

# **LIMESTONE<sup>®</sup>**

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

**Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2022 and 2021

(Unaudited)



**The Limestone Boat Company Limited (formerly LL One Inc.)**

For the three and six months ended June 30, 2022 and 2021

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying condensed consolidated interim financial statements of The Limestone Boat Company Limited (the "Company") have been prepared by and are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect management's best estimates and judgment based on information currently available. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements.

*"Scott Hanson"*

**Scott Hanson**  
**CEO**

August 29, 2022

*"Charles Pennock"*

**Charles Pennock**  
**Chair – Audit Committee**

# LIMESTONE®

## The Limestone Boat Company Limited (formerly LL One Inc.)

### Condensed Consolidated Interim Statement of Financial Position

(Unaudited)

	Note	June 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		\$ 387,738	\$ -
Trade and other receivables	3	448,284	715,405
Inventories	4	2,790,121	2,364,383
Prepaid expenses and deposits		316,916	500,151
		<b>3,943,059</b>	<b>3,579,939</b>
Restricted cash	17	758,111	817,141
Property and equipment	5	3,768,652	3,787,748
Right of use assets	6	5,684,658	5,729,189
Goodwill and intangible assets	7	4,295,969	4,404,873
<b>TOTAL ASSETS</b>		<b>\$ 18,450,449</b>	<b>\$ 18,318,890</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank indebtedness		\$ -	\$ 103,962
Accounts payable and accrued liabilities	8	6,314,738	3,990,099
Customer deposits		138,144	97,820
Current portion of lease obligations	10	1,965,948	129,745
Current portion of long-term debt	11,12	1,870,913	125,214
		<b>10,289,743</b>	<b>4,446,840</b>
Long-term lease obligations	10	108,530	1,965,966
Long-term debt	11,12	11,264,884	10,729,836
Deferred tax liability	15	81,694	355,965
<b>TOTAL LIABILITIES</b>		<b>\$ 21,744,851</b>	<b>\$ 17,498,607</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	13	\$ 11,803,616	\$ 11,588,424
Contributed surplus	13	3,242,841	3,092,370
Share purchase warrants	13	811,794	809,910
Accumulated other comprehensive loss		(306,179)	(136,078)
Deficit		(18,846,474)	(14,534,343)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>(3,294,402)</b>	<b>820,283</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>\$ 18,450,449</b>	<b>\$ 18,318,890</b>
Going concern	2(b)		
Commitments	17		
Subsequent events	23		

Approved by:

(signed) "Scott Hanson"

Director

(signed) "Charles Pennock"

Director

# LIMESTONE®

**The Limestone Boat Company Limited (formerly LL One Inc.)**  
Condensed Consolidated Interim Statement of Loss and Comprehensive Loss  
For the three and six months ended June 30, 2022 and 2021  
(Unaudited)

	Note	Three Months Ended		Six Months Ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>REVENUE</b>		\$ 4,366,888	\$ 1,275,456	\$ 8,131,476	\$ 1,275,456
<b>COST OF GOODS SOLD</b>		4,174,010	1,685,437	7,795,329	1,685,437
<b>GROSS PROFIT (LOSS)</b>		<b>192,878</b>	<b>(409,981)</b>	<b>336,147</b>	<b>(409,981)</b>
<b>OPERATING EXPENSES</b>	14				
Advertising, marketing and promotion		48,508	125,113	111,895	210,130
Amortization and depreciation expense	5,6,7	89,768	77,522	181,337	88,053
Bad debt expense		1,017	-	1,017	-
Delivery, freight and customs		(7,633)	4,407	10,487	5,239
Insurance		212,011	123,169	387,105	153,746
Interest and bank charges	10,11	779,435	411,879	1,519,936	419,892
License fees		5,502	-	14,885	62
Listing fees and investor relations expense	1	54,177	111,412	75,720	1,762,118
Office expenses		49,751	28,183	110,913	40,087
Professional fees		242,674	1,132,067	675,925	1,623,351
Rental		6,650	2,577	18,333	3,438
Repairs and maintenance		50,722	25,514	109,044	25,514
Research and development		73,182	24,341	132,486	24,341
Salaries and wages		715,924	497,261	1,410,549	807,936
Stock based compensation	13	51,603	82,930	103,205	208,864
Travel expenses		20,846	34,724	53,286	43,747
Utilities		50,495	9,053	145,357	9,053
Warranty expenses		129,755	43,249	220,814	43,249
<b>TOTAL OPERATING EXPENSES</b>		<b>2,574,387</b>	<b>2,733,401</b>	<b>5,282,294</b>	<b>5,468,820</b>
<b>OPERATING LOSS</b>		<b>(2,381,509)</b>	<b>(3,143,382)</b>	<b>(4,946,147)</b>	<b>(5,878,801)</b>
Foreign exchange gain		580,647	252,187	307,370	249,841
Other income		181	512	1,379	627
<b>LOSS BEFORE INCOME TAXES</b>		<b>(1,800,681)</b>	<b>(2,890,683)</b>	<b>(4,637,398)</b>	<b>(5,628,333)</b>
Income tax expense	15	-	(3,039)	-	(3,579)
Deferred tax recovery	15	151,718	96,972	325,267	96,972
<b>LOSS FOR THE PERIOD</b>		<b>\$ (1,648,963)</b>	<b>\$ (2,796,750)</b>	<b>\$ (4,312,131)</b>	<b>\$ (5,534,940)</b>
<b>OTHER COMPREHENSIVE LOSS</b>					
Currency translation adjustment		(296,866)	(49,720)	(170,101)	(60,189)
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>\$ (1,945,829)</b>	<b>\$ (2,846,470)</b>	<b>\$ (4,482,232)</b>	<b>\$ (5,595,129)</b>
Weighted average number of common shares outstanding:					
Basic and diluted	16	119,665,940	102,527,367	119,269,890	88,957,629
Net loss per share:					
Basic and diluted	16	\$ (0.014)	\$ (0.027)	\$ (0.036)	\$ (0.062)

# LIMESTONE®

## The Limestone Boat Company Limited (formerly LL One Inc.) Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

	Note	Common shares	Class A common shares	Contributed surplus	Share purchase warrants	Accumulated other comprehensive loss	Deficit	Total equity
<b>Balance, January 1, 2022</b>		<b>\$ 11,588,424</b>	<b>\$ -</b>	<b>\$ 3,092,370</b>	<b>\$ 809,910</b>	<b>\$ (136,078)</b>	<b>\$ (14,534,343)</b>	<b>\$ 820,283</b>
Stock based compensation	13	-	-	103,205	-	-	-	103,205
Stock options exercised		215,192	-	(93,692)	-	-	-	121,500
Issuance of convertible debentures	11	-	-	160,200	-	-	-	160,200
Convertible debenture issuance costs	11	-	-	(19,242)	1,884	-	-	(17,358)
Loss for the period		-	-	-	-	(170,101)	(4,312,131)	(4,482,232)
<b>Balance, June 30, 2022</b>		<b>\$ 11,803,616</b>	<b>\$ -</b>	<b>\$ 3,242,841</b>	<b>\$ 811,794</b>	<b>\$ (306,179)</b>	<b>\$ (18,846,474)</b>	<b>\$ (3,294,402)</b>
	Note	Common shares	Class A common shares	Contributed surplus	Share purchase warrants	Accumulated other comprehensive loss	Deficit	Total equity
<b>Balance, January 1, 2021</b>		<b>\$ 10</b>	<b>\$ 1,654,005</b>	<b>\$ 212,300</b>	<b>\$ -</b>	<b>\$ (28,916)</b>	<b>\$ (1,618,742)</b>	<b>\$ 218,657</b>
Private placement	13	3,230,200	-	-	-	-	-	3,230,200
Share issuance costs	13	(532,298)	-	-	134,204	-	-	(398,094)
Conversion of Class A common shares	13	1,654,005	(1,654,005)	-	-	-	-	-
Common shares issued in reverse takeover	1	1,952,000	-	-	-	-	-	1,952,000
Stock options issued in reverse takeover	1	-	-	93,692	-	-	-	93,692
Warrants issued in reverse takeover	1	-	-	-	23,998	-	-	23,998
Stock based compensation	13	-	-	208,864	-	-	-	208,864
Issuance of convertible debentures	11	-	-	2,670,668	-	-	-	2,670,668
Convertible debenture issuance costs	11	-	-	(368,247)	287,756	-	-	(80,491)
Acquisition of Ebbtide Holdings, LLC	22	3,255,790	-	-	-	-	-	3,255,790
Loss for the period		-	-	-	-	(60,189)	(5,534,940)	(5,595,129)
<b>Balance, June 30, 2021</b>		<b>\$ 9,559,707</b>	<b>\$ -</b>	<b>\$ 2,817,277</b>	<b>\$ 445,958</b>	<b>\$ (89,105)</b>	<b>\$ (7,153,682)</b>	<b>\$ 5,580,155</b>
Private placement	13	2,604,320	-	-	-	-	-	2,604,320
Share issuance costs	13	(636,051)	-	-	387,950	-	-	(248,101)
Stock based compensation	13	-	-	218,346	-	-	-	218,346
Issuance of convertible debentures	11	-	-	56,747	-	-	-	56,747
Convertible debenture issuance costs	11	-	-	-	-	-	-	-
Acquisition of Ebbtide Holdings, LLC	22	-	-	-	-	-	-	-
Warrants exercised		60,448	-	-	(23,998)	-	-	36,450
Loss for the period		-	-	-	-	(46,973)	(7,380,661)	(7,427,634)
<b>Balance, December 31, 2021</b>		<b>\$ 11,588,424</b>	<b>\$ -</b>	<b>\$ 3,092,370</b>	<b>\$ 809,910</b>	<b>\$ (136,078)</b>	<b>\$ (14,534,343)</b>	<b>\$ 820,283</b>

# LIMESTONE®

## The Limestone Boat Company Limited (formerly LL One Inc.) Condensed Consolidated Interim Statement of Cash Flows For the three and six months ended June 30, 2022 and 2021 (Unaudited)

	Note	Three Months Ended		Six Months Ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
<b>OPERATING ACTIVITIES</b>					
Loss for the period		\$ (1,648,963)	\$ (2,796,750)	\$ (4,312,131)	\$ (5,534,940)
<b>Items not affecting cash</b>					
Amortization and depreciation expense	5,6,7	195,193	149,845	392,667	160,790
Accreted interest on convertible debentures	11,12	656,779	365,935	1,298,545	365,935
Unrealized foreign exchange loss		(587,132)	(182,577)	(315,725)	(182,577)
Deferred tax recovery on convertible debentures	15	(151,718)	(96,972)	(325,267)	(96,972)
Income tax expense		-	3,021	-	3,557
Interest expense on lease obligations	10	32,824	23,209	66,801	23,575
Interest expense on Aquasport brand liability		(9,078)	8,069	23,933	8,069
Non-cash components of listing expense	1	-	-	-	1,589,117
Stock-based compensation expense	13	51,603	82,930	103,205	208,864
		<b>(1,460,492)</b>	<b>(2,443,290)</b>	<b>(3,067,972)</b>	<b>(3,454,582)</b>
Change in non-cash working capital balances					
Trade and other receivables		320,980	92,916	267,121	4,596
Inventories		618,510	(196,267)	(425,738)	(196,267)
Prepaid expenses and deposits		47,800	142,880	183,235	(335,450)
Accounts payable and accrued liabilities		(455,479)	(1,033,985)	2,324,639	(1,081,515)
Customer deposits		77,240	47,620	40,324	122,071
		<b>(851,441)</b>	<b>(3,390,126)</b>	<b>(678,391)</b>	<b>(4,941,147)</b>
<b>INVESTING ACTIVITIES</b>					
Cash paid for acquisition of Ebttide	22	-	(4,540,504)	-	(4,540,504)
Purchase of property and equipment	5	(11,805)	(274,046)	(17,221)	(313,409)
Cash acquired through reverse takeover of LL One Inc.	1	-	-	-	324,334
Cash acquired through acquisition of Ebttide	22	-	217,759	-	217,759
		<b>(11,805)</b>	<b>(4,596,791)</b>	<b>(17,221)</b>	<b>(4,311,820)</b>
<b>FINANCING ACTIVITIES</b>					
Cash proceeds from issuance of shares	13	-	-	-	3,230,200
Share issuance costs	13	-	-	-	(398,094)
Stock options exercised	13	-	-	121,500	-
Cash proceeds from related party loans	14	200,000	-	419,965	-
Cash proceeds from issuance of convertible debentures	11	824,000	14,089,483	824,000	14,089,483
Finance fees on issuance of convertible debentures	11	(73,200)	(1,151,651)	(73,200)	(1,151,651)
Repayment of loan payable	22	-	(1,032,479)	-	(1,032,479)
Change in restricted cash	17	-	-	63,310	(500,000)
Lease obligations principal and interest payments	10	(60,949)	(41,614)	(126,464)	(43,284)
Aquasport brand liability principal payments		(36,341)	(11,880)	(36,341)	(11,880)
		<b>853,510</b>	<b>11,851,859</b>	<b>1,192,770</b>	<b>14,182,295</b>
<b>NET CHANGE IN CASH DURING THE PERIOD</b>					
		<b>(9,736)</b>	<b>3,864,942</b>	<b>497,158</b>	<b>4,929,328</b>
Foreign currency movement in cash balances					
		<b>(4,788)</b>	<b>(83,164)</b>	<b>(5,458)</b>	<b>(84,072)</b>
<b>CASH (BANK INDEBTEDNESS) - BEGINNING OF PERIOD</b>					
		<b>402,261</b>	<b>1,193,659</b>	<b>(103,962)</b>	<b>130,181</b>
<b>CASH (BANK INDEBTEDNESS) - END OF PERIOD</b>					
		<b>\$ 387,737</b>	<b>\$ 4,975,437</b>	<b>\$ 387,738</b>	<b>\$ 4,975,437</b>
<b>SUPPLEMENTAL DISCLOSURE</b>					
Interest paid		\$ 423,720	\$ 33,176	\$ 821,755	\$ 35,266

# LIMESTONE<sup>®</sup>

## The Limestone Boat Company Limited (formerly LL One Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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### 1. General Business Description

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 Policy 2.4 of the TSX Venture Exchange (the "Exchange"). Effective March 2, 2021, 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 (the "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, manufacturing, 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.

Following the RTO Transaction, the Company is controlled by LBCI, and as such, the transaction is accounted for as a reverse takeover of the Company by LBCI for accounting purposes.

The historical figures presented in these condensed consolidated interim financial statements represent those of LBCI and its subsidiary. The acquired assets and liabilities and results of operations and cash flows of LLO are reflected only for periods from the acquisition date of March 2, 2021.

The Company's shares are listed on the TSX Venture Exchange under the symbol "BOAT". The Company's corporate office is 65 Hurontario Street, Collingwood, Ontario, Canada.

#### 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.

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The Limestone Boat Company Limited (formerly LL One Inc.)  
Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022 and 2021

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## 1. General business description and reverse takeover (continued)

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 condensed consolidated interim 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 that 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	<u>23,998</u>
	<b>\$ 2,069,690</b>
Fair value of net assets acquired:	
Cash	\$ 324,334
Prepaid expenses and other receivables	18,628
Due from LBCI	225,000
Accrued liabilities	<u>(87,389)</u>
	<b>\$ 480,573</b>
Listing expense	<b><u>\$ 1,589,117</u></b>

In addition to the above-mentioned listing expense, the Company incurred \$173,063 in listing fees paid to the TSX Venture Exchange and investor relations costs for the six months ended June 30, 2021. Further, transaction costs in connection with the RTO transaction of \$146,151 were expensed to professional fees for the six months ended June 30, 2021.

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**The Limestone Boat Company Limited (formerly LL One Inc.)**  
Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022 and 2021

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## 2. Basis of presentation

### (a) Statement of compliance

The Company's condensed consolidated interim financial statements 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"). The Company has a December 31st year end and therefore these condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as issued by the IASB.

These condensed consolidated interim financial statements do not include all information and note disclosures required by IFRS for annual financial statements, and therefore, should be read in conjunction with the December 31, 2021 consolidated annual financial statements. The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the December 31, 2021 consolidated annual financial statements.

These condensed consolidated interim financial statements were authorized for issue on August 29, 2022 in accordance with a resolution of the board of directors.

### (b) Going concern basis of accounting

These condensed consolidated interim 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 six months ended June 30, 2022, the Company has recognized a net loss of \$4,312,131 (2021 - \$5,534,940) and negative cash flows from operations of \$3,067,972 (2021 - \$3,454,582). The Company also has negative working capital of \$6,346,684 (2021 - \$866,901) and an accumulated deficit of \$18,846,474 (2021 - \$14,534,343) as at June 30, 2022. 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 acquired manufacturing operations (refer to note 22) 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.

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## The Limestone Boat Company Limited (formerly LL One Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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### 2. Significant Accounting Policies (continued)

These condensed consolidated interim 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.

#### (c) Principles of consolidation

These condensed consolidated interim financial statements include the accounts of The Limestone Boat Company Limited and its wholly-owned subsidiaries, The Limestone Boat Company Inc. Limestone US, Inc. and Ebbtide Holdings, LLC (collectively, the “Company”). All intercompany balances, transactions, income and expenses, and gains or losses have been eliminated on consolidation.

Subsidiaries are consolidated where the Company has the ability to exercise control. Control of an investee is defined to exist when the Company is exposed to variable returns from the Company's involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following: power over the investee (existing rights that gives it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from the Company's involvement with the investee; and the ability to use its power over the investee to affect its returns.

#### (d) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the functional currency of The Limestone Boat Company Limited. Each subsidiary of the Company determines its own functional currency based on the primary economic environment in which the subsidiary operates. The functional currency of Limestone Boat Company Inc., Limestone US, Inc. and Ebbtide Holdings, LLC (“Ebbtide”) is US dollars.

#### (e) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect as of the balance sheet date. Gains and losses are recognized in income on a current basis.

Assets and liabilities are translated into the Company's presentation currency using the exchange rates at the reporting date. The revenues and expenses are translated using a rate representative of the date on which the transaction occurred, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through currency translation adjustment and accumulated other comprehensive loss in equity.

## 2. Basis of presentation (continued)

### (f) Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The following are management's key estimates and judgements:

- Functional currency - judgment is required in determining the Company's functional currency based on the economic environment in which it primarily generates and expends cash;
- Stock-based compensation - the amounts recorded for stock-based compensation are based on estimates. The Black Scholes model is used to estimate the fair value of stock options at the date of grant based on estimates of assumptions for share price, expected volatility, expected number of options to vest, dividend yield, risk-free interest rate, and expected life of the options. Changes in these assumptions may result in a material change to the amounts recorded for the issuance of stock options (refer to note 13);
- Recovery of deferred income tax assets - assessing whether the realization of tax losses against future taxable income is probable (refer to note 15);
- Useful lives of assets – significant estimates are involved in the determination of the useful lives of property and equipment, right of use assets, and intangible assets based on their expected depreciation and amortization rates;
- Valuation of business combinations – Significant estimates and assumptions are required to determine the purchase price allocation of business combinations including determination and valuation of intangible assets, property and equipment, right of use assets, and lease liabilities acquired or assumed, along with the value of pre-existing relationships extinguished upon acquisition and the stand-alone value of components within a lease (note 22);
- Valuation of compound financial instruments – Convertible debenture conversion options require an estimation of the fair value of a similar liability that does not have an associated equity component using a suitable discount rate at initial recognition. The carrying amount of the conversion options is then determined by deducting the fair value of the financial liability from the fair value of the convertible debentures as a whole;
- Discount rate of lease liabilities - The Company determines its incremental borrowing rate as the rate of interest it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment (refer to note 10);

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## 2. Significant Accounting Policies (continued)

### (f) Use of estimates (continued)

- Warranty provision - In establishing the warranty provision, management estimates the likelihood that products sold will experience warranty claims and the costs to resolve the claims received. The warranty provision is made at the time of sale based on historical experience and is regularly monitored. Should these estimates prove to be incorrect, the Company may incur costs different from those provided for in the warranty provision;
- Reverse takeover transaction - Determination of the accounting acquirer, whether the acquired entity is a business, and the fair value of the consideration transferred (refer to note 1).
- Impairment of long-lived assets – The Company's impairment test for goodwill is based on internal estimates of the value-in-use calculations and may use judgement or valuation models such as the discounted cash flow model. These estimates, including the methodology used and, the assessment of CGUs and how goodwill is allocated, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

The Company has also assessed the impact of the ongoing COVID-19 pandemic on the estimates and judgments described above. Although the Company expects pandemic related disruptions to continue into the future, the Company believes that the long-term estimates and assumptions do not require significant revisions. However, given the uncertainty of the pandemic at this time, revisions may be required in future reporting periods to the extent that the negative impacts on the Company's operations arising from the pandemic continue or worsen. Any such revisions could result in a material impact on the results of operations and financial condition of the Company (note 20).

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### 3. Trade and other receivables

	June 30, 2022	December 31, 2021
Trade accounts receivable, net of allowance	\$ 218,820	\$ 467,597
HST recoverable	229,464	247,808
	<b>\$ 448,284</b>	<b>\$ 715,405</b>

	June 30, 2022	December 31, 2021
Less than 1 month	\$ 218,820	467,597
31-60 days	-	-
61-90 days	-	-
Over 90 days	-	-
Total trade accounts receivable	<b>218,820</b>	<b>467,597</b>
Less: Allowance for doubtful accounts	-	-
Trade accounts receivable, net of allowance	<b>\$ 218,820</b>	<b>467,597</b>

### 4. Inventories

	June 30, 2022	December 31, 2021
Raw materials	\$ 1,196,799	1,143,077
Engines	808,483	333,425
Work-in-process	784,839	797,984
Finished goods	-	89,897
	<b>\$ 2,790,121</b>	<b>2,364,383</b>

Inventories expensed to cost of goods sold during the six months ended June 30, 2022 was \$5,398,331 (2021 - \$1,208,351).

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## 5. Property and Equipment

Property and equipment is comprised of the following:

Cost	Vehicles	Equipment	Molds and tooling	Total
January 1, 2021	\$ -	\$ -	801,033	801,033
Acquisition of Ebbitide (note 22)	-	383,910	505,348	889,258
Additions	81,398	203,046	1,872,659	2,157,103
Disposals	-	-	-	-
Currency translation adjustment	4,079	21,604	41,944	67,627
December 31, 2021	85,477	608,560	3,220,984	3,915,021
Additions	-	17,221	-	17,221
Disposals	-	-	-	-
Currency translation adjustment	1,402	10,201	52,845	64,448
<b>June 30, 2022</b>	<b>\$ 86,879</b>	<b>\$ 635,982</b>	<b>\$ 3,273,829</b>	<b>\$ 3,996,690</b>

Accumulated Depreciation	Vehicles	Equipment	Molds and tooling	Total
January 1, 2021	\$ -	\$ -	2,137	2,137
Depreciation	9,496	60,048	50,899	120,443
Disposals	-	-	-	-
Currency translation adjustment	476	2,560	1,657	4,693
December 31, 2021	9,972	62,608	54,693	127,273
Depreciation	8,140	52,812	32,276	93,228
Disposals	-	-	-	-
Currency translation adjustment	712	3,806	3,019	7,537
<b>June 30, 2022</b>	<b>\$ 18,824</b>	<b>\$ 119,226</b>	<b>\$ 89,988</b>	<b>\$ 228,038</b>

Net book value	Vehicles	Equipment	Molds and tooling	Total
January 1, 2021	\$ -	\$ -	\$ 798,896	\$ 798,896
December 31, 2021	\$ 75,505	\$ 545,952	\$ 3,166,291	\$ 3,787,748
<b>June 30, 2022</b>	<b>\$ 68,055</b>	<b>\$ 516,756</b>	<b>\$ 3,183,841</b>	<b>\$ 3,768,652</b>

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## 6. Right of use assets

Right of use assets is comprised of the following:

<b>Cost</b>	Land	Buildings	Equipment	Molds and tooling	Total
January 1, 2021	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition of Ebbside (note 22)	1,945,041	2,005,446	252,361	1,374,697	5,577,545
Additions	-	95,375	-	-	95,375
Disposals	-	-	-	-	-
Currency translation adjustment	96,117	99,883	12,471	67,933	276,404
December 31, 2021	2,041,158	2,200,704	264,832	1,442,630	5,949,324
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Currency translation adjustment	33,488	36,106	4,345	23,668	97,607
<b>June 30, 2022</b>	<b>\$ 2,074,646</b>	<b>\$ 2,236,810</b>	<b>\$ 269,177</b>	<b>\$ 1,466,298</b>	<b>\$ 6,046,931</b>

<b>Accumulated Depreciation</b>	Land	Buildings	Equipment	Molds and tooling	Total
January 1, 2021	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	94,157	62,589	53,647	210,393
Disposals	-	-	-	-	-
Currency translation adjustment	-	3,998	3,093	2,651	9,742
December 31, 2021	-	98,155	65,682	56,298	220,135
Depreciation	-	57,985	32,935	38,665	129,585
Disposals	-	-	-	-	-
Currency translation adjustment	-	5,418	3,635	3,500	12,553
<b>June 30, 2021</b>	<b>\$ -</b>	<b>\$ 161,558</b>	<b>\$ 102,252</b>	<b>\$ 98,463</b>	<b>\$ 362,273</b>

<b>Net book value</b>	Land	Buildings	Equipment	Molds and tooling	Total
January 1, 2021	\$ -	\$ -	\$ -	\$ -	\$ -
December 31, 2021	\$ 2,041,158	\$ 2,102,549	\$ 199,150	\$ 1,386,332	\$ 5,729,189
<b>June 30, 2022</b>	<b>\$ 2,074,646</b>	<b>\$ 2,075,252</b>	<b>\$ 166,925</b>	<b>\$ 1,367,835</b>	<b>\$ 5,684,658</b>

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## 7. Goodwill and intangible assets

Goodwill and intangible assets is comprised of the following and pertains to the Ebbtide acquisition:

Cost	Goodwill	Brand	Customer List	Total
January 1, 2021	\$ -	\$ -	\$ -	\$ -
Acquisition of Ebbtide (note 22)	1,485,336	1,836,312	1,123,533	4,445,181
Additions	-	-	-	-
Disposals	-	-	-	-
Currency translation adjustment	73,400	90,744	55,521	219,665
December 31, 2021	1,558,736	1,927,056	1,179,054	4,664,846
Additions	-	-	-	-
Disposals	-	-	-	-
Currency translation adjustment	25,573	31,616	19,344	76,533
<b>June 30, 2022</b>	<b>\$ 1,584,309</b>	<b>\$ 1,958,672</b>	<b>\$ 1,198,398</b>	<b>\$ 4,741,379</b>

Accumulated Depreciation	Goodwill	Brand	Customer List	Total
January 1, 2021	\$ -	\$ -	\$ -	\$ -
Depreciation	-	172,829	74,902	247,731
Disposals	-	-	-	-
Currency translation adjustment	-	8,541	3,701	12,242
December 31, 2021	-	181,370	78,603	259,973
Depreciation	-	117,422	52,432	169,854
Disposals	-	-	-	-
Currency translation adjustment	-	10,800	4,783	15,583
<b>June 30, 2022</b>	<b>\$ -</b>	<b>\$ 309,592</b>	<b>\$ 135,818</b>	<b>\$ 445,410</b>

Net book value	Goodwill	Brand	Customer List	Total
January 1, 2021	\$ -	\$ -	\$ -	\$ -
December 31, 2021	\$ 1,558,736	\$ 1,745,686	\$ 1,100,451	\$ 4,404,873
<b>June 30, 2022</b>	<b>\$ 1,584,309</b>	<b>\$ 1,649,080</b>	<b>\$ 1,062,580</b>	<b>\$ 4,295,969</b>

The Goodwill is associated with the Company's single CGU. The Company performed a goodwill impairment test, and the recoverable amount of the CGU was determined to be higher than the carrying value. The recoverable amount of the CGU for the period ended June 30, 2022 was determined as value in use, which was calculated based on the consideration paid to acquire Ebbtide, adjusted for disposal costs and any changes in value arising from factors since acquisition. It was determined that this basis represents the best evidence of the CGU's fair value less costs of disposal – and therefore the recoverable amount.

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## 8. Accounts payable and accrued liabilities

	June 30, 2022	December 31, 2021
Trade accounts payable	\$ 4,918,768	\$ 3,007,812
Accrued liabilities	801,525	569,966
Warranty provision	594,445	412,321
	<b>\$ 6,314,738</b>	<b>\$ 3,990,099</b>

The warranty provision above relates to the sale of boats during 2022 and 2021. The provision has been estimated based on historical warranty data associated with the Company's boats and by benchmarking to comparable situations for companies that are similar to Limestone. The Company expects to settle the majority of the liability over the next year.

Provisions	Warranties
January 1, 2021	\$ -
Acquisition of Ebbtide (note 22)	262,780
Provisions made during the year	192,111
Provisions used during the year	(57,485)
Provisions reversed during the year	-
Currency translation adjustment	14,915
December 31, 2021	412,321
Provisions made during the year	243,778
Provisions used during the year	(70,745)
Provisions reversed during the year	-
Currency translation adjustment	9,091
<b>June 30, 2022</b>	<b>\$ 594,445</b>

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## 10. Lease obligations

Lease obligations is comprised of the following:

	Land	Buildings	Equipment	Molds and tooling	Total
January 1, 2021	\$ -	\$ -	\$ -	\$ -	\$ -
Add: Additions	-	95,375	-	-	95,375
Add: Acquisition of Ebbitide (note 22)	679,609	700,715	136,753	468,873	1,985,950
Add: Interest expense	28,754	32,830	6,845	24,071	92,500
Less: Principal repayments	(21,842)	(36,046)	(14,196)	(11,689)	(83,773)
Less: Interest payments	(28,754)	(32,830)	(6,845)	(24,071)	(92,500)
Currency translation adjustment	33,334	34,676	7,112	23,037	98,159
December 31, 2021	691,101	794,720	129,669	480,221	2,095,711
Add: Additions	-	-	-	-	-
Add: Interest expense	21,265	22,892	4,727	17,917	66,801
Less: Principal repayments	(17,227)	(21,867)	(11,280)	(9,289)	(59,663)
Less: Interest payments	(21,265)	(22,892)	(4,727)	(17,917)	(66,801)
Currency translation adjustment	11,107	16,925	2,644	7,754	38,430
<b>June 30, 2022</b>	<b>\$ 684,981</b>	<b>\$ 789,778</b>	<b>\$ 121,033</b>	<b>\$ 478,686</b>	<b>\$ 2,074,478</b>

Discount rates used for calculation of the lease liabilities ranged from 4.79% to 7.5%.

	June 30, 2022	December 31, 2021
Lease obligations	\$ 2,074,478	\$ 2,095,711
Less: current portion	(1,965,948)	(129,745)
	<b>\$ 108,530</b>	<b>\$ 1,965,966</b>

The leases are secured by the underlying assets. Future minimum lease payments for the next five years and thereafter are as follows:

2022	\$ 138,588
2023	1,982,709
2024	43,502
2025	34,377
2026	3,834
	2,203,010
Less: imputed interest	128,532
	<b>\$ 2,074,478</b>

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## 11. Convertible debentures

Convertible debentures is comprised of the following:

	June 3, 2022	May 12, 2022	May 14, 2021	Total
Proceeds from issuance of convertible debentures	\$ 484,000	\$ 340,000	\$ 14,097,000	\$ 14,921,000
Less: transaction costs	(26,324)	(48,760)	(1,446,924)	(1,522,008)
Net proceeds	457,676	291,240	12,650,076	13,398,992
Amounts classified as equity, net of transaction costs	(117,327)	(74,627)	(3,236,295)	(3,428,249)
Accreted interest	5,966	9,048	1,983,325	1,998,339
Carrying amount of liability at June 30, 2022	\$ 346,315	\$ 225,661	\$ 11,397,106	\$ 11,969,082

  

	June 3, 2022	May 12, 2022	May 14, 2021	Total
Proceeds from issuance of convertible debentures	\$ -	\$ -	\$ 14,097,000	\$ 14,097,000
Less: transaction costs	-	-	(1,446,924)	(1,446,924)
Net proceeds	-	-	12,650,076	12,650,076
Amounts classified as equity, net of transaction costs	-	-	(3,236,295)	(3,236,295)
Accreted interest	-	-	699,794	699,794
Carrying amount of liability at December 31, 2021	\$ -	\$ -	\$ 10,113,575	\$ 10,113,575

On May 14, 2021, the Company completed a non-brokered private placement of subordinated unsecured convertible debentures (the "Debentures"), in the aggregate principal amount of \$14,097,000 which mature 3 years from their date of issuance (the "Term"). The proceeds were used to finance the Ebbtide acquisition (note 21). The Debentures bear interest at a rate of 10% per annum, payable annually in arrears. The Debentures are convertible at any time at the option of the holder into common shares of the Company ("Common Shares") at a conversion price of \$0.36 per Common Share (the "Conversion Price"). If at any time following 120 days from the date of issuance of the Debentures (the "Closing Date") and prior to the date that is 30 days prior to the end of the Term, the volume weighted average closing price of the Common Shares on the TSX Venture Exchange, or such other exchange on which the Common Shares may be listed, is equal to or higher than \$0.50 per Common Share for 20 consecutive trading days, the Company may notify the holders of the Debentures that the Debentures will be automatically converted into Common Shares at the Conversion Price 30 days following the date of such notice.

The Company paid qualified brokers a cash commission of 8% of the gross proceeds from each Debenture subscription amounting to \$1,039,140, incurred legal costs of \$112,511 and issued 2,518,445 compensation options amounting to \$287,756 equal to 8% of the common shares underlying the debentures. Each compensation option is exercisable into one Common Share at an exercise price of \$0.36 for a period of 18 months from the Closing Date.

The Company used the residual method to allocate the liability and equity portions of the Debentures. The fair value of the liability was measured using the discounted cash flow method. In determining the value of the liability, the Company applied a market rate of interest which assumes no equity component. The fair value of the equity component was netted against the liability which, is being accreted over the term. The Company estimated the fair value of the equity component to be \$3,604,542 which is presented net of \$877,127 of deferred taxes in the statement of changes in equity. Transaction costs of \$368,247 have been allocated against the equity component.

## 11. Convertible debentures (continued)

On May 12, 2022, the Company completed a non-brokered private placement of subordinated unsecured convertible debentures (the “Debentures”), in the aggregate principal amount of \$340,000 which mature 3 years from their date of issuance (the “Term”). The proceeds were used for working capital. The Debentures bear interest at a rate of 10% per annum, payable annually in arrears. The Debentures are convertible at any time at the option of the holder into common shares of the Company (“Common Shares”) at a conversion price of \$0.24 per Common Share (the “Conversion Price”). If at any time following 120 days from the date of issuance of the Debentures (the “Closing Date”) and prior to the date that is 30 days prior to the end of the Term, the volume weighted average closing price of the Common Shares on the TSX Venture Exchange, or such other exchange on which the Common Shares may be listed, is equal to or higher than \$0.50 per Common Share for 20 consecutive trading days, the Company may notify the holders of the Debentures that the Debentures will be automatically converted into Common Shares at the Conversion Price 30 days following the date of such notice.

The Company paid qualified brokers a cash commission of 8% of the gross proceeds from each Debenture subscription amounting to \$27,200, incurred legal costs of \$20,000 and issued 113,333 compensation options amounting to \$1,560 equal to 8% of the common shares underlying the debentures. Each compensation option is exercisable into one Common Share at an exercise price of \$0.24 for a period of 18 months from the Closing Date.

The Company used the residual method to allocate the liability and equity portions of the Debentures. The fair value of the liability was measured using the discounted cash flow method. In determining the value of the liability, the Company applied a market rate of interest which assumes no equity component. The fair value of the equity component was netted against the liability which, is being accreted over the term. The Company estimated the fair value of the equity component to be \$87,121 which is presented net of \$19,882 of deferred taxes in the statement of changes in equity. Transaction costs of \$12,494 have been allocated against the equity component.

On June 3, 2022, the Company completed a non-brokered private placement of subordinated unsecured convertible debentures (the “Debentures”), in the aggregate principal amount of \$484,000 which mature 3 years from their date of issuance (the “Term”). The proceeds were used for working capital. The Debentures bear interest at a rate of 10% per annum, payable annually in arrears. The Debentures are convertible at any time at the option of the holder into common shares of the Company (“Common Shares”) at a conversion price of \$0.19 per Common Share (the “Conversion Price”). If at any time following 120 days from the date of issuance of the Debentures (the “Closing Date”) and prior to the date that is 30 days prior to the end of the Term, the volume weighted average closing price of the Common Shares on the TSX Venture Exchange, or such other exchange on which the Common Shares may be listed, is equal to or higher than \$0.38 per Common Share for 20 consecutive trading days, the Company may notify the holders of the Debentures that the Debentures will be automatically converted into Common Shares at the Conversion Price 30 days following the date of such notice.

The Company paid qualified brokers a cash commission of 8% of the gross proceeds from each Debenture subscription amounting to \$6,000, incurred legal costs of \$20,000 and issued 31,579 compensation options amounting to \$324 equal to 8% of the common shares underlying the debentures. Each compensation option is exercisable into one Common Share at an exercise price of \$0.19 for a period of 18 months from the Closing Date.

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## **11. Convertible debentures (continued)**

The Company used the residual method to allocate the liability and equity portions of the Debentures. The fair value of the liability was measured using the discounted cash flow method. In determining the value of the liability, the Company applied a market rate of interest which assumes no equity component. The fair value of the equity component was netted against the liability which, is being accreted over the term. The Company estimated the fair value of the equity component to be \$124,076 which is presented net of \$31,114 of deferred taxes in the statement of changes in equity. Transaction costs of \$6,748 have been allocated against the equity component.

Accreted interest is recorded with interest and bank charges in the consolidated statement of loss and comprehensive loss.

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## 12. Long-term debt

	June 30, 2022	December 31, 2021
Convertible debentures (note 11)	\$ 11,969,082	10,113,575
Aquasport brand liability	639,426	641,475
Related party loans (note 14)	527,289	100,000
	13,135,797	10,855,050
Less: current portion	(1,879,171)	(125,214)
	\$ 11,256,626	10,729,836

The Aquasport brand liability pertains to the Company's Aquasport brand name which is a non-lease component of a lease agreement acquired as part of the Ebttide acquisition (note 22). The remaining term of the agreement is approximately 1 year and the liability was calculated using a discount rate of 7.5%.

Future payments of the Company's long-term debt are as follows:

2022	\$ 2,023,032
2023	2,137,907
2024	14,696,605
2025	857,186
	19,714,730
Less: imputed interest & financing fees	(6,578,933)
	\$ 13,135,797

## 13. Share capital

### (a) Authorized and issued

#### Common shares:

The Company is authorized to issue an unlimited number of common shares. Holders of common shares have the right to vote at any meeting of shareholder of the Company, receive any dividend declared by the Company, and to receive the remaining property of the Company on dissolution.

#### Class A common shares:

The Company was authorized to issue an unlimited number of Class A common shares. The Class A common shares were voting shares and had priority over the common shares with respect to dividends, liquidation, redemption and other rights and preferences in terms of seniority of payout. Holders of Class A common shares were entitled to receive dividends up to the amount equal to their original investment prior to the common shares receiving any dividends. After priority dividends were been paid, Class A common shares would be automatically converted to common shares.

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## 13. Share capital (continued)

### (a) Authorized and issued (continued)

Upon a liquidation event, holders of Class A common shares were to receive prior to and in preference to the holder of common shares, a per share amount equal to the issue price less any priority dividends received. Holders of Class A common shares had the option to convert their Class A common shares into fully paid and non-assessable common shares at a one for one ratio upon a change of control. After a change in control event, holders of Class A common shares could require the Company to redeem their shares at the aggregate of the issue price and all accrued and unpaid dividends thereon. The Company was required to approve all change of control transactions.

The following table provides a continuity of the share capital as presented in these financial statements:

	LBCI				The Company	
	Common shares		Class A common shares		Common shares	
	Number	Amount	Number	Amount	Number	Amount
<b>Balance, January 1, 2021</b>	<b>1,000,000</b>	<b>\$ 10</b>	<b>310,772</b>	<b>\$ 1,654,005</b>	-	-
Private placement financing <sup>(i)</sup>	403,775	3,230,200	-	-	-	-
Share issuance costs <sup>(i)</sup>	-	(532,298)	-	-	-	-
Share for share exchange in RTO Transaction <sup>(ii)</sup>	(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 <sup>(iii)</sup>	-	-	-	-	10,851,334	2,604,320
Share issuance costs <sup>(iii)</sup>	-	-	-	-	-	(636,051)
<b>Balance, December 31, 2021</b>	-	<b>\$ -</b>	-	<b>\$ -</b>	<b>118,450,940</b>	<b>\$11,588,424</b>
Stock options exercised	-	-	-	-	1,215,000	215,192
<b>Balance, June 30, 2022</b>	-	<b>\$ -</b>	-	<b>\$ -</b>	<b>119,665,940</b>	<b>\$11,803,616</b>

### (i) Private Placement Financing

On January 19, 2021, LBCI entered into a subscription agreement with Telfer Hanson (2017) Family Trust, an existing shareholder of LBCI, 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 not subject to the escrow restrictions associated with the subscription receipts.

On January 20, 2021, subject to an Agency Agreement, LBCI distributed 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 LBCI, Beacon Securities Limited ("Beacon") and the TSX Trust Company, (the "LBCI Subscription Receipt Agent") (the "LBCI 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.

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## 13. Share capital (continued)

### (a) Authorized and issued (continued)

In connection with the Private Placement, 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 to 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 (note 1).

Share issuance costs consist of the following:

7.0% Cash commission	\$ 159,628
Work fee	60,000
Compensation Warrants issued (note 13(c))	134,204
Legal costs	178,466
	<u>\$ 532,298</u>

### (ii) Reverse Takeover

Effective March 2, 2021, the Company's share capital was consolidated at the Exchange Ratio resulting in 85,727,350 Common shares issued and outstanding at the time of the Reverse Takeover (note 1).

### (iii) Private Placement Financing

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 (note 13(c)), each exercisable to acquire one common share at the Issue Price for a period of 24 months from the date of closing.

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## 13. Share capital (continued)

### (b) Stock option plan

The Company has established a stock option plan for its directors, officers and consultants under which the Company may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of five years from the date of the grant. They are non-transferable and are exercisable as determined by the Board of Directors when the option is granted. Options expire within 90 days of termination of employment or holding office as director or officer of the Company and, in the case of death, expire within a maximum period of one year after such death, subject to the expiry date of the option.

Stock option activity for the six months ended June 30, 2022 and 2021 was as follows:

	June 30, 2022		June 30, 2021	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Balance, beginning of period <sup>(i)</sup>	\$ 0.24	7,615,000	\$ 0.16	2,000,000
Transactions during the period				
Granted <sup>(ii)(iii)(iv)(v)(vi)</sup>	-	-	0.24	3,615,000
Exercised	0.10	1,215,000	-	-
Outstanding, end of period	\$ 0.26	6,400,000	\$ 0.21	5,615,000
<b>Exercisable, end of period</b>	<b>\$ 0.23</b>	<b>3,925,000</b>	<b>\$ 0.16</b>	<b>3,815,000</b>

- (i) On October 5, 2020, 30,000 stock options were granted to certain members of the board of directors, exercisable at \$8.00 per LBCI 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 LBCI 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 (note 1). The converted exercise price and number of options outstanding have been reflected in the table above.
- (ii) On March 2, 2021, LLO's 1,215,000 outstanding stock options were assumed in connection with the RTO Transaction (note 1). 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.

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## 13. Share capital (continued)

### (b) Stock option plan (continued)

(v) 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.

(vi) On September 7, 2021, 1,500,000 stock options were granted to an employee, 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.

The following table provides additional information about the outstanding stock options as at June 30, 2022 and December 31, 2021:

Exercise Price	June 30, 2022			December 31, 2021		
	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable
\$0.10	-	-	-	1,041,428	0.17	1,041,428
\$0.10	-	-	-	173,572	2.61	173,572
\$0.16 <sup>(i)</sup>	2,000,000	3.27	2,000,000	2,000,000	3.76	2,000,000
\$0.30	1,400,000	3.71	1,050,000	1,400,000	4.18	700,000
\$0.30	1,500,000	4.19	250,000	1,500,000	4.69	250,000
\$0.33	1,000,000	3.74	500,000	1,000,000	4.24	250,000
\$0.35	500,000	4.02	125,000	500,000	4.52	125,000
\$0.26	6,400,000	3.71	3,925,000	7,615,000	3.61	4,540,000

(i) On March 2, 2021, LLO issued 50 LLO stock options for each LBCI option held by a LBCI option holder (note 1). The converted exercise price and number of options outstanding have been reflected in the table above.

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## 13. Share capital (continued)

### (b) Stock option plan (continued)

Using the Black-Scholes valuation method, the following weighted average assumptions were used to determine the value of the options granted during 2021:

	07-Sep-21	06-Jul-21	27-Mar-21	04-Mar-21	02-Mar-21
Risk-free interest rate	0.81%	0.95%	0.54%	0.46%	0.17%
Estimated life of options (years)	3.25	3.25	3.25	2.87	0.71
Expected volatility	100%	100%	100%	100%	100%
Market price of shares at date of issuance	\$ 0.23	\$ 0.26	\$ 0.33	\$ 0.30	\$ 0.16
Exercise price of options	\$ 0.30	\$ 0.35	\$ 0.33	\$ 0.30	\$ 0.10
Dividend yield	0%	0%	0%	0%	0%
Fair value of options granted	\$ 0.13	\$ 0.15	\$ 0.21	\$ 0.18	\$ 0.07

Expected life of options in years represents the period of time that options granted are expected to be outstanding.

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The expected volatility was estimated by benchmarking to comparable situations for companies that are similar to Limestone along with the Company's own trading results.

### (c) Share purchase warrants

Share purchase warrants activity for the six months ended June 30, 2022 and 2021 was as follows:

	June 30, 2022		June 30, 2021	
	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price	Number of Warrants
Balance, beginning of period	\$ 0.29	10,671,955	\$ -	-
Transactions during the period				
Granted <sup>(i)(ii)</sup>	-	-	0.15	2,345,250
Granted <sup>(v)</sup>	-	-	0.36	2,518,445
Granted <sup>(vi)</sup>	0.24	113,333	-	-
Granted <sup>(vii)</sup>	0.19	31,579	-	-
<b>Outstanding, end of period</b>	<b>\$ 0.29</b>	<b>10,816,867</b>	<b>\$ 0.26</b>	<b>4,863,695</b>

(i) 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.

(ii) 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 (note 1). These warrants are exercisable at \$0.10 per common share through August 8, 2021.

(iii) On May 14, 2021, 2,518,445 compensation options were granted in relation to the issuance of the convertible debentures (note 11). 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.

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## 13. Share capital (continued)

### (c) Share purchase warrants (continued)

- (iv) On July 14, 2021, 370,000 share purchase warrants were exercised for proceeds of \$36,450. The share price at the date of exercise was \$0.25.
- (v) 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.
- (vi) On May 12, 2022, 113,333 compensation options were granted in relation to the issuance of the convertible debentures (note 11). Each compensation option vested on issuance and is exercisable into one common share at an exercise price of \$0.24 for a period of 18 months from the closing date.
- (vii) On June 3, 2022, 31,579 compensation options were granted in relation to the issuance of the convertible debentures (note 11). Each compensation option vested on issuance and is exercisable into one common share at an exercise price of \$0.19 for a period of 18 months from the closing date.

The following table provides additional information about the outstanding share purchase warrants as at June 30, 2022 and December 31, 2021:

Exercise Price	June 30, 2022			December 31, 2021		
	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable
\$0.16	1,975,250	0.67	1,975,250	1,975,250	1.17	1,975,250
\$0.36	2,518,445	0.37	2,518,445	2,518,445	0.87	2,518,445
\$0.24	752,593	1.40	752,593	752,593	1.90	752,593
\$0.32	5,425,667	1.40	5,425,667	5,425,667	1.90	5,425,667
\$0.24	113,333	1.37	113,333	-	-	-
\$0.19	31,579	1.43	31,579	-	-	-
\$0.29	10,816,867	1.02	10,816,867	10,671,955	1.52	10,671,955

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## 13. Share capital (continued)

### (c) Share purchase warrants (continued)

Using the Black-Scholes valuation method, the following weighted average assumptions were used to determine the value of the warrants granted during 2021:

	03-Jun-22	12-May-22	25-Nov-21	25-Nov-21	14-May-21	02-Mar-21	02-Mar-21
Risk-free interest rate	2.91%	2.64%	1.05%	1.05%	0.32%	0.12%	0.22%
Estimated life of warrants (years)	0.75	0.75	1.00	1.00	0.75	0.22	1.25
Expected volatility	100%	100%	100%	100%	100%	100%	100%
Market price of shares at date of issuance	\$ 0.09	\$ 0.11	\$ 0.22	\$ 0.22	\$ 0.35	\$ 0.16	\$ 0.16
Exercise price of warrants	\$ 0.19	\$ 0.24	\$ 0.32	\$ 0.24	\$ 0.36	\$ 0.10	\$ 0.16
Dividend yield	0%	0%	0%	0%	0%	0%	0%
Fair value of warrants granted	\$ 0.01	\$ 0.01	\$ 0.06	\$ 0.08	\$ 0.11	\$ 0.06	\$ 0.07

Expected life of warrants in years represents the period of time that warrants granted are expected to be outstanding.

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The expected volatility was estimated by benchmarking to comparable situations for companies that are similar to Limestone along with the Company's own trading results.

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## 14. Related party transactions and balances

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:

	June 30, 2022	June 30, 2021
Advertising and promotion	\$ -	\$ 5,109
Office expense	-	2,030
Professional fees	347,593	788,878
Rental	-	973
Salaries and wages	303,260	407,788
Stock based compensation (note 13(b))	97,411	169,885
	<b>\$ 748,264</b>	<b>\$ 1,374,663</b>

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 six months ended June 30, 2022, management fees paid amounted to \$232,685 (2021 - \$256,267) which has been recorded within professional fees. For the six months ended June 30, 2022, director fees of \$114,908 (2021 - \$209,307), have been included within professional fees.

Compensation of other key management personnel during the six months ended June 30, 2022 amounted to \$303,260 (2021 - \$407,788) which included in salaries in the aggregate amount of \$283,654 (2021 - \$396,667) and short-term benefits in the amount of \$19,606 (2021 - \$11,121). These amounts have been recorded within salaries and wages.

For the six months ended June 30, 2022, an entity that is a shareholder of the Company incurred costs totaling \$nil (2021 - \$6,189) on behalf of the Company. The costs include rent of \$nil (2021 - \$973), advertising, promotion and office expenses in the aggregate of \$nil (2021 - \$7,139) on behalf of the Company, for which it was reimbursed in cash.

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.

During the six months ended June 30, 2022, the Company received loans from related parties amounting to \$419,965 (2021 - \$nil). These loans bear interest at 10% per annum, are unsecured and expected to be repaid in 2022.

## 15. Income taxes

At June 30, 2022, the Company has unused tax losses for federal income tax purposes of \$13,347,969 (2021 - \$1,526,838) which are available to offset future federal taxable income. No deferred tax asset has been recognized in respect of these losses.

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## 16. Earnings per share

### (a) Basic

Basic income per share is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of common shares outstanding during the three and six months ended June 30, 2022 and 2021.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net loss	\$ (1,648,963)	\$ (2,796,750)	\$ (4,312,131)	\$ (5,534,940)
Weighted-average number of shares outstanding <sup>(i)</sup>	119,665,940	102,527,367	119,269,890	88,957,629
Basic net income (loss) per share	\$ (0.014)	\$ (0.027)	\$ (0.036)	\$ (0.062)

(i) On March 2, 2021, LLO issued 50 LLO Common shares for each LBCI Common share held by a LBCI shareholder (note 1). The converted Common shares outstanding have been reflected in the table above.

### (b) Diluted

Diluted income per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. For 2022 and 2021, the Company's source of potentially dilutive common shares are stock options, warrants and convertible debentures. For the three and six months ended June 30, 2022, an adjustment of nil (2021 – 3,022,556) and nil (2021 – 2,083,538) for stock options and warrants has been excluded from the calculation of diluted earnings per share as they were anti-dilutive. As a result, diluted earnings per share is equal to basic earnings per share for the three and six months ended June 30, 2022 and 2021.

## 17. Commitments

### Design Fee License Agreement

On May 12, 2020, the Company 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 the use of the name of the Limestone trademark. This agreement has an initial term of twenty years and will automatically renew for successive terms of twenty years unless the Company elects not to renew. This agreement requires the Company to pay monthly design fees in an amount equal to the product of revenue from the sale of products in a given month and a prescribed rate based on the type of product sold and the volume of sales.

### Consulting Services Agreement

On August 28, 2020, the Company entered into an agreement with Mark Ellis, the original designer of Limestone boats, for consulting services associated with mentorship on the Limestone brand, design counsel, and marketing input and support on an as requested basis. The term of the agreement is two years and has a total fee of \$50,000 USD which is to be paid in monthly installments of \$2,083 USD.

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## 17. Commitments (continued)

### Marine Dealer Financing Arrangement with Northpoint Commercial Finance

#### *The Limestone Boat Company Inc.*

On November 23, 2020, the Company entered into a series of agreements with Northpoint Commercial Finance Canada Inc. and Northpoint Commercial Finance, LLC (collectively "NCF") through which the Company has been approved for a \$7.5 million USD floor planning facility (the "Limestone NCF Facility") to support the sale of Limestone boats to the Company's dealers. Seven days after receiving a sales invoice from the Company, NCF will remit funding for the full invoice amount. In turn, the dealers will be required to make payments to NCF based on their separate financing terms.

In connection with the Limestone NCF Facility, the Company has executed repurchase agreements with NCF. If a dealer defaults on their payments to NCF, the Company is required to repurchase the associated boat(s) from NCF. In order to get access to the Limestone NCF Facility, the Company will be required to issue two standby letters of credit in the amount of \$500,000, which will each activate financing of \$3.75 million USD. The letters of credit are issued as, and constitute, security for all obligations of the Company to NCF.

On January 25, 2021, an irrevocable standby letter of credit in the amount of \$500,000 was issued on behalf of the Company to NCF 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 4.00% (2021 - 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 can not be exchanged or used to settle a liability within the next twelve months.

#### *Ebbtide holdings LLC*

As part of the acquisition (note 22) the Company assumed a series of agreements with Northpoint Commercial Finance, LLC ("NCF") through which the Company has been approved for a \$2.0 million USD floor planning facility (the "Ebbtide NCF Facility") to support the sale of Ebbtide boats to the Company's dealers. Seven days after receiving a sales invoice from the Company, NCF will remit funding for the full invoice amount. In turn, the dealers will be required to make payments to NCF based on their separate financing terms.

In connection with the Ebbtide NCF Facility, the Company has executed repurchase agreements with NCF. If a dealer defaults on their payments to NCF, the Company is required to repurchase the associated boat(s) from NCF. In order to get access to the Ebbtide NCF Facility, the Company is required to issue a standby letter of credit in the amount of \$200,000 USD. The letter of credit is issued as, and constitutes, security for all obligations of the Company to NCF.

As part of the acquisition (note 22), the Company assumed an irrevocable standby letter of credit in the amount of \$200,000 USD that was issued on behalf of the Company to NCF in connection with the floor planning facility. The letter of credit is secured by a cash deposit of \$200,000 USD which has been recorded as restricted cash within the statement of financial position. Restricted cash has been presented as long-term as it can not be exchanged or used to settle a liability within the next twelve months.

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## 18. 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 capital structure of the Company consists of cash, convertibles debentures, related party loans 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.

## 19. Financial Risk Management

### *Liquidity risk:*

Liquidity risk arises from the possibility that the Company will not be able to meet its financial obligations as they become due. The Company's process for managing liquidity risk includes ensuring that, to the extent possible, it will have sufficient liquidity to meet its liabilities when they become due.

The Company monitors its risk of a shortage of funds by following internal policies on the completion of various liquidity planning processes. The Company prepares a weekly cash flow analysis to identify any potential shortfall of funds and the mitigation strategy in such circumstances. Potential sources for liquidity could include, but are not limited to bank loans and raising additional capital either publicly or through private placements.

### *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.

At present the Company has no plans in place to hedge its foreign exchange exposures. As at June 30, 2022, the Company did not have any balance denominated in currencies other than its functional currency. The CAD monetary balances of entities which have a functional currency of USD consist of the following:

	June 30, 2022	December 31, 2021
Cash	\$ 101,993	\$ 83,454
HST and other receivables	229,464	247,808
Restricted cash	500,000	500,000
Accounts payable and accrued liabilities	1,055,393	853,912
Lease obligations	83,504	82,156

A sensitivity analysis is presented below on the Company's exposure to foreign currency risk on balances denominated in CAD which have a functional currency of USD.

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## 19. Financial risk management (continued)

### *Sensitivity analysis – foreign exchange risk*

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a one-year period. The Company's operating activities are substantially denominated in US dollars. The Company's funds are primarily kept in CAD and USD with a major Canadian financial institution.

The table below summarizes the effects on foreign exchange gains and losses as a result of a 10% change in the value of the foreign currencies where the Company has significant exposure. The analysis assumes that other variables remain constant.

	Income effect of a 10% increase in foreign exchange rates on translation of CAD monetary balances	Loss effect of a 10% decrease in foreign exchange rates on translation of CAD monetary balances
CAD	\$ 30,744	\$ (30,744)

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## 20. Impact of COVID-19

The COVID-19 pandemic may adversely affect the operations of the Company, and those of its dealers and suppliers, thereby adversely affecting its 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 the Company cannot predict the ultimate impact of the COVID-19 virus on its business at this time, the pandemic and related efforts to mitigate the pandemic may impact its 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;
- disrupting the Company's manufacturing facility in Tennessee which could impact employees' attendance and productivity, as well as the production of boats
- adversely impacting the financial health of our dealers who typically require financing to purchase boats;
- adversely impacting the business of the Company's suppliers, which could result in among other things, delays for delivery of raw materials and components needed for the production of boats;
- impacting the Company'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 the Company's 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 the Company's financial condition and results of operations, which could be material, will depend on all of the factors noted above, including other factors that the Company may not be able to forecast at this time. While the Company expect the impacts of COVID-19 to have an adverse effect on its business, financial condition and results of operations, the Company is unable to predict the extent of these impacts at this time.

## 21. Segment Reporting

The Company is required to disclose certain information regarding operating segments, products, services and geographic areas. Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the Chief Executive Officer. The Company operated as one reporting segment for the three and six months ended June 30, 2022 and 2021.

# LIMESTONE®

## The Limestone Boat Company Limited (formerly LL One Inc.)

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For the three and six months ended June 30, 2022 and 2021

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### 22. Ebbtide acquisition

On May 17, 2021, the Company acquired 100% of the issued and outstanding securities of Ebbtide Holdings LLC (“Ebbtide”). Ebbtide is a centrally located boat manufacturer in the USA and manufactures the Aquasport and Boca Bay brands, as well as the Limestone models under a boat manufacturing agreement in place prior to the acquisition. The primary reason for the acquisition is to allow the Company to expand the production of all three brands and obtain control over the manufacturing process and Ebbtide’s underlying business operations.

The fair value of total consideration of \$7,183,815 transferred upon acquisition included the following:

- 9,302,256 Limestone common shares at fair value of \$3,255,790 issued to the Ebbtide vendor group;
- Cash consideration of \$3,928,025 which includes a non-refundable deposit that was advanced to Ebbtide in the amount of \$302,025 prior to the acquisition date of May 17, 2021 and was included within prepaid expenses and deposits as at March 31, 2021.

The acquisition was accounted for under the acquisition method and Ebbtide’s operating results have been included in these consolidated financial statements since the acquisition date. Since the acquisition date, \$6,394,114 in revenue and \$4,637,139 in losses attributable to Ebbtide were included in the consolidated statement of loss and comprehensive loss. The Company recorded \$622,909 of transaction costs in operating expenses under professional fees in connection with the acquisition. Subsequent to the completion of the acquisition, the loan payable of \$1,032,479 was paid out using available cash on hand.

Due to customary post-closing adjustments associated with the approval of the final closing statement (i.e. finalization of working capital balance as at the closing date) and the finalization of valuation calculations, the provisional amounts reported as at June 30, 2021 have been adjusted in the current period to their final amounts, resulting in a \$612,479 adjustment to the consideration.

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## 22. Ebbtide acquisition (continued)

The allocation of the purchase price is as follows:

	As initially reported	Measurement period adjustments	Revised
Cash	\$ 519,784	\$ (302,024)	\$ 217,760
Trade and other receivables	345,317	2,900	348,217
Inventories	1,263,154	174,975	1,438,129
Prepaid expenses and deposits	396,330	(328,579)	67,751
Restricted cash	-	302,025	302,025
Property and equipment	889,258	-	889,258
Right of use assets	5,573,023	4,522	5,577,545
Intangible assets	2,959,845	-	2,959,845
Goodwill	2,016,424	(531,088)	1,485,336
Operating loan	(1,032,190)	(3,020)	(1,035,210)
Accounts payable and accrued liabilities	(2,400,887)	67,810	(2,333,077)
Customer deposits	(121,496)	-	(121,496)
Lease obligations	(1,985,950)	-	(1,985,950)
Aquasport brand liability	(626,318)	-	(626,318)
	<u>\$ 7,796,294</u>	<u>\$ (612,479)</u>	<u>\$ 7,183,815</u>

Goodwill is primarily attributed to the expected synergies arising from the acquisition, the expertise and reputation of the assembled management and workforce, and sales growth potential and is tax deductible.

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### 23. Subsequent Events

On August 11, 2022, the Company announced that it has executed a term sheet (the "Term Sheet") with a strategic lender (the "Lender") to provide for up to \$6M USD in secured credit financing (the "Credit Financing"). The Credit Financing is expected to be advanced to the Company in a series of tranches between August and October of 2022.

The proceeds from the Credit Financing are expected to be used for: (i) improvements to the Company's manufacturing facility in White Bluff, Tennessee; (ii) the acquisition of additional manufacturing equipment; and (iii) for working capital and general corporate purposes.

The Credit Financing will allow the Company to bolster its inventory levels, reduce supply chain disruptions on manufacturing, and commence the phased transformation of its manufacturing capabilities through the expansion and reconfiguration of select production spaces, integration of additional technology, expansion of its large boat production capacity, and enhanced manufacturing process flow.

The Term Sheet is non-binding and any formal transaction between the Company and the Lender is subject to the parties executing a definitive loan agreement and other security documentation. The transactions set out in the Term Sheet are subject to a number of terms and conditions including the completion of the necessary definitive documentation, due diligence, regulatory approvals as well as other requirements that are customary when entering into transactions of this nature.