

ANDREW PELLER LIMITED

ANDREW PELLER LIMITÉE

ANNUAL INFORMATION FORM

JUNE 12, 2019

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FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form (“AIF”) may contain “forward-looking statements” within the meaning of applicable securities laws including the “safe harbour provisions” of the Securities Act (Ontario) with respect to APL and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business in light of the Company’s acquisitions; its launch of new premium wines and craft beverage alcohol products; sales trends in foreign markets; its supply of domestically grown grapes; and current economic conditions. These statements are subject to certain risks, assumptions, and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words “believe”, “plan”, “intend”, “estimate”, “expect”, or “anticipate”, and similar expressions, as well as future or conditional verbs such as “will”, “should”, “would”, “could”, and similar verbs often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward-looking statements contained in this AIF, the Company has made assumptions and applied certain factors regarding, among other things: future grape, glass bottle, and wine and spirit prices; its ability to obtain grapes, imported wine, glass, and other raw materials; fluctuations in foreign currency exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian and international wine markets; market trends; reliance on key personnel; protection of its intellectual property rights; the economic environment; the regulatory requirements regarding producing, marketing, advertising, and labelling of its products; the regulation of liquor distribution and retailing in Ontario; the application of federal and provincial environmental laws; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in the “Risks and Uncertainties” section and elsewhere in this AIF and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, you should not place undue reliance on these forward-looking statements. The Company’s forward-looking statements are made only as of the date of this AIF, and except as required by applicable law, Andrew Peller Limited undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events, or circumstances.

All information contained in this document is given as at March 31, 2019 unless otherwise indicated.

CORPORATE STRUCTURE

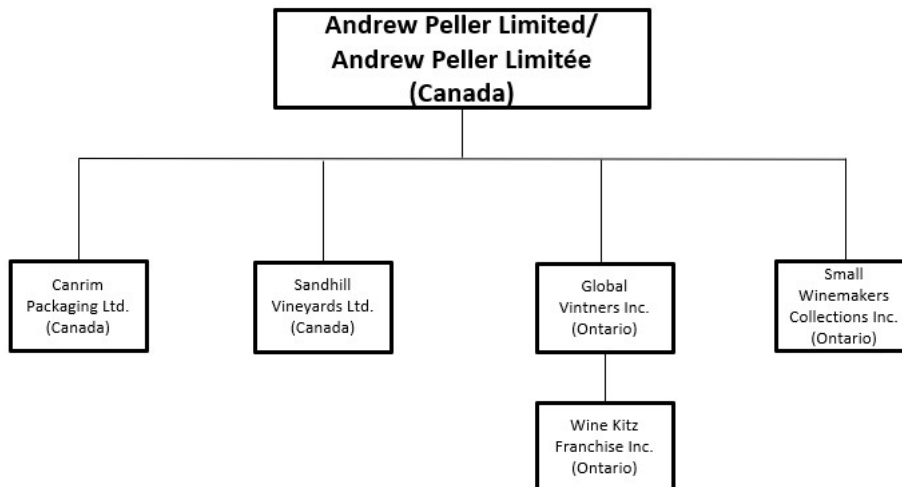
Incorporation

Andrew Peller Limited was incorporated under the laws of Canada by Letters Patent dated the 7th day of April 1965 and as amended from time to time by Supplementary Letters Patent. The Company was continued under a Certificate of Continuance dated the 30th day of October 1978, pursuant to Sections 181 and 261 of the *Canada Business Corporations Act*. On June 30, 1994, the Company amalgamated with Hillebrand Estates Winery Limited under Section 185 of the *Canada Business Corporations Act*. On April 1, 2003 the Company amalgamated with Andrés Wines (B.C.) Ltd. and Andrés Wines Atlantic Ltd. under Section 185 of the *Canada Business Corporations Act*. On April 1, 2006, the Company amalgamated with its wholly-owned subsidiary, Cascadia Brands Inc. (“Cascadia”), and Cascadia’s wholly-owned subsidiaries Calona Wines Limited, 3126854 Canada Ltd. (formerly, International Potter Distilling Corporation), and 4309693 Canada Inc. (formerly, Arctica Distilling Corporation) under Section 185 of the *Canada Business Corporations Act* under the name Andrés Wines Ltd./Les Vins Andrés Ltée. On April 1, 2007, the Company amalgamated with its wholly-owned subsidiaries, 4384792 Canada Inc. (formerly, 1639199 Ontario Inc.), Grady Wine Marketing Inc., and Forbes Fraser Wines Ltd. under Section 185 of the *Canada Business Corporations Act*. On April 1, 2007, Winexpert Inc., 4384806 Canada Inc. (formerly, Wine Not Inc.), and Vineco International Products Ltd., amalgamated under Section 185 of the *Canada Business Corporations Act* to form 4384814 Canada Inc., a new wholly-owned subsidiary of the Company. On March 31, 2009, 4384814 Canada Inc. changed its name to Global Vintners Inc. On April 1, 2012, the Company amalgamated with Rocky Ridge Vineyards Inc. under Section 185 of the *Canada Business Corporations Act*. On March 18, 2014, Wine Kitz Franchise Inc. purchased Wine Kitz Atlantic Limited, which operated a Wine Kitz master franchise in Atlantic Canada. On October 1, 2017, Andrew Peller Limited purchased 100% of the issued and outstanding shares of Gray Monk Cellars Ltd. and Tinhorn Creek Vineyards Ltd. Both companies were amalgamated with Andrew Peller Limited on April 1, 2018. On October 10, 2017, the Company also acquired 100% of the operating assets of Black Hills Estate Winery.

The Company operates under the name Andrew Peller Limited/Andrew Peller Limitée. The authorized capital of the Company consists of an unlimited number of Preference Shares, issuable in one or more series, of which 33,315 are designated as Preference Shares, Series A, an unlimited number of Class A Shares (non-voting) and an unlimited number of Class B Shares (voting). The Company’s head and registered office is located at 697 South Service Road, Grimsby, Ontario, L3M 4E8.

Subsidiaries

The following is APL's structure, including its significant subsidiaries as of the fiscal year ended March 31, 2019 and their jurisdiction of incorporation. All subsidiaries are wholly owned.



GENERAL DEVELOPMENT OF THE BUSINESS

The Company is engaged in the production, bottling and marketing of wines and spirits in Canada. The Company imports bottled premium wines from around the world and markets them through Andrew Peller Import Agency ("API"), and The Small Winemakers Collection Inc. ("SWM"). Vineco International Products, Winexpert, and Wine Kitz divisions of Global Vintners Inc. ("GVI") are producers of wine kits and related accessories for the home winemaking market.

Canada has joined other leading wine producing countries in the development of a body of regulations and standards for 100% Canadian content wines known as the Vintners Quality Alliance ("VQA") system. The VQA system oversees the regulation of the premium wine industry in Canada and has become recognized throughout the world as the appellation system for Canadian wines that meet strict standards of excellence.

The market for wine in Canada has continued to grow due to increased consumption by young consumers who have more recently adopted wine as their beverage of choice, the reported health benefits of moderate wine consumption and a movement towards increased consumption of wine made by an aging population who favour the more sophisticated experience that wine offers.

These events have precipitated significant change in the Canadian wine industry. In order to succeed in this new environment, the Company has undertaken strategic growth initiatives to emerge as a leading participant in the Canadian wine market. The Company believes it achieves this objective by delivering to its customers and consumers the highest quality wines, spirits, refreshments, and experiences at the best possible value. To meet this goal, the Company invests in improvements in the quality of grapes, wines, and spirits raw materials, its winemaking and distillation capabilities, sales and marketing initiatives, tourism and hospitality experiences, and its quality management programs.

The Company is focused on initiatives to reduce costs and enhance its production efficiencies through a continual review of its operations and cost structure with a view to enhancing profitability. The Company continues to expand and strengthen its distribution through provincial liquor boards, Ontario independent retail locations and grocery outlets under The Wine Shop, Wine Country Vintners, and Wine Country Merchants store names, estate wineries, restaurants, and other licensed establishments. This distribution network is supported by enhanced sales, marketing, and promotional programs. From time to time the Company also evaluates the potential for acquisitions and partnerships, both in Canada and internationally, to further complement its product portfolio and market presence.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

The Company is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario, and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys, and from vineyards around the world. The Company's award-winning premium and ultra-premium Vintners' Quality Alliance ("VQA") brands include Peller Estates, Trius, Thirty Bench, Wayne Gretzky, Sandhill, Red Rooster, Black Hills Estate, Tinhorn Creek, Gray Monk Estates, Raven Conspiracy and Conviction. Complementing these premium brands are a number of popularly priced varietal brands including Peller Family Vineyards (formerly, Peller Estates French Cross in Eastern Canada and Peller Estates Proprietors Reserve in Western Canada), Copper Moon, Black Cellar and XOXO. Hochtaler, Domaine D'Or, Schloss Laderheim, Royal, and Sommet are the Company's key value priced brands. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these quality and value priced brands. The Company also produces craft beverage alcohol products, including No Boats on Sunday ciders, Wayne Gretzky No. 99 Red Cask, No. 99 Ice Cask and 99 Proof Canadian Whiskies and No. 99 Canadian Whisky Cream products. The Company has also recently entered the craft beer market with the launch of its No. 99 Rye Lager. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through its wholly-owned subsidiary, GVI, the recognized leader in personal winemaking products. GVI distributes products through over 170 Winexpert authorized retailers and more than 500 independent retailers across Canada, with additional distributors in the United States, the United Kingdom, New Zealand, Australia, and China. GVI's award-winning premium and ultra-premium winemaking brands include Selection, Vintners Reserve, Island Mist, KenRidge, Cheeky Monkey, Traditional Vintage, and Cellar Craft. The Company owns and operates 101 well-positioned independent retail locations in Ontario under The Wine Shop, Wine Country Vintners, and Wine Country Merchants store names. The Company also operates Andrew Peller Import Agency and The Small Winemaker's Collection Inc., importers and marketing agents for premium wines from around the world.

Business Strategy

The Company's vision is to *Pour Extraordinary into Everyday Life*. The Company does this by delivering to its customers and consumers the highest quality wines, spirits, refreshments, and experiences at the best possible value. To meet this goal, the Company invests in improvements in the quality of grapes, wines and spirits raw materials, its winemaking and distillation capabilities, sales and marketing initiatives, tourism and hospitality experiences, and its quality management programs. The Company's wine portfolio covers the complete spectrum of price levels within the Canadian wine market. Over the long term the Company believes premium wine and spirits sales will continue to grow in Canada and these products generate higher prices and increased profitability compared to lower-priced products.

Sales

The Company's net sales for the year ended March 31, 2019 were \$381.8 million. The Company's net sales volume is seasonal with highest volumes in the third quarter. Net sales and percentage of sales by quarter were as follows:

Quarter	2019		2018	
	\$ millions	%	\$ millions	%
First	95.5	25	88.6	25
Second	103.3	27	91.9	25
Third	103.2	27	103.6	28
Fourth	79.8	21	79.8	22
Total	381.8	100	363.9	100

Principal Products

The Company produces products across many segments of the wine market. For the value priced end of the market, the Company sources bulk international wine and blends it with lower priced domestic wine, where the viticulture and harvesting of the grapes is managed at a lower cost than for the domestic premium VQA wine portfolio. Wine brands are offered in each of the three different value wine segments: value red/white/rose blended table wine (<\$8/750ml bottle), value sparkling and fortified wine (<\$8/750ml bottle) and value varietal wine (\$8- \$12/750ml bottle). The Company also makes a wide range of premium priced VQA wines made from 100% domestic high-quality grapes grown in both Ontario and B.C. The Company competes in all key premium wine price segments with entry level VQA wine (\$12-\$15/ 750ml bottle), premium VQA wine (\$15-\$25/ 750ml bottle) and super-premium VQA wine (+\$25/750ml bottle). The super-premium VQA segment includes high end table wine, icewine, and traditional method sparkling wine.

The Company's largest wine brand is Peller Family Vineyards, recently rebranded from Peller Estates. The rebrand distinguishes the Company's broadly appealing products in the value priced blended table wine and value varietal segments from Peller Estates, the Company's premium and super-premium VQA table wines, icewine and premium sparkling wines that are finished with a dosage of icewine. The Peller Family Vineyards portfolio is the most expansive within the Company's line-up of brands and in 2019, the brand was readied for the national re-launch with a number of improvements. The taste profiles of leading varietals and blends of Peller Family Vineyards products have been optimized to better suit the Canadian palette, product packaging changes are set to increase in-store visibility, and a national TV campaign will drive brand equity.

The Company also has several International and Canadian blended (ICB) brands. Copper Moon, the largest brand in the Western Canadian market, is the Company's 2nd largest brand. Black Cellar is positioned at a slightly higher price point than traditional ICB products and offers a sweeter taste profile to appeal to the younger consumer. XOXO is a female focused brand which has seen strong Eastern growth and has expanded outside of table wine expanding into flavoured wine as well. Large legacy brands Domaine D'or and Hochtaler also compete in the value blended segment and both fall within the Company's top 10 brand list.

The Company continues to invest in growing its VQA portfolio. In addition to Peller Estates VQA, the Company has four other VQA brands in its top 10 brand list: Trius, Wayne Gretzky, Sandhill, and Red Rooster, all of which are supported by estate wineries following the opening of the Wayne Gretzky Estate Winery and Craft Distillery in June 2017. In October 2017, the Company acquired 3 new wineries in the Okanagan becoming the largest B.C. VQA supplier in Canada. These included Black Hills Estate Winery, Gray Monk Estate Winery, and Tinhorn Creek Vineyards, all of which have prestigious estates in the region.

The Company also competes in three craft spaces: local cider, whisky and beer. No Boats on Sunday was launched in 2016 in the Company's owned retail stores in Ontario as well as in Atlantic Canada. Consumers quickly adopted this brand with No Boats becoming the top selling cider in Nova Scotia, outperforming popular cider import brands Somersby and Strongbow as well as local Nova Scotia cider favorites. In Canadian whisky the Company has 3 premium traditional whiskies in Wayne Gretzky Estates as well as a Cream based Whisky. In April 2019, Wayne Gretzky Estates launched its No. 99 Rye Lager, the Company's first craft beer, brewed with rye grain to deliver the crisp, clean taste of a classic lager with an extra layer of depth, zest and freshness.

Sales of the Company's wines continue to grow internationally due to our strong relationships with key global partners and favourable currency exchange rates. With a focus on Icewine and Wayne Gretzky Whisky, the Company's products are available in 20 countries around the world. Numerous Michelin Star restaurants have chosen Peller Estates Icewine as part of their offering, including top renowned culinary establishments such as Chez Bruce and Hakkasan in London, UK. Some of the world's finest retailers, including Selfridges, Harrods, and Harvey Nichols, have also selected our Peller Estates Icewine as part of their luxury portfolio.

The Company owns two import agencies, Andrew Peller Imports and the Small Winemakers Collection that sell and distribute premium import wines from suppliers from around the world. Both of these agencies leverage premium import wines to get Company owned wine brands on restaurant wine lists.

Global Vintners Inc. is the leading manufacturer and distributor of personal winemaking products. For over 50 years the company has distributed wine kits under the brand names Winexpert, Vineco, and Wine Kitz through a network of independent retailers throughout Canada, the United States, the U.K., and a number of other countries.

Trademarks

The Company uses a number of significant trademarks which are owned by the Company or its subsidiaries or used under exclusive license. Significant trademarks include Andrés Wines, Andrew Peller Limited, Peller Estates, Trius, Thirty Bench, Red Rooster, Sandhill, Wayne Gretzky Estates, No. 99, No. 99 Rye Lager, Wayne Gretzky Okanagan, Black Hills Estates, Gray Monk Cellars, Tinhorn Creek, Oldfield Reserve, Innovation Series, The Creek, Crush Club, Creek Design, Calona Vineyards, Raven Conspiracy, Conviction, Peller Family Vineyards, Domaine D'Or, Hochtaler, Royal, XOXO, Black Cellar, Copper Moon, Rebellion, The Diplomat, Waltzing Matilda, Panama Jack, PJs Craft Cream, No Boats on Sunday, Schloss Laderheim, Baby Canadian, Baby Duck, Wine Country Vintners, and The Wine Shop. For the personal winemaking business, key trademarks include: Vintner's Reserve, California Connoisseur, Atmosphere, Cheeky Monkey, KenRidge, Niagara Mist, Cellar Craft, World Vineyard, Selection, Island Mist, Winexpert, LE, Après and Legacy. Trademarks are important in the marketing and sale of wine and it is the Company's policy to vigorously protect its trademarks.

Competition

The wine industry in Canada is intensely competitive based on quality, price, brand recognition, and distribution. The Company competes with a large number of domestic and international wine producers. The Company is the second largest

winery in Canada with 5.9% share of the wine market in total Canada for the 12-month rolling period ended March 2019, down from 6.1% in prior year. The largest wine company in Canada is Arterra Wines with a 12.0% share of the market and they also had a share loss of 0.4% over year ago. The Company's competitors range in size from large, well established national and multi-national corporations to small "farm gate" wineries that are limited to selling only wine produced from vineyards that they own or control. With the launch into craft whisky, the Company now also competes with large spirit companies like Diageo (Crown Royal), Pernod Ricard (Jameson/ Glenlivet/ Chivas Regal), William Grant & Son/Hiram Walker (Gibson), Gruppo Compari (Forty Creek), Corby's (J.P Wiser) - who also distributes the Pernod Ricard whisky in Canada - as well as smaller craft producers like Collingwood and Virginia Black. The Company competes on the basis of providing value through a balance of quality and price, promotion, brand recognition, and distribution.

Properties

The following table sets forth information regarding the Company's principal properties and wineries as at March 31, 2019.

<u>Location</u>	<u>Size</u>	<u>Use</u>	<u>Nature of Interest</u>	<u>Capacity</u> ⁽²⁾
Lake Country, British Columbia	50 acres	Winery, Vineyard, Tour Centre, Retail, Offices	Owned ⁽¹⁾	9,000
Oliver, British Columbia	50 acres	Winery, Vineyard, Tour Centre, Retail, Offices	Owned ⁽¹⁾	3,600
Osoyoos, British Columbia	49 acres	Winery, Vineyard, Tour Centre, Retail, Offices	Owned ⁽¹⁾	1,260
Osoyoos, British Columbia	100 acres	Vineyard	Owned ⁽¹⁾	N/A
Port Moody, British Columbia	4.9 acres	N/A	Owned ⁽¹⁾	N/A
Port Coquitlam, British Columbia	20,000 sq. ft.	Wine Kit Production	Owned ⁽¹⁾	85,000
Port Coquitlam, British Columbia	10,000 sq. ft.	Warehouse, Office	Leased	N/A
Vancouver, British Columbia	6,700 sq. ft.	Office	Leased	N/A
Oliver, British Columbia	124 acres	Vineyard	Owned ⁽¹⁾	N/A
Oliver, British Columbia	72 acres	Vineyard	Leased	N/A
Oliver, British Columbia	307 acres	Vineyard	Leased	N/A
Kelowna, British Columbia	160,000 sq. ft.	Winery & Office	Owned ⁽¹⁾	185,000
Penticton, British Columbia	9,000 sq. ft.	Winery	Owned ⁽¹⁾	500
Cawston, British Columbia	75 acres	Vineyard	Owned ⁽¹⁾	N/A
Stoney Creek, Ontario	111,852 sq. ft.	Warehouse	Leased	N/A
Grimsby, Ontario	141,000 sq. ft.	Winery & Offices	Owned ⁽¹⁾	190,000
	on 26 acres			
Ontario – 101 retail stores, various locations	Each retail store ranges from 180 sq. ft. to 1,000 sq. ft.	Retail	Leased	N/A
Oakville, Ontario	8,718 sq. ft.	Offices	Leased	N/A
Beamsville, Ontario	41 acres	Vineyard	Leased	N/A
Beamsville, Ontario	4,996 sq. ft.	Winery, Retail Vineyard	Owned ⁽¹⁾	550
	57 acres			
St. Catharines, Ontario	28,000 sq. ft.	Wine Kit Production	Owned ⁽¹⁾	90,000
St. Catharines, Ontario	45,000 sq. ft.	Warehouse	Leased	N/A
Niagara-on-the-Lake, Ontario (Peller Estates)	40,000 sq. ft. on 40 acres	Winery, Vineyard, Tour Centre, Retail, Offices	Owned ⁽¹⁾	8,000
Niagara-on-the-Lake, Ontario (Trius Winery at Hillebrand)	53,000 sq. ft. on 9 acres	Winery, Vineyard, Tour Centre, Retail, Offices	Owned ⁽¹⁾	8,000
Niagara-on-the-Lake, Ontario (Wayne Gretzky Winery and Distillery)	15,000 sq. ft. on 5 acres	Winery, Vineyard, Distillery, Tour Centre, Retail, Offices	Owned ⁽¹⁾	2,000
Niagara-on-the-Lake, Ontario	21 acres	Vineyard	Owned ⁽¹⁾	N/A
Niagara-on-the-Lake, Ontario	70 acres	Vineyard	Owned ⁽¹⁾	N/A
Niagara-on-the-Lake, Ontario	100 acres	Vineyard	Owned ⁽¹⁾	N/A

(1) Company owned properties have been provided as security for the Company's loan facilities.

(2) All production capacities reflect hectolitres per year.

Other Intangible Properties

The Company has approximately 250 authorized retailer agreements in place relating to the distribution of home winemaking products across Canada.

Raw Materials

The Company purchases its raw materials, including grapes, wine, juice, grains, spirits, concentrate, glass bottles, and other packaging materials from a wide range of suppliers around the world.

The production process involves the preparation of product, packaging, and shipping to customers. The nature of the process and the production inputs required vary by brand. The required liquid production inputs include purchased domestic grapes from local grape growers, grapes harvested from APL owned vineyards, and bulk wine purchased both in Canada and on international markets. Apples and apple juice for national cider products are contracted domestically by region. The finished product is packaged in glass bottles and bag in box format in the Grimsby, Kelowna, and Truro facilities. Co-packers are used to bottle wine in the tetra pak format and 19.5L stainless steel kegs. Co-packers are also used to package cider and beer in aluminium cans.

In Ontario and B.C., grapes are purchased from a number of third-party growers under supply contracts with the Company. In Ontario the Company is required to purchase grape tonnage to meet minimum legal requirements. Grape prices are negotiated annually between Ontario based producers and the Grape Growers' Marketing Board, while in British Columbia, grape prices are negotiated between the Company and individual growers. In B.C., the industry uses weighted average from the previous vintage as the basis for these negotiations. Grapes purchased in Ontario and B.C. are used primarily for the Ontario and B.C. markets, respectively.

The Company's investment in vineyards has helped to ensure it has a high quality and consistent supply of grapes grown in Canada. Niagara-on-the-Lake, the Beamsville Bench, and the Okanagan and Similkameen Valleys in B.C. are four of the best locations in the world for the production of premium vinifera grapes. To secure its supply of high-quality grapes, the Company has invested in Ontario and B.C. vineyards, and owns and leases 306 and 719 acres, respectively.

The Company has entered into a number of contracts with over 75 grape growers in Ontario and B.C. to ensure that a continuous supply of grapes is available. The contract terms vary from one to ten years in duration and mature at varying times up to and including the 2029 harvest. The commitments to purchase grapes grown in Canada are approximately \$35 million per year.

To complement grapes purchased in Ontario and B.C. and to meet consumer demand in all regions of the country, the Company purchases wine, juice, and concentrate from suppliers around the world, primarily in Chile, Argentina, South Africa, Australia, Spain and Italy. The Company has entered into advance purchase contracts with foreign suppliers to purchase bulk wine through 2021.

The Company utilizes various packaging materials, including glass bottles, bag in box, barrels, tetra paks, prisms, kegs, corks, capsules, labels, and cartons in the bottling and packaging of its wines. The Company utilizes glass and cans in the bottling and packaging of its cider products. Glass bottles represent a significant component of the total cost of goods sold. The Company enters into annual contracts with domestic glass suppliers to ensure continuity of supply for high volume brands. The Company has supply agreements for premium imported glass from Italy, Columbia and Mexico. Supply risk is mitigated by carrying increased inventories of select bottles. The Company has supply agreements with can distributors in the United States and Canada to ensure continuity of supply for aluminium cans.

The Company considers its sources of supply to be adequate.

Other Principal Contracts

Credit Facilities

The Company's credit agreement matures on September 29, 2022 and has a total borrowing limit of \$310 million, separated into two facilities: a revolving, non-amortizing facility with a borrowing limit of \$90 million to be used for day-to-day operations, distributions and capital expenditures and a revolving, amortizing investment facility with a borrowing limit of \$220 million to be used for acquisitions or capital expenditures. Each draw on the investment facility is subject to a new amortization schedule and required annual repayments increase over the term of the loan. Monthly principal repayments of \$0.8 million are required on the revolving, amortizing facility until September 30, 2020. Thereafter, monthly principal repayments will increase to \$1.1 million.

The Company has entered into interest rate swaps in order to fix the interest rate on the amount outstanding on the operating term loan at 2.25%, plus applicable margin until September 29, 2022. As at March 31, 2019, the applicable margin was 1.90%

The Company and its subsidiaries have provided their assets as security for these loans.

Foreign Exchange Contracts

The Company uses forward contracts to protect against changes in foreign currency rates and as at March 31, 2019, the Company had forward foreign currency contracts to buy USD\$5.0 million at rates ranging from \$1.31 to \$1.32 and AUD\$8.0 million at rates ranging from \$0.95 to \$0.97. These contracts mature at various dates to November 2019.

Retail Store Leases

The Company has operating leases in place for its network of 101 *The Wine Shop, Wine Country Vintners, and Wine Country Merchants* retail store locations. These leases have terms that range from one year to ten years in length.

Okanagan Valley Lease

On November 1, 2006 the Company entered into a 30 year lease with Covert Farms Ltd. for 307 acres of land in the Okanagan Valley in B.C. The lease expires on October 31, 2036.

Employees

As at March 31, 2019, the Company had a total of 1,437 employees, of whom 45 full and part-time employees were covered by a union contract and approximately 527 were full or part-time employees of *The Wine Shop, Wine Country Vintners, and Wine Country Merchants* chain of retail stores.

The union in Kelowna, B.C. is covered by a contract with the Brewery, Winery and Distillery Workers, Local 300. The collective agreement expired on May 31, 2019. The parties have reached a new Memorandum of Agreement and the union is holding a ratification vote in the coming weeks.

Regulation

The business of the Company is extensively regulated by provincial legislation which governs the manufacture and sale of beverage alcohol. Provincial liquor authorities issue licences for the manufacture and sale of beverage alcohol in each province. Provincial regulations govern the pricing, packaging, labelling, advertising, production, and distribution of products manufactured by licensed wineries, breweries, and distilleries. The Company is in compliance in all material respects with provincial legislation that regulates the manufacture and sale of beverage alcohol. The Company is also in material compliance with all provincial and federal legislation relating to environmental regulations.

The Company is subject to environmental regulation at the federal, provincial, and municipal levels. The Company is committed to addressing environmental matters and to continually improving its environmental performance. Environmental highlights are presented to the Board of Directors twice a year and environmental improvements are incorporated into the business planning cycle.

Environmental performance is monitored internally with a focus on reducing waste, improving processes, and sourcing new recycling streams while meeting environmental laws and regulation. In fiscal 2017, several sites conducted a third-party sustainability audits achieving Gold, Silver and Bronze status. Re-certification of these sites is scheduled for fiscal 2020.

The Company is also subject to local by-laws with respect to wastewater discharge at each of its production facilities and works in partnership with various levels of government to obtain all required environmental permits. Environmental Activity and Sector Registry ("EASR") assessment and registration was completed for the Company's Ontario winery and estate properties in fiscal 2018. EASR assessments and registrations are planned for the GVI sites in fiscal 2020. APL has implemented measures to reduce wastewater at the source and is actively experimenting with innovative and sustainable ways to reduce biological oxygen demand. The Company continues to invest in environmental infrastructure related to water, air, utilities and waste to ensure that regulations and environmental standards are met and that the Company's targeted reduction in environmental impact is achieved.

Risks and Uncertainties

The Company's sales of wine and spirits are affected by general economic conditions such as changes in discretionary consumer spending and consumer confidence, future economic conditions, changes to Inter-Provincial trade laws, tax laws, and the prices of its products. A steep and sustained decline in economic growth may cause a lower demand for the Company's products. Such general economic conditions could impact the Company's sales through the Company's estate wineries, distillery and restaurants, direct sales through licensed establishments, and export sales through duty free shops. The Company believes that these effects would likely be temporary and would not have a significant impact on financial performance.

The Canadian wine market continues to be the target of low-priced imported wines from regions and countries that subsidize wine production and grape growing as well as providing sizeable export incentives on subsidies. Many of these countries

and regions prohibit or restrict the sale of imported wine in their own domestic markets. The Company, along with other members of the Canadian wine industry, are working with the Canadian government to improve support for the domestic industry.

The Company operates in a highly competitive industry and the dollar amount and unit volume of sales could be negatively impacted by its inability to maintain or increase prices, changes in geographic or product mix, a general decline in beverage alcohol consumption, or the decision of retailers or consumers to purchase competitive products instead of the Company's products. Retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of the Company's products including their quality or pricing compared to competitive products. Unit volume and dollar sales could also be affected by purchasing, financing, operational, advertising, or promotional decisions made by provincial agencies and retailers which could affect supply of or consumer demand for the Company's products. APL could also experience higher than expected selling and administrative expenses if it finds it necessary to increase the number of its personnel, advertising, or promotional expenditures to maintain its competitive position.

APL expects to increase sales in Canada principally through the sale of VQA wines, and as a result, is dependent on the quality and supply of domestically grown premium quality grapes. If any of the Company's vineyards or the vineyards of our grape suppliers experience certain weather variations, natural disasters, pestilence, other severe environmental problems, or other occurrences, APL may not be able to secure a sufficient supply of grapes, a situation which could result in a decrease in production of certain products from those regions and/or result in an increase in costs. The inability to secure premium quality grapes could impair the ability of the Company to supply certain wines to its customers. APL has developed programs to ensure it has access to a consistent supply of premium quality grapes and wine. The price of grapes is determined through negotiations with the Ontario Grape Growers Marketing Board in Ontario and with independent growers in British Columbia.

Foreign exchange risk exists on the purchases of bulk wine and concentrate that are primarily made in United States dollars, Euros, and Australian dollars. Fluctuating foreign currencies may have a positive or negative impact on gross margins, however, the Company believes the impact on gross margin will be largely offset by its continued ability to leverage scale and successful cost control initiatives to reduce other cost of goods sold. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements throughout the fiscal year and to regularly review its on-going requirements. The Company does not enter into foreign exchange contracts for trading or speculative purposes and contracts are reviewed periodically. Based on the Company's forecasts for foreign currency purchases and the amount of foreign exchange forward contracts outstanding at March 31, 2019, each one percent change in the U.S. dollar would impact the Company's net earnings by an estimated \$0.2 million. Each one percent change in the Euro and the Australian dollar exchange rates would not result in a material impact on the Company's net earnings.

The Company purchases glass, bag in box, tetra paks, and other components used in the bottling and packaging of wine and spirits. The largest component in the packaging of wine and spirits is glass, of which there are few domestic or international suppliers. There is currently only one commercial supplier of glass in Canada that is able to supply glass to APL's specifications. Any interruption in supply could have an adverse impact on the Company's ability to supply its markets. APL has taken steps to reduce its dependence on domestic suppliers through the development of relationships with several international producers of glass and through carrying increased inventory of selected bottles.

The Company operates in a highly regulated industry with requirements regarding the production, distribution, marketing, advertising, and labelling of wine and spirits. These regulatory requirements may inhibit or restrict the Company's ability to maintain or increase strong consumer support for and recognition of its brands and may adversely affect APL's business strategies and results of operations. Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The recent regulatory changes relating to privatization in Ontario and sales through grocery outlets remains a risk to the Company through its impact on the Company's retail operations.

The wine industry and the domestic and international markets in which the Company operates are consolidating. This has resulted in fewer, but larger, competitors who have increased their resources and scale. The increased competition from these larger market participants may affect the Company's pricing strategies and create margin pressures resulting in potentially lower revenues. Competition also exerts pressure on existing customer relationships which may affect APL's ability to retain existing customers and increase the number of new customers. The Company has worked to improve production efficiencies, selectively increase pricing to increase gross margin, and implement a higher level of promotion and advertising activity to remain competitive. APL and other wine industry participants also generally compete with other alcoholic beverages like beer and spirits for consumer acceptance, loyalty, and shelf space. The legalization of recreational cannabis may also have an impact on consumption of wine and other beverage alcohol products. No assurance can be given that consumer demand for wine and premium wine products will continue at current levels in the future.

Federal and provincial governments impose excise, other taxes, and mark-ups on beverage alcohol products which have been subject to change. Significant increases in excise and other taxes on beverage alcohol products could materially and adversely affect the Company's financial condition or results of operations. Federal and provincial governmental agencies extensively regulate the beverage alcohol products industry concerning such matters as licensing, trade practices, permitted and required labelling, advertising, and relations with consumers and retailers. Certain federal and provincial regulations also require warning labels and signage. New or revised regulations, increased licensing fees, requirements, taxes, or mark-ups could also have a material adverse effect on the Company's financial condition or results of operations.

The Company's future operating results also depend on the ability of its officers and other key employees to continue to implement and improve its operating and financial systems and manage the Company's significant relationships with its suppliers and customers. The Company is also dependent upon the performance of its key senior management personnel. The Company's success is linked to its ability to identify, hire, train, motivate, promote, and retain highly qualified management. Competition for such employees is intense and there can be no assurances that the Company will be able to retain current key employees or attract new key employees.

The Company has certain defined benefit pension plans. The expense and cash contributions related to these plans depend on the discount rate used to measure the liability to pay future benefits and the market performance of the plan assets set aside to pay these benefits. The Company's Pension Committee reviews the performance of plan assets on a regular basis and has a policy to hold diversified investments. Nevertheless, a decline in long-term interest rates or in asset values could increase the Company's costs related to funding the deficit in these plans.

The competitive nature of the wine industry internationally has resulted in the discounting of retail prices of wine in key markets such as the United States and the United Kingdom. Although significant price discounting may occur in Canada beyond current levels, the Company believes that its product quality, advertising, and promotional support along with its competitive pricing strategies will effectively mitigate the impact of this to the Company.

The Company considers its trademarks, particularly certain brand names and product packaging, advertising and promotion design, and artwork to be of significant importance to its business and ascribes a significant value to these intangible assets. APL relies on trademark laws and other arrangements to protect its proprietary rights. There can be no assurance that the steps taken by APL to protect its intellectual property rights will preclude competitors from developing confusingly similar brand names or promotional materials. The Company believes that its proprietary rights do not infringe upon the proprietary rights of third parties, but there can be no assurance in this regard.

As an owner and lessee of property the Company is subject to various federal and provincial laws relating to environmental matters. Such laws provide that the Company could be held liable for the cost of removal and remediation of hazardous substances on its properties. The failure to remedy any situation that might arise could lead to claims against the Company. A perceived failure to maintain high ethical, social, and environmental standards could have an adverse effect on the Company's reputation.

The success of the Company's brands depends upon the positive image that consumers have of those brands. Contamination of APL's products, whether arising accidentally or through deliberate third-party action, or other events that harm the integrity or consumer support for those brands could adversely affect their sales. Contaminants in raw materials purchased from third parties and used in the production of the Company's products or defects in the fermentation process could lead to low product quality as well as illness among, or injury to, consumers of the products and may result in reduced sales of the affected brand or all of the Company's brands.

DIVIDEND POLICY

The Company's Class A Shares (non-voting) ("Class A Shares") are entitled to a dividend in an amount equal to 115% of any dividends paid or declared on Class B Shares (voting) ("Class B Shares"). On June 12, 2019, the Company's Board of Directors approved a 4.8% increase in common share dividends for shareholders of record on June 28, 2019 payable on July 5, 2019. The annual dividend on Class A Shares was increased to \$0.215 per share from \$0.205 per share and the dividend on Class B Shares was increased to \$0.187 per share from \$0.178 per share. The Company has consistently paid common share dividends since 1979 and has increased dividends every year for the past seven years. The Company's dividend payments are reviewed annually by the Board of Directors.

On June 2, 2016 the Company's Board of Directors approved a Dividend Reinvestment Plan (DRIP) for Class A Shares effective on September 9, 2016. Under the DRIP, registered Class A shareholders can elect to have 100% of their dividends reinvested to purchase additional Class A Shares. The Board of Directors believes the DRIP provides Class A shareholders with a cost-effective method to increase their investment in the Company.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Preference Shares, issuable in one or more series, of which 33,315 are designated as Preference Shares, Series A, an unlimited number of Class A Shares and an unlimited number of Class B Shares. The only classes of shares of APL that are issued and outstanding are Class A Shares and Class B Shares. The only shares of the Company which are entitled to vote on matters set out in the notice of meeting of security holders are the Class B Shares. Neither the Class A Shares nor the Class B Shares may be subdivided, consolidated, reclassified, or otherwise changed unless contemporaneously therewith the other class of shares is subdivided, consolidated, reclassified, or otherwise changed in the same manner and in the same proportion. In the event of liquidation, dissolution, or a winding-up of the Company, all of the Company's property and assets available for distribution to the holders of Class A Shares and Class B Shares shall be paid or distributed equally, share for share, to the holders of Class A Shares and Class B Shares, respectively. In the event a takeover bid is made for Class B Shares, the holders of Class A Shares have no right to participate on such takeover bid.

During fiscal 2019, 503,101 Class B Shares were converted in Class A Shares on a one-for-one basis. On March 31, 2019 the Company had outstanding 8,198,994 Class B Shares without nominal or par value, each carrying the right to one vote per share, and 35,988,148 Class A Shares.

As described above, Class A Shares are non-voting securities and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B Shares. Class B Shares are voting securities and convertible into Class A Shares on a one-for-one basis.

MARKET FOR SECURITIES

The Class A Shares (stock symbol "ADW.A") and Class B Shares (stock symbol "ADW.B") are listed and posted for trading on the Toronto Stock Exchange. The monthly volume of trading and price ranges of the Class A Shares and Class B Shares on the Toronto Stock Exchange over fiscal 2019 are as follows.

Class A Shares (non-voting)

Class B Shares (voting)

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Volume</u>	<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Volume</u>
2018	\$	\$	\$		2018	\$	\$	\$	
April	18.63	17.91	17.87	530,416	April	18.69	17.95	18.00	4,697
May	18.32	17.18	17.85	589,458	May	18.84	17.50	18.16	4,660
June	18.50	17.08	16.93	1,018,197	June	18.58	17.00	16.95	7,275
July	17.27	16.34	16.38	705,193	July	17.48	16.50	16.47	6,053
August	17.66	16.50	16.87	424,511	August	17.66	16.50	16.84	4,300
September	17.48	15.89	16.36	534,911	September	17.24	15.99	16.79	16,100
October	16.69	14.03	14.90	860,715	October	16.79	14.95	15.00	10,600
November	15.45	13.30	14.03	433,140	November	15.00	12.56	14.00	4,242
December	14.12	11.64	13.69	561,230	December	14.10	11.62	13.50	9,344
2019					2019				
January	15.24	13.29	14.67	1,363,386	January	15.40	13.29	14.98	11,000
February	14.85	12.83	13.14	827,567	February	14.86	13.00	13.00	13,273
March	13.47	12.60	13.23	426,099	March	13.95	12.68	13.37	2,755

DIRECTORS AND OFFICERS

The names, provinces of residence, and principal occupation of the directors of the Company and the period during which each director has served on the Board of Directors are as follows:

<u>Name and Province of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>
SHAUNEEN E. BRUDER Ontario, Canada <i>Royal Bank of Canada is a Canadian multinational financial services company</i>	Executive Vice-President, Operations Royal Bank of Canada	2018
MARK W. COSENS ⁽¹⁾ Ontario, Canada <i>Kilbride Partners is a private management advisory firm.</i>	Managing Director Kilbride Partners	2001
MICHELLE E. MALLETT DIEMANUELE ⁽²⁾ Ontario, Canada <i>Trillium Health Partners is a leading hospital offering full range of acute care hospital services, as well as a variety of community based, specialized programs.</i>	President and Chief Executive Officer Trillium Health Partners	2016
PERRY J. MIELE ⁽³⁾ Ontario, Canada <i>Beringer Capital is a company experienced in a broad range of disciplines including operations, finance, new business, and strategy.</i>	Chairman & Managing Partner Beringer Capital	2010
A. ANGUS PELLER, M.D. ⁽⁴⁾ Ontario, Canada <i>Medcan Health Management Inc. is a health management company.</i>	Senior Medical Consultant Medcan Health Management Inc.	1991
JOHN E. PELLER ⁽⁵⁾ Ontario, Canada	Chief Executive Officer and Chairman Andrew Peller Limited	1989
FRANCOIS VIMARD ⁽⁶⁾ Ontario, Canada	Corporate Director	2018

- (1) Chair of the Pension Committee
 (2) Chair of Governance and Human Resources Committee
 (3) Independent Lead Director
 (4) Vice Chair of the Board of Directors
 (5) Chair of the Board of Directors
 (6) Chair of the Audit, Finance and Risk Committee

Each term is three years and there is a maximum of three such terms for a total of nine years of service on the Board. At its discretion, the Board may extend the limit beyond the maximum if circumstances warrant.

Officers Who Are Not Directors

The names and provinces of residence of the executive officers of the Company who are not directors and the position and principal occupation of each of them with the Company as of March 31, 2019 are as follows:

<u>Name and Province of Residence</u>	<u>Principal Occupation</u>
RANDY POWELL Ontario, Canada	President
STEVE ATTRIDGE Ontario, Canada	Chief Financial Officer and Executive Vice-President, IT
SHAWN MACLEOD Ontario, Canada	Executive Vice President, Marketing
SARA PRESUTTO Ontario, Canada	Executive Vice-President, Human Resources
BRENDAN WALL Ontario, Canada	Executive Vice President, Operations
GREG BERTI Ontario, Canada	Vice-President, Global Markets and Industry Relations
JAMES COLE Ontario, Canada	Vice President, Retail and Estate Wine Group
GAVIN HAWTHORNE Ontario, Canada	Vice President, Sales & Marketing, GVI
CRAIG MCDONALD Ontario, Canada	Vice President, Winemaking

There are no existing or potential conflicts of interest between any director or officer of the Company or its subsidiaries and the Company and its subsidiaries. There are no cease trade orders (or similar orders) involving any director or officer and there are no other penalties, sanctions, insolvency, or bankruptcy proceedings outstanding. During the past five years, each of the officers of the Company has had the same or similar principal occupation with the Company or the organization

indicated, except: Mr. Attridge who, prior to September 2018, was Chief Financial Officer of Mastronardi Produce Ltd, Ms. Presutto who, prior to June 2018 was Vice President, Human Resources at Starbucks Canada, Mr. MacLeod who, prior to November 2017 was the General Manager of Mars Food Canada and Mr. Powell who, prior to November 2016 was the Founding Partner of Southpier Capital Inc.

The directors and executive officers of APL as a group beneficially own, or control or direct, directly or indirectly, 5,994,198 Class B Shares, being approximately 73.1% of the issued and outstanding Class B Shares of the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's Class A Shares (non-voting) and Class B Shares (voting) is Computershare Investor Services Inc. with its head office in Toronto where the registers of transfers for the Company's securities are located.

INTERESTS OF EXPERTS

The audited financial statements of the Company for the year ended March 31, 2019 filed with the Canadian securities administrators are audited by PricewaterhouseCoopers LLP, Chartered Professional Accountants. PricewaterhouseCoopers LLP has reported that they are independent of the Company in accordance with the rules of professional conduct of the Chartered Professional Accountants of Ontario.

REPORT OF THE AUDIT COMMITTEE

The text of the Audit, Finance, and Risk committee's charter is attached as Schedule A to this AIF.

The Audit, Finance, and Risk Committee (the "Audit Committee") is composed entirely of independent directors. The five members of the Audit Committee during the year ended March 31, 2019 were Francois Vimard (Chairman), Shauneen E. Bruder, Mark W. Cosens, Michelle E. Mallett DiEmanuele and Perry J. Miele. All members of the Audit Committee for the year ended March 31, 2019 are considered by the Board to be financially literate by way of their business experience and educational background. The following is a brief summary of the education and experience that is relevant to the performance of the responsibilities as Audit Committee members:

Audit Committee Member Relevant Education and Experience

Shauneen E. Bruder	Ms. Bruder is Executive Vice-President, Operations at Royal Bank of Canada and has held progressively senior roles since 1984 including Commercial Banking, Risk Management, Product Management and Sales Leadership. Ms. Bruder has broad, multi-disciplinary experience across business, operations, sales, marketing and strategy. Ms. Bruder holds a Master of Business Administration from Queen's University.
Mark W. Cosens	Mr. Cosens is the Managing Director at Kilbride Partners and a former Managing Director of Korn/Ferry International, specializing in industrial, energy, and financial services. Prior to joining Korn/Ferry International, Mr. Cosens held several positions in the investment and commercial banking industry. Mr. Cosens holds a Bachelor of Arts in Economics from the University of Western Ontario and an LLB from Osgoode Hall Law School.
Michelle E. Mallett DiEmanuele	Ms. Mallett DiEmanuele has been the Chief Executive Officer and President of The Credit Valley Hospital and Trillium Health Centre since February 1, 2012. Ms. Mallett DiEmanuele has worked across many sectors and has expertise in human resources management, information technology, business process reengineering, stakeholder management, strategy development, government relations and operations.
Perry J. Miele	Mr. Miele is Chairman and Managing Partner of Beringer Capital and is responsible for investing activities, strategic development, and oversight of Beringer's investment portfolio. Mr. Miele has invested and worked across many sectors and has developed his expertise in marketing, sales, government relations and finance. He has operated companies in a wide geographic area throughout Canada and the U.S.
Francois Vimard	Mr. Vimard has been Executive Vice-President and Chief Financial and Administrative Officer of Empire Company Ltd and Sobeys Inc. between 2007 and 2017. He also formerly served as Chairperson of the Board of Director of GS1 Canada between 2015 and 2017. Mr. Vimard is a Chartered Professional accountant and is a graduate of the Institute of Corporate Directors.

Pre-Approval Policies

The Audit Committee has adopted the following policies and procedures for the engagement of non-audit services. The Audit Committee will pre-approve all audit and non-audit services provided by the auditors. This is accomplished through the Audit Committee's recommendation to the holders of Class B Shares on the approval of the appointment of the auditors at the Company's annual meeting and through the Audit Committee's review of the auditors' annual audit plan. Periodically the Audit Committee will update an agreed list of pre-approved services that are recurring or otherwise reasonably expected to be provided. Any additional requests for pre-approval will be addressed on a case-by-case basis to the Audit Committee. The engagement may commence upon approval by a quorum of the full Audit Committee.

External Auditor Service Fees

The table below provides disclosure of the services provided and fees earned by the Company's external auditors over the Company's two most recently completed fiscal years:

Type of Services	Fees – Fiscal 2019	Fees – Fiscal 2018
Audit fees	\$304,268	\$391,500
Audit-related fees ⁽¹⁾	20,000	123,820
Sub-total	\$324,268	\$515,320
Tax advice and compliance fees	62,982	55,330
All other services ⁽²⁾	104,616	52,834
Total	\$491,866	\$623,484

(1) Audit-related fees are largely comprised of audit, accounting and tax due diligence work performed in relation to the Company's three corporate acquisitions in fiscal 2018.

(2) All other services relate to a sub-lease agreement for office space entered into during fiscal 2018. The arrangement was conducted at market rates and is not considered significant to either party.

All recommendations of the Audit Committee to compensate the external auditor in fiscal 2019 and fiscal 2018 have been approved.

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's annual financial statements as well as services provided in connection with statutory and regulatory filings.

Audit-related Fees

Audit related services were paid for assurance and related services that were reasonably related to the performance of the audit, review of the annual financial statements, or support provided for assistance in completion of the Company's compliance with National Instrument 52-109 and are not reported under the audit services category above. These services also consist of quarterly meetings with management.

Tax Fees

Tax fees were paid for tax compliance, tax advice, and tax planning professional services. These services consisted of reviewing tax returns and assisting in responses to government tax authorities.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and principal holders of the Company's securities is contained in the Company's Management Information Circular which will be dated July 31, 2019. None of the directors, officers, 10% (or more) shareholders of the Company, or any of their respective associates or affiliates have had within the past three most recently completed financial years, or during the current fiscal year, a material interest, direct or indirect, in any transaction that has materially affected or is reasonably expected to materially affect the Company. Additional financial information, including audited comparative consolidated financial statements for the year ended March 31, 2019 and related Management's Discussion and Analysis ("MD&A") is provided in the Annual Report to Shareholders. This and other information related to the Company can be accessed through SEDAR at www.sedar.com.

SCHEDULE A

CHARTER OF THE AUDIT, FINANCE, AND RISK COMMITTEE OF THE BOARD OF DIRECTORS OF ANDREW PELLER LIMITED

Purpose

The primary purpose of the audit committee (the "Audit Committee") of the board of directors (the "Board") of Andrew Peller Limited (the "Corporation") is to assist the Board of Directors in fulfilling its oversight responsibilities for the Corporation's internal control and management's information systems; reviewing the quarterly financial statements and managements' discussion and analysis prior to their release and recommend their approval to the Board; reviewing the annual audited financial statements and management's discussion and analysis prior to their release and recommend their approval to the Board; reviewing accounting and auditing developments and meeting with both financial and accounting personnel and the external auditors on issues relevant to the Corporation; reviewing the Corporation's policies and practices relating to insurance coverage, foreign exchange and interest rate hedging and, reviewing and assessing the qualifications, independence, and performance of the Corporation's auditors.

Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures, and practices.

Approval of Charter

This Audit Committee charter is approved by the Board.

Future changes to this charter require approval by the Board based on the recommendation of the Audit Committee.

Structure and Composition

The Audit Committee shall consist of no fewer than three members from among the Board.

Each member of the Audit Committee shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgement as a member of the Audit Committee; and meet the independence and experience requirements of the Toronto Stock Exchange and all applicable rules and regulations in Canada relating to corporate governance and audit committee matters, including Multilateral Instrument 52-110 (the "Regulations").

All members of the Audit Committee must be "financially literate" as such term is defined by the Regulations. The Board shall make determinations as to whether each member of the Audit Committee satisfies this requirement. The members of the Audit Committee shall be appointed by the Board annually on the recommendations of the Governance and Human Resource Committee or until successors are duly appointed.

The Board shall normally designate the Chair of the Audit Committee. In the event that a Board designation is not made, the members of the Audit Committee shall elect a temporary Chair for such meeting by majority vote of the members in attendance at the meeting.

Once appointed, Audit Committee members shall cease to be a member of the Audit Committee only upon:

- (i) resignation from the Board;
- (ii) death;
- (iii) disability; or
- (iv) not being re-appointed pursuant to the appointment process described above.

Meetings

The Audit Committee shall meet at least quarterly and more frequently as circumstances dictate.

A majority of Audit Committee members are required for meeting quorum. In the event that the number of Audit Committee members is an even number, one half of the number of members shall constitute a quorum.

The Audit Committee shall meet at least annually with management and the Corporation's auditor in separate committee sessions.

The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet or provide consultations to the Audit Committee or any member thereof.

The CEO, the President, the CFO and Executive Vice-President IT of the Corporation and representatives of the independent auditors shall normally attend meetings of the Audit Committee. Others may also attend meetings as the Audit Committee may request. Notice of all meetings of the Audit Committee shall be sent to the Auditors as well as Audit Committee members.

Resolutions

Resolutions of the Audit Committee shall require approval by a simple majority of members voting on such resolution. The Chair of the Audit Committee shall not have a deciding vote in the case of a tie.

Responsibilities and Duties

i) Minutes and Reporting to the Board

The Audit Committee shall prepare written minutes of all meetings. The Chair of the Committee or designate shall report to the Board of Directors after each meeting the significant matters addressed by the Committee at such meeting and a copy of the minutes shall be made available to all members of the Board. The Audit Committee shall make regular reports to the Board, but not less frequently than quarterly.

ii) Independent Auditor

With respect to the Corporation's independent auditor the Audit Committee shall:

- be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between financial management and the external auditor regarding financial reporting
- have sole authority to recommend to the Board the appointment or replacement of the independent auditor (subject to shareholder approval)
- recommend to the Board the compensation of the independent auditor
- have the independent auditor report directly to the Audit Committee
- determine the extent of involvement of the independent auditor in reviewing unaudited quarterly financial results
- meet with the independent auditor prior to the annual audit to discuss the planning, scope and staffing of the audit
- approve the selection of the senior audit partners having primary responsibility for the audit and the audit partner responsible for reviewing the audit
- at least on an annual basis, evaluate the qualifications, performance, and independence of the independent auditor and the senior audit partner having primary responsibility for the audit
- obtain and review a report from the independent auditor at least annually regarding:
 - (i) the independent auditor's internal quality-control procedures;
 - (ii) any material issues raised by the most recent internal quality control review, or peer review, of the firm, or raised by any inquiry or investigation by government or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;
 - (iii) any steps taken to deal with any issues; and
 - (iv) all relationships between the independent auditor and the Corporation.
- review and approve the Corporation's hiring policies regarding partners, employees, and former partners and employees of the present and former independent auditor
- pre-approve all auditing services and permitted non-audit services (including fees and terms thereof) to be performed for the Corporation or its subsidiaries by its independent auditor

iii) Financial Reporting

With respect to the Corporation's reporting of unaudited quarterly financial results, the Audit Committee shall:

- Prior to their public release and filing with securities regulatory agencies, review and discuss with management and the independent auditor the:
 - press release
 - consolidated financial statements and notes thereto
 - management's discussion and analysis

- results of any independent auditor's review requested/approved by the Audit Committee
- review the Corporation's unaudited quarterly financial results
- recommend to the Board whether the unaudited quarterly financial statements of the Corporation should be approved by the Board

iv) Year-End Audit

With respect to the Corporation's annual audit, the Audit Committee shall:

- Prior to their public release and filing with securities regulatory agencies, review and discuss with management and the independent auditor the:
 - financial statements and notes thereto for consolidated and separate entities
 - management's discussion and analysis
 - results of the independent auditor's audit
 - notice of annual meeting of shareholders
 - annual information form
- The review of the Corporation's audited financial results shall include:
 - any significant judgements (e.g. estimates and reserves) made in the preparation of financial statements
 - any significant disagreements among management and the independent auditors in connection with the preparation of financial statements
 - the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented
 - significant financial reporting issues and judgements made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and special steps adopted in light of material control deficiencies
 - the Corporation's use of "pro forma" or "adjusted" non-GAAP information
 - critical accounting policies and practices
 - review of alternative treatments of financial information in all cases, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor
 - any written communications between the independent auditor and management (e.g. management letters, schedule of unadjusted differences)
 - the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements
 - management certifications of reports filed by the Corporation pursuant to the Regulations
 - integrity of the Corporation's financial reporting processes
 - any correspondence with regulators or government agencies and any published reports which raise material issues regarding the Corporation's financial statements or accounting policies
 - results of the independent auditor's audit
 - discussions with the independent auditor regarding significant adjustments, management judgements and accounting estimates, significant new accounting policies, any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management
 - a verbal and/or written report, as appropriate, from the independent auditors describing
 - (i) all critical accounting policies and practices to be used
 - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors and
 - (iii) other material communications between the independent auditors and management, such as the annual management letter or schedule of unadjusted differences
- Recommend to the Board whether the audited consolidated financial statements of the Corporation should be approved by the Board

v) Annual Proxy Statement and Regulatory Filings

The Audit Committee shall:

- issue any reports required of the Audit Committee to be included in the Corporation's annual proxy statement
- review and recommend to the Board the approval of all material documents filed with securities regulatory agencies including:
 - Consolidated Year-end Financial Statements
 - Annual Information Form
- satisfy itself that the adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the documents referred to above, and periodically assess the adequacy of those procedures

vi) Related Party Transactions and Off-Balance Sheet Structure

The Audit Committee shall:

- Review all related-party transactions including those between the Corporation and its officers or directors and, if deemed appropriate, recommend approval of any particular transaction to the Board
- Review any material off-balance sheet structures, which the Corporation is a party to
- Review the audited financial statements for the Corporation's pension plans and the costs and obligations of such plans annually

vii) Internal Controls, Risk Management and Legal Matters

The Audit Committee shall:

- consider the effectiveness of the Corporation's internal controls over financial reporting and related information technology security and control including the process to communicate such controls and roles and responsibilities
- satisfy itself that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to above, and will periodically assess the adequacy of those procedures
- discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies including the use of derivative financial instruments. Areas to be considered in this respect include:
 - insurance coverage
 - foreign exchange exposure
 - interest rate exposure
- review with management, and if necessary, the Corporation's counsel on a quarterly basis:
 - any legal matter which could reasonably be expected to have a material impact on the Corporation's financial statements or accounting policies, and
 - the status of all material law suits

viii) Capital Structure, Investment and Cash Management Policies, Disclosure Policy

The Audit Committee shall:

- review and recommend to the Board whether any changes to the Corporation's capital structure should be approved
- review and approve the Corporation's investment and cash management policy
- review and approve the Corporation's disclosure policy

ix) “Whistle Blower” and Related Procedures

- The Audit Committee shall oversee the establishment of procedures for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters and for the confidential and/or anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. The identity of any person making a submission on a confidential basis shall be revealed, at a minimum, to the Chair of the Audit Committee. The identity of any such person, however, will otherwise be treated as confidential. The Committee shall also be provided with such evidence as it requests to confirm that no disciplinary action has been taken against such person.
- Management shall report to the Audit Committee on a timely basis all discovered incidents of fraud within the Corporation, regardless of monetary value.

x) Review of Charter and Self Assessment

The Audit Committee shall:

- Review and reassess annually the adequacy of this Charter
- Review annually the Audit Committee’s own performance

xi) Corporate Knowledge and Other Activities

The Audit Committee shall:

- Strive to expand continually its knowledge of the Corporation’s activities
- Carry out such other activities consistent with this Charter, the Corporation’s by-laws and governing law, that the Audit Committee or the Board deem necessary or appropriate

Other Advisors

The Audit Committee shall have the authority to retain independent legal, accounting or other advisors including consulting with the national office of the independent auditor. The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

Limitations on Committee’s Duties

While the Audit Committee has the responsibilities and power set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of either management and/or the independent auditor.

In discharging its duties, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter, including designating any member of the Committee as an “audit committee financial expert” is intended, or should be determined to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

The essence of the Committee’s responsibilities is to monitor and review the activities described in this Charter to gain reasonable assurance (but not to ensure) that such activities are being conducted properly and effectively by the Corporation.