LIMESTONE®

THE LIMESTONE BOAT COMPANY LIMITED
(formerly LL One Inc.)

Management's Discussion and Analysis
Fourth Quarter 2021

For the year ended December 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE LIMESTONE BOAT COMPANY LIMITED

The following Management's Discussion and Analysis ("MD&A") is prepared for the year ended December 31, 2021 of the financial condition and results of the operations of The Limestone Boat Company Limited ("Limestone" or the "Company") (formerly LL One Inc. or "LLO") and constitutes management's review of the factors that affected the Company's financial and operating performance.

This MD&A, which has been prepared as of May 2, 2022, should be read in conjunction with Company's audited consolidated financial statements and related notes for the year ended December 31, 2021, along with the audited consolidated financial statements and related notes for the 353 days ended December 31, 2020 which were presented in LLO's Filing Statement dated February 23, 2021. All figures are in Canadian dollars unless otherwise indicated.

The annual financial statements referred to above have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These documents, as well as additional information relating to the Company have been filed electronically with the Canadian securities regulators through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available through the SEDAR website at www.sedar.com. Readers are cautioned against relying or otherwise obtaining information in respect of the Company from sources other than from the Company's public filings on the SEDAR website.

Forward Looking Information

When used in this MD&A, statements to the effect that the Company or its management 'believes', 'expects', 'plans', 'may', 'will', 'projects', 'anticipates', 'predicts', 'intends' or similar statements, including 'potential', 'opportunity', or variations thereof are not statements of historical fact and should be construed as forward-looking information. These statements reflect management's current beliefs with respect to future events and are based on information currently available to the management of the Company. The Company believes that the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

With respect to the forward-looking information contained in this MD&A, we have made assumptions regarding the following:

- Future boat sales
- The continued ability of the Company to raise additional debt and/or equity financing and the ability of the Company to generate positive operating cash flows
- Ability to continue current and new product development
- Ability to retain and recruit qualified staff

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties, only some of which are described herein. Many factors could cause the Company's actual results, performance or achievements, or future events or developments, to differ materially from those expressed or implied by the forward-looking information including, without limitation, the following factors:

- Overall economic conditions
- Reliance on key partners
- Reliance on stability of supply chain continuity
- Increased competition
- Reliance on employees and contractors with specialized skills and knowledge
- Protection of proprietary rights
- Impact of COVID-19 on the Company's fully owned manufacturing facility and its supply chain

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this MD&A. These factors should be carefully considered, and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of the MD&A.

Business Overview:

Limestone is a North American designer, manufacturer and distributor of the Limestone®, Aquasport and Boca Bay recreational and commercial powerboats. The Limestone and Aquasport brands are both heritage brands with long legacies, renowned for their timeless design, big water performance, quality manufacturing and durability in the markets they serve. Our boats are crafted at our manufacturing facility, which is centrally located in Tennessee and is operated by our fully owned subsidiary Ebbtide Holdings LLC ("Ebbtide" or "TN Composites"). Limestone® and Aquasport feature an evolved and expanded product line that appeals to a growing number of boaters coast to coast, while the Boca Bay offering is focused exclusively on the Gulf Coast fishing segment and skinny water. Ebbtide was a contract manufacturer for Limestone until it was acquired on May 17, 2021. As a result of this strategic acquisition which was completed during Q2, 2021, Limestone obtained full control over the operating, investing and financing activities of Ebbtide, now doing business as TN Composites.

A brief history of the Company is discussed in this business overview section as follows:

Limestone is a brand focused company, dedicated to the wellbeing of all stakeholders, including its customers, employees and shareholders. The Company continues to expand the original legacy of Limestone® boats and its original designer, Mark Ellis of Connecticut. Scott Hanson, Mark Ellis and the Limestone design and engineering team continue to work diligently to modernize the Limestone configurations and designs, building on and expanding its outboard power offering, while maintaining the original hull design that has made the Limestone® brand famous for its big water performance. The product development, design and engineering team at TN Composites are also working to improve the features of the Aquasport and Boca Bay boats in response to a highly competitive market and evolving consumer expectations to ensure the respective brands maintain their competitive position.

On May 12, 2020, LBCI entered into a Design Fee License Agreement with Mark Ellis Design LLC for the exclusive worldwide rights to manufacture Limestone® boats and the exclusive worldwide rights to use the name of the Limestone® trademark. The model designs were originally developed by renowned yacht designer Mark Ellis of Essex, Connecticut. Ellis's body of work includes an impressive number of highly successful power and sail designs for both series production and custom building. Ellis has been active for 45 years designing and developing the Limestone® powerboat brand, as well as many other customer designs and yacht, including well-known sailboats.

Effective September 3, 2020 LBCI entered into a manufacturing agreement with Ebbtide whereby Ebbtide agreed to upgrade some of the existing molds and produce the redesigned Limestone® boats (see Strategic Acquisition below).

The Limestone Boat Company Limited (the "Company"), formerly LL One Inc. ("LLO") was incorporated under the Business Corporations Act of Ontario on March 14, 2018 and was a Capital Pool Corporation as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange"). Effective March 2, 2021, and upon completion of the transaction discussed below, the Company changed its name to The Limestone Boat Company Limited.

As described below, the Company completed the acquisition of the Limestone Boat Company Inc. ("LBCI") through an acquisition agreement ("RTO Transaction") whereby the Company acquired all of the issued and outstanding shares of LBCI on March 2, 2021, with the former shareholders of LBCI obtaining control of the Company.

LBCI was incorporated under the Business Corporation Act of Ontario on January 14, 2020. The primary activities of LBCI are the design, marketing and sale of power boats. Since inception, LBCI has focused on the acquisition of molds and the design, marketing and sale of power boats.

RTO Transaction:

On March 2, 2021, the Company (LLO at the time) acquired all of the issued and outstanding securities of LBCI in exchange for the issuance of securities of LLO, which resulted in LBCI becoming a wholly-owned subsidiary of LLO.

As consideration for the acquisition, each issued and outstanding Common share and Class A common share of LBCI was cancelled and replaced by 50 Common shares of LLO (the "Exchange Ratio"). Further, each option or warrant issued by LBCI was exchanged for a corresponding option or warrant of LLO on substantially the same economic terms and conditions as the original option or warrant based on the Exchange Ratio.

Following completion of the RTO Transaction, the Company had 97,927,350 Common shares issued and outstanding on a non-diluted basis with existing shareholders of LLO holding approximately 12.46% and LBCI shareholders holding approximately 87.54% of the outstanding Common shares of the Company. As a result, the transaction is considered a reverse takeover of LLO by LBCI. For accounting purposes LBCI is considered the acquirer and LLO the acquiree. Upon completion of the RTO Transaction, the name of the Company was changed from LLO to the Limestone Boat Company Limited.

LLO's activities prior to the acquisition were limited to management of cash resources and the maintenance of its listing, and accordingly, did not constitute a business. As a result, the RTO Transaction is considered to be outside the scope of IFRS 3 Business Combinations, and has been accounted for as an asset acquisition. Since LBCI granted equity instruments as consideration for the acquisition, the arrangement has been accounted for under IFRS 2, Share-based Payments. Accordingly, the transaction has been accounted for at the fair value of the equity instruments granted by LBCI to LLO. The share capital, reserves, and deficit of LLO at the time of the RTO Transaction have been eliminated against the fair value of the consideration and the difference has been recognized as a listing expense in the statement of loss and comprehensive loss for the year ended December 31, 2021. The capital structure recognized in the consolidated statement of financial position is that of the Company, but the dollar amount of the issued share capital prior to the RTO transaction is that of LBCI, including the value of the shares issued prior to the RTO Transaction.

In the accounting for the reverse takeover, the RTO Transaction consideration was determined by reference to the fair value of equity the legal subsidiary, being LBCI, would have issued to the legal parent entity, being LLO, for the shareholders of LLO to obtain the same percentage ownership interest of approximately 12.46% in the combined entity. The fair value of the issued equity was determined based on the most reliable and observable fair value measure being the market price per share from a recent LBCI private placement to third party market participants ($8 per share).

The excess of the fair value of the RTO Transaction consideration to LLO over the fair value of the assets and liabilities of LLO acquired by LBCI at March 2, 2021 is as follows:

Fair value of consideration issued:	
LBCI common shares issued	$ 1,952,000
LLO options assumed	93,692
LLO warrants assumed	23,998
	$ 2,069,690
Fair value of net assets acquired:	
Cash	$ 324,334
Prepaid expenses and other receivables	18,628
Due from LBCI	225,000
Accrued liabilities	(87,389)
	$ 480,573
Listing expense	**$ 1,589,117**

In addition to the above-mentioned listing expense, the Company incurred $295,235 in listing fees paid to the TSX Venture Exchange and investor relations costs for the year ended December 31, 2021. Further, transaction costs in connection with the RTO transaction of $146,151 were expensed to professional fees for the year ended December 31, 2021.

Private Placement Financing:

On January 19, 2021, the Company closed a subscription agreement with Telfer Hanson (2017) Family Trust, an existing shareholder of the Company, for the issuance of 115,625 LBCI common shares at a price of $8.00 per common share for aggregate gross proceeds of $925,000 (collectively with the Subscription Receipt Financing, the "Private Placement"). The LBCI common shares were issued by the Company and were not subject to the escrow restrictions associated with the subscription receipts.

On January 20, 2021, subject to an Agency Agreement, the LBCI closed an aggregate of 288,150 subscription receipts at a price of $8.00 per subscription receipt, (the “LBCI Subscription Receipt Financing”) for aggregate gross proceeds of $2,305,200 pursuant to the terms and condition of a subscription receipt agreement dated January 20, 2021 between the LBCI, Beacon Securities Limited (“Beacon”) and the TSX Trust Company, (the “Subscription Receipt Agent”) (the "Subscription Receipt Agreement"). The subscription receipts issued under the LBCI Subscription Receipt Financing were converted into common shares upon the closing of the RTO Transaction.

In connection with the Private Placement, the LBCI agreed to pay Beacon: (i) a commission equal to 7.0% of the proceeds generated from the LBCI Subscription Receipt Financing, (ii) a work fee equal to $60,000, (iii) a non-cash fee equal 10.0% of the aggregate LBCI Subscription Receipts issued from the Private Placement payable in the form of LBCI common share purchase warrants (the "Broker Warrants"), and iv) 11,000 LBCI common share purchase warrants (the "Work Warrants" and collectively with the Broker Warrants, the "Compensation Warrants"). These Compensation Warrants were converted at the Exchange Ratio at the closing of the Qualifying Transaction and are exercisable for one Common share at a price of $0.16 for a period of 2 years from the date of closing.

On November 10, 2021 the Company brokered a private placement (the “November Private Placement”) of up to 16.67 million units (the “Units”) at a price of $0.24 per Unit (the “Issue Price”), to raise gross proceeds of up to $4.0 million. Each unit consisted of one common share of the Company and one half of one common share purchase warrant (a “Warrant”). Each full Warrant will entitle the holder to purchase one additional common share at a price of $0.32 per common share for a period of 24 months following the closing of this private placement offering.

On November 25, 2021, the Company completed the first tranche of its November Private Placement issuing 10,851,334 Units for gross proceeds of $2,604,320. In connection with the November Private Placement, the Company paid a cash commission to Beacon of $180,622 and issued 752,593 compensation options, each exercisable to acquire one common share at the Issue Price for a period of 24 months from the date of closing.

Strategic Acquisition of Ebbtide Holdings, LLC

On May 17, 2021, Limestone acquired 100% of the issued and outstanding securities of Ebbtide (the “Ebbtide Acquisition”). The total purchase price of approximately $7,183,815 consisted of $3,928,025 in cash and $3,255,790 in Limestone common shares issued, which were ultimately issued at a market price of $0.35 CAD per share. In total, 9,302,256 Limestone common shares were issued to the Ebbtide vendor group, subject to certain contractual lock-up provisions.

Ebbtide manufactures the Aquasport and Boca Bay brands, as well as the Limestone® line-up. The acquisition allows for the expanded production of all of these brands, in an effort to meet the growing market demand for marine products. As a result of the Ebbtide Acquisition, Limestone now has 35 Dealers with 51 independent dealer locations servicing the US and Canadian Great Lakes, and the Northeast, Southeast and Gulf Coasts of the United States. The Ebbtide Acquisition was a key transaction in the continued growth of the Company. The combination of heritage brands, Limestone and Aquasport provides continuity in reputation for safety, performance and quality, coupled with the addition of the Boca Bay brand further diversifying the Company’s product offering. The team members in Collingwood, Ontario are responsible for directing product development and North American sales, marketing, distribution and finance, allowing the team in Tennessee to focus primarily on manufacturing of the Company’s products with an emphasis on engineering, production and sales support. By securing expanded manufacturing capacity and a broad dealer network, the Company believes it is well positioned to become a significant force in the North American marine industry leveraging not only continued industry growth, but also brand growth given the Company’s ever increasing, order book backlog for its products through the 2023 model year. All boats will continue to be manufactured in Ebbtide’s 145,000 square foot facility in White Bluff, Tennessee.

Limestone also completed a concurrent, non-brokered private placement of $14,097,000 CAD subordinated unsecured convertible debentures (see below), in order to fund the cash portion of the purchase price for the Ebbtide Acquisition and to provide the Company with go-forward working capital. This private placement included an investment from a strategic industry participant, Vision Marine Technologies (NASDAQ: VMAR) who has agreed to produce its proprietary E-Motion electric propulsion powertrain option for select Limestone and Aquasport brand models.

Vision Marine Electric Motor Partnership

Vision Marine is currently outfitting the Company's first Test Boats with Vision's electric outboard E-motion 180 and anticipates conducting Sea Trials in May of 2022 in Florida to ensure that the Company's Brand customers seeking big water performance, and an environmentally friendly technology that delivers the run times, cruising speeds and the smooth, deep-V hull design ride that they expect from the 35-year -old heritage boat company.

<u>Market & Trends:</u>

The marine industry is subject to shifting trends, spending patterns and economic cycles. The Company's revenue and financial results are linked to these trends. Demand for the Company's product line of powerboats continues to be strong and the market trends are consistent with the information provided in LBCI's December 31, 2020 and the Company's Q3, 2021 MD&A.

There continues to be an industry shift in the size of powerboats. To preface, in the United States according to the National Marine Manufacturers Association ("NMMA"), 95% of registered boats remain "small, towable boats under 26'." When looking at sales of boats under 26', consumers have opted for boats 21' and larger. This is most apparent in the dominant fiberglass outboard segment, where boats 21' and larger represented a 57.8% retail market share in 2019 (up 18% since 2011). In summary, powerboat sales in the 21' to 26' length category have seen consistent growth in recent years, while alternative length category sales have either flat lined or declined.

Furthermore, NMMA reported in its 2020 Statistical Abstract that in 2019 the average price of a fiberglass outboard boat greater than 20' was $131,605 USD. This figure was up 5.6% from 2018 and up 100% since 2014. Demand is also significantly outpacing supply with retail unit sales of new boats at 320,000 units in 2020 up 13% compared to 2019, with 2020 outboard fiberglass hitting its highest volume of new registrations in 2020.

Industry experts also project that the backlog in consumer demand will continue through 2023 as marine manufacturers strive to bring retail inventories back to normalized levels to facilitate more timely access to product for consumers. Global Markets Insights is estimating sector growth of 7.5% CAGR (for 2021 – 2027).

<u>Competitive Conditions:</u>

The market for boats in the Company's market segment is large and highly competitive. The Limestone® and Aquasport brands are recognized as quality products that handle extremely well in "big water". That reputation has led to Limestone® and Aquasport experiencing strong dealer demand and initial and ongoing boat orders, with prospective dealers lining up to sign on as increased production capacity becomes available. In fact, in 2021, the Aquasport brand increased its Share of Market among its peers according to Info Link's Quarterly Registration Data.

The Company believes that both Limestone® and Aquasport are well-positioned to capitalize on favorable long-term trends in the marine consumer products segment.

Outlook:

2021 was a challenging year for Limestone. Initially launched as a virtual company, using contract manufacturing, the Company had to pivot and acquire its contract manufacturer, Ebbtide, in order to improve the quantity and quality of the boat production. We have invested significant time and money into turning the plant around in an extremely challenging manufacturing environment. We are now starting to see the results of our efforts with continued growth in unit sales up over 50% in Q1 2022 vs. Q4 2021, revenue up 22% in Q1 2002 vs. Q4 2021, and margins improving significantly. Limestone produced 31 units in Q4 and 71 total units over the 7 months following the acquisition in May 2021. Limestone expects 2022 to be a transformative year given its order backlog, market demand, and product quality, Additionally, continued strategic investments in facilities, R&D, technology, equipment, labor, new product introductions, and doubling the capacity of our higher margin models, is all part of the Company's plan to execute on its sustainable, long-term growth strategy that will allow us to deliver more product to a growing number of customers and dealers in 2022.

Control over our own production and manufacturing has enabled the Limestone to remain resilient and agile, providing a critical advantage in the face of the ongoing supply chain challenges and labor disruption due to COVID. Furthermore, strategic investments in our facilities, labor force, and R&D have provided a solid operational foundation, translating to an increased number of weekly units started and shipped as we moved into 2022. Work in progress continues to escalate, and we are recognizing improved efficiencies through the identification and removal of process bottlenecks, monetizing WIP backlogs in assembly, and managing ongoing supply chain and labor disruptions."

The team continues to effectively manage supply chain disruptions stemming from its built-in ability to pivot weekly production as needed to align with any potential supply chain adjustments. Management is also focused on improving plant efficiency with training, investments in technology and equipment, and providing the necessary positive work environment that promotes reduced absenteeism and attrition, and is implementing competitive hiring policies and strategies to further grow its labor force in conjunction with its increasing production efforts.

Limestone's current order book backlog for both Aquasport and Limestone models exceeds its projected capacity for both the 2022 and 2023 Model Year. Orders in hand and allocations to the Company's Dealers through the 2022 Model Year, ending May 31st 2022, exceed projected proforma capacity and stand at 82 units. Dealer orders in hand and allocations for the 2023 Model Year are at 604 units to date, which exceeds the company's 2023 Model Year Proforma Capacity by over 20%. The Model Year commences in June of the preceding year and concludes in May of that year.

Beyond the boat order backlog, there is also a dealer development backlog that the Company is experiencing. Seventeen new dealers have expressed considerable interest in taking on the Limestone® Boats and/or the Aquasport Boats lines when production becomes readily available in the 2023 Model Year. These new dealers will open up additional market representation in North America, further supporting the growth plan for the Company. The Company currently distributes product through 51 dealer locations, spanning the Great Lakes, East Coast from Maine to Florida, and the Gulf Region. Unit production of the Company's higher margin, highly sought after Coastal and Bay Boat models will also be doubled through the 2023 Model Year.

The Company continues to develop and revamp the entire Limestone® and Aquasport lineup. We introduced and launched two all-new models to the market since July 2021, the Limestone® L-200CC centre console and L-200R closed deck runabout. The Company delivered its first production model, the L-200CC in July 2021, followed by launching the L200R model this past winter at a series of Boat shows, with its first customer sold L200R expected to ship in early May 2022. In addition, in September 2021, the Company unveiled the all-new dual console Limestone® L-290DC model, which is expected to go into production in Q3 2022. Production and shipments of the revitalised Limestone Cuddy's; L250R, L270 Cuddy and L290 Cuddy lineup are scheduled for introduction throughout 2023 along with the revamped Aquasport 3000.

Select Financial Information and Overall Performance:

Review of Statements of Comprehensive Income:

	Year ended December 31		Three months ended December 31	
	2021	2020	**2021**	2020
Revenue	**$ 6,553,626**	$ -	**$ 2,726,083**	$ -
Cost of good sold	**8,096,648**	-	**3,464,020**	-
Gross profit (loss)	**$ (1,543,022)**	$ -	**$ (737,937)**	$ -
Salaries and wages	**2,393,216**	570,603	**854,143**	230,399
Stock based compensation	**427,210**	212,300	**84,114**	212,300
Listing expenses	**1,884,352**	369	**80,905**	369
Professional fees	**3,739,193**	607,493	**995,076**	326,832
Advertising, marketing and promotion	**463,326**	90,116	**167,511**	59,489
General and administrative expense	**1,514,144**	111,463	**627,520**	36,361
Interest and bank charges	**1,781,732**	5,812	**715,841**	4,386
Amortization and depreciation expense	**282,561**	2,230	**83,396**	2,230
Operating loss	**(14,028,756)**	(1,600,386)	**(4,346,443)**	(872,366)
Foreign exchange gain (loss)	**571,361**	(18,356)	**(74,004)**	(8,315)
Other income	**20,632**	-	**14,704**	-
Deferred tax recovery	**521,162**	-	**221,307**	-
Loss for the period	**(12,915,601)**	(1,618,742)	**(4,184,436)**	(880,681)
Currency translation adjustment	**(107,162)**	(28,916)	**(8,647)**	(28,916)
Comprehensive loss for the period	**$ (13,022,763)**	$ (1,647,658)	**$ (4,193,083)**	(909,597)
Net loss per share (basic & diluted)	**$ (0.130)**	$ (0.032)	**$ (0.039)**	$ (0.018)

Full Year and Q4:

Revenue and Gross loss

The Company's Full Year revenue of $6,553,626 and Q4 revenue of $2,726,083 are primarily comprised of the Aquasport and Boca Bay boats sales by TN Composites which, became Limestone's fully owned subsidiary on May 17, 2021. A Full Year gross loss of $1,543,022 and a Q4 gross loss of $737,937 were incurred due to higher cost of sales than expected. The Company' management team is currently working on optimizing TN Composites' operations to make them more efficient and expects to start generating gross profit consistent with industry standards in future reporting periods.

Salaries and wages and stock-based compensation:

Salaries and wages increased in the Full Year by $1,822,613 and in Q4 by $623,744 over the previous year as a result of the Company continuing to add employees to meet its growing operational and corporate requirements. Further, the increase can be attributed to the workforce acquired with TN Composites acquisition. Since obtaining control on May 17, 2021, management has also made additional strategic, financial and operational hires at TN Composites.

Stock based compensation expense $427,210 is associated with the options which vested during the year ended December 31, 2021.

Listing expenses

The listing expenses were primarily a result of the RTO Transaction which took place in Q1, 2021. The total Full Year listing expenses of $1,884,352 were comprised of the following:

- The difference between the fair value of the consideration issued in Q1, 2021 (i.e. the fair value of the LBCI common shares, stock options, and warrants issued to effect the RTO) and the fair value of LLO's net identifiable assets acquired of $1,589,117, which was recognized as a listing expense because the transaction did not meet the definition of a business combination; and,
- Ongoing TSXV listing fees and investor relation expenses of $80,905 and $295,235 incurred in during the three months and year ended December 31, 2021, respectively.

Professional fees

This category of expense relates to management services, consulting, legal, accounting and audit expenses incurred by the Company. Professional fees of $995,076 were incurred during Q4, 2021. The Full Year professional fees of $3,739,193 primarily consisted of non-recurring expenses for the TN Composites strategic acquisition and the RTO transaction.

The remainder of the expenses under professional fees primarily relate to ongoing legal, accounting and audit costs. There can be no assurance that non-recurring expenses will decline in future periods as the Company may engage in other transactions requiring the use of professional services (such as the Ebbtide Strategic Acquisition).

Advertising, marketing and promotion:

The Company participates in the marketing and advertising programs, as well as supporting the Limestone and Aquasport brands through strong multi-media initiatives. The Company incurred $167,511 in advertising and promotion expenses during Q4 and $463,326 for the Full Year 2021 compared to $59,489 and $90,116 for the same reporting periods ended December 31, 2020 due to the fact that the Company was in its early stages of planning for and developing its strategy as well as the commencement of its marketing outreach in support of the Limestone Brand and the respective dealers.

General and administrative expense:

This category of expenses is primarily comprised of general corporate related expenses including, insurance, rental, travel expenses, office expenses, delivery, freight and customs and utilities. As noted above, the Company was in early stages of its business and operations in 2020 and did not incur any significant general and administrative expenses in Q4 and YTD 2020.

Interest and bank charges:

The increase in interest and bank charges compared to 2020 is primarily due to the issuance of convertible debentures in Q2, 2021. For the year ended December 31, 2021, there was $885,010 in interest paid to holder of convertible debentures as well as accretion expense of $699,794 recorded.

Foreign exchange impact:

This category of expense largely relates to the unrealized foreign exchange gain on related party loans denominated in a foreign currency other than the functional currency of The Limestone Boat Company Limited.

Amortization and depreciation expense:

Amortization and depreciation expense for Q4 and the Full Year is primarily due to the tangible and intangible assets which were acquired during Q2, 2021 by Limestone as a result of the Ebbtide strategic acquisition. The Company incurred minimal depreciation expenses in Q4 and YTD 2020 as it was in early stages of its operations and did not own any significant capital assets.

Review of Balance Sheets:

As at		**December 31, 2021**		December 31, 2020
Cash	**$**	**-**	$	130,181
Trade and other receivables		**715,405**		117,818
Prepaid expenses and deposits		**500,151**		176,393
Inventories		**2,364,383**		-
Restricted cash		**817,141**		-
Property and equipment		**3,787,748**		798,896
Right of use assets		**5,729,189**		-
Goodwill and intangible assets		**4,404,873**		-
Total assets	**$**	**18,318,890**	$	1,223,288
Bank indebtedness	**$**	**103,962**	$	-
Accounts payable and accrued liabilities		**3,990,099**		779,631
Customer deposits		**97,820**		-
Promissory note payable to LLO		**-**		225,000
Long-term lease obligations		**2,095,711**		-
Long-term debt		**10,855,050**		-
Deferred tax liability		**355,965**		-
Total liabilities		**17,498,607**		1,004,631
Total equity		**820,283**		218,657
Total liabilities and equity	**$**	**18,318,890**	**$**	**1,223,288**

As reflected in the selected balance sheet information above, between December 31, 2020 and December 31, 2021, the Company's cash balance decreased by $234,143 primarily due to the net proceeds received from issuance of shares during Q1 and Q4, 2021, cash acquired through the Reverse Takeover of LLO on March 2, 2021, net proceeds received from issuance of convertible debentures on May 14, 2021, offset by the cash purchase consideration for the TN Composites acquisition, investments in inventory, property and equipment and cash used in operating activities.

An increase of $597,587 in trade and other receivables was primarily due to the TN Composites acquisition and HST paid on purchases made and costs incurred during YTD 2021 which were higher than the previous year when the Company was in its early stages of operations at that time.

Prepaid expenses and deposits increased by $323,758 as at December 31, 2021 compared to December 31, 2020 primarily due to an increase in prepaid insurance and other prepaid amounts of $186,073 and an increase due to advance payments made to vendors amounting to $137,685.

Inventories were primarily acquired with the TN Composites acquisition and as at December 31, 2021, consisted of $1,143,077 in raw materials, $333,425 in engines, $797,984 in work in process and $89,897 in finished goods.

Property plant and equipment increased by $2,988,852 as at December 31, 2021 compared to December 31, 2020 as a result of the purchase of equipment, molds and tooling and the TN Composites acquisition, offset by depreciation expense for YTD 2021.

Right of use assets of $5,729,189 as at December 31, 2021 is comprised of land, building and equipment leases acquired with the TN Composites acquisition. The Company's leases as at December 31, 2020 did not meet the recognition criteria in IFRS 16 and were expensed as incurred.

Goodwill and intangible assets resulted from the purchase price allocation for the TN Composites acquisition.

Restricted cash of $817,141 as at December 31, 2021 consisted of the following:

- On January 25, 2021, an irrevocable standby letter of credit in the amount of $500,000 was issued on behalf of the Company to NorthPoint Commercial Finance in connection with the floor planning facility. The letter of credit bears interest at a rate of 2.80% per annum. The letter of credit is secured by a cash deposit of $500,000 which has been invested in a 1-year term Guaranteed Investment Certificate ("GIC") with an annual interest rate of 0.22%. This amount has been recorded as restricted cash within the statement of financial position. Restricted cash has been presented as long-term as it cannot be exchanged or used to settle a liability within the next twelve months;
- Additional cash deposits totaling $317,141 ($250,000 USD) as security for letters of credit to secure parts from key suppliers and NCF for Ebbtide.

Accounts payable and accrued liabilities increased by $3,210,468 primarily as a result of the TN Composites acquisition and timing of expense accruals made as at December 31, 2021 offset by payments made throughout 2021.

Lease obligations consist of the land, building and equipment leases acquired with the Ebbtide Acquisition. A small portion of the lease obligations also represents the Company's office lease space in Collingwood which was entered into in Q1, 2021 and the present value of lease payments over the estimated lease term were recorded as a lease liability on the Company's balance sheet as per the requirements of IFRS 16.

Long term debt comprised primarily of the convertible debentures offset by deferred financing fees incurred to issue these debentures on May 14, 2021. Also included in long term debt is the liability portion of $641,475 for the TN Composites Aquasport brand liability.

The deferred tax liabilities balance is comprised of the timing differences resulting from accounting and tax basis on the convertible debentures.

Capital Resources and Liquidity:

The liquidity and capital resources of the Company are dependent upon a number of factors including, without limitation, market and economic conditions and the impact of these conditions on the demand and price of the Company's products, raw material costs and the ability to fund necessary capital projects.

The Company's principal uses of funds are for operating expenses and capital expenditures. Further, refer to the RTO Transaction on which the Company primarily used its funds during Q1, 2021, and used its funds during Q2 2021 for the acquisition of TN Composites. Management believes that cash proceeds from the Private Placements, and availability of debt and equity capital in the public markets will be sufficient to meet the Company's future operating expenses, capital expenditures and support the growth of business (primarily through working capital and capital expenditures), repay short-term obligations, long term debt and for general corporate purposes.

The Company's ability to fund future operating expenses and capital expenditures as well as repayment of its long-term debt will depend on the Company's future operating performance which may be affected by general economic, financial and other factors beyond management's control, including demand and pricing of the Company's products, supplies, materials and a reliable workforce. Management also reviews suitable acquisition opportunities as evidenced by the strategic acquisition of TN Composites was completed by the Company during Q2, 2021.

Share capital:

The increase in share capital from December 31, 2020 to December 31, 2021 is shown in the table below:

	LBCI				The Company	
	Common shares		Class A common shares		Common shares	
	Number	Amount	Number	Amount	Number	Amount
Balance, January 14, 2020	-	$ -	-	$ -	$ -	$ -
Issued for cash	1,000,000	10	250,000	1,329,886	-	-
Issued in exchange for services	-	-	60,772	326,568	-	-
Share issuance costs	-	-	-	(2,449)	-	-
Balance, December 31, 2020	**1,000,000**	**$ 10**	**310,772**	**$ 1,654,005**	**-**	**-**
Private placement financing (i)	403,775	3,230,200	-	-	-	-
Share issuance costs (i)	-	(532,298)	-	-	-	-
Share for share exchange in RTO Transaction (ii)	(1,403,775)	(2,697,912)	(310,772)	(1,654,005)	85,727,350	4,351,917
Share capital of the Company at the date of the Reverse Takeover (note 1)	-	-	-	-	12,200,000	1,952,000
Shares issued in connection with acquisition of Ebbtide Holdings, LLC (note 22)	-	-	-	-	9,302,256	3,255,790
Warrants exercised	-	-	-	-	370,000	60,448
Private placement financing (iii)	-	-	-	-	10,851,334	2,604,320
Share issuance costs (iii)	-	-	-	-	-	(636,051)
Balance, December 31, 2021	**-**	**$ -**	**-**	**$ -**	**118,450,940**	**$11,588,424**

Stock options and warrants:

There was also significant stock option and warrant activity as follows:

(i) On October 5, 2020, 30,000 stock options were granted to certain members of the board of directors, exercisable at $8.00 per common share through October 5, 2025. These options vested immediately. Additionally, on October 12, 2020, 10,000 stock options were granted to a consultant of the Company, exercisable at $8.00 per common share through October 12, 2025. These options vested immediately and were recorded at the fair value of the equity instruments granted, as this was a more reliable method of measurement. On March 2, 2021, LLO issued 50 LLO stock options for each LBCI option held by a LBCI option holder resulting in 2,000,000 options of the Company.

(ii) On March 2, 2021, LLO's 1,215,000 outstanding stock options were assumed in connection with the RTO Transaction. These options are exercisable at $0.10 per common share through August 8, 2024 and vested immediately.

(iii) On March 4, 2021, 1,400,000 stock options were granted to certain members of the board of directors and a consultant of the Company, exercisable at $0.30 per common share through March 4, 2026. 350,000 of these options vested immediately with the balance vesting over time through September 1, 2022.

(iv) On March 27, 2021, 1,000,000 stock options were granted to a member of the board of directors, exercisable at $0.33 per common share through March 27, 2026. 250,000 of these options vested immediately with the balance vesting over time through March 27, 2024.

(v) On March 2, 2021, in connection with the private placement, 1,975,250 broker warrants were issued. The warrants are exercisable at $0.16 per common share for a period of 2 years.

(vi) On March 2, 2021, 370,000 broker warrants were assumed to have been granted to holders of LL One Inc. in connection with the RTO Transaction. These warrants are exercisable at $0.10 per common share through August 8, 2021, and 370,000 broker warrants were exercised during July 2021.

(vii) On May 14, 2021, 2,518,445 compensation options were issued, amounting to $287,756 equal to 8% of the common shares underlying the convertible debentures. Each Compensation Option vested on issuance and is exercisable into one Common Share at an exercise price of $0.36 for a period of 18 months from the Closing date.

(viii) On July 6, 2021, 500,000 stock options were granted to a member of the board of directors, exercisable at $0.35 per common share through July 6, 2026. 125,000 of these options vested immediately with the balance vesting over time through July 6, 2024.

(ix) On September 7, 2021, 1,500,000 stock options were granted to a member of the Company's executive team, exercisable at $0.30 per common share through September 7, 2026. 250,000 of these options vested immediately with the balance vesting over time through September 7, 2024.

(x) On November 25, 2021, 5,425,667 share purchase warrants were granted to subscribers in the private placement financing. Each share purchase warrant vested on issuance and is exercisable into one common share at an exercise price of $0.32 for a period of 24 months from the closing date. In addition, 752,593 compensation options, each exercisable to acquire one common share at an exercise price of $0.24 for a period of 24 months from the date of closing were issued to the broker.

Going concern:

The consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation and be able to realize its assets and discharge its liabilities and commitments in the normal course of business for the foreseeable future. In assessing whether this going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern, management considers all available information and actions within its control with respect to the future which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, as described in the following paragraphs.

During the year ended December 31, 2021, the Company has recognized a net loss of $13,436,763 (2020 - $1,618,742), negative cash flows from operations of $10,569,723 (2020 - $1,043,737), and a gross loss from the sale of boats of $1,543,022 (2020 - $nil). The Company also has an accumulated deficit of $14,534,343 (2020 - $1,618,742) as at December 31, 2021. As a result, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management's current strategy is to expand the Company's recently acquired manufacturing operations and create efficiencies to make it profitable, as well as continue to raise additional debt and/or equity financing to support its operations. There is no assurance that the Company will achieve profitable operations or raise additional debt and/or equity capital required to fund its operations. If the Company is unable to obtain financing or take other actions, it may be unable to continue as a going concern.

The consolidated financial statements do not reflect any adjustments, which could be material, to the carrying amounts of assets and liabilities, reported revenues and expenses, and balance sheet classifications used, that would be necessary if the Company were unable to continue as a going concern.

Capital Management:

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its strategy of growth and to maximize the return to its shareholders. The Company's capital consists of convertible debentures and shareholders' equity. The Company does not have any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company makes adjustments to its capital structure in light of general economic conditions and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may pay dividends, buy back shares or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions not in the ordinary course of business.

Transactions Between Related Parties:

The Company's related party transactions during the period are largely associated with its shareholders. Transactions with shareholders have been recorded in the following financial statement captions at the aggregate amounts noted below:

		December 31, 2021		December 31, 2020
Advertising and promotion	**$**	**5,109**		6,363
Office expense		**2,030**		2,443
Professional fees		**1,108,406**		403,010
Rental		**973**		38,974
Salaries and wages		**677,209**		450,032
Stock based compensation (note 13(b))		**366,192**		166,500
Travel expenses		**-**		25,200
Utilities		**-**		6,490
	$	**2,159,919**	$	1,099,012

Key management personnel are also shareholders of the Company. The CEO and a director provide their services through entities they control which charge the Company a management fee. During the year ended December 31, 2021, management fees paid amounted to $624,242 (2020 - $106,633) which has been recorded within professional fees. For the year ended December 31, 2021, director fees of $484,164 (2020 - $nil), have been included within professional fees.

Compensation of other key management personnel during the year ended December 31, 2021 amounted to $677,209 (2020 - $450,032) which included in salaries in the aggregate amount of $647,721 (2020 - $420,486) and short-term benefits in the amount of $29,488 (2020 - $29,546). These amounts have been recorded within salaries and wages.

For the year ended December 31, 2021, an entity that is a shareholder of the Company incurred costs totaling $973 (2020 - $334,374) on behalf of the Company. These costs included salaries and wages for key management personnel of $nil (2020 - $209,000) and short-term benefits of $nil (2020 - $10,450) which are included in the total compensation of other key management personnel figure noted above. The costs also include rent of $973 (2020 - $33,000), travel of $nil (2020 - $25,200), utilities of $nil (2020 - $6,490), yacht design fees of $nil (2020 - $7,433), and prepaid design fees of $nil (2020 - $34,995). In exchange for these goods and services, the entity was reimbursed in $nil (2020 - 60,772 Class A common shares). These costs and the corresponding shares have been recorded in the financial statements at the fair value of the goods and services received based on market prices. This shareholder also incurred advertising, promotion and office expenses in the aggregate of $7,139 (2020 - $7,806) on behalf of the Company, for which it was reimbursed in cash.

During year ended December 31, 2021, a shareholder provided legal services to the Company in the amount of $nil (2020 - $348,826). Additionally, another shareholder provided consulting services related to financial reporting in the amount of $nil (2020 - $25,000) for the year ended December 31, 2021.

On December 23, 2021, the Company received a loan from a related party in the amount of $100,000. The loan bears interest at 10% per annum, is unsecured and expected to be repaid by September 2022.

Risks:

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process is to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below.

a) *Liquidity risk:*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due or can do so only at excessive cost. Given that the Company continues to use cash in operations, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company on a timely basis.

b) *Foreign currency risk:*

Foreign currency risk arises from the possibility that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities when revenue or expenses are denominated in a foreign currency.

c) *Market risks:*

The success of the Company is primarily tied to the size and growth rate of the boating segment of the marine industry. Underlying market conditions are subject to change based on economic conditions, consumer preferences and other factors that are beyond the Company's control, including media attention, which may be positive or negative. An adverse change in size or growth rate of the marine industry segment could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the Company's business is cyclical in nature, and Company's products compete with a variety of other recreational products and activities for consumers' discretionary income and leisure time. Consumer spending habits, including spending on the Company's products, are affected by, among other things, prevailing economic conditions, levels of employment, fuel prices, salaries and wages, the availability of consumer credit, consumer confidence and consumer perception of economic conditions. A general economic slowdown, such as that caused by COVID-19, in any of the Company's targeted markets could decrease demand for its products, which would adversely affect revenue. In addition, an uncertain economic outlook may adversely affect consumer spending habits and customer traffic, which may result in lower revenue. A prolonged economic downturn in any of the Company's target markets could have a material negative impact on its business, financial condition and performance.

d) *Manufacturing, Transportation and Distribution:*

Following the acquisition of Ebbtide, the Company is reliant on its on its own manufacturing resources, (see Strategic Acquisition above), for the production of all of its products. As a result, any delays or shutdowns that stem from Ebbtide could have a significant impact upon the business. Additionally, a potential increase in the cost of manufacturing at Ebbtide would have a significant adverse impact upon the Company's distribution chain and margins.

If issues arise at any step of the supply chain, it could cause logistical problems and delays in customers obtaining their orders beyond the direct control of the Company. There can be no assurance that the vendors will continue to reliably deliver products at the levels of quality or in the quantities required, nor can there be any assurance that the third-party carriers and distributors fulfill their obligations pursuant to their committed timelines. Any insufficiency or delay by third-party vendors would adversely affect the Company's financial performance.

e) *Protection of Intellectual Property*

The Company's products are not currently protected by patents. The Company maintains an active research and development program that is devoted to developing efficiencies in design, production and performance of its products. The Company protects its investment in research, as well as the techniques it uses to improve products, by relying on trade secret and trademark laws.

Notwithstanding the Company's efforts, there can be no assurance that efforts to protect Limestone's Brands trade secrets and trademarks will be successful. The Company intends to maintain and keep current all of its trademark registrations and to pay all applicable renewal fees as they become due. Beyond merely its trademarks, if for any reason the Company is unable to maintain the Company's current or its future intellectual property rights, its sales of any related products could be materially and negatively affected.

f) *Laws and regulations:*

The Company is subject to all of the accompanying risks that come with complying with the laws and regulations of the countries in which the products are intended to be produced and sold. This includes the need to receive licensing approval as well as a responsibility to be compliant with the production requirements of various countries. By operating in both the United States and Canada, the Company will be obligated to comply with both U.S. and Canadian regulatory and legal regimes.

g) *COVID-19:*

The COVID-19 pandemic may adversely affect, the operations of Ebbtide, and those of our dealers and suppliers, thereby adversely affecting our business, financial condition and results of operations.

The COVID-19 pandemic has significantly impacted health and economic conditions throughout Canada, the United States and the world.

While we cannot predict the ultimate impact of the COVID-19 virus on our business at this time, the pandemic and related efforts to mitigate the pandemic may impact our business in a number of ways, including but not limited to:

- decreasing consumer confidence as a result of the economic impact of the pandemic, which could result in a decrease in consumer demand for recreational boats;
- disruption at our fully owned manufacturing facility in Tennessee which could impact employees' attendance and productivity, as well as the production of our boats;
- adversely impacting the financial health of our dealers who typically require financing to purchase our boats;
- adversely impacting the business of our suppliers, which could result in among other things, delays for delivery of raw materials and components needed for the production of our boats;

- impacting Ebbtide's ability to maintain its workforce during this uncertain time;
- potential cost increases on raw materials and components from suppliers due to supply chain constraints along with potentially greater personnel costs due to hiring additional workers to mitigate employee absenteeism;
- Any or all of these items may occur, which individually or in the aggregate, may have a material adverse effect on our business, financial condition, results of operations and cash flows. These risks could accelerate or intensify depending on the severity and length of the pandemic.

The ultimate magnitude of COVID-19's impact, including the extent of its impact on our financial condition and results of operations, which could be material, will depend on all of the factors noted above, including other factors that we may not be able to forecast at this time. While we expect the impacts of COVID-19 to have an adverse effect on our business, financial condition and results of operations, we are unable to predict the extent of these impacts at this time.

Off-Balance Sheet Arrangements:

The Company's off-balance sheet arrangements and contractual obligations are detailed in the December 31, 2021 consolidated financial statements.

Outstanding share data:

As of May 2, 2022, the Company had 119,665,940 Common Shares outstanding. The increase from December 31, 2021 is due to the exercise of 1,215,000 options.

(signed) "Scott Hanson"
Scott Hanson
CEO

(signed) "Ryan Lupton"
Ryan Lupton, CPA, CA
CFO (interim)