



Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 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>June 30, 2023</u>	<u>December 31, 2022</u>
Assets			
Current assets			
Cash	4	91,375	26,240
Accounts receivable	5	109,422	160,798
Inventories	3, 6	208,523	154,488
Derivatives	13	6,071	6,580
Prepaid expenses and other current assets		6,305	4,298
		421,696	352,404
Non-current assets			
Property, plant and equipment		109,921	111,709
Goodwill	3	272,815	272,916
Intangible assets	3	368,930	367,205
Deferred income tax		4,109	3,029
Total assets		1,177,471	1,107,263
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		130,459	142,566
Income taxes payable		2,742	7,387
Current portion of other long-term liabilities	3	4,649	4,852
		137,850	154,805
Long-term liabilities			
Long-term debt	7	345,146	400,000
Post-retirement benefits		985	929
Deferred income tax	3	59,347	58,007
Redeemable preferred shares	4, 8	85,940	-
Other long-term liabilities	3	60,017	61,931
Total liabilities		689,285	675,672
Equity			
Share capital	9	313,107	307,200
Warrants	4, 10	14,705	-
Contributed surplus		17,525	17,115
Retained earnings		86,495	85,483
Accumulated other comprehensive income		13,655	21,793
Total shareholders' equity		445,487	431,591
Non-controlling interests	4	42,699	-
Total equity		488,186	431,591
Total liabilities and equity		1,177,471	1,107,263

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

Approved on behalf of the Board:

Tania Clarke
Director

Tim Penner
Director

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Revenue	14, 15	167,577	111,990	304,302	215,665
Cost of sales		112,711	71,277	200,920	137,005
Gross profit		54,866	40,713	103,382	78,660
Selling, general and administrative expenses		34,832	24,996	67,224	46,616
Share-based compensation	11	1,425	1,136	2,921	2,278
Earnings from operations		18,609	14,581	33,237	29,766
Foreign exchange loss (gain)		1,482	(413)	1,645	50
Accretion on preferred shares	8	827	-	827	-
Interest expense and other financing costs	12	6,008	1,238	12,310	2,516
Earnings before income taxes		10,292	13,756	18,455	27,200
Provision for income taxes		3,088	3,662	4,186	7,365
Net earnings		7,204	10,094	14,269	19,835
Unrealized gain (loss) on amounts that may be reclassified to net earnings on cash flow hedges	13	566	2,824	(509)	6,247
Income tax recovery (expense)		(149)	(748)	135	(1,655)
Net of tax		417	2,076	(374)	4,592
Unrealized loss on amounts that may be reclassified to net earnings on translation of foreign operations		(8,241)	-	(8,497)	-
Total other comprehensive income (loss)		(7,824)	2,076	(8,871)	4,592
Comprehensive income (loss)		(620)	12,170	5,398	24,427
Net earnings attributable to:					
Shareholders		8,186	10,094	15,251	19,835
Non-controlling interests		(982)	-	(982)	-
		7,204	10,094	14,269	19,835
Comprehensive income (loss) attributable to:					
Shareholders		1,095	12,170	7,113	24,427
Non-controlling interests		(1,715)	-	(1,715)	-
		(620)	12,170	5,398	24,427
Earnings per share attributable to common shareholders:	17				
Basic, earnings per share		0.17	0.25	0.34	0.49
Diluted, earnings per share		0.17	0.24	0.33	0.47
Weighted average number of shares:	17				
Basic		41,943,971	40,461,610	41,860,444	40,451,991
Diluted		42,890,029	41,919,787	42,745,685	41,877,072

(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	Warrants	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity	Non-controlling interests	Total equity
As at December 31, 2022		307,200	-	17,115	85,483	21,793	431,591	-	431,591
Net earnings for the period		-	-	-	15,251	-	15,251	(982)	14,269
Issuance of treasury shares	9	5,907	-	(2,389)	-	-	3,518	-	3,518
Issuance of warrants	4, 10	-	14,705	-	-	-	14,705	-	14,705
Minority interest in subsidiary	4	-	-	-	-	-	-	44,414	44,414
Common share dividend (\$0.34 per share)		-	-	-	(14,239)	-	(14,239)	-	(14,239)
Other comprehensive loss		-	-	-	-	(374)	(374)	-	(374)
Unrealized foreign currency loss on translation of foreign operations		-	-	-	-	(7,764)	(7,764)	(733)	(8,497)
Share-based compensation	11	-	-	2,799	-	-	2,799	-	2,799
As at June 30, 2023		313,107	14,705	17,525	86,495	13,655	445,487	42,699	488,186
		Share capital	Warrants	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity	Non-controlling interests	Total equity
As at December 31, 2021		268,214	-	14,786	58,998	23	342,021	-	342,021
Net earnings for the period		-	-	-	19,835	-	19,835	-	19,835
Issuance of treasury shares	9	2,151	-	(449)	-	-	1,702	-	1,702
Common share dividend (\$0.30 per share)		-	-	-	(12,134)	-	(12,134)	-	(12,134)
Other comprehensive income		-	-	-	-	4,592	4,592	-	4,592
Unrealized foreign currency gain on translation of foreign operations		-	-	-	-	3	3	-	3
Share-based compensation	11	-	-	2,262	-	-	2,262	-	2,262
As at June 30, 2022		270,365	-	16,599	66,699	4,618	358,281	-	358,281

(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 June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Operating activities					
Net earnings		7,204	10,094	14,269	19,835
Items not affecting cash					
Depreciation of property, plant, and equipment and right-of-use assets		3,659	2,722	7,126	5,380
Amortization of intangible assets		1,491	1,069	2,865	2,127
Deferred income taxes		(678)	1,616	(880)	2,256
Accretion on redeemable preferred shares	4, 8	827	-	827	-
Share-based compensation	11	1,399	1,131	2,799	2,262
Others		(1,247)	176	(1,282)	254
Net change in non-cash working capital		(956)	(3,493)	(6,092)	(1,711)
		11,699	13,315	19,632	30,403
Investing activities					
Acquisition of businesses	3	(25,823)	-	(25,823)	-
Additions to property, plant and equipment, net		(2,466)	(4,518)	(4,672)	(8,059)
Acquisition of intangible assets		(277)	(55)	(379)	(170)
		(28,566)	(4,573)	(30,874)	(8,229)
Financing activities					
Proceeds from credit facilities	7	93,242	15,294	106,472	25,294
Repayment to credit facilities	7	(139,566)	(15,055)	(161,326)	(34,125)
Payment of lease liabilities		(1,214)	(511)	(2,280)	(1,329)
Issuance of redeemable preferred shares	4, 8	85,113	-	85,113	-
Issuance of warrants	4, 10	14,705	-	14,705	-
Proceeds from minority interest in subsidiary	4	44,414	-	44,414	-
Exercise of stock options and ESPP	9	2,387	523	3,518	1,702
Dividends to common shareholders		(7,132)	(6,068)	(14,239)	(12,134)
		91,949	(5,817)	76,377	(20,592)
Increase in cash		75,082	2,925	65,135	1,582
Cash - Beginning of the period		16,293	5,432	26,240	6,775
Cash - End of the period		91,375	8,357	91,375	8,357
Supplemental disclosure					
Amount of income taxes paid		1,477	4,120	9,132	6,661
Amount of interest paid		8,353	975	14,605	2,300

(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 and six months ended June 30, 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 and six months ended June 30, 2023 (the “Interim Financial Statements”) were authorized for issue by the Board of Directors of the Company on August 2, 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 and preferred shares, which are held directly or indirectly by the Company.

As at Entity	June 30, 2023 %	December 31, 2022 %	Principal Place of Operations
Jamieson Laboratories Ltd.	100.0	100.0	Canada
International Nutrient Technologies Limited	100.0	100.0	Canada
Body Plus Nutritional Products Inc.	100.0	100.0	Canada
Jamieson Health Products Australia Pty Ltd.	100.0	100.0	Australia
Nutrawise UK Ltd.	100.0	100.0	United Kingdom
Jamieson Health Products UK Ltd.	100.0	100.0	United Kingdom
Jamieson Health Products USA Ltd.	100.0	100.0	United States of America
Nutrawise Health & Beauty LLC	100.0	100.0	United States of America
Jamieson Health Products Netherlands B.V.	100.0	100.0	Netherlands
Nutrawise Japan GK	100.0	100.0	Japan
Jamieson Health Products (Cayman Islands) Limited	66.7	100.0	Cayman Islands
Jamieson Health Products (Hong Kong) Limited	66.7	100.0	China
Jamieson Health Products (Shanghai) Co., Ltd.	66.7	100.0	China
Jamieson Health Products (Hong Kong) Trading Limited	66.7	100.0	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.

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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.

2.2 Updates to the basis of consolidation

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognized in profit or loss.

3. Business combinations

3.1 Acquisition of former distribution partner in China

On April 28, 2023, the Company completed its acquisition of the operating assets from its former distribution partner in China for a total cash consideration of \$25,823, before post-closing cash adjustments. The acquisition allows the Company to directly operate its sales, marketing and distribution activities in China, and marks a step forward in the Company's brand expansion plans in China.

The following table provides the preliminary purchase price allocation of the net assets acquired at their fair value amounts, with working capital and deferred taxes subject to change:

	Preliminary fair value as at April 28, 2023
	\$
Inventories	16,134
Customer relationships	8,000
Goodwill	2,964
Deferred tax liability	(1,275)
Total net assets acquired	25,823

The determination of the fair value of assets acquired was based on management's preliminary estimates and certain assumptions with respect to the fair values of the net assets acquired and are expected to be finalized within one year of acquisition.

The intangible assets acquired include customer relationships, which are amortized over approximately 15 years and expensed through the unaudited consolidated interim statements of operations and comprehensive income (loss) on a straight-line basis over the estimated useful life.

Jamieson Wellness Inc.

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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 \$2,964 is attributable to expected future income and cash-flow projections and synergies the Company expects to achieve in leveraging its platform. Certain intangible assets and goodwill are not expected to be deductible for tax purposes.

3.2 Acquisition of Nutrawise Health & Beauty Corporation

On July 19, 2022, Jamieson Health Products USA Ltd. (“Jamieson USA”) acquired Nutrawise Health & Beauty Corporation (“Nutrawise” or “youtheory”), 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 (loss) for the year ended December 31, 2022. The purchase price was funded with cash of \$241,960 (refer to Note 7), 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 USD \$190,000 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 youtheory 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 youtheory 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	313,124	(3,235)	309,889

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 and six months ended June 30, 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 unaudited consolidated interim statements of operations and comprehensive income (loss) on a straight-line

Jamieson Wellness Inc.

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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 as at December 31 and otherwise as required if events occur that indicate that the net carrying value may not be recoverable.

3.2.1 Contingent consideration relating to business combination

As at June 30, 2023, the contingent consideration with respect to the Nutrawise acquisition was revalued and classified as \$36,465 in other long-term liabilities in the Company's unaudited consolidated interim statements of financial position. As at December 31, 2022, the contingent consideration was classified as \$542 in the current portion of other long-term liabilities and \$36,693 in other long-term liabilities in the Annual Financial Statements.

The fair value of contingent consideration is estimated using a Monte-Carlo simulation model. The simulation is revalued 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 (loss). 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. China Operations Strategic Partnership

On May 16, 2023, the Company completed its strategic partnership with DCP Capital ("DCP") in respect of the Company's operations in China. The transaction involved DCP's contribution of \$47,096 (USD \$35,000) in capital in exchange for a 33% minority interest in Jamieson Health Products (Cayman Islands) Limited ("Jamieson-DCP Partnership"), which in turn holds Jamieson Health Products (Shanghai) Co., Ltd., Jamieson Health Products (Hong Kong) Trading Limited, and Jamieson Health Products (Hong Kong) Limited (together with Jamieson-DCP Partnership, "China Operations"), less transaction costs of \$2,682.

The Jamieson-DCP Partnership is governed by a board consisting of six members, including four from the Company and two from DCP, with certain reserved matters requiring a vote of two-thirds of the directors present at the board meeting, including at least one DCP director. Management's judgment is involved when determining whether these reserved matters affect the Company's current ability to direct the relevant activities and whether the Company has the ability to use its power over this strategic partnership to affect the amount of the Company's returns. The Company has determined that it controls the China Operations based on all facts and circumstances assessed during the period. Therefore, the Jamieson-DCP Partnership is consolidated into the Company's Interim Financial Statements. DCP's 33% minority interest in the Jamieson-DCP Partnership is recorded as non-controlling interest.

The Jamieson-DCP Partnership is subject to an exit mechanism for DCP and various termination clauses. Exit mechanisms may include a sale to Jamieson or third party, a public offering or a mutually agreed upon termination of the agreement. Between the fourth and fifth anniversary of the Jamieson-DCP Partnership agreement (which period is subject to delay in specified circumstances), the Company has the right, but not the obligation, to repurchase DCP's 33% minority interest at a pre-determined multiple of net revenues of the China Operations (less net debt). If the Company does not execute its right to repurchase the 33% minority

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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interest by the fifth anniversary of the Jamieson-DCP Partnership agreement, a USD \$10,000 charge is due to DCP. DCP also has the right to negotiate and execute an exit event including the potential sale of the entire Jamieson-DCP Partnership to a third party. The Company has a right of first refusal should DCP propose a sale of its shares in the Jamieson-DCP Partnership.

The Company's right to purchase DCP's 33% minority interest in the Jamieson-DCP Partnership at a pre-determined multiple of net revenues represents a call option whose value will be driven by the difference, if any, between the fair value of DCP's interest in the China Operations compared to the pre-determined net revenue multiple calculation. The Company will assess the fair value of the call option at each reporting period and has determined the fair values to be \$nil at inception and as at June 30, 2023.

The Company has determined that the USD \$10,000 potential charge for not executing its right to repurchase the 33% minority interest is not a present obligation for the Company, therefore not recognized in the Interim Financial Statements.

In conjunction with DCP's \$47,096 investment in the Company's China Operations on May 16, 2023, DCP also completed its subscription for certain preferred shares and warrants of the Company. Please refer to Note 8 for details of the preferred shares and Note 10 for details of the warrants.

As at June 30, 2023, there is \$46,340 in cash held by Jamieson Health Products (Cayman Islands) Limited reserved for the China Operations.

5. Accounts receivable

As at	June 30, 2023	December 31, 2022
	<u>\$</u>	<u>\$</u>
Trade	106,794	156,591
Other miscellaneous receivables	2,747	4,326
Allowance for expected credit losses	(119)	(119)
	<u>109,422</u>	<u>160,798</u>

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

6. Inventories

As at	June 30, 2023	December 31, 2022
	<u>\$</u>	<u>\$</u>
Raw material and packaging	92,606	65,953
Bulk product and work in process	27,633	23,979
Packaged finished goods	92,144	68,114
Inventory provision	(3,860)	(3,558)
	<u>208,523</u>	<u>154,488</u>

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 (loss).

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7. Long-term debt

On July 19, 2022, Jamieson Laboratories Ltd. (“JLL”) amended and restated its credit agreement to add Nutrawise Health & Beauty LLC as a Borrower and to provide a secured revolving facility of \$500,000, plus an expanded accordion feature of up to \$250,000 (collectively, the “Credit Facilities”), with an extended maturity to July 19, 2027.

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

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>Credit Facilities</u>				
<i>Drawings</i>	93,242	15,294	106,472	25,294
<i>Repayments</i>	(139,566)	(15,055)	(161,326)	(34,125)
	(46,324)	239	(54,854)	(8,831)

For the six months ended June 30, 2023, the weighted average interest rate on the Credit Facilities was 6.1% (2022 - 2.9%) and is composed of variable rates. A portion of the Credit Facilities outstanding is fixed through the interest rate swap (Refer to Note 13).

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.

8. Preferred shares

	<u>Preferred shares</u>
	<u>\$</u>
As at December 31, 2022	-
Issuance of preferred shares	86,603
Transaction costs	(1,490)
Accretion expense	827
As at June 30, 2023	85,940

In conjunction with DCP’s \$47,096 investment in the Company’s China Operations on May 16, 2023, DCP also completed its subscription for 2,527,121 Series A Preference Shares of the Company (“Preferred Shares”) and 2,527,121 warrants (“Warrants”) (refer to Note 10) to purchase common shares of the Company for proceeds of \$101,565 (US\$75,000). The Preferred Shares carry a nominal annual dividend of \$0.01 per share and are redeemable at \$101,565 by DCP between May 15, 2025 and May 15, 2028, representing the second and fifth anniversary from the completion of the agreement.

At closing, the Preferred Shares were fair valued at \$86,603, less transaction costs of \$1,490, and classified as liability in the unaudited consolidated interim statements of financial position. The Company estimated the fair value of the Preferred Shares by fair valuing the warrants first and assigned the residual value to the Preferred Shares. The Preferred Shares accrete at approximately 9% for two years to its redeemable value of

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\$101,565 as at May 15, 2025. The Preferred Shares accretion expense is \$827 for the three and six months ended June 30, 2023.

9. Common shares

	Common Shares	
	#	\$
As at December 31, 2022	41,694,203	307,200
Exercise of share-based awards	325,688	5,608
Employee stock purchase plan	9,696	299
As at June 30, 2023	42,029,587	313,107
	Common Shares	
	#	\$
As at December 31, 2021	40,406,940	268,214
Exercise of share-based awards	63,128	1,873
Employee stock purchase plan	8,519	278
As at June 30, 2022	40,478,587	270,365

As at June 30, 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.

10. Warrants

	Warrants	
	#	\$
As at December 31, 2022	-	-
Issuance of warrants	2,527,121	14,962
Transaction costs	-	(257)
As at June 30, 2023	2,527,121	14,705

The Warrants are exercisable by DCP beginning May 15, 2025 and expire on May 15, 2028. The exercise price of the Warrants is \$40.19 per share representing a 10% premium to the 20-day volume weighted average common share price as of the signing of the subscription agreement on February 23, 2023.

At closing, the Warrants were fair valued at \$14,962, less transaction costs of \$257, and classified as equity in the unaudited consolidated interim statements of financial position.

The fair value of the Warrants was estimated using a Binomial tree model at the inception date. Key assumptions include the risk-free interest rate, volatility and the expected dividend yield.

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11. 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 six months ended June 30, 2023 and year ended December 31, 2022 is presented below:

	June 30, 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	58,171	22,221	416,679	52,229	776	12,742
Exercised	(204,185)	(67,937)	(843)	(3,879)	(156,705)	(91,408)	-	(4,440)
Forfeited	(22,790)	-	(665)	(1,189)	(15,536)	-	-	-
Outstanding awards, end of period	2,828,772	200,025	57,501	41,018	2,821,276	158,857	838	23,865
Awards exercisable, end of period	2,121,326	-	-	21,050	1,946,322	-	-	-

The Company's share-based compensation expense for the three and six months ended June 30, 2023 is \$1,425 and \$2,921, respectively (2022 - \$1,136 and \$2,278), of which \$1,399 and \$2,799 (2022 - \$1,131 and \$2,262) is classified as contributed surplus in the Company's unaudited consolidated interim statements of financial position and \$26 and \$122, respectively (2022 - \$5 and \$16) is related to employment taxes paid on exercise of options.

12. Interest expense and other financing costs

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Interest on debt and borrowings	5,742	995	11,786	2,056
Interest on lease liabilities	266	243	524	460
	6,008	1,238	12,310	2,516

13. 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:

	June 30, 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 sales)	-	(9,000)	283	-	-	-	-	-
Interest rate swaps designated as hedging instruments	110,000	-	5,788	-	120,000	-	6,580	-
	110,000	(9,000)	6,071	-	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 June 30, 2023 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 values of the Preferred Shares and long-term debt as at June 30, 2023 and December 31, 2022 approximate their fair value. The fair values of the Company's Preferred Shares and long-term debt were estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. The fair values of the Preferred Shares and long-term debt are considered Level 2 fair value measurements.

The call option entered into as part of the China Operations (refer to Note 4) has been valued using a methodology that incorporates similar recent market transactions and market multiples of comparable peer companies.

The fair values of the contingent consideration related to the Nutrawise acquisition and the call option entered into as part of the China Operations (refer to Note 4) have been classified as Level 3 in the fair value hierarchy.

For the three and six months ended June 30, 2023, 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.

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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 at June 30, 2023, \$nil (December 31, 2022 - \$nil) of anticipated foreign currency denominated purchases have been hedged and \$12,191 (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 three months following 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.

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 June 30, 2023	100	687
Six months ended June 30, 2023	100	1,423
Three months ended June 30, 2022	100	55
Six months ended June 30, 2022	100	113

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

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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 June 30, 2023, the Company had \$246,229 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	June 30, 2023	December 31, 2022
	\$	\$
Amounts payable in more than 12 months	408,431	465,634
Amounts payable in less than 12 months	136,031	148,394
	544,462	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.

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, Preferred Shares and equity, the Company uses leases as additional sources of financing.

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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 7.

14. 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.

	Three months ended June 30, 2023		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	132,916	34,661	167,577
Earnings from operations	15,015	3,594	18,609
Foreign exchange loss			1,482
Accretion on preferred shares			827
Interest expense and other financing costs			6,008
Provision for income taxes			3,088
Net earnings			7,204

	Three months ended June 30, 2022		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	87,715	24,275	111,990
Earnings from operations	13,291	1,290	14,581
Foreign exchange gain			(413)
Interest expense and other financing costs			1,238
Provision for income taxes			3,662
Net earnings			10,094

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	<u>Six months ended June 30, 2023</u>		
	<u>Jamieson Brands</u>	<u>Strategic Partners</u>	<u>Total</u>
	\$	\$	\$
Revenue	<u>241,026</u>	<u>63,276</u>	<u>304,302</u>
Earnings from operations	<u>26,657</u>	<u>6,580</u>	<u>33,237</u>
Foreign exchange loss			1,645
Accretion on preferred shares			827
Interest expense and other financing costs			12,310
Provision for income taxes			<u>4,186</u>
Net earnings			<u>14,269</u>

	<u>Six months ended June 30, 2022</u>		
	<u>Jamieson Brands</u>	<u>Strategic Partners</u>	<u>Total</u>
	\$	\$	\$
Revenue	<u>170,903</u>	<u>44,762</u>	<u>215,665</u>
Earnings from operations	<u>27,715</u>	<u>2,051</u>	<u>29,766</u>
Foreign exchange loss			50
Interest expense and other financing costs			2,516
Provision for income taxes			<u>7,365</u>
Net earnings			<u>19,835</u>

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

15. 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 June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	\$	\$	\$	\$
Domestic operations	<u>72,671</u>	71,266	<u>144,026</u>	140,962
International operations	<u>18,168</u>	16,449	<u>32,726</u>	29,941
U.S. operations	<u>42,077</u>	-	<u>64,274</u>	-
Total revenue from contracts with customers	<u>132,916</u>	<u>87,715</u>	<u>241,026</u>	<u>170,903</u>

Revenue from international and U.S. operations are primarily denominated in U.S. dollars and Chinese yuan and are subject to fluctuations in foreign exchange (refer to Note 13 – Financial instruments and risk management activities) on the conversion to Canadian dollars.

16. 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.

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17. 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.

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 June 30,	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	7,204	41,943,971	0.17	10,094	40,461,610	0.25
<i>Diluted</i>						
Continuing operations	7,204	42,890,029	0.17	10,094	41,919,787	0.24
Six months ended June 30,						
<i>Basic</i>						
Continuing operations	14,269	41,860,444	0.34	19,835	40,451,991	0.49
<i>Diluted</i>						
Continuing operations	14,269	42,745,685	0.33	19,835	41,877,072	0.47