MANAGEMENT'S DISCUSSION & ANALYSIS

FIRST QUARTER FISCAL 2022

Quarter ended May 2, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") provides a review of the activities, results of operations and financial condition of Waterloo Brewing Ltd. (the "Company" or "Waterloo"), for the quarterly period ended May 2, 2021 ("the first quarter of fiscal 2022") in comparison with the quarterly period ended April 26, 2020 ("the first quarter of fiscal 2021"). This MD&A should be read in conjunction with: (i) the Company's unaudited condensed interim financial statements for the first quarters of fiscal 2022 and 2021 and the notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"); and (ii) the annual report of the Company for the year ended January 31, 2021, including the sections on risks and uncertainties within the MD&A for fiscal 2021. The interim financial statements for the first quarter of fiscal 2022 have not been audited or reviewed by the Company's auditors, KPMG LLP. This MD&A has been prepared as of May 26, 2021. Additional information relating to the Company, including its annual information form, is available at www.sedar.com or in the investor relations section of the Company's website at www.waterloobrewing.com.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, the discussion in this MD&A contains certain forward-looking statements that involve risks and uncertainties, such as statements of the Company's plans, objectives, strategies, expectations and intentions and include, for example, the statements concerning expected volumes, EBITDA*, operating efficiencies, costs, and expansion of its facilities. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "seek", "plan", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, undue reliance should not be placed on these forward-looking statements. These forward-looking statements are not guarantees and reflect the Company's views as of May 26, 2021, with respect to future events. Future events are subject to certain risks, uncertainties, and assumptions, which may cause actual performance and financial results to differ materially from such forward-looking statements. The forward-looking statements, including the statements regarding expected volumes, EBITDA*, operating efficiencies and costs are based on, among other things, the following material factors and assumptions: sales volumes in the fiscal year ending January 31, 2022 ("fiscal 2022") will increase; no material changes in consumer preferences; brewing, blending, and packaging efficiencies will improve; the cost of input materials for brewing, blending, and packaging will increase; competitive activity from other manufacturers will continue; no material change to the regulatory environment in which the Company operates and no material supply, cost or quality control issues with vendors. Readers are urged to consider the foregoing factors and assumptions when reading the forward-looking statements and for more information regarding the risks, uncertainties and assumptions that could cause the Company's actual financial results to differ from the forward-looking statements and to also refer to the remainder of the discussion in this MD&A, the Company's annual information form and various other public filings as and when released by the Company. The forward-looking statements included in this MD&A are made only as of May 26, 2021 and, except as required by applicable securities laws, the Company does not undertake to publicly update such forward-looking statements to reflect new information, future events or otherwise.

* EBITDA is a non-IFRS earnings measure, therefore it does not have any standardized meaning prescribed by International Financial Reporting Standards and may not be similar to measures presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortization, gain or loss on disposal of property, plant, and equipment and right-of-use assets, and share-based payments. Management uses this measurement to evaluate the operating results of the Company. This measure is also important to management since it is used by the Company's lenders to evaluate the ongoing cash-generating capability of the Company and therefore the amounts those lenders are willing to lend to the Company. Investors find EBITDA to be useful information because it provides a measure of the Company's operating performance.

DESCRIPTION OF THE BUSINESS

Products

The Company produces, sells, markets and distributes packaged and draft beer, cider, spirit-based and malt-based beverages under its own trademarks, as well as under license. The Company also produces products for customers under co-manufacturing arrangements.

The Company's products include packaged and draft premium beer under the Waterloo brand name, and value beer under the Laker brand name (collectively, the "Waterloo Beer Brands"). The Company also owns the rights to the Seagram trademark in Canada. The Company produces, sells, markets and distributes Seagram coolers and ciders across Canada. Under an exclusive long-term licensing agreement, the Company produces, sells, markets and distributes products under the LandShark® trademark in Canada.

Pursuant to a co-manufacturing agreement with Loblaws Inc. ("Loblaws"), the Company produces, sells, markets and distributes various beer products on behalf of Loblaws under the licensed President's Choice® ("PC®") and No Name® trademarks. The Company produces various products under a contract with Canada Dry Mott's, Inc. ("CDMI"). The Company also has co-manufacturing agreements with other customers, including Hiram Walker®, Carlsberg® and certain other customers that are not separately identified, as per the terms of the Company's agreements with those customers.

Geographic Distribution

The Company's products are sold primarily in Ontario. The Company's Waterloo packaged beer is also sold in Atlantic Canada, Western Canada, and the USA. Seagram, and LandShark® products are sold across Canada.

Distribution Channels

In Ontario, distribution of packaged beer occurs through The Beer Store ("TBS"), Liquor Control Board of Ontario ("LCBO"), and licensed grocery stores. Consumers can purchase the Company's products through these channels as well as through licensed establishments (bars and restaurants) in Ontario. Seagram coolers are sold through the provincial liquor boards. The Company distributes Laker, LandShark®, and Waterloo beers, as well as Seagram cider, in certain grocery stores in Ontario. The Company expects the number of licensed grocery stores in Ontario to be consistent throughout fiscal 2022. The Company also has a retail store and taproom located in Kitchener, Ontario where the Company's products can be purchased.

Operating Facility

The Company's registered head office and production facility are located in Kitchener, Ontario. The Company has a 186,000 square foot leased facility, which includes a warehouse, production facility, retail store, and taproom with a small-batch brewhouse.

In the first quarter of fiscal 2022, the Company completed the installation of a second canning line which increased canning capacity from 450,000 hectolitres to 1,200,000 hectolitres annually. The Company is also in the process of expanding liquid capacity, which will increase total liquid production capacity from 750,000 hectolitres to 1,400,000 hectolitres annually. The increase to liquid capacity will be complete in the second quarter of fiscal 2022.

COVID-19 Update

As of May 26, 2021, Kitchener, Ontario, the region in which the Company's head office and production facility are located, remains under a Stay-at-Home order. The province of Ontario has recently released a new Roadmap to Reopen, which involves three steps to reopen the province safely and cautiously. As the COVID-19 pandemic continues to evolve, the Company faces unprecedented levels of uncertainty. Despite on-going challenges and volatility, the Company remains resolute in prioritizing the health and safety of its employees, clients, and consumers. The processes, diligence, and unrelenting effort from all levels of the Company to mitigate COVID-19 related risk in the brewery and surrounding community have been remarkable and inspiring alike. While the Company continues to navigate supply chain difficulties and shifting consumer preferences and habits in an everchanging economic landscape, management is confident in the adaptability of its team and support from its partners to respond to these changes.

Operation Update

The Company continues to adapt to the evolving COVID-19 pandemic. The Company's non-manufacturing and support personnel have continued on a rotating schedule in the office to maximize social distancing and mitigate risks related to COVID-19. All communal areas and entry/exit locations are sterilized throughout the day and during the transition between shifts to prevent cross-contaminations. These internal practices and policies are augmented with mandatory entrance screening for all employees entering the facility conducted by on-site security. All visits by non-essential third-party agents have also been suspended. Following the direction of local public health authorities, disposable face masks are mandatory for all employees. The Company has taken the extra step to implement N95 masks for all employees during lockdown. Additional cleaning equipment, including but not limited to handwashing stations, soap dispensers, cleaning products, disposable gloves, masks, and disinfecting wipes have also been installed and implemented in the facility. The on-premise retail store returned to operations during the second quarter of fiscal 2021 following Ontario's Reopening Act. The retail store employs social distancing policies and has decreased the number of patrons permitted in the facility. The successful launch of a beer home-delivery service during the first quarter of fiscal 2021 has allowed the Company to continue to distribute its beers within the Kitchener-Waterloo region and surrounding areas. As of May 26, 2021, the taphouse and patio operation remain closed following the requirements designated under the provinces Stay-at-Home order. With weekly meetings of the COVID-19 Management Committee, the Company's executives are actively reviewing and updating, as required, all internal control measures and continue to monitor the local, national, and global situation to ensure that the organization quickly adapts to the changing landscape.

Financial Update

Licensed establishments (such as bars and restaurants) within the province of Ontario are currently only open for takeout due to restrictions under the province-wide Stay-at-Home order. However, the strength of the Company's sales through other channels (such as TBS, LCBO, and grocery stores) during the first quarter of fiscal 2022, in conjunction with the support of its credit providers, has reinforced the Company's already strong financial position. While the Company continuously monitors revenue streams, cash flow, and governmental programs, there has been no need for dramatic changes to its business model at this time. Management remains confident that the Company's position of strength before the COVID-19 pandemic will allow it to continue to succeed during and after these extraordinary times.

SELECTED QUARTERLY INFORMATION

The following table summarizes certain financial information of the Company for each of the fiscal years indicated prepared in accordance with IFRS:

(in thousands of dollars, except per share amounts)	**Quarter Ended (unaudited)**		
	May 2, 2021	April 26, 2020	April 28, 2019
Income Statement Data			
Gross Revenue	**$ 39,130**	$ 28,825	$ 22,202
Net Revenue (after production taxes and distribution fees)	**$ 22,484**	$ 14,842	$ 12,343
EBITDA*	**$ 3,246**	$ 2,131	$ 1,654
Net Loss	**$ (101)**	$ (295)	$ (107)
Loss per share			
Basic	$ -	$ (0.01)	$ -
Diluted	$ -	$ (0.01)	$ -
Balance Sheet Data			
Total Assets	**$ 127,225**	$ 100,200	$ 77,204
Total Debt and Lease Liabilities	**$ 55,055**	$ 43,004	$ 25,351

RESULTS OF OPERATIONS

(in thousands of dollars except per share amounts)	Quarter ended (unaudited)	
	May 2, 2021	April 26, 2020
Gross revenue	**$ 39,130**	$ 28,825
Less: Production taxes and distribution fees	**16,646**	13,983
Net revenue	**22,484**	14,842
Cost of sales	**17,487**	11,145
Gross profit	**4,996**	3,697
	22.2%	24.9%
Selling, marketing and administration	**3,596**	2,839
Income before the undernoted	**1,400**	858
Other expenses	**644**	633
Finance costs	**911**	428
Loss (gain) on disposal of property, plant and equipment and right-of-use assets	**(17)**	218
Loss before tax	**(137)**	(421)
Income tax recovery	**36**	126
Net Loss	**(101)**	(295)
Loss per share		
Basic	**$ -**	$ (0.01)
Diluted	**$ -**	$ (0.01)
Net revenue increase	**51.5%**	20.2%
Consisting of:		
Increase in owner brand net revenue	**17.9%**	20.1%
Increase in co-pack net revenue	**130.9%**	20.7%

*Reconciliation of Net Earnings to EBITDA**

(in thousands of dollars)	Quarter ended (unaudited) May 2, 2021	April 26, 2020
Net loss	**$ (101)**	$ (295)
Add (deduct):		
Income tax recovery	**(36)**	(126)
Depreciation and amortization	**2,350**	1,736
Loss (gain) on disposal of property, plant & equipment and right-of-use assets	**(17)**	218
Share-based payments	**139**	169
Finance costs	**911**	428
Subtotal	**3,347**	2,425
EBITDA *	**3,246**	2,130

NET REVENUE

Gross revenues were $39.1 million and $28.8 million for the first quarter ended May 2, 2021 and April 26, 2020, respectively. Net revenues for the first quarter ended May 2, 2021 were $22.5 million, compared to $14.8 million in the first quarter ended April 26, 2020. Net revenues are calculated by deducting from gross revenues the distribution fees paid to TBS and Provincial liquor boards, and Federal and Provincial alcohol taxes.

Gross and net revenue in the first quarter of fiscal 2022 were impacted by an increase in branded sales volumes despite an increasingly competitive industry due to competitive pricing as well as a dramatic increase in co-manufacturing business from both new and existing customers, which represented approximately $5.8 million or 75.5% of the increase in net revenue.

BRANDED VOLUMES

(in hectolitres rounded to nearest 100)	Quarter ended May 2, 2021	April 26, 2020
Laker	**59,400**	54,800
Waterloo	**5,600**	4,200
LandShark®	**9,000**	5,000
Other Beer Brands	**-**	200
Seagram [1]	**3,200**	2,300
Total Branded Volume	**77,200**	66,500

[1] Includes volume sold under the licensed Seagram Trademark by Triani Beverages in Quebec.

Branded sales volumes increased in the first quarter of fiscal 2022 by 16.1% over fiscal 2021's first quarter sales volumes. The increase was driven primarily by growth of all of the Company's core brands: Laker, Waterloo, LandShark® and Seagram. The industry beer volumes increased by approximately 4.4% in the first quarter of fiscal 2022.

During the quarter ended May 2, 2021, the Laker family brand sales volumes increased by 8.4% over the quarter ended April 26, 2020, despite being the most impacted by both industry pressure and a very competitive marketplace. The Company maintained the value pricing of its Laker family products throughout the quarter, in particular on its single 473ml cans, while large competitors have higher selling prices on their value brands. This has been a critical driver of Laker family volume throughout the quarter.

Waterloo branded sales volumes increased by 33.3% in the quarter ended May 2, 2021 compared to the same quarter ended April 26, 2020, driven by the growth of the Company's series of radlers, including its popular Waterloo Grapefruit Radler. The Company continues to support the Waterloo brands through additional marketing to raise awareness of the Company's craft portfolio, as well as building consumer interest through the launch of new products such as the Waterloo Tart Cherry Radler and Watermelon Radler that were launched for sale late in the first quarter of fiscal 2022.

LandShark® sales volumes increased by 80.0% during the quarter ended May 2, 2021 compared to the same period of fiscal 2021. The growth is driven by the continued success of LandShark® Lager, as well as the launch of LandShark® Seltzer late in the quarter.

Seagram brand sales volumes increased by 39.1% during the first quarter of fiscal 2022 compared to the same period of fiscal 2021. The growth is attributable to the continued success of the Island Time brand, as well as an increase in sales of Seagram Wildberry vodka-based coolers. Seagram Island Time Coconut Lime, a vodka-based cooler and Seagram White Peach Cider were launched at the end of first quarter of fiscal 2022.

In the quarter ended May 2, 2021, the volume included in the table on page 7 consisted of 23.1% in the premium category, compared to 17.3% in the quarter ended April 26, 2020. The Company maintains 5% of the total market share measured by the volume of TBS retail sales in Ontario.

CO-MANUFACTURING REVENUE

Revenue generated from co-manufacturing products for customers increased by 130.9% in the first quarter of fiscal 2022 compared to a 20.7% increase in the first quarter of fiscal 2021. The increase was primarily driven by contracts with Carlsberg® and Hiram Walker® and other Tier 1 co-manufacturing partners that cannot be named due to terms of the Company's agreements with these partners, as well as increased capacity due to the installation of the second can line late in the quarter.

PRODUCTION TAXES & DISTRIBUTION FEES

During the first quarter of fiscal 2022 the Company's production tax and distribution fees represented approximately 57.5% of owner-brand gross revenue compared to 57.3% in the same period during fiscal 2021.

COST OF SALES

Cost of sales were $17.5 million in the first quarter of fiscal 2022, an increase of $6.3 million from the first quarter of fiscal 2021. Cost of sales represented 77.8% of net revenue in the first quarter of fiscal 2022, compared to 75.1% in the first quarter of fiscal 2021. The increase in cost of sales as a percentage of net revenue was driven by an increase in packaging costs as the result of an industry-wide shortage of aluminum cans and lids. The Company's second can line was commissioned late in the first quarter of fiscal 2022 and the Company expects to gain efficiencies and therefore, reduce cost of sales during the balance of the year, as the new line ramps up to full capacity. Prior to the second can line being commissioned, a third-party co-manufacturer produced select products for the Company during the quarter which further increased cost of sales. The co-manufacturing of these products will not be required beyond the first quarter. Further, the organization's efficiency and costs were impacted by shift separations, enhanced security measures, personal protective equipment expenditures, and other COVID-19 requirements, thereby increasing cost of sales.

SELLING, MARKETING, AND ADMINISTRATION

In the first quarter of fiscal 2022, selling, marketing and administration ("SM&A") expenses totaled $3.6 million, up $0.8 million from the first quarter of fiscal 2021. As a percentage of net revenue, SM&A expenses were 16.0% in the first quarter of fiscal 2022, compared to 19.1% in the first quarter of fiscal 2021. The increase in SM&A expenses was due to an increased employee bonus compensation expense as a result of the Company's performance, as well as increased salary & wages for new positions to support the growth of the Company.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the first quarters ended May 2, 2021 and April 26, 2020 was $2.3 million and $1.7 million, respectively. The increase was largely driven by the installation of capacity and capability-based production equipment during fiscal 2021 as well as a new warehousing facility leased beginning in the fourth quarter of fiscal 2021.

FINANCE COSTS

In the first quarter of fiscal 2022, finance costs were $0.9 million, compared to $0.4 million in the first quarter of fiscal 2021. The increase in finance costs during the quarter ended May 2, 2021, is due to additional interest expense on debt received to finance capacity upgrades.

LOSS (GAIN) ON DISPOSAL OF PROPERTY, PLANT, AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the first quarter of fiscal 2022 the company had a nominal gain due to the disposal of a leased vehicle. Comparatively in the first quarter of fiscal 2021, the Company had a net loss of $0.2 million resulting from the decision to suspend plans for the development of cannabis-infused beverages.

INCOME TAXES

In the first quarter of fiscal 2022, the Company recorded an income tax recovery of approximately $36 thousand, compared to $0.1 million recorded in the first quarter of fiscal 2021 with an effective tax rate of 26.5% in the first quarter of fiscal 2022.

NET EARNINGS

The Company had a net loss of $0.1 million in the first quarter of fiscal 2022, compared to a net loss of $0.3 million in the first quarter of fiscal 2021.

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

The Company manages its capital structure through prudent levels of borrowing, cash-flow forecasting, and working capital management, and has the ability to adjust its capital structure in response to changes in economic conditions and the risk characteristics of its underlying assets.

The Company had an operating line of credit available and debt outstanding at May 2, 2021. As of May 2, 2021, the Company is in compliance with all covenants to its lenders.

The Company has an operating line of credit with HSBC which was increased on a temporary basis from $8.0 million to $12.0 million until March 31, 2021, and will increase to $15.0 million from April 1, 2021 to June 30, 2021, decrease to $12.0 million from July 1, 2021 to August 31, 2021, and decrease to $8.0 million on September 1, 2021 and thereafter. The operating line of credit is margined against accounts receivable and inventory of the Company and bears interest at a rate ranging from prime to prime plus 1.0% per annum depending on the Company's leverage ratio. On May 2, 2021, the Company had bank indebtedness of $8.0 million, compared to bank indebtedness of $3.4 million as of January 31, 2021.

The Company had a negative working capital position of $34.0 million on May 2, 2021, compared to a negative working capital position of $29.5 million on January 31, 2021. The decrease in working capital position is attributable to increased spending on capital assets of $4.9 million including extensive liquid production capacity upgrades as well as the utilization of $0.8 million in equipment deposits required for the capacity upgrade which commenced late fiscal 2021. The Company expects its working capital position to improve as it continues its organic growth to utilize its increased capacity footprint.

Current assets of the Company were $31.7 million as of May 2, 2021, compared to $24.9 million as of January 31, 2021.

As of May 2, 2021, the Company's balance of accounts receivable increased by $2.1 million compared to the balance as of January 31, 2021. The increase is mainly driven by increased sales and all outstanding receivables are considered collectible.

Inventory as of May 2, 2021 increased by $4.5 million compared to the balance as of January 31, 2021 as a result of additional raw materials and finished goods on hand to support the expected increase in sales volume for both owner brands and co-manufacturing customers during the second quarter of fiscal 2022.

Property, plant, and equipment has increased by $5.2 million at May 2, 2021, from January 31, 2021. The increase includes purchases of $6.9 million, of which $1.9 million were construction deposits paid in fiscal 2021. The additions were offset by depreciation of $1.6 million.

As of May 2, 2021, right-of-use assets increased by $0.9 million compared to the balance as of January 31, 2021, driven primarily by additions of $1.5 million, offset by depreciation of $0.6 million. On December 1, 2020, the Company signed an agreement to lease warehouse space for a term of 3.75 years. The agreement has minimum square footage requirements which increase at specific dates during the term of the lease. In accordance with IFRS 16 *Leases*, the Company recorded a right-of-use asset and lease liability in the amount of approximately $1.5 million to account for the increases in square footage during the period.

Intangible assets decreased slightly as of May 2, 2021, compared to January 31, 2021, due to the purchase of new listings, offset by amortization costs.

The Company's current liabilities were $65.8 million on May 2, 2021, compared to $54.4 million at January 31, 2021, an increase of $11.4 million. The increase is attributable to increased bank indebtedness of $4.7 million, increased accounts payable of $4.5 million, driven primarily by an overall increase in trade payables associated with the business' growth. There was an increase in the non-revolving demand loans from the receipt of $3.4 million during the first quarter of fiscal 2022.

As of May 2, 2021, the Company had lease liabilities (including the current portion) of $25.2 million, an increase of $0.4 million from January 31, 2021, driven by lease payments of $1.1 million made during the quarter ended May 2, 2021, offset by new leases of $1.5 million entered into during the period.

Non-revolving demand loans at May 2, 2021, increased by $2.3 million from the balance at January 31, 2021. During the first quarter of fiscal 2022, the Company received $3.4 million of non-revolving demand loans for the purchase of equipment which was partially offset by principal payments of $1.1 million during the first quarter of fiscal 2022.

Long-term debt (including the current portion) was $1.7 million as of May 2, 2021, a decrease of $0.2 million from the balance at January 31, 2021 as a result of repayments during the first quarter of fiscal 2022.

Deferred income tax liabilities on May 2, 2021, decreased slightly to $3.4 million compared to $3.5 million on January 31, 2021.

As at May 2, 2021, the Company had 35,602,087 common shares and 2,496,503 stock options issued and outstanding. Each stock option is exercisable for one common share. During the first quarter of fiscal 2022, 280,000 options were granted pursuant to the Company's stock option plan, 371,665 options were exercised and no options were forfeited.

CASH FLOW

In the first quarter of fiscal 2022 and 2021, the company generated $0.1 million and $3.5 million of cash from operations, respectively.

The amount of cash used in investing activities in the first quarter of fiscal 2022 and 2021 was $5.8 million and $4.1 million respectively. The spending on property, plant and equipment purchases in the first quarter of fiscal 2022 and 2021 amounts to $4.9 million and $3.4 million respectively. Further, in the first quarter of fiscal 2022, $0.8 million was spent on construction deposits for equipment not yet delivered (first quarter fiscal 2021 - $0.7 million).

The amount of cash generated from financing activities in the first quarter of fiscal 2022 was $5.7 million, compared to $0.7 million in the first quarter of fiscal 2021. In the first quarter of fiscal 2022, the Company received $3.4 million of new debt and paid principal payments of $2.4 million on outstanding non-revolving demand loans, long-term debt and its lease liabilities, compared to $1.4 million in the first quarter fiscal 2021. During the first quarter of fiscal 2022, the Company's bank indebtedness increased by $4.7 million (increased by $0.3 million in the first quarter of fiscal 2021).

The Company has an operating line of credit with HSBC which was increased on a temporary basis from $8.0 million to $12.0 million until March 31, 2021, and will increase to $15.0 million from April 1, 2021 to June 30, 2021, decrease to $12.0 million from July 1, 2021 to August 31, 2021, and decrease to $8.0 million on September 1, 2021 and thereafter. The operating line of credit is margined against accounts receivable and inventory of the Company and bears interest at a rate ranging from prime to prime plus 1.0% per annum depending on the Company's leverage ratio. As of May 2, 2021, the Company was in compliance with the financial covenants required under the terms of the operating line of credit. On May 2, 2021, $8.0 million was drawn on the operating line of credit, compared to $3.4 million on January 31, 2021.

COMMITMENTS

The Company utilizes leases to finance manufacturing, office equipment, and the buildings where it has its manufacturing, warehouse, and retail operations. By entering into leases, the Company is able to update its equipment more frequently, and reduce the burden on cash otherwise required to purchase these assets. The Company accounts for all leases, except for short-term or low-value leases, by presenting lease liabilities and right-of-use assets on its Statement of Financial Position in accordance with IFRS 16. Short-term and low-value leases are expensed as incurred.

The Company has other purchase commitments which include amounts for syrup, malt, and packaging materials. A summary of the Company's contractual obligations for future periods is as follows:

(in thousands of dollars)	**Lease liabilities**	**Non-revolving demand loans**	**Long-term debt**	**Short-term & low-value lease commitments**	**Other commitments**	**Total**
Due within one year	$ 3,313	$ 28,152	$ 428	$ 499	$ 14,622	**$ 47,014**
Due in one to five years	7,649	-	1,243	326	7,047	**16,265**
Due in over five years	14,270	-	-	-	-	**14,270**
	25,232	28,152	1,671	825	21,669	**77,549**

RISK FACTORS, STRATEGIES, AND OUTLOOK

Risk Factors

Licensing

The Company requires various permits, licenses, and approvals from several government agencies to operate in its market areas. The Alcohol and Gaming Commission of Ontario ("AGCO") and the Canada Revenue Agency provide the necessary licensing approvals. The Company is in compliance with all licenses, permits, and approvals.

Consumer preference/trends

The beer industry is highly competitive and has experienced an overall decline in beer sales over the past several years. In Ontario, trends continue to be towards canned beer products in preference to bottle beer products, which has benefited the Company's brands. In the first quarter of fiscal 2022, the Company made a strategic investment in production capacity with the installation of a second can line and expansion to the Company's brewing and blending capacity. Upon completion of the project, the Company has more than doubled its can line capacity to 1.2 million hectolitres annually and has a liquid capacity of 1.4 million hectolitres annually.

Pricing environment

Annual increases in the minimum retail price ("MRP") have seen the price gap between value and mainstream brands reduced, creating increased competitive pressure. Effective August 27, 2018, the Ontario government reduced the MRP for beer to a dollar plus deposit per 341ml bottle. As of the date of this MD&A, the MRP remains unchanged. There can be no assurance that future changes to the pricing environment will not have a material impact on the Company. The Company's key competitors have increased the price for value beer to a level above the legal minimum. The Company has historically positioned its brands at the same price point to achieve an additional profit margin per unit, however with the reduction of the MRP, there is no certainty that this will continue in the future.

The Company will continue to mitigate ongoing pressure on beer volumes by actively pursuing co-manufacturing contracts that provide incremental volume and gross margin. As required, profits from co-manufacturing arrangements will be reinvested in selling and marketing initiatives to maintain brand loyalty.

Quality

With the backdrop of intense price competition, the quality of the Company's product is more important than ever. The Company continues to invest significantly in new equipment to continually improve overall product quality.

The Company is currently certified under the internationally recognized Global Food Safety Standard and completed its annual re-certification audit in the third quarter of fiscal 2021. Quality improvement resonates with existing and potential co-manufacturing customers and will be a key factor in maintaining and growing the co-manufacturing business to utilize available capacity.

The Company's Waterloo Dark brand was awarded Gold in the International Lager Category at the Ontario Brewing Awards in the fourth quarter of fiscal 2021 which is a testament to the Company's continued commitment to quality and craftsmanship.

The Beer Store/LCBO

TBS and LCBO are unionized organizations and a strike could have a significant negative impact on the Company. There can be no assurance that a TBS or LCBO strike will not occur in the future. The TBS union contract expired on December 31, 2020, and there is no guarantee that disruption during negotiations with respect to a new TBS union contract will not have a negative impact on the Company.

The retail beer channel in Ontario is under continuous scrutiny and there can be no assurance that any future changes implemented by the government will not have a material impact on the Company.

Availability of financing

The Company requires continued support from its lenders to maintain its financial condition. The loss of this support could limit expansion opportunities and put a strain on the Company's continuing operations. The ability to maintain current arrangements and secure future financing will depend, in part, upon the prevailing capital market conditions as well as the Company's business performance. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on satisfactory terms.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company's Executive Team is responsible for management of liquidity risk, including funding, settlements, and related processes and policies. The operational, tax, capital and regulatory requirements and obligations of the Company are considered in the management of liquidity risk.

The Company manages its liquidity risk utilizing various sources of financing to maintain flexibility while ensuring access to cost-effective funds when required. The Company also manages liquidity risk through the use of its operating line of credit. In addition, the Executive Team utilizes both short and long-term cash flow forecasts and other financial information to manage liquidity risk. Other than the scheduled repayments of lease liabilities, non-revolving demand loans, and long-term debt in fiscal 2022 and beyond, all other financial liabilities are due within one year. While the non-revolving demand loans have payment terms, if the lender demands payment they would be due immediately.

Commodity price risk

The Company is exposed to commodity price risk with respect to agricultural and other raw materials used to produce the Company's products, including malted barley, hops, corn syrup, water, and packaging materials (including glass, aluminum, cardboard and other paper products), where fluctuations in the market price or availability of these items could impact the Company's cash flow and production. The supply and price can be affected by several factors beyond management's control, including market demand, global events, frosts, droughts and other weather conditions, economic factors affecting growth decisions, plant diseases, and theft. To the extent any of the foregoing factors affect the prices of ingredients or packaging, the Company's results of operations could be materially and adversely impacted. To minimize the impact of this risk, the Company enters into contracts which secure supply and set pricing to manage the exposure to availability and pricing. The beverage industry is currently experiencing a shortage in aluminum cans which could negatively impact the Company during the balance of fiscal 2022 and future fiscal years. The Company is using its best efforts to manage through the can supply shortage. While the proposed 10% tariff on aluminum cans by the United States was withdrawn in October 2020, there can be no assurance that the tariff will not be implemented in the future, which could negatively affect the Company should a rebate not be received from the Canadian government. When this tariff was previously introduced the Company successfully received a rebate and would advocate for such treatment again.

Exchange rate risk

Purchases of some key inputs are denominated in U.S. dollars and Euros. Any weakening of the Canadian dollar versus the U.S. dollar or Euro would result in higher material costs. There can be no assurance that the strength of the Canadian dollar will not materially change in the future. The Company enters into forward contracts to manage foreign exchange rate fluctuations.

Information Technology and Cybersecurity risk

The Company uses information technology and the internet, including online banking, to streamline business operations and to improve customer experience. The Company's information systems, and those of its third-party service providers, creditors, and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the organization. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapidly evolving nature of the threats, targets, and consequences. Additionally, unauthorized parties may attempt to gain access to these systems or the Company's information through fraud or other means of deceiving the Company's third-party service providers, employees, creditors or vendors. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology systems and software against damage from a number of threats. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems, and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if the Company is unable or delayed in maintaining, upgrading, or replacing its information technology systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses.

In addition, targeted attacks on the Company's systems (or on systems of third parties that it relies on), failure or non-availability of a key IT system or a breach of security measures designed to protect IT systems could result in disruptions to the Company's operations through delays or the corruption and destruction of its data, extensive personal injury, property damage, loss of confidential information or financial or reputational risks. As the threat landscape is ever-changing, the Company must make continuous mitigation efforts. The Company employs third-party information technology services and continually monitors and improves its internal controls to protect against known and emerging threats. However, there can be no assurance that the Company's ability to monitor for or mitigate cybersecurity risks will be fully effective, and it may fail to identify cybersecurity breaches or discover them in a timely manner. Refer to the disclosable material weakness discussed in the Internal Control Over Financial Reporting section below.

Coronavirus Disease 2019 ("COVID-19") risk

The Company's ability to manufacture and supply products and its sales revenue, results of operations, cashflow and liquidity may be adversely impacted by the ongoing COVID-19 pandemic.

As a result of the global public health crisis of COVID-19 and its declaration by the World Health Organization to be a "pandemic", certain actions are being taken by governments and businesses in the United States, Canada, the UK, China and around the world to control the pandemic, including restrictions on public activities, travel, and commercial operations. The Company has been managing certain supply delays. However, as the pandemic and the global response to it continues, the Company's operations may be materially adversely affected by additional supply delays, shortages of labour and components, and/or partial or complete closure of its facility (in order to protect the health and safety of the Company's employees), all which may continue for an extended time. Any inability to manufacture and deliver products to customers could result in a range of potential adverse consequences, including loss of business and reputational damage. The pandemic may also impact the financial viability of suppliers, and could cause them to exit certain business lines, or change the terms on which they are willing to provide products. While the Company continues to be proactive and mitigate the adverse effects, impacts of the pandemic may significantly reduce the Company's cashflow, liquidity and its ability to maintain compliance with covenants in its operating line of credit and non-revolving demand loans. In addition, the pandemic could adversely affect the Canadian economy in general, resulting in an economic downturn that could adversely affect demand for the Company's products. Given the ongoing and dynamic nature of the COVID-19 pandemic, it is very difficult to predict the severity of the impact on the Company's business. The extent of such impact will depend on future developments, which are highly uncertain, including new information which may emerge concerning the spread and severity of COVID-19 and actions taken to contain the pandemic or address its impact, among others. The repercussions of this health crisis could have a material adverse effect on the Company's business, financial condition, liquidity, and operating results.

Strategy & Outlook

The Company will continue to focus on growing the Laker, Waterloo, Seagram, LandShark® and Margaritaville® trademarks, and long-term meaningful Tier 1 co-manufacturing agreements all of which contribute a higher amount of profit per unit sold.

The Company has the exclusive Canadian rights to both the LandShark® and Margaritaville® brands for beer, cider, and coolers. The Company will continue to offer in-case promotions, such as the inclusion of merchandise in specially marked cases of LandShark® bottles and provide increased marketing support to further grow the brand in Canada. In the first quarter of fiscal 2022, the Company introduced LandShark® seltzer, a vodka-based product which will be available at the LCBO, as well as a malt-based mixer pack available at TBS. The Company will be further promoting its new LandShark® Seltzer by offering a free can within specially marked 24-bottle cases of LandShark® Lager.

In line with the tremendous success of its Waterloo Radlers, the Company introduced two new flavours in early fiscal 2022: Tart Cherry and Watermelon. The Company has also begun producing a new Seagram White Peach cider.

The Laker family requires a sustained marketing investment to ensure the retention of existing customers and to attract new consumers. While the Company has benefited from positioning Laker products at prices lower than its competitors, the Company does not expect this to continue throughout the remainder of fiscal 2022.

The Company will continue to utilize its leading-edge manufacturing capability by increasing available capacity, lowering cost, and improving efficiency. In October 2019, the Company completed a 67,600 square foot expansion of its leased facility including an increase to its warehousing and production facilities, a larger retail store, and construction of a taproom with a small batch brewhouse. Additionally, the Company invested $13.4 million in significant liquid capacity upgrades and installed a second can line to handle increased owner brand and co-manufacturing volume expected in the coming quarters. The new can line was commissioned in the first quarter of fiscal 2022.

The Company signed an agreement to lease warehouse space for a term of 3.75 years. The agreement has minimum square footage requirements which increase at specific dates during the term of the lease. In accordance with IFRS 16 *Leases*, the Company recorded a right-of-use asset and lease liability in the amount of approximately $1.0 million on the commencement date of December 1, 2020 and an additional $1.5 million in the first quarter of fiscal 2022. Additional right-of-use assets and lease liabilities will be recorded as the square footage increases. The Company anticipates a further increase to its right-of-use assets and lease liabilities of approximately $0.5 million by August 1, 2021. The lease is expected to increase depreciation in fiscal 2022 by approximately $0.9 million per year and increase interest expense by approximately $0.1 million per year.

On April 29, 2021, the Company announced that it will no longer be the sales representative for CDMI's alcoholic beverages in Ontario, though it will continue to produce and package a portfolio of products on behalf of CDMI.

During fiscal 2022, the Company will be focused on the following priorities:

Organic growth and Co-manufacturing Volume Growth

Management is strategically focusing on organic growth. The Company is positioned well within its core Ontario beer business. Management continues to focus on the growth of its premium brands, Waterloo, Seagram, and LandShark®, driven by brand support and the launch of new products. The Company expects to continue to offer seasonal brands. Waterloo Pineapple Radler has received permanent LCBO and TBS listings and will continue to be distributed throughout Ontario in fiscal 2022. During fiscal 2022, the Company will also focus on maintaining the momentum of the summer themed LandShark® brand. On March 11, 2020, the Company announced a five-year extension to the original term with Margaritaville Malt Beverages, LLC, for the rights to Landshark® Lager through December 31, 2030, and the option to renew for an additional 10-years through December 31, 2040.

The Company will continue to seek new and expanded co-manufacturing relationships. The installation of a second canning line presents further opportunities for the Company to expand its co-manufacturing business. The Company has signed multi-year contracts with both Carlsberg® and Hiram Walker®, for the Somersby® and ABSOLUT® brands, respectively.

Improving gross margin per unit

The Laker brand margin has performed well despite the presence of many beer brands at the same or similar pricing. Laker's fit and finish are comparable with mainstream brands. Management believes that this volume performance in a highly competitive pricing environment is the result of brand support, a compelling value proposition, and significant quality improvements at Waterloo in recent years.

With the decrease to the MRP by Ontario's provincial government in August 2018, along with their pause on increases to the provincial Beer and Wine Tax through to December 2022, the Company will strive to maintain healthy margins while facing potential competitive challenges.

Sales of Seagram and Waterloo products, along with LandShark® will also contribute to margin improvement due to higher revenue per unit. The Company will continue to maximize margin and minimize complexity within the organization by delisting underperforming brands.

Due to capacity constraints, the Company engaged third party manufacturers to produce select products for the Company during fiscal 2021 which increased the cost of sales during the period. With the installation of the new can line in the first quarter of fiscal 2022 these constraints have been alleviated and accordingly, management expects gross margin to improve as a result during fiscal 2022. The Company expects further improvement to gross margin as a result of strategic pricing decisions, procurement negotiations, and economies of scale as volume increases during the balance of the year.

Cost reduction

Cost reduction continues to be an ongoing focus of management and forms part of the culture at Waterloo. Cost reduction initiatives will continue throughout fiscal 2022 and beyond.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected unaudited quarterly financial information for each of the eight quarters indicated prepared in accordance with IFRS:

$000's *except per share amounts*	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020 [1]	Q3 2020	Q2 2020
Net Revenue	$22,484	$24,459	$22,825	$24,573	$14,842	$14,650	$16,284	$ 17,047
Selling, marketing & administration	3,596	2,982	2,610	3,422	2,839	2,558	3,384	3,816
EBITDA*	3,246	3,235	4,035	5,780	2,130	3,366	3,220	3,376
Net Income (loss)	(101)	109	965	2,221	(295)	(936)	588	952
EPS (Basic)	$ -	$ 0.01	$ 0.03	$ 0.06	$ (0.01)	$ (0.03)	$ 0.02	$ 0.02
EPS (Diluted)	$ -	$ -	$ 0.03	$ 0.06	$ (0.01)	$ (0.03)	$ 0.02	$ 0.02

1. Excluding the impact of a loss on misappropriated funds, net income in the fourth quarter of fiscal 2020 was $0.9 million, and EPS (basic and diluted) was $0.03 per share.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

The Company's future accounting pronouncements and accounting policies are discussed in detail within notes 3.3 and 5.0, respectively, to the Company's annual audited financial statements for the year ended January 31, 2021.

CHANGES TO ACCOUNTING POLICIES

The new standards and interpretations adopted during the period did not have a material impact on the unaudited financial statements. The new standards and interpretations now in effect are discussed within note 3.2 in the Company's unaudited financial statements for the quarter ended May 2, 2021.

RELATED PARTY TRANSACTIONS

The Company's related party transactions are discussed in note 27 to the Company's audited financial statements for the year ended January 31, 2021.

CRITICAL ACCOUNTING ESTIMATES

The Company prepares its financial statements in accordance with IFRS, which requires management to make estimates, judgments, and assumptions that it believes are reasonable, based upon the information available. These estimates, judgments, and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and other assumptions, which it believes to be reasonable under the circumstances. Management also evaluates its estimates on an ongoing basis. Actual results could differ from those estimates.

Revenue recognition from rendering services

Calculation of accrued revenue from the rendering of co-manufacturing services recognized over time requires management to make estimates about the stage of the Company's efforts to manufacture customer products versus the total performance obligation. Changes to estimates could be caused by a variety of factors, including the type and complexity of the product which impacts the estimated labour required to manufacture it. A change in any of the estimates would result in a change in the amount of revenue recognized and, as a result, a charge to net income recorded in the period in which the change occurs, with a similar change in the carrying value of the asset on the balance sheet.

Property, plant, and equipment

The accounting for property, plant, and equipment requires that management make estimates involving the life of the assets, the selection of an appropriate method of depreciation and determining whether an impairment of assets exists.

The Company reviews the residual values, useful lives of depreciable assets and depreciation method on an annual basis and where revisions are made the Company applies such changes in estimates on a prospective basis.

The net carrying amounts of property, plant, and equipment are reviewed for impairment either individually or at the cash-generating unit level at the end of each reporting period. If there are indicators of impairment, an evaluation is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less cost to sell and its value-in-use. To the extent that an asset's carrying amount exceeds its recoverable amount, the excess is fully provided for in the period in which it is determined to be impaired. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. There is uncertainty in these estimates as the related recoverable amounts are projected for future years based on underlying assumptions such as volume growth, inflation factors, and industry trends that may not materialize. Management uses its best estimates to forecast these amounts, but the actual amounts may vary from estimates. Should future results differ from management's estimates, impairment of these assets and a related write-down may result. As at the date of this report, the Company believes that its estimates are materially correct.

Intangible assets

Intangible assets consist of trademarks and listings. Trademarks are recorded at cost and are not amortized but instead are reviewed for impairment at the end of each reporting period. If there are indicators of impairment, an evaluation is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less cost to sell and its value-in-use. There is uncertainty in these estimates as the related recoverable amounts are projected for future years based on underlying assumptions such as volume growth, inflation factors, and industry trends that may not materialize. Management uses its best estimates to forecast these amounts, but the actual amounts may vary from estimates. Should future results differ from management's estimates, impairment of these assets and a related write-down may result. As at the date of this report, the Company believes that its estimates are materially correct.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Given the uncertainty surrounding the nature of the underlying provision, actual results may vary from the estimates made by management. As at the date of this report, the Company believes that its estimates are materially correct.

OTHER ACCOUNTING ESTIMATES

Returnable containers

Returnable containers are recorded at cost net of deposit liabilities and are amortized over their useful lives. To estimate useful life, management uses historical trends and internal studies to obtain a reasonable estimate of the rates of return and usage. Actual results may vary from these estimates. As at the date of this report, the Company is not aware of any facts or circumstances that would cause it to believe that the estimates used are materially incorrect.

Income taxes

The determination of the Company's provision for income tax as well as deferred tax assets and liabilities involves significant judgments and estimates on certain matters and transactions, for which the ultimate outcome may be uncertain. If the outcome differs from management's estimates, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. As at the date of this report, the Company believes that its estimates are materially correct.

Share-based reserves & share-based payments

The Company recognizes compensation expense when options with no cash settlement feature are granted to employees and directors under the stock option plan. Assumptions regarding expected stock volatility and risk-free interest rates are required to calculate the fair value of the consideration received.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer (collectively, the "Executive Team") are responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") for the Company. Management has designed such disclosure controls and procedures or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to management by others within the Company. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of May 2, 2021 and has concluded that such procedures were effective, subject to the matters identified below under "Internal Control Over Financial Reporting", in providing such reasonable assurance as of such date and for the quarter then ended.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the Executive team, is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Internal controls over financial reporting, no matter how well designed have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Executive team performed an assessment of the effectiveness of the Company's internal control over financial reporting as of May 2, 2021, based on the criteria outlined in the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organization of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that internal control over financial reporting was effective as of May 2, 2021, except as noted below.

While evaluating its ICFR as of May 2, 2021, the Executive Team identified a disclosable weakness in the area of segregation of duties, caused by limited staffing resources. Specifically, due to the small size of the Company and the limited numbers of accounting staff, certain duties within the accounting and finance department cannot be properly segregated. As a result, there are identifiable instances where personnel had the ability to initiate transactions or accounting entries within certain financial reporting applications that may not be compatible with their other roles and responsibilities. However, none of the segregation of duty or access control deficiencies resulted in a misstatement to the financial statements as the Company relies on certain compensating controls, including periodic review of the financial statements by the Executive Team. This weakness is reported in accordance with NI 52-109 and is considered to be a common area of deficiency for many smaller listed companies in Canada.

FINANCIAL INSTRUMENTS

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, and interest rate risk. These risks are from exposures that occur in the normal course of business and are managed by the Executive Team. The responsibilities of the Executive Team include the recommendations of policies to manage financial instrument risk.

The overall objective of the Executive Team is to effectively manage credit risk, liquidity risk and other market risks in accordance with the Company's strategy. Other responsibilities of the Executive Team include management of the Company's cash resources and debt funding programs, approval of counterparties and relevant transaction limits and the monitoring of all significant treasury activities undertaken by the Company.

The Company's significant financial instruments comprise cash, bank indebtedness, lease obligations, non-revolving demand loans and long-term-debt. The main purpose of these financial instruments is to finance the Company's growth and ongoing operations. The Company has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The Company enters into contracts involving non-financial items for the purchase of raw materials and packaging supplies. These contracts are held for the purposes of the receipt or delivery of a non-financial item in accordance with the Company's expected usage requirements.

The Company's cost of sales includes approximately 41% of purchases denominated in U.S. dollars. The Company sells less than 1% of its products in U.S. dollars.

The Company uses significant quantities of malt and hops. The Company uses fixed price contracts of less than one year to reduce the exposure to price fluctuations on these commodities. The Company has secured its required supply of malt and hops for fiscal 2022 and has entered into fixed price contacts, the balance of which are disclosed in the commitments schedule included in this MD&A.

SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As of May 2, 2021 and May 26, 2021, no preferred shares were issued and outstanding.

The Company has granted stock options to certain officers and key employees pursuant to the Company's stock option plan. Options granted under the plan are exercisable for a period of up to five years from the date of grant, at an exercise price equal to the weighted average price at which the Company's shares have traded during the five trading days immediately preceding the date of grant, subject to a three-year vesting period.

Each stock option outstanding is exercisable for one common share at prices ranging from $2.79 to $6.61.

The total number of common shares and stock options outstanding as of May 26, 2021 is as follows:

Number of common shares	Number of options
35,602,087	2,496,503

INVESTOR & CONTACT INFORMATION

STOCK EXCHANGE AND LISTED SECURITIES

Waterloo Brewing Ltd. is listed on the Toronto Stock Exchange (TSX) under the ticker symbol WBR.

INVESTOR AND ANALYST INQUIRIES

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Stan G. Dunford
Edward H. Kernaghan
David R. Shaw

OFFICERS

George H. Croft, President, and Chief Executive Officer
David J. Birch, Chief Financial Officer
Russell N. Tabata, Chief Operating Officer