



Unaudited Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2019 and 2018

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Jamieson Wellness Inc.
Unaudited Condensed Consolidated Interim Statements of Financial Position
In thousands of Canadian dollars as at

	<u>Notes</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Assets			
Current assets			
Cash		3,314	12,445
Accounts receivable	4	69,176	82,227
Inventories	5	85,761	72,079
Derivatives	11	1,483	3,124
Prepaid expenses and other current assets	2	1,916	2,163
Income taxes recoverable		469	-
		162,119	172,038
Non-current assets			
Property, plant and equipment	2	57,796	50,234
Goodwill		122,975	122,975
Intangible assets		200,641	201,371
Deferred income tax		2,437	2,403
Total assets		545,968	549,021
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	2	69,754	83,481
Income taxes payable		-	4,454
Current portion of long-term debt	6	14,625	14,625
Current portion of other long-term liabilities	2	1,976	-
		86,355	102,560
Long-term liabilities			
Long-term debt	6	157,251	151,287
Post-retirement benefits		3,005	2,923
Deferred income tax	2	51,025	51,529
Other long-term liabilities	2	5,342	-
Total liabilities		302,978	308,299
Shareholders' equity			
Share capital	7	241,071	239,404
Contributed surplus		9,148	9,037
Deficit	2	(8,973)	(10,670)
Accumulated other comprehensive income		1,744	2,951
Total shareholders' equity		242,990	240,722
Total liabilities and shareholders' equity		545,968	549,021

(see the accompanying notes to the unaudited condensed consolidated interim financial statements)

Approved on behalf of the Board:

Steve Spooner
Director

David Williams
Director

Jamieson Wellness Inc.**Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Income**

In thousands of Canadian dollars, except share and per share amounts, for the three months ended March 31,

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Revenue	12, 13	72,578	66,779
Cost of sales		45,378	41,159
Selling, general and administrative expenses		16,489	16,799
Share-based compensation	8	800	427
Earnings from operations		9,911	8,394
Foreign exchange loss		26	200
Other income	9	(3)	(12)
Interest expense and other financing costs	10	2,422	2,176
Income before income taxes		7,466	6,030
Provision for income taxes		2,082	1,404
Net income		5,384	4,626
Unrealized gain (loss) on amounts to be reclassified net of realized gains on amounts reclassified to net income	11	(1,642)	1,827
Income tax		435	(485)
Total other comprehensive income (loss)		(1,207)	1,342
Comprehensive income		4,177	5,968
Income per share attributable to common shareholders:	14		
Basic, income per share		0.14	0.12
Diluted, income per share		0.14	0.12
Weighted average number of shares	14		
Basic		38,305,895	37,831,159
Diluted		39,659,791	39,666,424

(see the accompanying notes to the unaudited condensed consolidated interim financial statements)

Jamieson Wellness Inc.
Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
In thousands of Canadian dollars

	Notes	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income	Total shareholders' equity
As at December 31, 2018		239,404	9,037	(10,670)	2,951	240,722
Impact of new accounting standards adopted January 1, 2019	2	-	-	(239)	-	(239)
Net income for the period		-	-	5,384	-	5,384
Issuance of treasury shares	7	1,667	(559)	-	-	1,108
Common share dividend (\$0.09 per share)		-	-	(3,448)	-	(3,448)
Other comprehensive loss		-	-	-	(1,207)	(1,207)
Share-based compensation	8	-	670	-	-	670
As at March 31, 2019		241,071	9,148	(8,973)	1,744	242,990
		Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total shareholders' equity
As at December 31, 2017		234,908	7,437	(19,486)	(2,035)	220,824
Impact of new accounting standards adopted January 1, 2018		-	-	(4,922)	-	(4,922)
Net income for the period		-	-	4,626	-	4,626
Issuance of treasury shares	7	968	(356)	-	-	612
Common share dividend (\$0.08 per share)		-	-	(3,029)	-	(3,029)
Other comprehensive income		-	-	-	1,342	1,342
Share-based compensation	8	-	427	-	-	427
As at March 31, 2018		235,876	7,508	(22,811)	(693)	219,880

(see the accompanying notes to the unaudited condensed consolidated interim financial statements)

Jamieson Wellness Inc.
Unaudited Condensed Consolidated Interim Statements of Cash Flows
In thousands of Canadian dollars, for the three months ended March 31,

Cash provided by (used in)	Notes	2019	2018
Operating activities			
Net income		5,384	4,626
Items not affecting cash			
Depreciation of property, plant, and equipment and right-of-use assets	2	1,660	1,263
Amortization of intangible assets		915	870
Amortization of deferred financing fees	10	363	363
Deferred income taxes		(18)	138
Share-based compensation	8	670	427
Former shareholder consideration reclassified as (other income)/compensation expense	3	-	(1,066)
Others		79	144
Net change in non-cash working capital		(18,995)	(4,924)
Payment of deferred compensation	3	-	(7,000)
		(9,942)	(5,159)
Investing activities			
Additions to property, plant and equipment, net		(1,785)	(3,018)
Acquisition of intangible assets		(185)	(48)
		(1,970)	(3,066)
Financing activities			
Proceeds from credit facilities	6	14,456	12,620
Repayment to credit facilities	6	(8,855)	(4,438)
Payment of lease liabilities	2	(480)	-
Exercise of stock options and ESPP	7	1,108	612
Dividends to Common Shareholders		(3,448)	(3,029)
		2,781	5,765
Decrease in cash		(9,131)	(2,460)
Cash - Beginning of the period		12,445	4,833
Cash - End of the period		3,314	2,373
Supplemental disclosure			
Amount of income taxes paid		7,024	4,577
Amount of interest paid		1,868	1,741
Initial recognition of right-of-use assets		7,434	-
Initial recognition of lease liabilities		(7,799)	-

(see the accompanying notes to the unaudited condensed consolidated interim financial statements)

Jamieson Wellness Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2019 and 2018

1. Company overview

1.1 Description of the business and consolidated financial statements

Jamieson Wellness Inc. (“Jamieson” or the “Company”) was incorporated on January 24, 2014 as Jamieson Intermediate Holdings Ltd. On January 31, 2014, the Company’s wholly owned subsidiary, Intrepid Acquisition Corporation (“Intrepid”) acquired 100% of the shares of Jamieson Laboratories Ltd. On the same day, Intrepid and Jamieson Laboratories Ltd. amalgamated with the resulting company (“JLL”) carrying on operations under the name Jamieson Laboratories Ltd. The Company’s common shares (“Common Shares”) are listed on the Toronto Stock Exchange under the stock symbol “JWEL”.

The unaudited condensed consolidated interim financial statements of Jamieson and its subsidiaries for the three months ended March 31, 2019 (the “Interim Financial Statements”) were authorized for issue by the Board of Directors of the Company on May 7, 2019. Jamieson is a company continued under the *Business Corporations Act* (Ontario) and resident in Canada. Jamieson’s registered office is located at 66 Wellington Street West, Suite 5300, TD Bank Tower, Toronto, ON, M5K 1E6.

The Company has manufacturing facilities located in Windsor, Ontario and in Toronto, Ontario and is principally engaged in the manufacturing, development, distribution, sales and marketing of branded and customer branded health products for humans including vitamins, herbal and mineral nutritional supplements.

1.2 Subsidiaries

The table below provides a summary of the Company’s subsidiaries. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of common shares, which are held directly or indirectly by the Company.

On January 1, 2019, Sonoma Nutraceuticals Inc. (“Sonoma”) was amalgamated into Body Plus Nutritional Products Inc. (“Body Plus”).

As at Entity	March 31, 2019 %	December 31, 2018 %	Principal Place of Operations
Jamieson Laboratories Ltd.	100	100	Canada
International Nutrient Technologies Limited	100	100	Canada
Body Plus Nutritional Products Inc.	100	100	Canada
Sonoma Nutraceuticals Inc.	-	100	Canada
Jamieson Health Products (Shanghai) Co., Ltd.	100	100	China
Jamieson Health Products Australia Pty Ltd.	100	100	Australia

2. Summary of significant accounting policies

2.1 Basis of preparation and statement of compliance

The Interim Financial Statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the years ended December 31, 2018 and 2017 (the “Annual Financial Statements”). The Interim Financial Statements have been prepared using the same accounting policies as disclosed in the Annual Financial Statements, except for the changes in accounting policies described in Note 2.2. The Interim Financial Statements are presented in Canadian dollars and all values are rounded to the nearest thousand (\$000), except share and per share amounts and when otherwise indicated.

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2.2 Recently adopted accounting standards

The following accounting policy changes were adopted on January 1, 2019. The Company has also adopted other new standards which were effective from January 1, 2019 that did not have a material impact on the Company's financial statements.

IFRS 16, "Leases"

IFRS 16, "Leases" ("IFRS 16"), replaces IAS 17, "Leases" ("IAS 17"), and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases.

Transition to IFRS 16

As at January 1, 2019, the Company has adopted IFRS 16 using the modified retrospective approach and measured the right-of-use asset at its carrying amount as if IFRS 16 had been applied since the commencement date. The Company elected to use the practical expedients allowing the use of a single discount rate to a portfolio of reasonably similar characteristics, use of hindsight to determine if the lease term of the contract contains options to extend or terminate the lease, and allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The impact of adopting IFRS 16 as at January 1, 2019 (debit/(credit)) is as follows:

	<u>\$</u>
Property, plant and equipment	7,434
Accounts payable and accrued liabilities	300
Deferred income tax liabilities	85
Deficit	239
Prepaid expenses and other current assets	(259)
Other long-term liabilities	<u>(7,799)</u>

Changes in Accounting Policy

Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The Company did not have finance leases and all operating lease payments were recognized as an operating expense in the consolidated statements of operations and comprehensive income on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-

Jamieson Wellness Inc.

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substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company has applied judgment to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognized.

2.3 Change in Accounting Estimates

As of January 1, 2019, the Company reassessed the useful lives of certain depreciable assets. The refinement of these estimated useful lives is accounted for prospectively. As a result, the change in expected useful lives are as follows:

Buildings	20-30 years
Machinery and equipment	3-20 years

2.4 Presentation Reclassification

The adoption of IFRS 15 in Fiscal 2018 resulted in a reclassification in the presentation of certain consideration paid to customers relating to the comparative figures within these unaudited condensed consolidated interim financial statements. Specifically, certain payments for customer-specific programs did not meet the specific criteria within the new guidance of providing a “distinct” good or service, and therefore an amount of \$3.3 million was reclassified from cost of sales to reductions to revenue, with no impact to net income, for the period ended March 31, 2018.

In addition, the Company has reclassified the presentation of certain costs on the unaudited condensed consolidated interim statements of operations and comprehensive income to be consistent with current presentation.

3. Business Combinations

On January 31, 2017, JLL acquired 100% of the outstanding shares of Body Plus and Sonoma, and, as a result, Body Plus and Sonoma became wholly owned subsidiaries of JLL.

Consideration for the acquisition totalled \$82,500 (net of cash acquired), plus acquisition costs of \$3,233. The purchase price was funded with cash. An additional \$1,863 was to be paid as a retention bonus (the “Retention Bonus”) to key employees of Body Plus and Sonoma, subject to these individuals remaining employed for 12 and/or 18 months following the closing of the acquisition. Pursuant to the purchase agreement, the former owner was entitled to a \$7,500 payment (the “Holdback Amount”) subject to a consulting agreement entered into between JLL and the former owner, if the consulting relationship continued for 12 months following the closing of the acquisition. In accordance with IFRS 3 “Business Combinations,” the deferred compensation of \$9,363 comprised of the Holdback Amount and the Retention Bonus has been accounted for as deferred compensation.

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On January 31, 2018, the Company paid the former owner a reduced Holdback Amount of \$5,500 (representing a \$2,000 reduction) in exchange for the Company to release the remaining balance held in escrow to the former owner in relation to the general and tax indemnities and releasing the former owner from the Company's post-closing indemnification rights under the purchase agreement.

For the three month period ended March 31, 2019, the Company has recognized a net gain of \$nil (2018 - \$1,066) of deferred consideration in other income on the unaudited condensed consolidated interim statements of operations and comprehensive income.

4. Accounts receivable

As at	March 31, 2019	December 31, 2018
	<u>\$</u>	<u>\$</u>
Trade	68,622	81,783
Other miscellaneous receivables	627	517
Allowance for doubtful accounts	(73)	(73)
	<u>69,176</u>	<u>82,227</u>

5. Inventories

As at	March 31, 2019	December 31, 2018
	<u>\$</u>	<u>\$</u>
Raw material and packaging	33,592	32,410
Bulk product and work in process	12,898	9,029
Packaged finished goods	42,550	33,709
Inventory provision	(3,279)	(3,069)
	<u>85,761</u>	<u>72,079</u>

An inventory provision is estimated by management based on historical sales, inventory aging and expiry, point of sales information and expected future sales and is included in cost of sales. Subsequent changes to the provision are recorded in cost of sales in the unaudited condensed consolidated interim statements of operations and comprehensive income.

6. Long-term debt

As at	March 31, 2019	December 31, 2018
	<u>\$</u>	<u>\$</u>
Revolving credit facility	49,039	41,000
Term credit facility	125,500	127,938
Deferred financing fees	(2,663)	(3,026)
	<u>171,876</u>	<u>165,912</u>
Less: Current portion	(14,625)	(14,625)
	<u>157,251</u>	<u>151,287</u>

On January 31, 2017, JLL entered into a credit agreement (the "Credit Agreement") with a syndicate of lenders. The Credit Agreement provided a secured term credit facility of \$195,000 (with the option to increase the facility up to \$255,000) and a secured revolving credit facility of \$75,000 (including a \$10,000 swingline facility) (collectively, the "Credit Facilities"). The Credit Facilities mature on January 31, 2021 with the outstanding

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principal repayable in full on this date. Financing costs of \$4,265 and \$1,536 were incurred as part of the issuance of the term credit facility and revolving credit facility, respectively.

As at March 31, 2019, the weighted average interest rate on this facility was 4.6% (2018 - 4.2%).

For the three months ended March 31, 2019, JLL made drawings of \$nil (2018 - \$nil) and debt repayments of \$2,438 (2018 - \$2,438) applied against the term credit facility.

For the three months ended March 31, 2019, JLL made drawings of \$14,456 (2018 - \$12,620) and debt repayments of \$6,417 (2018 - \$2,000) applied against the revolving credit facility.

The Credit Facilities are secured by a general security agreement and first charge over the assets including property, plant and equipment of JLL and its subsidiaries, subject to permitted liens.

Under the terms of the Credit Facilities, JLL is subject to restrictive covenants and must maintain an interest coverage ratio of not less than 3.00:1.00 and a leverage ratio not greater than 4.05:1.00. JLL is in compliance with all covenants as at the date of these Interim Financial Statements.

7. Share capital and redeemable preferred shares

	Common Shares	
	#	\$
As at December 31, 2018	38,207,114	239,404
Exercise of stock options	102,263	1,536
Employee stock purchase plan	6,820	131
As at March 31, 2019	38,316,197	241,071

	Common Shares	
	#	\$
As at December 31, 2017	37,740,121	234,908
Exercise of stock options	131,648	899
Employee stock purchase plan	3,487	69
As at March 31, 2018	37,875,256	235,876

As at March 31, 2019 and 2018, the authorized share capital consisted of:

- a) Unlimited number of Common Shares with no par value. The holders of Common Shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.
- b) Unlimited number of Preference Shares, issuable in series.

8. Share-based compensation

Senior employees and directors plan

The Company has an equity-based compensation plan providing for the issuance of securities under which the grants will be made by the Company. Under the long-term incentive plan, the Board of Directors, at its discretion may grant share options, restricted shares, restricted share units in the form of time-based restricted share units ("RSUs") or performance-based share units ("PSUs"), stock appreciation rights and deferred share units. The awards are settled in Common Shares of the Company and have no cash settlement alternatives.

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A summary of the status of the Company's outstanding share-based awards and changes during the three month period ended March 31, 2019 and year ended December 31, 2018 is presented below:

	March 31, 2019			December 31, 2018		
	Options (number of shares)	PSUs (number of shares)	RSU's (number of shares)	Options (number of shares)	PSUs (number of shares)	RSU's (number of shares)
Outstanding awards, beginning of period	2,958,875	95,706	27,000	3,005,088	-	-
Granted	69,761	-	-	518,956	108,280	27,000
Exercised	(102,263)	-	-	(448,944)	-	-
Forfeited	(36,695)	-	-	(116,225)	(12,574)	-
Outstanding awards, end of period	2,889,678	95,706	27,000	2,958,875	95,706	27,000
Awards exercisable, end of period	2,023,041	-	-	2,089,269	-	-

The Company's share-based compensation expense for the three months ended March 31, 2019 is \$800 (2018 - \$427).

9. Other income

	Three months ended March 31,	
	2019	2018
	\$	\$
Deferred consideration	-	(1,066)
Consulting costs	-	961
Other	(3)	93
	(3)	(12)

10. Interest expense and other financing costs

	Three months ended March 31,	
	2019	2018
	\$	\$
Interest on debt and borrowings	1,980	1,813
Interest on lease liabilities	79	-
Amortization of deferred financing fees (Note 6)	363	363
	2,422	2,176

11. Financial instruments and risk management activities

Financial instruments

Fair value measurement

All derivative instruments have been classified as Level 2 in the fair value hierarchy.

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The fair values and notional amounts of derivative financial instruments shown below are as at:

	March 31, 2019			December 31, 2018		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Asset	Liability		Asset	Liability
	\$USD	\$	\$	\$USD	\$	\$
Foreign currency forward contract designated as hedging instruments	39,000	1,483	-	36,000	3,124	-

The carrying values of financial assets and liabilities measured at amortized cost (excluding long-term debt) approximate their fair values due to their short-term nature.

The carrying value of long-term debt as at March 31, 2019 and December 31, 2018 approximates their fair value. The fair value of the Company's long-term debt was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. The fair value of long-term debt is considered a Level 2 fair value measurement.

For the three month period ended March 31, 2019 there were no transfers between levels.

Financial instrument risk management objectives and policies

The Company is exposed to credit risk, market risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's financial instruments and policies for managing these risks are detailed below.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The Company is exposed to credit risk from its customers (primarily related to trade accounts receivable) in the normal course of business. The Company has adopted a policy of only dealing with creditworthy counterparties. To mitigate this risk, the Company carries out regular credit evaluations and purchases credit insurance for international customers, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company is also exposed to counterparty credit risk inherent in its financing activities, trade receivable insurance and foreign currency derivatives. The Company has assessed these risks as minimal.

Market risk

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily from transactions in US dollars such as a portion of trade accounts payable, trade accounts receivable and cash.

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposure. As of March 31, 2019, \$50,423 (December 31, 2018 - \$45,814) of anticipated foreign currency denominated purchases have been hedged with underlying foreign exchange forward contracts settling at various dates in the year proceeding the unaudited condensed consolidated interim statement of financial position date.

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates arises from long-term debt obligations issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

With all other variables held constant, the sensitivity to a reasonably possible change in interest rates on floating rate borrowings of the Company would have the following impact to net income before taxes:

	Increase/ decrease in basis points	Effect on profit before tax
	+/-	\$
Three months ended March 31, 2019	100	436
Three months ended March 31, 2018	100	441

Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect net income, as the Company's debt is carried at amortized cost and the carrying value does not change as interest rates change.

Commodity price risk

The Company is exposed to price risk related to purchases of certain commodities used as raw materials. The Company may use fixed price contracts with suppliers to mitigate commodity price risk. Concentration in any one raw material is not significant to the Company.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, various long-term debt agreements, obligations under its post-retirement benefits plan and lease liabilities.

The Company manages its liquidity risk through continuous monitoring of its forecast and actual cash flows and through the management of its capital structure. The Company continually revises its available liquid resources as compared to the timing of the payment of liabilities to manage its liquidity risk.

The contractual undiscounted principal cash flows payable in respect of financial liabilities as at the date of these Interim Financial Statements, were as follows:

As at	March 31, 2019	December 31, 2018
	\$	\$
Amounts payable in more than 12 months	168,993	157,236
Amounts payable in less than 12 months	86,624	98,106
	255,617	255,342

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Capital

The Company's objective is to maintain a cost-effective capital structure that supports its long-term growth strategy, supports the business and maximizes shareholder value. The Company typically uses leverage in its capital structure to reduce the cost of capital. The Company's goal is to maintain its primary credit ratios and leverage at levels that are designed to provide continued access to investment-grade credit pricing and terms. The Company measures its credit profile using a number of metrics, some of which are non-IFRS measures, primarily cash, less long-term debt and bank indebtedness ("net cash (debt)") to earnings before interest, income taxes, depreciation, amortization, restructuring and other related costs, and interest coverage. Additionally, the Company maintains a cash flow reserve to service obligations as they come due.

In addition to senior debt, credit facilities, and equity, the Company uses leases as additional sources of financing.

There have been no material changes to the Company's risk management activities since the inception of the Company's operations.

The Company is subject to capital requirements under the Credit Agreement, as described in Note 6. As at March 31, 2019 and December 31, 2018, the Company was in compliance with all financial covenants.

12. Segment information

The Company has two reportable operating segments with all material operations carried out in Canada:

- The Jamieson Brands segment ("Jamieson Brands") principal activity is the manufacturing, distribution and marketing of branded natural health products including vitamins, minerals and supplements; and
- The Strategic Partners segment ("Strategic Partners") principal activity is providing contract manufacturing services to consumer health companies and retailers worldwide.

The Company's chief operating decision maker evaluates segment performance on the basis of earnings from operations, as reported to internal management, on a periodic basis.

Inter-segment revenues and expenses are eliminated upon consolidation and relate mainly to sales from the Strategic Partners segment to the Jamieson Brands segment. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	For the three month period ended March 31, 2019		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	<u>56,041</u>	<u>16,537</u>	<u>72,578</u>
Earnings from operations	<u>7,996</u>	<u>1,915</u>	<u>9,911</u>
Foreign exchange loss			26
Other income			(3)
Interest expense and other financing costs			2,422
Provision for income taxes			<u>2,082</u>
Net income			<u>5,384</u>

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2019 and 2018

	For the three month period ended March 31, 2018		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	56,569	10,210	66,779
Earnings from operations	7,404	990	8,394
Foreign exchange loss			200
Other income			(12)
Interest expense and other financing costs			2,176
Provision for income taxes			1,404
Net income			4,626

Share-based compensation is allocated to the Jamieson Brands operating segment.

13. Revenue from contracts with customers

The following table sets forth the disaggregation of the Company's revenue from contracts with customers in the Jamieson Brands operating segment:

	Three months ended March 31,	
	2019	2018
	\$	\$
Domestic sales	39,400	40,602
International sales	5,061	3,913
Specialty Brands sales	11,580	12,054
Total revenue from contracts with customers	56,041	56,569

Revenues generated from our previous acquisitions of Body Plus and Lorna Vanderhaeghe Health Solutions Inc. are known as "Specialty Brands" given the availability of these brands across food, drug and health food channels.

14. Income per share

Basic income per share amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted income per share amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period, adjusted for the effects of potentially dilutive preferred shares, share options, PSUs, and RSUs.

The following table sets forth the calculation of basic and diluted income per share:

Three months ended March 31,	2019			2018		
	Net income available to common shareholders	Weighted average number of shares	EPS \$	Net income available to common shareholders	Weighted average number of shares	EPS \$
<i>Basic</i>						
<i>Continuing operations</i>	5,384	38,305,895	0.14	4,626	37,831,159	0.12
<i>Diluted</i>						
<i>Continuing operations</i>	5,384	39,659,791	0.14	4,626	39,666,424	0.12