

ANDREW PELLER

— LIMITED —

MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months ended June 30, 2022

The following management's discussion and analysis ("MD&A") provides a review of corporate developments, results of operations, and financial position for the three months ended June 30, 2022, in comparison with those for the three months ended June 30, 2021, for Andrew Peller Limited (the "Company" or "APL"). This discussion is prepared as of August 3, 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes contained therein for the period ended June 30, 2022 and 2021. Additional information relating to the Company, including the audited annual consolidated financial statements and Annual Information Form for the years ended March 31, 2022, and March 31, 2021, is available on www.sedar.com. The financial years ending March 31, 2023 and March 31, 2022 are referred to as "fiscal 2023" and "fiscal 2022" respectively. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A 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; 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 MD&A, 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 MD&A 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 MD&A, 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.

Overview

The Company is a leading producer and marketer of quality wines and craft beverage alcohol products 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 Winery*, *Tinhorn Creek Vineyards*, *Gray Monk Estate Winery*, *Raven Conspiracy* and *Conviction*. Complementing these premium brands are a number of popularly priced varietal brands including *Peller Family Vineyards*, *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 and seltzers, and various beer, spirits and cream whisky products under the *Wayne Gretzky No. 99* brand. 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, Global Vintners Inc. (“GVI”), the recognized leader in personal winemaking products. GVI distributes products through over 200 authorized retailers and more than 400 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 *Winexpert*, *Vine Co.*, *Apres*, *LE*, *Passport Series*, *On the House*, *Wild Grapes*, *DIY My Wine Co.*, *Island Mist* and *Niagara Mist*. 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.

The Company’s vision is to *Pour Extraordinary into Everyday Life*. The Company believes it achieves this objective by delivering to its customers and consumers the highest quality branded wines, spirits, refreshments, beer and experiences at the best possible value. To meet this goal, the Company invests in improvements in the quality of grapes, wines, and other 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 drive production efficiencies and realize cost savings through a continual review of its operations and cost structure with a view to improving profitability. The Company continues to expand and strengthen its distribution to all customers and consumers through its extensive distribution network, which 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.

Recent Events

Agriculture Canada has announced a new support program to provide short-term financial support to licensed Canadian wineries. The program provides non-repayable grants to wine licensees based on production of bulk wine fermented in Canada from domestic and/or imported grapes. The Company is in the process of applying for this support program and expects to receive a grant in the third quarter of fiscal 2023.

On June 15, 2022, the Company’s Board of Directors approved a common share dividend of \$0.246 per Class A Share and \$0.214 per Class B Share. The Company has consistently paid common share dividends since 1979. APL currently designates all dividends paid as “eligible dividends” for purposes of the Income Tax Act (Canada) unless indicated otherwise.

On June 8, 2022, the Company announced the appointment of Paul Dubkowski as Chief Financial Officer and Executive Vice-President of Information Services effective July 11, 2022. Steve Attridge, former CFO and EVP, IT, will remain with the Company to transition with Paul and continue to lead the Company’s digital and business process transformation.

As previously announced in July 2020, the Government of Canada has repealed the federal excise duty exemption of 100% Canadian wine effective June 30, 2022. This agreement was reached due to a World Trade Organization challenge put forward by Australia against Canadian wine measures. As a result of the repeal, excise tax of \$0.68 per litre will be payable on any 100% Canadian wine. Any 100% Canadian wine packaged prior to June 30, 2022 can continue to be sold under the previous exemption. Therefore, the Company has estimated that the repeal of the exemption will not have a material impact on revenue for fiscal 2023 and is evaluating the impact on future periods.

Results of Operations

For the three months ended June 30, (in \$000, except per share amounts)	2022	2021
Sales	\$ 97,699	\$ 92,397
Gross margin ⁽¹⁾	38,063	37,261
Gross margin (% of sales)	39.0%	40.3%
Selling and administrative expenses	26,092	25,348
EBITA ⁽¹⁾	11,971	11,913
Interest	2,613	2,273
Net unrealized gain on derivative financial instruments	(492)	(388)
Other expenses	397	341
Net earnings	2,863	3,290
Earnings per share – basic and diluted - Class A	\$0.07	\$0.08
Earnings per share – basic and diluted - Class B	\$0.06	\$0.07
Dividend per share – Class A (annual)	\$0.246	\$0.246
Dividend per share – Class B (annual)	\$0.214	\$0.14

⁽¹⁾ See “Non-IFRS Measures” section of this MD&A

Sales for the three months ended June 30, 2022 increased 5.7% to \$97.7 million. Sales have increased in the majority of the Company’s well-established trade channels with solid growth generated in markets closed for the majority of the prior year’s first quarter due to the pandemic, including at the Company’s ten estate wineries, sales to restaurants and hospitality locations, and through its export business. Additionally, the Company also implemented price increases in all markets to partially offset inflationary pressures, which has further contributed to an increase in sales compared to the first quarter of fiscal 2022. Despite the strong sales performance, the Company is continuing to experience challenges with supply, including wine, glass bottles and other key raw materials.

Gross margin as a percentage of sales was 39.0% for the three months ended June 30, 2022, a decrease from 40.3% for the three months ended June 30, 2021, but an improvement from the third and fourth quarter of fiscal 2022. The cost of raw materials such as imported wine, glass bottles and other packaging materials have increased due to inflationary pressures while international freight and shipping charges remained well above historical levels. In response to these margin pressures, the Company implemented price increases in the first quarter of fiscal 2023 and generated increased sales of higher margin VQA products in the quarter. In addition, the Company is executing numerous production efficiency and cost savings programs aimed at enhancing operating margins including consolidating certain warehouses and distribution, rationalizing stock keeping units (SKUs) and evaluating alternate sourcing for glass bottles, while also capitalizing on the new Enterprise Resource Planning (ERP) system to improve inventory utilization, production scheduling and logistics.

As a percentage of sales, selling and administrative expenses improved to 26.7% in the first quarter of fiscal 2023 compared to 27.4% in the prior year. Selling and administration expenses have increased when compared to prior year due to the increase in Ontario’s minimum wage and full operations of the estate and hospitality channels.

Earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes (“EBITA”) (see “Non-IFRS Measures” section of this MD&A) was \$12.0 million for the three months ended June 30, 2022 compared to \$12.0 million in the prior year. The increase in EBITA is largely due to the higher sales in the period, partially offset by a decrease in gross margin and an increase in selling and administrative expenses.

Interest expense in the first quarter of fiscal 2023 increased when compared to the prior year due to higher debt levels and higher interest rates.

The Company recorded a net unrealized non-cash gain in the first quarter of fiscal 2023 of \$0.5 million related to mark-to-market adjustments on interest rate swaps and foreign exchange contracts compared to \$0.4 million in the prior year. The change is largely due to a gain on the interest rate swap as Canadian interest rates increase. The Company has elected not to apply hedge accounting and accordingly the change in fair value of these financial instruments is reflected in the Company's consolidated statement of earnings each reporting period. These instruments are considered to be effective economic hedges and are expected to mitigate the short-term volatility of changing foreign exchange and interest rates.

Net earnings for the three months ended June 30, 2022 were \$2.9 million or \$0.07 per Class A Share compared to \$3.3 million or \$0.08 per Class A Share in the first quarter of the prior year.

Quarterly Performance

The following table outlines key quarterly highlights.

(in \$000, except per share amounts)	Q1 23	Q4 22	Q3 22	Q2 22	Q1 22	Q4 21	Q3 21	Q2 21
Sales	97,699	78,838	103,485	99,224	92,397	79,126	111,060	104,410
Gross margin ⁽¹⁾	38,063	23,029	36,294	42,408	37,261	28,089	41,537	44,165
Gross margin (% of sales)	39.0%	29.2%	35.1%	42.7%	40.3%	35.5%	37.4%	42.3%
EBITA ⁽¹⁾	11,971	(630)	12,084	15,821	11,913	1,815	16,223	22,438
Interest	2,613	2,162	2,424	2,478	2,273	2,619	1,637	1,813
Gain on debt modification and financing fees	-	-	-	-	-	-	(2,312)	-
Net unrealized (gain) loss on financial instruments	(492)	(485)	(359)	(1,037)	(388)	(495)	170	(540)
Gain on sale of assets held for sale	-	-	-	(7,518)	-	-	-	-
Other expenses (income)	397	946	(103)	26	341	742	148	195
Net earnings (loss)	2,863	(7,019)	3,107	13,090	3,290	(6,328)	10,236	12,674
E.P.S. – Class A basic	\$0.07	\$(0.17)	\$0.07	\$0.31	\$0.08	\$(0.15)	\$0.24	\$0.30
E.P.S. – Class B basic	\$0.06	\$(0.14)	\$0.06	\$0.27	\$0.07	\$(0.13)	\$0.21	\$0.26

⁽¹⁾ See "Non-IFRS Measures" section of this MD&A

The second and third quarters of the Company's fiscal year are historically the largest due to increased activity at the Company's estate properties and increased consumer purchasing of the Company's products during the holiday season.

Liquidity and Capital Resources

As at (in \$000)	June 30, 2022	March 31, 2022
Current assets	\$ 225,689	\$ 236,213
Property, plant, and equipment	207,508	209,015
Right-of-use assets	14,568	15,215
Intangible assets	44,310	43,990
Goodwill	53,638	53,638
Total assets	\$ 545,713	\$ 558,071
Current liabilities	\$ 40,872	\$ 54,381
Long-term debt	192,892	192,065
Lease obligations	11,702	12,193
Post-employment benefit obligations	1,592	1,605
Deferred income taxes	32,350	32,426
Shareholders' equity	266,305	265,401
Total liabilities and shareholders' equity	\$ 545,713	\$ 558,071

The change in current assets as at June 30, 2022 compared to March 31, 2022 is primarily due to a decrease in inventory due to higher sales in the first quarter of fiscal 2023. Inventory is dependent on domestically grown grapes that are used in the sale of premium and ultra-premium wines that are held for a longer period than imported wine. These wines are typically aged for one to three years before they are sold. The cost of producing wine from domestically grown grapes is also significantly higher than wine purchased on international markets.

Accounts receivable are predominantly with provincial liquor boards and, to a lesser extent, licensed establishments and independent retailers of personal winemaking products. The Company had \$15.7 million of accounts receivable with provincial liquor boards at June 30, 2022, all of which is expected to be collectible. The balance represents amounts due from licensees, export customers, and independent retailers of personal winemaking products. The amount of accounts receivable that was 30 days past due was \$0.9 million at June 30, 2022. Against these amounts an expected credit loss of \$0.3 million has been provided which the Company has determined based on a reasonable estimate of lifetime expected credit losses for trade receivable.

Long-lived assets have decreased by \$1.8 million compared to March 31, 2022. This is primarily attributed to \$3.7 million of additions, offset by \$5.5 million in depreciation for the quarter. Additions to property, plant and equipment relate to investments made in the Company's production facilities and vineyard management programs.

Current liabilities were \$40.9 million as at June 30, 2022 compared to \$54.4 million at March 31, 2022. The decrease is due to a \$13.0 million decrease in accounts payable and accrued liabilities as a result of the timing of payments.

Long-term debt increased marginally to \$192.9 million at June 30, 2022 from \$192.1 million at March 31, 2022. The Company's debt to equity ratio was 0.72:1 at June 30, 2022 consistent with March 31, 2022. At June 30, 2022, the Company had unutilized debt capacity in the amount of \$157.1 million on its credit facility.

Management expects to generate sufficient cash flow from operations to meet its debt servicing and working capital requirements over the short-term through strong management of working capital and prioritization of capital expenditures. The Company regularly reviews all of its assets to ensure appropriate returns on investment are being achieved and that they fit with the Company's long-term strategic objectives.

For the three months ended June 30, 2022, the Company generated cash from operating activities, after changes in non-cash working capital items, of \$7.3 million compared to \$2.0 million in the prior year. This is due to an increase in cash from working capital changes related to inventory as a result of higher sales in the quarter.

Cash used in investing activities for the three months ended June 30, 2022 was \$5.6 million, consistent with the three months ended June 30, 2021, which is due to an increase in the purchase of production equipment offset by a decrease in the purchase of intangible assets.

Financing activities for the three months ended June 30, 2022 include the repayment of long-term debt, payment of dividends, and principal repayment of lease obligations. The prior year's first quarter included the purchase of Class A shares under the Company's approved issuer bid which expired on March 4, 2022.

Working capital at June 30, 2022 was \$184.8 million compared to \$181.8 million at March 31, 2022. Shareholders' equity at June 30, 2022 was \$266.3 million or \$6.18 per common share compared to \$265.4 million or \$6.15 per common share at March 31, 2022.

Common Shares Outstanding

The Company is authorized to issue an unlimited number of Class A and Class B Shares. Class A Shares are non-voting 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 and convertible into Class A Shares on a one-for-one basis.

Shares outstanding	June 30, 2022	March 31, 2022
Class A Shares	34,979,348	34,978,011
Class B Shares	8,144,183	8,144,183
Total	43,123,531	43,122,194

Strategic Outlook and Direction

Andrew Peller Limited is committed to a strategy of growth that focuses on the expansion of its core business as a producer and marketer of quality wines and wine related products through concentrating on and developing leading brands that meet the needs of consumers and customers. Over the long term the Company believes higher-priced premium wine and spirits sales will continue to grow in Canada, generating higher margins and increased profitability compared to its lower-priced products. The Company entered the spirits and craft beer categories, through its strategic alliance with Wayne Gretzky, and has introduced ciders and seltzers through its own brand labels.

The Company has focused its product development and sales and marketing initiatives by capitalizing on alcohol consumption trends and expects to see continuing sales growth as markets continue to normalize after COVID-19. The Company will continue to closely monitor its costs and will react to changes to opportunities and risks in the marketplace.

The Company will continue to expand product offerings outside the traditional table wine segment into other alcoholic beverages where it is able to leverage its detailed knowledge of growth opportunities and operational advantages in the Canadian market. The Company will also make packaging design changes that are more appealing to its target markets and are consistent with its initiative to be more environmentally friendly. Increased focus will be made on coordination between the Company's business-to-consumer trade channels to provide customers with a more intimate awareness of its broad product portfolio. New product launches and key brands through all of the Company's distribution channels will continue to receive increased marketing and sales support.

From time to time the Company evaluates investment opportunities, including acquisitions, which support its strategic direction.

The Company believes that sales will grow over the long term due to strong positioning of key brands, the continued launch of new and innovative products in both its core wine business and in new product categories, as well as overall growth in the Canadian beverage alcohol market. The Company expects to continue to invest in capital expenditures to improve efficiencies, increase capacity, support its ongoing commitment to producing the highest-quality wines and spirits, and improve productivity.

Risks and Uncertainties

The Company's sales of wine and craft beverage alcohol products are affected by general economic conditions and social trends such as changes in discretionary consumer spending and consumer confidence, future economic conditions, changes to inter-provincial trade laws, tax laws, the prices of its products and health trends. The Company is experiencing uncertainty with respect to raw materials and import wine costs due to inflation, and component

shortages because of the global supply chain crisis. The impact on the financial results of the Company will depend on management's continued ability to successfully mitigate against these risks.

The Government of Ontario has announced its intention to modernize the rules for selling beverage alcohol in Ontario by expanding retail distribution in the province. This could represent a significant change to the retail landscape in Ontario with the goal of providing more convenience and choice to consumers. While there has not been a proposal by the Government of Ontario regarding implementation, the Company is working closely with its industry partners to mitigate the risks that this transition may have on its financial results.

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 competitor'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 adverse 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. When environmental risks such as wildfires occur, the Company's viticultural teams have internal processes to ensure the Company's vineyards are protected. This may include the use of technology and fire suppression activities. The Company's winemaking teams are also able to monitor the quality of the grapes and use enhanced processing technology to minimize the risk of smoke taint. APL has also developed programs to maintain 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 (see "Non-IFRS Measures" section of this MD&A), 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. As at June 30, 2022, the Company has forward foreign currency contracts to buy \$5.0 million US at rates averaging \$1.26, EUR 2.1 million at rates averaging \$1.37 and \$1.3 million AUD at a rate of \$0.91. These contracts mature at various dates to October 2022. Based on the Company's forecasts for foreign currency purchases and the amount of foreign exchange forward contracts outstanding at June 30, 2022, each one percent change in the respective foreign currency 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 for bottling and packaging. The largest component of packaging 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 (see "Non-IFRS Measures" section of this MD&A) 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 for consumer acceptance, loyalty, and shelf space. 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 on 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 fourth 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 fourth-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 fourth 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.

Non-IFRS Measures

The Company utilizes EBITA (defined as earnings before interest, amortization, gain on sale of assets held for sale, net unrealized gains and losses on derivative financial instruments, other (income) expenses, gain on debt modification net of financing fees, and income taxes) to measure its financial performance. EBITA is not a recognized measure under IFRS; however, management believes that EBITA is a useful supplemental measure to net earnings as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes, as well as providing an indication of recurring earnings compared to prior periods.

The Company calculates EBITA as follows.

For the three months ended June 30,		
(in \$000)	2022	2021
Net earnings	\$ 2,863	\$ 3,290
Add: Interest	2,613	2,273
Income taxes	1,049	1,283
Amortization of plant and equipment used in production	2,319	2,199
Amortization of equipment and intangibles used in selling and administration	3,222	2,915
Net unrealized gains on derivative financial instruments	(492)	(388)
Other expenses	397	341
EBITA	\$ 11,971	\$ 11,913

Readers are cautioned that EBITA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance or to cash flows from operating, investing, and financing activities as a measure of liquidity and cash flows.

The Company utilizes gross margin (defined as sales less cost of goods sold, excluding amortization) as calculated below.

For the three months ended June 30,		
(in \$000)	2022	2021
Sales	\$ 97,699	\$ 92,397
Less: Cost of goods sold, excluding amortization	59,636	55,136
Gross margin	\$ 38,063	\$ 37,261
Gross margin (% of sales)	39.0%	40.3%

The Company's method of calculating EBITA and gross margin may differ from the methods used by other companies and accordingly, may not be comparable to the corresponding measures used by other companies.

Financial Statements and Accounting Policies

The Company's condensed interim consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 – Interim Financial Reporting.

Critical Accounting Estimates

During the year, management is required to make estimates and assumptions that are inherently uncertain. These estimates can vary with respect to the level of judgment involved and ultimately the impact that these estimates may have on the Company's financial statements. Estimates are deemed to be critical when a different estimate could reasonably be used or where changes are reasonably likely to occur which could materially affect the Company's financial position or financial performance. The Company's critical accounting estimates remain unchanged from those disclosed in the notes to the audited consolidated financial statements for the years ended March 31, 2022 and 2021.

Recently adopted accounting pronouncements

IAS 16, Property, Plant and Equipment

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset and require certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the condensed consolidated financial statements.

IAS 37, Provisions

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the condensed consolidated financial statements.

IFRS 9, Financial Instruments

This standard has been amended to address which fees should be included in the 10% test for derecognition of financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the condensed consolidated financial statements.

Recently issued accounting pronouncements

IAS 1, Presentation of Financial Statements

This standard has been amended to clarify the classification of liabilities as current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the condensed consolidated financial statements.

IAS 12, Income Taxes

This standard has been amended to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the condensed consolidated financial statements.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

To comply with National Instrument 52-109, the Company's management, under the supervision of, and with participation of the CEO and CFO, have designed and maintained the Company's disclosure controls and procedures as required in Canada by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. For the three months ended June 30, 2022, there have been no material changes in the Company's internal controls over financial reporting or changes to disclosure controls and procedures that materially affect or were likely to affect, the Company's internal control systems.

Andrew Peller Limited

Condensed Interim Consolidated Financial Statements

June 30, 2022

ANDREW PELLER LIMITED
Condensed Consolidated Balance Sheets
Unaudited

These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars)	June 30 2022 \$	March 31 2022 \$
Assets		
Current Assets		
Cash	1,355	1,297
Accounts receivable	26,900	27,376
Inventory	185,428	197,042
Biological assets	5,120	2,045
Prepaid expenses and other assets	4,698	5,893
Income taxes receivable	2,045	2,560
Current portion of derivative financial instruments (note 7)	143	-
	<u>225,689</u>	236,213
Property, plant, and equipment	207,508	209,015
Right-of-use assets	14,568	15,215
Intangible assets	44,310	43,990
Goodwill	53,638	53,638
	<u>545,713</u>	558,071
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	34,391	47,375
Dividends payable	2,587	2,587
Current portion of lease obligations	3,894	4,070
Current portion of derivative financial instruments (note 7)	-	349
	<u>40,872</u>	54,381
Long-term debt	192,892	192,065
Lease obligations	11,702	12,193
Post-employment benefit obligations	1,592	1,605
Deferred income taxes	32,350	32,426
	<u>279,408</u>	292,670
Shareholders' Equity		
Capital stock	27,290	27,290
Contributed surplus (note 8)	6,335	5,756
Retained earnings	233,986	233,710
Accumulated other comprehensive loss	(1,306)	(1,355)
	<u>266,305</u>	265,401
	<u>545,713</u>	558,071

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

ANDREW PELLER LIMITED
Condensed Consolidated Statements of Earnings
Unaudited

These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars, except per share amounts)	For the three months ended June 30, 2022 \$	For the three months ended June 30, 2021 \$
Sales	97,699	92,397
Cost of goods sold (note 4)	59,636	55,136
Amortization of plant and equipment used in production	2,319	2,199
Gross profit	35,744	35,062
Selling and administration (note 4)	26,092	25,348
Amortization of plant, equipment, and intangibles used in selling and administration	3,222	2,915
Interest	2,613	2,273
Net unrealized gain on derivative financial instruments (note 7)	(492)	(388)
Other expense	397	341
Earnings before income taxes	3,912	4,573
Income taxes		
Current	1,142	1,700
Deferred	(93)	(417)
	1,049	1,283
Net earnings for the period	2,863	3,290
Net earnings per share		
Basic		
Class A shares	0.07	0.08
Class B shares	0.06	0.07
Diluted		
Class A shares	0.07	0.08
Class B shares	0.06	0.07

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

ANDREW PELLER LIMITED

Condensed Consolidated Statements of Comprehensive Income

Unaudited

These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars)	For the three months ended June 30, 2022 \$	For the three months ended June 30, 2021 \$
Net earnings for the period	2,863	3,290
Items that are never reclassified to net earnings		
Net actuarial gains on post-employment benefit plans	66	442
Deferred income taxes	(17)	(115)
Other comprehensive income for the year	49	327
Net comprehensive income for the period	2,912	3,617

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

ANDREW PELLER LIMITED
Condensed Consolidated Statements of Changes in Equity
For the three months ended June 30, 2022 and 2021

Unaudited

These financial statements have not been reviewed by our auditors

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

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
	\$	\$	\$	\$	\$
Balance at April 1, 2021	27,020	4,950	236,773	(3,169)	265,574
Net earnings for the period	-	-	3,290	-	3,290
Net actuarial gains (net of deferred taxes)	-	-	-	327	327
Net comprehensive income for the period	-	-	3,290	327	3,617
Repurchase and cancellation of class A non-voting shares	(75)	-	(883)	-	(958)
Exercise of share awards and issuance of class A non-voting shares	719	(719)	-	-	-
Share-based compensation	-	538	-	-	538
Dividends (Class A \$0.0615 per share, Class B \$0.0535 per share)	-	-	(2,622)	-	(2,622)
Balance at June 30, 2021	27,664	4,769	236,558	(2,842)	266,149
Balance at April 1, 2022	27,290	5,756	233,710	(1,355)	265,401
Net earnings for the period	-	-	2,863	-	2,863
Net actuarial gains (net of deferred taxes)	-	-	-	49	49
Net comprehensive income for the period	-	-	2,863	49	2,912
Share-based compensation (note 8)	-	579	-	-	579
Dividends (Class A \$0.0615 per share, Class B \$0.0535 per share)	-	-	(2,587)	-	(2,587)
Balance at June 30, 2022	27,290	6,335	233,986	(1,306)	266,305

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

ANDREW PELLER LIMITED

Condensed Consolidated Statements of Cash Flows

Unaudited

These financial statements have not been reviewed by our auditors

(in thousands of Canadian dollars)	For the three months ended June 30, 2022 \$	For the three months ended June 30, 2021 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the period	2,863	3,290
Adjustments for:		
Amortization of plant, equipment, and intangible assets	5,541	5,114
Amortization of deferred financing costs	7	7
Interest expense	2,606	2,273
Provision for income taxes	1,049	1,283
Post-employment benefits	53	52
Net unrealized gain on derivative financial instruments	(492)	(388)
Share-based compensation	445	412
Interest paid	(4,088)	(1,511)
Income taxes paid	(627)	(2,577)
	<u>7,357</u>	<u>7,955</u>
Changes in non-cash working capital items related to operations (note 5)	(26)	(5,957)
	<u>7,331</u>	<u>1,998</u>
Investing activities		
Purchase of property, plant and equipment	(4,302)	(2,991)
Purchase of intangibles	(1,287)	(2,455)
	<u>(5,589)</u>	<u>(5,446)</u>
Financing activities		
Increase in bank indebtedness	-	2,084
Principal payments on lease obligations	(1,097)	(1,011)
Repayment of long-term debt	(5,000)	(3,000)
Drawings on long-term debt	7,000	6,000
Repurchase and cancellation of class A non-voting shares	-	(958)
Dividends paid	(2,587)	(2,404)
	<u>(1,684)</u>	<u>711</u>
Increase (decrease) in cash during the period	58	(2,737)
Cash, beginning of period	1,297	2,737
Cash, end of period	<u>1,355</u>	<u>-</u>

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

Andrew Peller Limited
Notes to the Condensed Interim Consolidated Financial Statements
Unaudited
June 30, 2022 and June 30, 2021
(in thousands of Canadian dollars, except per share amounts)

1 Nature of operations

Andrew Peller Limited (the “Company”) produces and markets wine, spirits, craft beer and wine related products. The Company’s products are produced and sold predominantly in Canada. The Company is incorporated under the Canada Business Corporations Act and is domiciled in Canada. The address of its head office is 697 South Service Road, Grimsby, Ontario, L3M 4E8.

2 Significant accounting policies

(A) Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed interim financial statements, including International Accounting Standard (“IAS”) 34 – Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the years ended March 31, 2022 and 2021, which have been prepared in accordance with IFRS as issued by the IASB.

The note disclosures for these condensed interim consolidated financial statements only present material changes to the disclosure found in the Company’s audited consolidated financial statements for the years ended March 31, 2022 and 2021. Changes to the Company’s accounting policies from those disclosed in its consolidated financial statements for the years ended March 31, 2022 and 2021 are described in note 2 (B), recently adopted accounting pronouncements.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency and dollar amounts have been rounded to the nearest thousand, except per share amounts.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 2, 2022.

(B) Recently adopted accounting pronouncements

IAS 16, Property, Plant and Equipment

This standard has been amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use, clarify that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset and require certain related disclosures. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the condensed consolidated financial statements.

IAS 37, Provisions

This standard has been amended to clarify that, before a separate provision for an onerous contract is established, an entity recognizes an impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract and to clarify the meaning of costs to fulfil a contract. The amendments are effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the condensed consolidated financial statements.

Andrew Peller Limited
Notes to the Condensed Interim Consolidated Financial Statements
Unaudited
June 30, 2022 and June 30, 2021
(in thousands of Canadian dollars, except per share amounts)

IFRS 9, Financial Instruments

This standard has been amended to address which fees should be included in the 10% test for derecognition of financial liabilities. This amendment is effective for annual periods beginning on or after January 1, 2022. The adoption of the amendment did not have a significant impact on the condensed consolidated financial statements.

(C) Recently issued accounting pronouncements

IAS 1, Presentation of Financial Statements

This standard has been amended to clarify the classification of liabilities as current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies the meaning of settlement of a liability. This amendment is effective for annual periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the condensed consolidated financial statements.

IAS 12, Income Taxes

This standard has been amended to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company has not yet assessed the impact of the amendment on the condensed consolidated financial statements.

3 Seasonality

The second and third quarters of the Company's fiscal year are historically the largest due to increased activity at the Company's estate properties and increased consumer purchasing of the Company's products during the holiday season.

4 Expenses

The nature of the expenses included in selling and administration and cost of goods sold are as follows:

	For the three months ended June 30, 2022	For the three months ended June 30, 2021
Raw materials and consumables	\$ 45,428	\$ 41,769
Employee compensation and benefits	21,790	20,329
Advertising, promotion and distribution	8,077	7,914
Occupancy	2,544	1,904
Repairs and maintenance	1,815	1,944
Other external charges	6,074	6,624
	<hr/> \$ 85,728	<hr/> \$ 80,484

Andrew Peller Limited
Notes to the Condensed Interim Consolidated Financial Statements
Unaudited
June 30, 2022 and June 30, 2021
(in thousands of Canadian dollars, except per share amounts)

5 Non-cash working capital items

The change in non-cash working capital items related to operations is comprised of the change in the following items:

	For the three months ended June 30, 2022	For the three months ended June 30, 2021
Accounts receivable	\$ 476	\$ 4,421
Inventory	11,614	3,829
Biological assets	(3,075)	(2,552)
Prepaid expenses and other assets	1,195	1,045
Accounts payable and accrued liabilities	(10,236)	(12,700)
	<u>\$ (26)</u>	<u>\$ (5,957)</u>

6 Related parties and management compensation

The compensation expense recorded for directors and members of the Executive Management Team of the Company was \$1,759 (2021 - \$1,634) for the three months ended June 30, 2022. The compensation expense consists of amounts that will primarily be settled within twelve months of being earned.

7 Financial instruments

Fair value

The fair value of accounts receivable, accounts payable and accrued liabilities and dividends payable approximates their carrying values because of the short-term maturity of these instruments.

The fair value of long-term debt is equivalent to the carrying value because the variable interest rate is comparable to market rates. The fair value of the interest rate swaps used to fix the interest rate on long-term debt is included in the current portion of derivative financial instruments in the condensed consolidated balance sheets.

The fair value of foreign exchange forward contracts is determined based on the difference between the contract rate and the forward rate at the date of valuation and is included in the current portion of derivative financial instruments in the condensed consolidated balance sheets.

The fair value of interest rate swaps is determined based on the difference between the fixed interest rate in the contract that will be paid by the Company and the forward curve of the floating interest rates that are expected to be paid by the counterparty. The fair values of foreign exchange forward contracts and the interest rate swaps are adjusted to reflect any changes in the Company's or the counterparty's credit risk.

Fair value estimates are made at a specific point in time, using available information about the instrument. These estimates are subjective in nature and often cannot be determined with precision.

Andrew Peller Limited
Notes to the Condensed Interim Consolidated Financial Statements
Unaudited
June 30, 2022 and June 30, 2021
(in thousands of Canadian dollars, except per share amounts)

The net unrealized gain on derivative financial instruments is comprised of:

	For the three months ended June 30, 2022	For the three months ended June 30, 2021
Unrealized gain on interest rate swaps	\$ 340	\$ 496
Unrealized gains (losses) on foreign exchange forward contracts	152	(108)
	<u>\$ 492</u>	<u>\$ 388</u>

The fair value measurements of the Company's financial instruments are classified in the hierarchy below according to the significance of the inputs used in making the fair value measurements.

	June 30, 2022		
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)
Interest rate swap asset	\$ -	\$ 77	\$ -
Foreign exchange forward contracts asset	-	66	-
	March 31, 2022		
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)
Interest rate swap liability	\$ -	\$ 263	\$ -
Foreign exchange forward contracts liability	-	86	-

There were no transfers of financial instruments between levels during the quarter.

8 Share based compensation

The Company has a share based compensation plan comprised of stock options, performance share units (PSUs), restricted share units (RSUs) and deferred share units (DSUs). The impact of the share based compensation expense recorded for the three months ended June 30, 2022 and 2021 is summarized as follows:

Andrew Peller Limited
Notes to the Condensed Interim Consolidated Financial Statements
Unaudited
June 30, 2022 and June 30, 2021
(in thousands of Canadian dollars, except per share amounts)

	For the three months ended June 30, 2022	For the three months ended June 30, 2021
1,313,600 stock options (March 31, 2022 – 1,303,367) (a)	\$ 176	\$ 243
262,006 performance share units (March 31, 2022 – 292,731) (b)	186	169
63,470 restricted share units (March 31, 2022 – 62,750) (c)	83	-
76,059 deferred share units (March 31, 2022 – 57,799) (d)	-	-
	<u>\$ 445</u>	<u>\$ 412</u>

The stock options, PSUs, RSUs and DSUs are equity settled and as such, the expense associated with these instruments is recorded as share based compensation expense through the condensed consolidated statements of earnings with a corresponding entry made to contributed surplus on the condensed consolidated balance sheets.

The maximum number of shares that may be issued under all share based compensation arrangements implemented by the Company may not exceed 10% of the total number of Class A non-voting common shares issued and outstanding from time to time. As at June 30, 2022, the Company had 3,216,678 Class A non-voting common shares reserved for issuance under the share based compensation arrangements.

Subsequent to March 31, 2022, the Board of Directors were offered director fees in the form of DSUs which resulted in a reclassification of \$134 from accounts payable and accrued liabilities to contributed surplus in the quarter.

a) Stock options

The Company has a stock option plan under which options to purchase Class A non-voting common shares may be granted to officers and employees of the Company. Options granted under the plan have an exercise price of not less than the volume weighted average trading price of the Class A non-voting common shares where they are listed for the five trading days prior to the date of the grant. Options granted vest in tranches, equally over a three-year period on each anniversary of the grant date, commencing on the first anniversary of the grant date.

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
	Number of Options	Weighted average exercise price per share \$	Number of Options	Weighted average exercise price per share \$
Balance – Beginning of year	1,303,367	11.19	1,041,800	11.89
Issued	10,233	6.68	-	-
Forfeited	-	-	(8,466)	(10.81)
Balance – End of year	<u>1,313,600</u>	<u>11.16</u>	<u>1,033,344</u>	<u>11.89</u>
Exercisable	<u>619,986</u>	<u>12.95</u>	<u>338,254</u>	<u>13.85</u>

Andrew Peller Limited
Notes to the Condensed Interim Consolidated Financial Statements
Unaudited
June 30, 2022 and June 30, 2021
(in thousands of Canadian dollars, except per share amounts)

For options granted during the three months ended June 30, 2022, the fair value was estimated on the grant date using the Black-Scholes fair value option pricing model using the following weighted average assumptions:

Weighted average fair value per share option	\$1.77
Expected volatility ⁽¹⁾	25.00%
Dividend yield	2.63%
Risk-free interest rate	3.48%
Weighted average expected life in years	10

(1) Expected volatility was determined using historical volatility

b) PSU plan

The Company has established a PSU plan for employees and officers of the Company. PSUs represent the right to receive Class A non-voting common shares settled by the issuance of treasury shares or shares purchased on the open market. PSUs vest in full at the end of the third fiscal year after the grant date. The number of units that will vest is determined based on the achievement of certain performance conditions (i.e. financial targets) established by the Board of Directors and are adjusted by a factor, which ranges from 0.5 to 2.0, depending on the achievement of the targets established. Therefore, the number of units that will vest and are exchanged for Class A non-voting common shares may be higher or lower than the number of units originally granted to a participant.

	June 30, 2022		June 30, 2021	
	Number of	Weighted	Number of	Weighted
	Units	average exercise	Units	average exercise
		price per share		price per share
		\$		\$
Balance – Beginning of year	292,731	10.13	218,562	12.44
Issued	1,440	6.86	-	-
Exercised	-	-	(28,416)	(17.16)
Forfeited	(32,165)	(14.14)	(20,465)	(16.50)
Balance – End of year	262,006	9.62	169,681	11.16
Exercisable	32,165	14.14	-	-

Andrew Peller Limited
Notes to the Condensed Interim Consolidated Financial Statements
Unaudited
June 30, 2022 and June 30, 2021
(in thousands of Canadian dollars, except per share amounts)

c) RSU plan

The Company has established a RSU plan for employees and officers of the Company. RSUs represent the right to receive Class A non-voting common shares settled by the issuance of treasury shares or shares purchased on the open market. RSUs will vest ratably over the restriction period, as to one-third of the RSUs on each anniversary of the grant date, commencing on the first anniversary of the grant date.

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
	Number of	Weighted	Number of	Weighted
	Units	average exercise	Units	average exercise
		price per share		price per share
		\$		\$
Balance – Beginning of year	62,750	8.75	-	-
Issued	720	6.86	-	-
Balance – End of year	63,470	8.73	-	-

d) DSU plan

The Company has established a DSU plan for employees, officers and Directors of the Company. DSUs represent the right to receive Class A non-voting common shares settled by the issuance of treasury shares or shares purchased on the open market. DSUs vest immediately but are only exercisable when the participant's employment with the Company ceases, or when the participant is no longer a Director of the Company.

	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
	Number of	Weighted	Number of	Weighted
	Units	average exercise	Units	average exercise
		price per share		price per share
		\$		\$
Balance – Beginning of year	57,799	14.43	65,669	14.40
Issued	19,500	6.77	12,770	9.35
Exercised	(1,240)	(18.22)	(20,640)	(11.19)
Balance – End of year	76,059	12.40	57,799	14.43