the market. For the nine months ended March 31, 2021, shipment volumes increased 24% on a year over year comparable basis, driven by UK market performance and healthy distributor sell-out of J.P. Wiser's in the US market, while value grew 13% compared to the nine-month period last year.

Retail Sales Performance / Spirit Market Trends

Analysis of performance of Corby's brands at the retail level in Canada provides insight with regards to consumers' current purchase patterns and trends.

Consumer consumption behaviours have 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 continually 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 nine-months ended March 31, 2021, the Canadian spirits industry delivered retail sales volume growth of 5%, and 7% in retail value when compared to the same period in the prior year. Retail sales for the period were highly impacted by changes in consumer purchase patterns as purchases for at-home consumption increased amidst uncertainties regarding business closures and on-going restrictions in the on-premise channel. Consumer habits have reverted to more discerning selections compared to early pandemic tendencies towards familiar brands, large formats and increased basket sizes. Industry trends were led by retail sales volume and value growth in the vodka, coffee and cream liqueurs, gin, single malt Scotch whisky, bourbon 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 nine months ended March 31, 2021 compared to same period in the prior year with retail value declining 1%. Declines in retail performance were largely driven by Polar Ice vodka and Lamb's rum, which have strong on-premise footprints.

Corby's flagship brand, J.P. Wiser's, successfully grew value and volume, while mixable liqueurs and Cabot Trail capitalized on the at-home cocktail trend.

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⁾)												
Brand	Three Months Ended				Nine Months Ended				Twelve Months Ended			
	Mar 31,		% Retail		Mar 31,		% Retail		Mar 31,		% Retail	
	2021	2020	Volume	Value	2021	2020	Volume	Value	2021	2020	Volume	Value
(Volumes in 000's of 9L cases)			Growth	Growth			Growth	Growth			Growth	Growth
J.P. Wiser's Canadian whisky	107	109	(2%)	1%	395	383	3%	5%	509	489	4%	5%
Polar Ice vodka	73	81	(10%)	(9%)	250	279	(10%)	(9%)	329	365	(10%)	(9%)
Lamb's rum	58	67	(13%)	(12%)	217	233	(7%)	(5%)	285	306	(7%)	(5%)
Wiser's Special Blend ⁽²⁾	61	65	(6%)	(6%)	208	211	(1%)	(3%)	275	279	(1%)	(2%)
Mixable liqueurs	27	27	0%	3%	120	117	3%	3%	152	151	1%	2%
Ungava Spirits Brands	26	27	(4%)	(2%)	112	107	5%	7%	142	130	9%	11%
Other Corby-owned brands ⁽³⁾	43	45	(5%)	(6%)	146	149	(2%)	(2%)	193	196	(2%)	(1%)
Total	395	421	(6%)	(5%)	1,448	1,479	(2%)	(1%)	1,885	1,916	(2%)	(0%)

⁽¹⁾ Refers to sales at the retail store level in Canada, as provided by the Association of Canadian Distillers.
⁽²⁾ For presentation purposes, Wiser's Special Blend to reflect the separation from premium variants of J.P. Wiser's.
⁽³⁾ For presentation purposes, Foreign Affair Brands has been grouped with other Corby-owned brands as full comparable periods have been attained.

J.P. Wiser's Canadian Whisky

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 3% in the nine months ended March 31, 2021 compared to the same period in the prior year, building upon the twelve-month milestone of over 500k 9L cases sold reached early in the fiscal year, 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 3% over the same period.

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 declined 1% and retail value decreased 3% in the nine-month period ended March 31, 2021 compared to the same period in the prior year.

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 establishment closures. Retail volume declined 10% while retail value decreased 9% in the nine months ended March 31, 2021 compared to the same period in the prior year. The overall vodka category in Canada grew 4% in retail volume and value on a comparable basis driven by the premium and flavoured vodka segment. The standard vodka category, where Polar Ice Vodka competes, improved 3% in retail volume and 1% in value compared to the same period in the prior year.

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 improved as a result of COVID-19 pandemic-influenced purchasing with growth of 3% for the nine months ended March 31, 2021, while retail values improved 5% compared to the same period last year. Growth was driven by the premium rum segment. The economy rum category, however, saw flat retail volumes and retail value growth of 1%. Lamb's performance suffered as a result of COVID-19 related on-premise restrictions and declined 7% in

retail volumes and 5% in retail value for the nine months ended March 31, 2021 compared to the same period in the prior year.

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 and value for Corby's mixable liqueurs portfolio grew 3% for the nine months ended March 31, 2021 compared to the same period last year, as the at-home cocktail trend gained momentum. Retail volume for the liqueurs category overall grew by 12% and value by 13% for the nine months ended March 31, 2021 compared to the same period last year. Category growth was driven primarily by traditional coffee and cream liqueurs.

Ungava Spirits Brands

Retail volume and value for the Ungava Spirits Brands increased 5% in volume and 7% in value, for the nine months ended March 31, 2021 compared to the same period last year. The flagship brand, Ungava gin, declined 10% in retail volume and 9% in retail value, lagging the Canadian gin category, which grew 7% in retail volume while retail value grew 13%.

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 increased 25% and retail value increased 24% in the nine months ended March 31, 2021 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 5% in retail volume and 7% in retail value for the nine months ended March 31, 2021 compared to the same period in the prior year.

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.

Financial and Operating Results

The following table presents a summary of certain selected consolidated financial information of the Company for the three and nine-month period ended March 31, 2021 and 2020:

<i>(in millions of Canadian dollars, except per share amounts)</i>	<i>Three Months Ended</i>				<i>Nine Months Ended</i>			
	<i>Mar. 31</i>	<i>Mar. 31</i>	<i>\$ Change</i>	<i>% Change</i>	<i>Mar. 31</i>	<i>Mar. 31</i>	<i>\$ Change</i>	<i>% Change</i>
	2021	2020			2021	2020		
Revenue	\$ 33.8	\$ 33.1	\$ 0.7	2%	\$ 119.4	\$ 115.1	\$ 4.3	4%
Cost of sales	(13.5)	(13.2)	(0.3)	2%	(47.0)	(45.4)	(1.6)	4%
Marketing, sales and administration	(11.9)	(13.1)	1.2	(9%)	(38.8)	(43.8)	5.0	(11%)
Other (expense) income	(0.0)	0.1	(0.1)	(119%)	0.2	0.2	0.0	22%
Earnings from operations	8.4	6.9	1.5	22%	33.8	26.1	7.7	29%
Financial income	0.2	0.4	(0.2)	(58%)	0.5	1.1	(0.6)	(56%)
Financial expenses	(0.2)	(0.2)	0.0	(17%)	(0.5)	(0.6)	0.1	(17%)
Net financial income	-	0.2	(0.2)	(100%)	-	0.5	(0.5)	(97%)
Earnings before income taxes	8.4	7.1	1.3	19%	33.8	26.6	7.2	27%
Income taxes	(2.2)	(1.9)	(0.3)	17%	(8.9)	(7.2)	(1.7)	25%
Net earnings	\$ 6.2	\$ 5.2	\$ 1.0	20%	\$ 24.9	\$ 19.5	\$ 5.4	28%
Per common share								
- Basic net earnings	\$ 0.22	\$ 0.18	\$ 0.04	22%	\$ 0.87	\$ 0.68	\$ 0.19	28%
- Diluted net earnings	\$ 0.22	\$ 0.18	\$ 0.04	22%	\$ 0.87	\$ 0.68	\$ 0.19	28%

Overall Financial Results

Net earnings grew \$1.0 million or 20% for the three months ended March 31, 2021 and increased \$5.4 million or 28% for the nine months ended March 31, 2021 compared to the same periods last year. Case goods performance in both domestic and export markets and strong PR brand commission revenue, strategic concentration of marketing and sales promotional activities and well controlled administrative expenses drove favourable results for the three and nine months ended March 31, 2021.

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>				<i>Nine Months Ended</i>			
	<i>Mar. 31</i>	<i>Mar. 31</i>	<i>\$ Change</i>	<i>% Change</i>	<i>Mar. 31</i>	<i>Mar. 31</i>	<i>\$ Change</i>	<i>% Change</i>
	2021	2020			2021	2020		
Revenue streams:								
Case goods	\$ 26.7	\$ 26.4	\$ 0.3	1%	\$ 94.2	\$ 91.3	\$ 2.9	3%
Commissions	6.1	5.8	0.3	6%	21.9	20.5	1.4	7%
Other services	1.0	0.9	0.1	7%	3.3	3.3	0.0	0%
Revenue	\$ 33.8	\$ 33.1	\$ 0.7	2%	\$ 119.4	\$ 115.1	\$ 4.3	4%

Case Goods revenue increased \$0.3 million, or 1% and increased \$2.9 million, or 3% for the three and nine-month periods ended March 31, 2021, respectively, when compared to the same periods last year. Growth during the nine-month period was attributable to retail performance in the domestic market and UK market performance where Lamb's Spiced rum is the fastest growing spiced rum in the market. This was partially offset by on-premise portfolio challenges related to COVID-19 restrictions and product and size format mix.

Commissions increased \$0.3 million or 6% and grew \$1.4 million, or 7% during the three and nine-month periods ended March 31, 2021, respectively, when compared to the same periods last year. Imported brands benefited from strong consumer demand as well as from LB order timing. Strong nine-month performance in both spirits and wines drove year to date growth. Accelerated amortization of the 2006 representation rights agreement fee (\$1.1 million) partially offset the increased commissions revenue. 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. Revenue from other services increased \$0.1 million in the three-month comparative period and was flat for the nine-month period ended March 31, 2021, when compared to the same periods last year and are attributable to decreased bulk whisky sales.

Cost of sales

Cost of sales in the three months ended March 31, 2021 was \$13.5 million, an increase of \$0.3 million, or 2% when compared to the same quarter last year. The overall increase in cost of sales was the result of product and market mix. On a case rate basis our Case Goods costs have increased 1.0%.

Cost of sales in the nine months ended March 31, 2021 was \$47.0 million, an increase of \$1.6 million, or 4% when compared to same nine-month period last year. The overall increase in cost of sales is the result of product and market mix. The Company periodically reviews the value of items in inventory and provides write-downs or write offs of inventory based on its assessment of market conditions. These write-downs and write-offs are charged to cost of sales. On a case rate basis our Case Goods costs have increased 2.5%. Cost increases have been offset by price initiatives and trade promotion optimization resulting in an overall gross margin of 52%, in line with the same period last year (note: Commissions are not included in this calculation).

Marketing, sales and administration

Marketing, sales and administration expenses decreased \$1.2 million, or 9% for the quarter ended March 31, 2021. For the nine-month period ended March 31, 2021, marketing, sales and administration expenses decreased \$5.0 million, or 11% when compared to the same period last year. Marketing and promotional investment for the quarter and year to date strategically focused on key priorities and was reduced due to closures and other restrictions imposed on on-premise establishments and non-occurrence of experiential activities. In response, the Company has made campaign pivots to target the channels and occasions most relevant to consumers and that we expect will provide the most opportunities in the short and long term. Overhead expenses were well-controlled and resulted in decreased general administration, 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 three and nine-month period ended March 31, 2021 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>		<i>Nine Months Ended</i>	
	<i>Mar. 31</i> <i>2021</i>	<i>Mar. 31</i> <i>2020</i>	<i>Mar. 31</i> <i>2021</i>	<i>Mar. 31</i> <i>2020</i>
Combined basic Federal and Provincial tax rates	26%	27%	26%	27%
Other	0%	0%	0%	0%
Effective tax rate	26%	27%	26%	27%

Liquidity and Capital Resources

Corby's sources of liquidity are its deposits in cash management pools of \$87.8 million as at March 31, 2021, 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 \$38.4 million as at March 31, 2021 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

	Three Months Ended			Nine Months Ended		
	Mar. 31	Mar. 31	\$ Change	Mar. 31	Mar. 31	\$ Change
(in millions of Canadian dollars)	2021	2020		2021	2020	
Operating activities						
Net earnings, adjusted for non-cash items	\$ 10.7	\$ 9.6	\$ 1.1	\$ 41.4	\$ 33.8	\$ 7.6
Net change in non-cash working capital	(3.1)	(4.7)	1.6	(5.0)	(3.2)	(1.8)
Net payments for interest and income taxes	(2.2)	(0.8)	(1.4)	(10.3)	(5.6)	(4.7)
	5.4	4.1	1.3	26.1	25.0	1.1
Investing activities						
Additions to property and equipment	(0.2)	(0.5)	0.3	(0.8)	(1.4)	0.6
Additions to intangible assets	(0.1)	(0.1)	-	(0.3)	(0.3)	-
Proceeds from disposition of property and equipment	0.2	-	0.2	0.2	0.1	0.1
Proceeds from disposition of intangible assets	-	0.2	(0.2)	-	0.2	(0.2)
Deposits in cash management pools	1.1	3.0	(1.9)	(6.1)	(3.6)	(2.5)
	1.0	2.6	(1.6)	(7.0)	(5.0)	(2.0)
Financing activities						
Payment of lease liabilities	(0.4)	(0.4)	-	(1.2)	(1.2)	-
Dividends paid	(6.0)	(6.3)	0.3	(17.9)	(18.8)	0.9
	(6.4)	(6.7)	0.3	(19.1)	(20.0)	0.9
Net change in cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Operating activities

Net cash generated from operating activities was \$5.4 million during the quarter ended March 31, 2021 compared to \$4.1 million during the same period last year, representing an increase of \$1.3 million. The increase is driven by increased earnings and favourable fluctuations in working capital balances compared to the same quarter last year, specifically the timing of customer collections. These increased cash flows were partially offset by higher tax payments as the prior year quarter benefited from the deferral of income tax installments as allowed under COVID-19 pandemic-related government relief measures.

For the nine-month period ended March 31, 2021, net cash from operating activities was \$26.1 million, reflecting an increase of \$1.1 million compared to the same nine-month period last year. Higher earnings were offset by unfavourable working capital changes, as well as higher tax payments. 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 period compared to the prior year, partially offset by lower vendor payments.

Investing activities

Net cash generated from investing activities was \$1.0 million for the three-month period ended March 31, 2021 compared to \$2.6 million for the same quarter last year. Net cash used in investing activities for the nine months ended March 31, 2021 was \$7.0 million, compared to \$5.0 million in the same nine-month period last 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 periods. In the nine-month period ended March 31, 2021, \$6.1 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 \$6.4 million for the quarter ended March 31, 2021, compared to \$6.7 million in the same period last year and; \$19.1 million for the nine-month period ended March 31, 2021, compared to \$20.0 million in the same period last year. Financing activity reflects dividend payments paid to shareholder and the payment of lease liabilities.

On May 13, 2021, subsequent to the quarter ended March 31, 2021, Corby's Board of Directors declared its regular quarterly dividend of \$0.21 per common share, to be paid June 11, 2021, to shareholders of record as at the close of business on May 27, 2021. 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:

For	Declaration date	Record Date	Payment date	\$ / Share
2021 - Q3	May 13, 2021	May 27, 2021	June 11, 2021	\$ 0.21
2021 - Q2	February 11, 2021	February 25, 2021	March 5, 2021	0.21
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

Outstanding Share Data

As at May 13, 2021, 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"), which have recently been renewed. 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. 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. These agreements were amended and renewed, as follows. 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 entered into an administrative services agreement, under which Corby agreed to continue to manage certain of PR's business interests in Canada, with a similar term and commencement date.

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. This new representation agreement also renewed Corby's exclusive right to represent ABSOLUT vodka and Plymouth gin in Canada. Those rights were originally granted in an agreement entered into on October 1, 2013 for a five year term, which was extended to September 29, 2021 (consistent with the brands subject to the 2006 Agreements) by way of an agreement dated November 9, 2011 and amended on September 30, 2013. 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.

PR also represents certain Corby-owned brands in the United Kingdom. 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.

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 May 13, 2021, 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>	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Revenue	\$ 33.8	\$ 42.2	\$ 43.4	\$ 38.2	\$ 33.1	\$ 43.4	\$ 38.6	\$ 39.2
Earnings from operations	8.4	10.6	14.7	9.8	6.9	10.6	8.7	10.5
Net earnings	6.2	7.8	10.8	7.2	5.2	7.8	6.5	7.8
Basic EPS	0.22	0.28	0.38	0.25	0.18	0.28	0.23	0.27
Diluted EPS	0.22	0.28	0.38	0.25	0.18	0.28	0.23	0.27

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 March 31, 2021, 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 standards have been issued but are not yet effective for the financial period ended June 30, 2021, and accordingly, have not been applied in preparing the interim condensed financial statements:

IFRS 17	<i>Insurance Contracts</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>

The Company does not expect the adoption of the standards and amendments to standards listed above will have a material impact on the financial statements of the Company in future periods.

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 resulted in economic volatility in global markets. Governments and central banks responded with monetary and fiscal interventions to stabilize economies and ease financial disruption. 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 future performance.

As a manufacturer and distributor of alcoholic beverages, Corby continues 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 been limited in retail stores depending on regional guidelines but have adapted its methodology to connect virtually.

Corby continues to monitor 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. Ways of working have adapted to tight management of costs and containment measures and supply chains remain operational. To date, there has not been a negative impact on the Company's liquidity and financial position. As the COVID-19 pandemic continues to evolve, its full duration and impact of on the Company's liquidity and the financial position cannot be reasonably estimated at this time and will depend on future developments.

Consumer Consumption Patterns

Beverage alcohol companies are susceptible to risks relating to changes in consumer consumption patterns. Consumer consumption patterns are affected by many external influences, not the least of which is economic outlook and overall consumer confidence in the stability of the economy as a whole. Additionally, the legalization of recreational cannabis in Canada could have the potential to impact consumer consumption patterns with respect to beverage alcohol products. 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 March 31, 2021:

Associated Brand	Associated Market	Carrying Values as at Mar. 31, 2021		
		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. 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. In fiscal year 2020 the Company underwent a pension de-risking strategy for its defined benefit salaried pension plan by purchasing a buy-in annuity for retirees and deferred vested plan members. Future cash flows from the annuity will match the amount and timing of benefits payable under the portion of the plan for these groups, substantially mitigating the exposure to future volatility in the related pension obligations. 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.

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

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

(in thousands of Canadian dollars)

As at	Notes	Mar. 31, 2021	Mar. 31, 2020 ⁽¹⁾	June 30, 2020
ASSETS				
Deposits in cash management pools		\$ 87,815	\$ 64,691	\$ 81,681
Accounts receivable	4	30,561	31,009	26,332
Inventories	5	61,725	62,677	61,344
Prepaid expenses		564	317	439
Total current assets		180,665	158,694	169,796
Other assets		6,269	1,622	4,693
Right-of-use assets		4,700	5,297	4,913
Property, plant and equipment		17,505	18,716	18,785
Goodwill		8,757	8,757	8,757
Intangible assets		21,757	28,262	27,438
Total assets		\$ 239,653	\$ 221,348	\$ 234,382
LIABILITIES				
Accounts payable and accrued liabilities	6	\$ 34,722	\$ 29,047	\$ 35,034
Income and other taxes payable		2,223	1,319	3,958
Current lease liabilities		1,442	1,429	1,362
Total current liabilities		38,387	31,795	40,354
Provision for employee benefits		14,590	12,699	15,253
Deferred income taxes		2,963	2,425	2,588
Long-term lease liabilities		3,291	3,879	3,563
Total liabilities		59,231	50,798	61,758
Shareholders' equity				
Share capital		14,304	14,304	14,304
Accumulated other comprehensive loss		(992)	(2,444)	(1,868)
Retained earnings		167,110	158,690	160,188
Total shareholders' equity		180,422	170,550	172,624
Total liabilities and shareholders' equity		\$ 239,653	\$ 221,348	\$ 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		For the Nine Months Ended	
		Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
Revenue	7	\$ 33,811	\$ 33,070	\$ 119,392	\$ 115,125
Cost of sales		(13,502)	(13,205)	(47,031)	(45,359)
Marketing, sales and administration		(11,861)	(13,125)	(38,764)	(43,806)
Other (expense) / income	8	(28)	144	190	156
Earnings from operations		8,420	6,884	33,787	26,116
Financial income	9	151	358	473	1,069
Financial expense	9	(151)	(182)	(459)	(552)
		-	176	14	517
Earnings before income taxes		8,420	7,060	33,801	26,633
Current income taxes		(2,253)	(2,183)	(8,882)	(6,851)
Deferred income taxes		28	275	(62)	(322)
Income taxes		(2,225)	(1,908)	(8,944)	(7,173)
Net earnings		\$ 6,195	\$ 5,152	\$ 24,857	\$ 19,460
Basic earnings per share		\$ 0.22	\$ 0.18	\$ 0.87	\$ 0.68
Diluted earnings per share		\$ 0.22	\$ 0.18	\$ 0.87	\$ 0.68
Weighted average common shares outstanding					
Basic		28,468,856	28,468,856	28,468,856	28,468,856
Diluted		28,468,856	28,468,856	28,468,856	28,468,856

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

CORBY SPIRIT AND WINE LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(in thousands of Canadian dollars)

	For the Three Months Ended		For the Nine Months Ended	
	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
Net earnings	\$ 6,195	\$ 5,152	\$ 24,857	\$ 19,460
Other Comprehensive Income:				
Amounts that will not be subsequently reclassified to earnings:				
Net actuarial gains	396	356	1,189	1,066
Income taxes	(104)	(96)	(313)	(284)
	292	260	876	782
Total comprehensive income	\$ 6,487	\$ 5,412	\$ 25,733	\$ 20,242

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

(in thousands of Canadian dollars)

	Share Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total
Balance as at June 30, 2020	\$ 14,304	\$ (1,868)	\$ 160,188	\$ 172,624
Total comprehensive income	-	876	24,857	25,733
Dividends	-	-	(17,935)	(17,935)
Balance as at March 31, 2021	\$ 14,304	\$ (992)	\$ 167,110	\$ 180,422
Balance as at June 30, 2019	\$ 14,304	\$ (3,226)	\$ 158,019	\$ 169,097
Total comprehensive income	-	782	19,460	20,242
Dividends	-	-	(18,789)	(18,789)
Balance as at March 31, 2020	\$ 14,304	\$ (2,444)	\$ 158,690	\$ 170,550

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)

	Notes	For the Three Months Ended		For the Nine Months Ended	
		Mar. 31, 2021	Mar. 31, 2020 ⁽¹⁾	Mar. 31, 2021	Mar. 31, 2020 ⁽¹⁾
Operating activities					
Net earnings		\$ 6,195	\$ 5,152	\$ 24,857	\$ 19,460
Adjustments for:					
Amortization and depreciation	10	3,004	2,593	9,060	7,878
Net financial income	9	-	(176)	(14)	(517)
Income tax expense		2,225	1,908	8,944	7,173
Provision for employee benefits		(721)	78	(1,411)	(220)
		10,703	9,555	41,436	33,774
Net change in non-cash working capital balances	11	(3,147)	(4,715)	(5,047)	(3,237)
Interest received		119	336	375	958
Income taxes paid		(2,341)	(1,091)	(10,616)	(6,520)
Net cash from operating activities		5,334	4,085	26,148	24,975
Investing activities					
Additions to property and equipment		(217)	(494)	(822)	(1,391)
Additions to intangible assets		(98)	(50)	(301)	(269)
Proceeds from disposition of property and equipment		226	-	226	55
Proceeds from disposition of intangible assets		-	159	-	159
Deposits in cash management pools		1,119	2,967	(6,134)	(3,555)
Net cash from (used in) investing activities		1,030	2,582	(7,031)	(5,001)
Financing activities					
Payment of lease liabilities		(386)	(404)	(1,182)	(1,185)
Dividends paid		(5,978)	(6,263)	(17,935)	(18,789)
Net cash used in financing activities		(6,364)	(6,667)	(19,117)	(19,974)
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 March 31, 2021.

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 May 13, 2021.

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 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 including restaurants, bars and other on-premise establishments. 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.

As a result of COVID-19 management has reviewed its judgements and estimates as part of the preparation of its interim condensed consolidated financial statements and concluded that there was no significant changes as of March 31, 2021. Management will continue to monitor the effects of the pandemic on external political, economic and social environments, on our business and on our industry. As a result of the dynamic nature of the pandemic, it is not possible to reliably estimate the length and severity of the pandemic and the impact of the financial results of the Company.

For the three- and nine-month periods ended March 31, 2021, 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 March 31, 2021, 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 standards have been issued but are not yet effective for the financial period ended June 30, 2021, and accordingly, have not been applied in preparing the interim condensed consolidated financial statements:

IFRS 17	<i>Insurance Contracts</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>

The Company does not expect the adoption of the standards and amendments to standards listed above will have a material impact on the financial statements of the Company in future periods.

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

	Mar. 31, 2021	Mar. 31, 2020	June 30, 2020
Trade receivables	\$ 16,007	\$ 15,360	\$ 16,431
Due from related parties	13,403	13,761	8,117
Other	1,151	1,888	1,784
	\$ 30,561	\$ 31,009	\$ 26,332

5. INVENTORIES

	Mar. 31, 2021	Mar. 31, 2020	June 30, 2020
Raw materials	\$ 3,745	\$ 4,193	\$ 4,269
Work-in-progress	45,372	48,011	47,284
Finished goods	12,608	10,473	9,791
	\$ 61,725	\$ 62,677	\$ 61,344

The cost of inventory recognized as an expense and included in cost of goods sold during the three and nine month periods ended March 31, 2021 were \$12,283 and \$42,580 (2020 – \$12,027 and \$40,944). During the three and nine month periods ended March 31, 2021 there were write-downs of \$203 and \$624 (2020 - \$247 and \$322) 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

	Mar. 31, 2021	Mar. 31, 2020	June 30, 2020
Trade payables and accruals	\$ 26,724	\$ 20,184	\$ 24,938
Due from related parties	6,883	8,049	8,697
Other	1,115	814	1,399
	\$ 34,722	\$ 29,047	\$ 35,034

7. REVENUE

The Company's revenue consists of the following streams:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
Case goods sales	\$ 26,738	\$ 26,380	\$ 94,165	\$ 91,313
Commissions (net of amortization of representation rights)	6,078	5,758	21,927	20,525
Other services	995	932	3,300	3,287
	\$ 33,811	\$ 33,070	\$ 119,392	\$ 115,125

Commissions for the three and nine month periods are shown net of amortization of long-term representation rights of \$1,805 and \$5,397 (2020 - 1,392 and \$4,282). 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>		<i>Nine months ended</i>	
	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
Foreign exchange gain (loss)	\$ (28)	\$ 93	\$ 80	\$ 61
Grants	-	120	110	164
Other (expense) / income	-	(69)	-	(69)
	\$ (28)	\$ 144	\$ 190	\$ 156

9. NET FINANCIAL INCOME AND EXPENSE

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
Interest income	\$ 151	\$ 358	\$ 473	\$ 1,069
Interest expense on lease liabilities	(31)	(37)	(98)	(119)
Net financial impact of pensions	(120)	(145)	(361)	(433)
	\$ -	\$ 176	\$ 14	\$ 517

10. EXPENSES BY NATURE

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	Mar. 31, 2021	Mar. 31, 2020 ⁽¹⁾	Mar. 31, 2021	Mar. 31, 2020 ⁽¹⁾
Depreciation of property and equipment	\$ 607	\$ 603	\$ 1,877	\$ 1,811
Depreciation of right-of-use assets	389	396	1,202	1,196
Amortization of intangible assets	2,008	1,594	5,981	4,871
Salary and payroll costs	6,603	6,686	19,708	19,524
Expenses related to pensions and benefits	343	312	1,082	972

⁽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>		<i>Nine months ended</i>	
	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
Accounts receivable	\$ 4,152	\$ 458	\$ (4,229)	\$ 1,251
Inventories	(1,015)	(2,065)	(381)	(765)
Prepaid expenses	(228)	297	(125)	237
Accounts payable and accrued liabilities	(6,056)	(3,405)	(312)	(3,960)
	\$ (3,147)	\$ (4,715)	\$ (5,047)	\$ (3,237)

12. DIVIDENDS

On May 13, 2021 subsequent to the quarter ended March 31, 2021, the Board of Directors declared its regular quarterly dividend of \$0.21 per common share, to be paid on June 11, 2021, to shareholders of record as at the close of business on May 27, 2021. 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>		<i>Nine months ended</i>	
	Mar. 31, 2021	Mar. 31, 2020	Mar. 31, 2021	Mar. 31, 2020
Sales to related parties				
Commissions - parent, ultimate parent and affiliated companies	\$ 7,440	\$ 6,601	\$ 25,756	\$ 23,330
Products for resale at an export level - affiliated companies	1,831	1,269	5,407	4,389
Bulk spirits - affiliated companies	79	-	79	-
	\$ 9,350	\$ 7,870	\$ 31,242	\$ 27,719
Cost of goods sold, purchased from related parties				
Distilling, blending, and production services - parent	\$ 5,143	\$ 5,534	\$ 17,226	\$ 15,909
Administrative services purchased from related parties				
Marketing, selling and administration services - parent	\$ 500	\$ 641	\$ 1,777	\$ 2,056

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

During the three and nine month periods ended March 31, 2021, Corby sold casks to its parent company for net proceeds of \$226 (2020 - \$nil).

In the prior year, during the three and nine month periods ended March 31, 2020, Corby entered into a transaction with its parent company whereby Corby exchanged bulk whisky with a fair value of \$431 for differing vintages and varieties of bulk whisky with an equivalent fair value in an effort to balance each company's future inventory

requirements. The exchange was not a culmination of the earnings process and as such did not impact Corby's net earnings nor its financial position. No such transaction occurred in the current year periods.

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 May 13, 2021, 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 and nine months ended March 31, 2021, Corby earned interest income of \$183 and \$558 from PR (2020 – \$400 and \$1,152). 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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