



Unaudited Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2023 and 2022

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

	<u>Notes</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Assets			
Current assets			
Cash		16,293	26,240
Accounts receivable	4	110,671	160,798
Inventories	5	186,810	154,488
Derivatives	10	5,540	6,580
Prepaid expenses and other current assets		6,735	4,298
		326,049	352,404
Non-current assets			
Property, plant and equipment		110,431	111,709
Goodwill	3	272,841	272,916
Intangible assets	3	365,801	367,205
Deferred income tax		3,411	3,029
Total assets		1,078,533	1,107,263
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		128,456	142,566
Income taxes payable		995	7,387
Derivatives	10	33	-
Current portion of other long-term liabilities		4,346	4,852
		133,830	154,805
Long-term liabilities			
Long-term debt	6	391,470	400,000
Post-retirement benefits		956	929
Deferred income tax		57,903	58,007
Other long-term liabilities	3	61,341	61,931
Total liabilities		645,500	675,672
Shareholders' equity			
Share capital	7	309,974	307,200
Contributed surplus		16,872	17,115
Retained earnings		85,441	85,483
Accumulated other comprehensive income		20,746	21,793
Total shareholders' equity		433,033	431,591
Total liabilities and shareholders' equity		1,078,533	1,107,263

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

Approved on behalf of the Board:

Steve Spooner
Director

Tim Penner
Director

Jamieson Wellness Inc.
Unaudited Consolidated Interim Statements of Operations and Comprehensive Income
In thousands of Canadian dollars, except share and per share amounts

	Notes	Three months ended March 31,	
		2023	2022
Revenue	11, 12	136,725	103,675
Cost of sales		88,209	65,728
Gross profit		48,516	37,947
Selling, general and administrative expenses		32,392	21,620
Share-based compensation	8	1,496	1,142
Earnings from operations		14,628	15,185
Foreign exchange loss		163	463
Interest expense and other financing costs	9	6,302	1,278
Earnings before income taxes		8,163	13,444
Provision for income taxes		1,098	3,703
Net earnings		7,065	9,741
Unrealized (loss) gain on amounts that may be reclassified to net earnings on cash flow hedges	10	(1,075)	3,423
Income tax recovery (expense)		284	(907)
Net of tax		(791)	2,516
Unrealized loss on amounts that may be reclassified to net earnings on translation of foreign operations		(256)	-
Total other comprehensive (loss) income		(1,047)	2,516
Comprehensive income		6,018	12,257
Earnings per share attributable to common shareholders:	14		
Basic, earnings per share		0.17	0.24
Diluted, earnings per share		0.17	0.23
Weighted average number of shares:	14		
Basic		41,775,989	40,442,265
Diluted		42,791,481	41,731,184

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

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

	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
As at December 31, 2022		307,200	17,115	85,483	21,793	431,591
Net earnings for the period		-	-	7,065	-	7,065
Issuance of treasury shares	7	2,774	(1,643)	-	-	1,131
Common share dividend (\$0.17 per share)		-	-	(7,107)	-	(7,107)
Other comprehensive loss		-	-	-	(791)	(791)
Unrealized foreign currency loss on translation of foreign operations		-	-	-	(256)	(256)
Share-based compensation	8	-	1,400	-	-	1,400
As at March 31, 2023		309,974	16,872	85,441	20,746	433,033
		Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
As at December 31, 2021		268,214	14,786	58,998	23	342,021
Net earnings for the period		-	-	9,741	-	9,741
Issuance of treasury shares	7	1,390	(211)	-	-	1,179
Common share dividend (\$0.15 per share)		-	-	(6,066)	-	(6,066)
Other comprehensive income		-	-	-	2,516	2,516
Unrealized foreign currency loss on translation of foreign operations		-	-	-	(10)	(10)
Share-based compensation	8	-	1,131	-	-	1,131
As at March 31, 2022		269,604	15,706	62,673	2,529	350,512

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

Jamieson Wellness Inc.
Unaudited Consolidated Interim Statements of Cash Flows
In thousands of Canadian dollars

Cash provided by (used in)	Notes	Three months ended March 31,	
		2023	2022
Operating activities			
Net earnings		7,065	9,741
Items not affecting cash			
Depreciation of property, plant, and equipment and right-of-use assets		3,467	2,658
Amortization of intangible assets		1,374	1,058
Deferred income taxes		(202)	640
Share-based compensation	8	1,400	1,131
Others		(35)	78
Net change in non-cash working capital		<u>(5,136)</u>	<u>1,782</u>
		7,933	17,088
Investing activities			
Additions to property, plant and equipment, net		(2,206)	(3,541)
Acquisition of intangible assets		<u>(102)</u>	<u>(115)</u>
		(2,308)	(3,656)
Financing activities			
Proceeds from credit facilities	6	13,230	10,000
Repayment to credit facilities	6	(21,760)	(19,070)
Payment of lease liabilities		(1,066)	(818)
Exercise of stock options and ESPP	7	1,131	1,179
Dividends to common shareholders		<u>(7,107)</u>	<u>(6,066)</u>
		(15,572)	(14,775)
Decrease in cash		(9,947)	(1,343)
Cash - Beginning of the period		26,240	6,775
Cash - End of the period		16,293	5,432
Supplemental disclosure			
Amount of income taxes paid		7,655	2,541
Amount of interest paid		6,252	1,325

(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, 2023 and 2022

1. Company overview

1.1 Description of the business and consolidated financial statements

Jamieson Wellness Inc. (“Jamieson” or the “Company”) is a Canadian public company with common shares (“Common Shares”) 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, 2023 (the “Interim Financial Statements”) were authorized for issue by the Board of Directors of the Company on May 3, 2023. 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, Toronto, Ontario and Irvine, California 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.

As at Entity	March 31, 2023 %	December 31, 2022 %	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
Jamieson Health Products (Shanghai) Co., Ltd.	100	100	China
Jamieson Health Products Australia Pty Ltd.	100	100	Australia
Jamieson Health Products UK Ltd.	100	100	United Kingdom
Jamieson Health Products USA Ltd.	100	100	United States of America
Jamieson Health Products Netherlands B.V.	100	100	Netherlands
Nutrawise Health & Beauty LLC	100	100	United States of America
Nutrawise UK Ltd.	100	100	United Kingdom
Nutrawise Japan GK	100	100	Japan
Jamieson Health Products (Hong Kong) Limited	100	100	China
Jamieson Health Products (Cayman Islands) Limited	100	100	Cayman Islands
Jamieson Health Products (Hong Kong) Trading Limited	100	100	China

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 audited consolidated financial statements for the year ended December 31, 2022 (the “Annual Financial Statements”). The Interim Financial Statements have been prepared using the same accounting policies as disclosed in the Annual Financial Statements.

Jamieson Wellness Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2023 and 2022

Several amendments apply for the first time in 2023, but do not have an impact on the Interim Financial Statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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. Certain supplementary information in U.S. dollars is rounded to the nearest thousand where applicable.

3. Business combinations

On July 19, 2022, Jamieson Health Products USA Ltd (“Jamieson USA”) acquired Nutrawise Health & Beauty Corporation (“Nutrawise” or “youthery”), and Nutrawise became a wholly-owned subsidiary of Jamieson USA. In connection with the transaction, Nutrawise Health & Beauty Corporation converted from a California corporation to a California limited liability company (LLC). Consideration for the acquisition totalled \$309,889 before post-closing cash adjustments, plus acquisition costs of \$8,051 which were recognized within selling, general and administrative expenses in the audited consolidated statements of operations and comprehensive income for the year ended December 31, 2022. The purchase price was funded with cash of \$241,960 (refer to Note 6), share consideration of \$32,348 and acquisition-related contingent consideration of \$35,581 for a total of \$309,889. Pursuant to the purchase agreement, the former owners are entitled to additional payments up to \$190,000 U.S. dollars subject to meeting specific earnings before interest expense, income taxes, depreciation and amortization (EBITDA) targets up to 2025. In accordance with IFRS 3 “Business Combinations”, \$35,581 has been accounted for as contingent consideration and is recognized as part of the purchase price equation.

Nutrawise is an innovator, manufacturer and marketer of premium supplements under the youthery brand in the United States and other international markets. The Company expects that this strategic milestone will create a platform for the Company to expand in the U.S., which hosts the world’s largest vitamin, mineral and supplements market, and leverage the broad Jamieson portfolio under the youthery brand.

The following table provides a reconciliation of measurement period adjustments to the purchase price allocation of the net assets acquired at their fair value amounts:

	Preliminary fair value as at July 19, 2022	Measurement period fair value adjustments	Estimated fair value as at July 19, 2022
	\$	\$	\$
Accounts receivable	6,083	(819)	5,264
Inventories	20,333	(214)	20,119
Prepaid expenses and other current assets	1,663	-	1,663
Accounts payable and accrued liabilities	(33,263)	(2,022)	(35,285)
Property, plant and equipment, net	8,143	-	8,143
Goodwill	143,536	(180)	143,356
Intangible assets	171,054	-	171,054
Other long term liabilities	(4,425)	-	(4,425)
Total net assets acquired	<u>313,124</u>	<u>(3,235)</u>	<u>309,889</u>

Measurement period fair value adjustments are a result of closing working capital adjustments and adjustments related to the fair value of contingent consideration. There have been no adjustments made for the three months ended March 31, 2023.

The intangible assets acquired include customer relationships and trademarks in the amounts of \$31,100 and \$139,954, respectively. The customer relationships are amortized over 20-25 years and expensed through the

Jamieson Wellness Inc.
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unaudited consolidated interim statements of operations and comprehensive income on a straight-line basis over the estimated useful life. The Company expects its trademarks to generate economic benefit in perpetuity, and accordingly, has assigned the trademarks as an indefinite life intangible asset.

The estimated goodwill represents the future economic benefit arising from other assets acquired in the acquisition that are not individually identifiable and separately recognized. The estimated goodwill arising from the acquisition of \$143,356 is attributable to expected future income and cash-flow projections and synergies the Company expects to achieve in combining the acquisition into its operations while leveraging its platform in the United States. Estimated goodwill is expected to be deductible for tax purposes.

Indefinite life intangibles including goodwill and trademarks are tested for impairment annually at December 31 and otherwise as required if events occur that indicate that the net carrying value may not be recoverable.

Included in the Company's unaudited consolidated interim statements of operations and comprehensive income for the three months ended March 31, 2023 is \$22,197 in revenue attributable to youththeory.

3.1 Contingent consideration relating to business combination

As of March 31, 2023, the contingent consideration was revalued and classified as \$37,208 in other long-term liabilities on the Company's unaudited consolidated interim statements of financial position.

The fair value of contingent consideration is estimated using a Monte-Carlo simulation model. The simulation is revaluated at the end of each reporting period and any changes in fair value are recognized in the unaudited consolidated interim statements of operations and comprehensive income. The fair value for the contingent consideration is an estimate requiring judgment and key assumptions, including EBITDA forecasts until 2025, volatility and discount rates.

4. Accounts receivable

As at	March 31, 2023	December 31, 2022
	<u>\$</u>	<u>\$</u>
Trade	105,815	156,591
Other miscellaneous receivables	4,973	4,326
Allowance for expected credit losses	(117)	(119)
	<u>110,671</u>	<u>160,798</u>

The Company determines the allowance based on lifetime expected credit losses at each reporting date.

5. Inventories

As at	March 31, 2023	December 31, 2022
	<u>\$</u>	<u>\$</u>
Raw material and packaging	89,386	65,953
Bulk product and work in process	26,209	23,979
Packaged finished goods	74,524	68,114
Inventory provision	(3,309)	(3,558)
	<u>186,810</u>	<u>154,488</u>

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An inventory provision is estimated by management based on historical sales, inventory aging and expiry, 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 consolidated interim statements of operations and comprehensive income.

6. Long-term debt

On September 27, 2019, Jamieson Laboratories Ltd. (“JLL”) amended and restated its credit agreement to add Jamieson Health Products USA Ltd. (collectively with JLL the “Borrowers”) as a co-borrower and to provide a secured revolving facility of \$275,000 (including a \$10,000 swingline facility) with the option to increase the revolving facility by \$200,000 (collectively, the “Credit Facilities”). As of July 19, 2022, the Company’s newly-acquired subsidiary, Nutrawise Health & Beauty LLC, was added as a Borrower under the Credit Facilities which increased from \$275,000 to \$500,000 under revolving Credit Facilities, plus an expanded accordion feature of up to \$250,000 with an extended maturity to July 19, 2027.

The table below illustrates the drawings and repayments applied against the Credit Facilities.

	Three months ended March 31,	
	2023	2022
	\$	\$
<u>Credit Facilities</u>		
<i>Drawings</i>	13,230	10,000
<i>Repayments</i>	(21,760)	(19,070)
	(8,530)	(9,070)

For the three months ended March 31, 2023, the weighted average interest rate on the Credit Facilities was 6.1% (2022 – 3.0%) and is composed of variable rates. A portion of the Credit Facilities outstanding is fixed through the interest rate swap (Refer to Note 10).

The Credit Facilities are collateralized by security agreements and first charges over the assets including property, plant and equipment and intellectual property of the Borrowers and certain other subsidiaries of JLL, subject to permitted liens.

Under the terms of the Credit Facilities, the Borrowers are 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 4.50:1.00.

The Borrowers are in compliance with all covenants as at the date of the Interim Financial Statements.

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements
Three months ended March 31, 2023 and 2022

7. Share capital

	Common Shares	
	#	\$
As at December 31, 2022	41,694,203	307,200
Exercise of share-based awards	190,523	2,635
Employee stock purchase plan	4,269	139
As at March 31, 2023	41,888,995	309,974

	Common Shares	
	#	\$
As at December 31, 2021	40,406,940	268,214
Exercise of share-based awards	42,134	1,269
Employee stock purchase plan	3,619	121
As at March 31, 2022	40,452,693	269,604

As at March 31, 2023 and 2022, the authorized share capital consisted of:

- a) Unlimited number of Common Shares. 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 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"), performance-based share units ("PSUs"), deferred share units ("DSUs") and stock appreciation rights. The awards are settled in Common Shares with a cash settlement alternative available to the Company.

A summary of the status of the Company's outstanding share-based awards and changes during the three-month period ended March 31, 2023 and year ended December 31, 2022 is presented below:

	March 31, 2023				December 31, 2022			
	Options (number of shares)	PSUs (number of shares)	RSUs (number of shares)	DSUs (number of shares)	Options (number of shares)	PSUs (number of shares)	RSUs (number of shares)	DSUs (number of shares)
Outstanding awards, beginning of period	2,821,276	158,857	838	23,865	2,576,838	198,036	62	15,563
Granted	234,471	109,105	57,841	21,986	416,679	52,229	776	12,742
Exercised	(69,020)	(67,937)	(843)	-	(156,705)	(91,408)	-	(4,440)
Forfeited	(18,202)	-	-	-	(15,536)	-	-	-
Outstanding awards, end of period	2,968,525	200,025	57,836	45,851	2,821,276	158,857	838	23,865
Awards exercisable, end of period	2,258,572	-	-	23,997	1,946,322	-	-	-

The Company's share-based compensation expense for the three months ended March 31, 2023 is \$1,496 (2022 - \$1,142), of which \$1,400 (2022 - \$1,131) is classified as contributed surplus in the Company's

Jamieson Wellness Inc.
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consolidated financial statements and \$96, respectively (2022 - \$11) is related to employment taxes paid on exercise of options.

9. Interest expense and other financing costs

	Three months ended March 31,	
	2023	2022
	\$	\$
Interest on debt and borrowings	6,044	1,061
Interest on lease liabilities	258	217
	6,302	1,278

10. 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.

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

	March 31, 2023				December 31, 2022			
	Notional	Notional	Fair Value		Notional	Notional	Fair Value	
	Amount	Amount	Asset	Liability	Amount	Amount	Asset	Liability
	\$CAD	\$USD	\$	\$	\$CAD	\$USD	\$	\$
Foreign currency forward contract designated as hedging instruments (forecast purchases)	-	20,000	-	(33)	-	-	-	-
Foreign currency forward contract designated as hedging instruments (forecast sales)	-	(10,000)	54	-	-	-	-	-
Interest rate swaps designated as hedging instruments	110,000	-	5,486	-	120,000	-	6,580	-
	110,000	10,000	5,540	(33)	120,000	-	6,580	-

On June 5, 2020, the Company entered into an interest rate swap with an effective date of October 1, 2020 to September 27, 2024 with a notional principal of \$140,000 and an annual amortization of \$10,000 on the first business day of each year. The notional principal of the interest rate swap is \$110,000 as at the end of this reporting period. The interest rate swap is a derivative measured at fair value and meets hedge accounting requirements.

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, 2023 and December 31, 2022 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.

Contingent consideration has been classified as Level 3 in the fair value hierarchy.

For the three-month period ended March 31, 2023 there were no transfers between levels.

Jamieson Wellness Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2023 and 2022

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, foreign currency derivatives and interest rate 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 U.S. 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, 2023, \$27,096 (December 31, 2022 - \$nil) of anticipated foreign currency denominated purchases have been hedged and \$13,576 (December 31, 2022 - \$nil) of anticipated foreign currency denominated sales have been hedged with underlying foreign exchange forward contracts settling at various dates in the 3 months proceeding the unaudited consolidated interim statement of financial position date.

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 accounts receivable and accounts payable are non-interest bearing. 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. To further reduce the long-term interest rate exposure and gain predictability over future cash flows, the Company uses interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

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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 earnings before taxes:

	Increase/ decrease in basis points	Effect on earnings before tax
	+/-	\$
Three months ended March 31, 2023	100	736
Three months ended March 31, 2022	100	58

Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect net earnings, 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 commitments.

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.

As at March 31, 2023, the Company had \$124,823 in cash and available revolving and swingline facilities.

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, 2023	December 31, 2022
	\$	\$
Amounts payable in more than 12 months	456,327	465,634
Amounts payable in less than 12 months	133,739	148,394
	590,066	614,028

Impact of Ukraine Conflict

The Company does not conduct any business operations in Russia or Ukraine and to date has not had any measurable disruption to the Company's supply of raw materials and its ability to service customers. The Company did note that heightened inflation and consumer sentiment have caused uncertainty in international markets over the past year, especially in neighbouring Eastern European countries where the Company conducts business.

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The continued risk surrounding the Ukraine conflict and any escalations may have an adverse impact on the Company's business, its financial condition and results of operations.

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 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 facility agreement, as described in Note 6.

11. Segment information

The Company has two reportable operating segments:

- The Jamieson Brands segment's principal activity is the manufacturing, distribution and marketing of branded natural health products including vitamins, minerals and supplements; and
- The Strategic Partners segment's 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.

Jamieson Wellness Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements Three months ended March 31, 2023 and 2022

	<u>For the three month period ended March 31, 2023</u>		
	<u>Jamieson Brands</u>	<u>Strategic Partners</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue	<u>108,110</u>	<u>28,615</u>	<u>136,725</u>
Earnings from operations	<u>11,642</u>	<u>2,986</u>	<u>14,628</u>
Foreign exchange loss			163
Interest expense and other financing costs			6,302
Provision for income taxes			<u>1,098</u>
Net earnings			<u>7,065</u>

	<u>For the three month period ended March 31, 2022</u>		
	<u>Jamieson Brands</u>	<u>Strategic Partners</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue	<u>83,188</u>	<u>20,487</u>	<u>103,675</u>
Earnings from operations	<u>14,424</u>	<u>761</u>	<u>15,185</u>
Foreign exchange loss			463
Interest expense and other financing costs			1,278
Provision for income taxes			<u>3,703</u>
Net earnings			<u>9,741</u>

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

12. 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:

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Domestic operations	<u>71,355</u>	69,696
International operations	<u>14,558</u>	13,492
U.S. operations	<u>22,197</u>	-
Total revenue from contracts with customers	<u>108,110</u>	<u>83,188</u>

Revenue from international and U.S. operations are primarily denominated in U.S. dollars and subject to fluctuations in foreign exchange (see Note 10 – Financial instruments and risk management activities) on the conversion to Canadian dollars.

13. Business seasonality

Interim period revenues and earnings historically reflect seasonality. As such, the operating results for any interim period are not necessarily indicative of full-year performance. The first quarter is typically the softest as retailers purchase for spring demand, while the fourth quarter has typically been the strongest primarily driven by the cold and flu season.

14. Earnings per share

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

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Diluted earnings per share amounts are calculated by dividing the net earnings 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 share options, PSUs, RSUs and DSUs.

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

Three months ended March 31,	2023			2022		
	Net earnings available to common shareholders	Weighted average number of shares	EPS \$	Net earnings available to common shareholders	Weighted average number of shares	EPS \$
<i>Basic</i>						
Continuing operations	7,065	41,775,989	0.17	9,741	40,442,265	0.24
<i>Diluted</i>						
Continuing operations	7,065	42,791,481	0.17	9,741	41,731,184	0.23

15. Subsequent event

The Company completed the acquisition of the operating assets from its distribution partner in China, allowing it to directly operate its sales, marketing and distribution activities in China. The acquisition was completed on April 28, 2023 for total consideration of approximately \$26,000.

The acquisition is a significant step forward in the Company's brand expansion plans in China, allowing it to take a more direct and holistic approach to delivering brand experiences for Chinese consumers in this key international market. The distribution partner will work with the Company's team on the ground in China until July 1, 2023 to ensure a smooth transition and continued momentum of the Jamieson brand while executing on the Company's growth aspirations.