



Unaudited Condensed Consolidated Financial Statements
For the three months ended March 31, 2018 and 2017

Table of Contents

Unaudited condensed consolidated interim statements of financial position	1
Unaudited condensed consolidated interim statements of operations and comprehensive income (loss)	2
Unaudited condensed consolidated interim statements of changes in equity (deficiency).....	3
Unaudited condensed consolidated interim statements of cash flows	4
Notes to the unaudited condensed consolidated interim financial statements	5-19

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

	<u>Notes</u>	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Assets			
Current assets			
Cash		2,373	4,833
Accounts receivable	4	57,795	71,996
Inventories	5	69,746	59,080
Derivatives	12	747	-
Prepaid expenses and other current assets		1,899	1,507
		<u>132,560</u>	<u>137,416</u>
Non-current assets			
Property, plant and equipment		46,926	45,173
Goodwill		122,975	122,975
Intangible assets		203,442	204,264
Deferred income tax		2,586	2,727
Total assets		<u>508,489</u>	<u>512,555</u>
Current liabilities			
Accounts payable and accrued liabilities		60,500	66,621
Income taxes payable		952	4,267
Derivatives	12	-	1,081
Current portion of long-term debt	7	10,969	9,750
		<u>72,421</u>	<u>81,719</u>
Long-term liabilities			
Long-term debt	7	160,785	153,459
Post-retirement benefits		4,998	4,856
Deferred income tax		50,405	51,697
Total liabilities		<u>288,609</u>	<u>291,731</u>
Shareholders' equity			
Share capital	8	235,876	234,908
Contributed surplus		7,508	7,437
Deficit		(22,811)	(19,486)
Accumulated other comprehensive loss		(693)	(2,035)
Total shareholders' equity		<u>219,880</u>	<u>220,824</u>
Total liabilities and shareholders' equity		<u>508,489</u>	<u>512,555</u>

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

Approved on behalf of the Board:

Angela Holtzham
Director

David Williams
Director

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

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

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Revenue	13	70,104	64,901
Cost of sales		44,734	42,692
Selling, general and administrative expenses		14,817	13,441
Share-based compensation	9	427	746
Earnings from operations		10,126	8,022
Foreign exchange loss		200	232
Termination benefits and related costs		1,732	2,499
Public offering costs	1	-	231
Acquisition costs	3	-	1,857
Other (income) expenses	10	(12)	1,703
Preferred share accretion	8	-	15,385
Interest expense and other financing costs	11	2,176	8,312
Income (loss) before income taxes		6,030	(22,197)
Provision for (recovery of) income taxes		1,404	(546)
Net income (loss)		4,626	(21,651)
Net gain on cash flow hedges not to be reclassified subsequently to net income	12	1,827	14
Income tax		(485)	(4)
Total other comprehensive income		1,342	10
Comprehensive income (loss)		5,968	(21,641)
Earnings per share attributable to common shareholders:	14		
Basic, income (loss) per share		0.12	(41.62)
Diluted, income (loss) per share		0.12	(41.62)
Weighted average number of shares	14		
Basic		37,831,159	520,253
Diluted		39,666,424	520,253

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

Jamieson Wellness Inc.
Unaudited Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)
In thousands of Canadian dollars

	Notes	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive (loss) income	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	2	-	-	(4,922)	-	(4,922)
Net income for the period		-	-	4,626	-	4,626
Issuance of treasury shares	8	968	(356)	-	-	612
Common share dividend (\$0.08 per share)		-	-	(3,029)	-	(3,029)
Other comprehensive income		-	-	-	1,342	1,342
Share-based compensation	9	-	427	-	-	427
As at March 31, 2018		235,876	7,508	(22,811)	(693)	219,880
		Share capital	Contributed surplus	Deficit	Accumulated other comprehensive (loss) income	Total shareholders' deficiency
As at December 31, 2016		400	2,598	(153,724)	(876)	(151,602)
Net loss for the period		-	-	(21,651)	-	(21,651)
Other comprehensive income		-	-	-	10	10
Share-based compensation	9	-	305	-	-	305
As at March 31, 2017		400	2,903	(175,375)	(866)	(172,938)

(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	2018	2017
Operating activities			
Net income (loss)		4,626	(21,651)
Items not affecting cash			
Depreciation of property, plant, and equipment		1,263	1,271
Amortization of intangible assets		870	834
Amortization of fair value adjustments		-	565
Amortization of deferred financing fees	11	363	3,320
Deferred income taxes		138	(1,011)
Accrued interest	6	-	2,036
Share-based compensation		427	746
Former shareholder consideration reclassified as (other income)/compensation expense	3	(1,066)	1,476
Preferred share accretion	8	-	15,385
Others		144	110
Net change in non-cash working capital		(4,924)	5,033
Payment of deferred compensation	3	(7,000)	-
		(5,159)	8,114
Investing activities			
Acquisition of businesses	3	-	(82,500)
Additions to property, plant and equipment, net		(3,018)	(585)
Acquisition of intangible assets		(48)	(119)
		(3,066)	(83,204)
Financing activities			
Proceeds from credit facilities	7	12,620	238,000
Repayment to credit facilities	7	(4,438)	(165,936)
Financing charges	7	-	(5,801)
Issuance of redeemable preferred shares	8	-	1,341
Exercise of stock options and ESPP	8	612	-
Dividends to common shareholders	8	(3,029)	-
		5,765	67,604
Decrease in cash		(2,460)	(7,486)
Cash - Beginning of the period		4,833	15,881
Cash - End of the period		2,373	8,395
Supplemental disclosure			
Amount of income taxes paid		4,577	2,573
Amount of interest paid		1,741	5,173

(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, 2018 and 2017

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 unaudited condensed consolidated interim financial statements of Jamieson and its subsidiaries for the three months ended March 31, 2018 were authorized for issue by the Board of Directors of the Company on May 8, 2018. Jamieson is a company continued under the *Business Corporations Act* (Ontario) (“OBCA”) 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.

On July 7, 2017, the Company completed an initial public offering (the “Offering”) of its common shares. The Offering consisted of the public offering of 19,050,000 common shares consisting of a treasury issuance by the Company of 15,554,755 common shares and a secondary offering of 3,495,245 common shares by certain selling shareholders (the “Selling Shareholders”). The offering price of \$15.75 per common share resulted in net proceeds to the Company of \$232,126, and \$52,160 to the Selling Shareholders after underwriting commissions of \$15,752. The over-allotment option was fully exercised after the Offering and resulted in additional net proceeds of \$42,634 after underwriting commissions of \$2,371 for one of the Selling Shareholders.

On October 18, 2017, a secondary offering (the “Secondary Offering”) by certain shareholders of the Company (the “Secondary Offering Shareholders”) of common shares, including the sale by the former majority shareholder of the Company (being entities (collectively, the “CCMP Shareholders”) that CCMP Capital Advisors, LP provided investment advisory services to) of all the common shares held by the CCMP Shareholders, was completed. The Secondary Offering consisted of 14,778,751 common shares (which includes 1,758,751 common shares that were sold by the CCMP Shareholders to the underwriters upon the exercise in full of the over-allotment option). The offering price of \$18.50 per common share resulted in net proceeds to the Secondary Offering Shareholders of \$262,471 after deducting underwriting commissions of \$10,936. The Company did not receive any proceeds from the Secondary Offering.

In addition to the underwriting fees that were paid by the Company, the Selling Shareholders and the Secondary Offering Shareholders (as described above), other expenses net of costs deducted from share capital related to the Offering and Secondary Offering of approximately \$10,513 were incurred and were paid by the Company. The Company’s common shares are listed on the Toronto Stock Exchange (“TSX”) under the stock symbol “JWEL”.

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. JWELL Holdings Inc. (“JWELL”) was created for certain limited purposes in connection with the Reorganization (as defined in Note 8). JWELL was wound up on July 4, 2017 but has not yet been formally dissolved. For each of the subsidiaries, Canada is their principal place of operations.

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

As at Entity	March 31, 2018 %	December 31, 2017 %
Jamieson Laboratories Ltd.	100	100
International Nutrient Technologies Limited	100	100
JWELL Holdings Inc.	100	100
Body Plus Nutritional Products Inc.	100	100
Sonoma Nutraceuticals Inc.	100	100

2. Summary of significant accounting policies

2.1 Basis of preparation and statement of compliance

The unaudited condensed consolidated interim financial statements of the Company (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, 2017 and 2016 (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 2.3. 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.

2.2 Share Split

As a result of the one-to-20.81010939 share split, effected July 5, 2017, all historical period per share data and number of common shares, Class A to V preferred shares (as defined in Note 8) and options outstanding in these Interim Financial Statements are presented on a post share split basis.

2.3 Recently adopted accounting standards

The following accounting policy changes were adopted on January 1, 2018.

2.3.1 IFRS 9, “Financial Instruments”

IFRS 9, “Financial Instruments” (“IFRS 9”), replaces the provisions of IAS 39, “Financial Instruments Recognition and Measurement” for annual periods beginning on or after January 1, 2018. IFRS 9 includes the recognition, classification and measurement of financial assets and financial liabilities; a forward looking “expected loss” impairment model; and a substantially-reformed approach to hedge accounting. IFRS 9 also amended IFRS 7, “Financial Instruments: Disclosures”, which requires additional disclosures. With the exception of hedge accounting, which the Company applied prospectively, the Company has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018. As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures or note disclosures. Any adjustments to the carrying amounts of financial assets and liabilities at the transition date are to be recognized in the opening retained earnings of the current period. However, the Company assessed that no adjustments to the carrying amounts of financial assets and liabilities were required upon adoption of IFRS 9.

The adoption of IFRS 9 has resulted in the following changes in the Company’s accounting policies for financial instruments.

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

Classification and measurement

All financial assets and liabilities are recognized initially at fair value plus, in the case of financial instruments not at fair value through profit or loss (“FVTPL”), transaction costs.

Debt financial instruments are subsequently measured at fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”), or amortized cost using the effective interest rate method. The Company determines the classification of its financial assets based on the Company’s business model for managing the financial assets and whether the instruments’ contractual cash flows represent solely payments of principal and interest on the principal amount outstanding. The Company’s derivatives not designated as a hedging instrument in a qualifying hedge relationship are subsequently measured at FVTPL. Equity instruments within the scope of IFRS 9, if any, are subsequently measured at FVTPL or elected irrevocably to be classified at FVOCI at initial recognition.

Financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL. Financial liabilities are subsequently measured as FVTPL when the financial liability is: (i) contingent consideration of an acquirer in a business combination; (ii) held for trading; or (iii) it is designated as FVTPL if eligible. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

For financial liabilities that are designated as FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the Company’s own credit risk of that liability is recognized in OCI unless the recognition of the effects of changes in the liability’s credit risk in OCI would create or enlarge an accounting mismatch in the consolidated income statements. The remaining amount of change in the fair value of liability is recognized in the consolidated income statements. Changes in fair value of a financial liability attributable to the Company’s own credit risk that are recognized in OCI are not subsequently reclassified to the consolidated income statements; instead, they are transferred to retained earnings, upon derecognition of the financial liability.

As at January 1, 2018, the measurement category of the Company’s financial instruments comparing IAS 39 to IFRS 9 are as follows, with no transitional adjustment required:

Financial Instrument	IAS 39 Measurement	IFRS 9 Measurement
Cash	FVTPL	Amortized cost
Accounts receivable	Amortized cost (loans and receivables)	Amortized cost
Accounts payable and accrued liabilities	Amortized cost (other liabilities)	Amortized cost
Long-term debt	Amortized cost (other liabilities)	Amortized cost
Derivatives not designated as hedging instruments	FVTPL	FVTPL
Derivatives designated as hedging instruments	Fair value (hedge accounting)	Fair value (hedge accounting)

Impairment

IFRS 9 requires a forward looking Expected Credit Loss (“ECL”) model as opposed to an incurred credit loss model under IAS 39. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

For accounts receivable, Jamieson applies the simplified approach and has determined the allowance based on lifetime ECLs at each reporting date. The Company has established a provision that is based on the Company’s historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. There were no transitional adjustment as a result of adopting the new impairment requirements.

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

Hedge Accounting

The Company applied hedge accounting prospectively. At the date of the initial application, all of the Company's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Company has continued to designate the change in fair value of the entire foreign currency forward contracts in the Company's cash flow hedge relationships used to hedge highly probable forecast inventory purchases. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset, the Company removes that amount from the cash flow hedge reserve and includes it directly in the initial cost of the inventory. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately recognized in the consolidated income statements. The adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Company's financial statements.

2.3.2 IFRS 15, "Revenue from Contracts with Customers"

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

As of January 1, 2018, the Company has adopted IFRS 15 using the modified retrospective method and has elected to apply the standard retrospectively only to contracts that are not completed contracts at the date of initial application. The adoption of IFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognized was affected by certain sales promotional incentives provided to its customers. Previously, under IAS 18, "Revenue", the value of certain sales promotional incentives provided to customers was recognized when a liability for the promotion had occurred. IFRS 15 requires that all potential variable consideration be considered and reflected in the transaction price at contract inception and reassessed as the Company performs. The requirements on estimating variable consideration require that such amounts be considered at contract inception even if the Company has not yet provided or explicitly promised this consideration to the customer. As such, the impact of adopting IFRS 15 on the opening consolidated statement of financial position as at January 1, 2018 and the unaudited condensed consolidated interim statement of financial position as at March 31, 2018 (increase/(decrease)) is as follows:

	<u>\$</u>
Accounts payable and accrued liabilities	6,697
Deferred income tax	(1,775)
Deficit	<u>(4,922)</u>

There is no material impact on the unaudited condensed consolidated interim statements of operations and comprehensive income (loss) and the unaudited condensed consolidated interim statements of cash flows.

The Company's accounting policy for revenue recognition is described as follows.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. The majority of the Company's revenue is derived from the sale of Jamieson branded products to distributors, retail and wholesale customers, as well as providing contract manufacturing services and the sale of products to strategic partners.

Revenue is recognized for the sale of Jamieson branded products and the manufacturing of products to its strategic partners at the point in time when control of the asset is transferred to the customer, either at FOB shipping or FOB destination. Payment is generally due at the time of delivery (which is the same time that the

Jamieson Wellness Inc.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2018 and 2017

Company has satisfied its performance obligations under the arrangement), as such a receivable is recognized as the consideration is unconditional and only the passage of time is required before payment is due.

A portion of the Company's revenues derived from contract manufacturing services provided to customers in its Strategic Partners Business is under a tolling arrangement where the customer supplies the Company with a raw material or ingredient. Revenue is recognized net of the cost of the raw material or ingredient supplied by the customer.

Under IFRS 15, rights of return gives rise to variable consideration. The variable consideration is estimated at contract inception using the expected value method as this best predicts the amount of variable consideration to which the Company is entitled. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

Jamieson may provide discounts and sales promotional incentives to its customers, which give rise to variable consideration. The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. Jamieson applies the most likely amount method estimating discounts provided to customers using contracted rates. Jamieson applies the expected value method estimating sales promotional incentives provided to customers based on historical spending patterns. Sales discounts and promotional incentives are recognized as reductions of revenue when control of the products purchased is transferred to the customers.

In subsequent periods, the Company monitors the performance of customers against agreed-upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required. A provision for returns and sales provisions is recognized at the time the product is sold and recognized as a reduction to revenue.

As required for the interim consolidated financial statements, the Company disaggregated revenue recognized from contracts with customers. Please refer to Note 13 for the disclosure on disaggregated revenue.

2.4 Future accounting standards issued but not yet effective

The additional standards and interpretations that have been issued since the Annual Financial Statements, but are not yet effective, up to the date of issuance of these financial statements are disclosed below. The Company intends to adopt these standards when they become effective.

IAS 19, "Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)"

IAS 19, "Employee Benefits" ("IAS 19"), specifies how a company accounts for a defined benefit plan. When a plan event (i.e. a plan amendment, curtailment or settlement) occurs, IAS 19 requires a company to update its assumptions and remeasure its net defined benefit liability or asset.

The amendments clarify that after a plan event, a company would use these updated assumptions to measure current service cost and net interest for the remainder of the reporting period after the plan event. The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted.

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

IAS 12, “Income tax consequences of payments on instruments classified as equity (Amendments to IAS 12)”

IAS 12, “Income Taxes” (“IAS 12”), requires a company to recognize the tax consequences of dividends in profit or loss in some circumstances.

The amendments to IAS 12 clarify that a company accounts for all income tax consequences of dividends in the same way, regardless of how the tax arises, and are effective for annual periods beginning on or after January 1, 2019, with early application permitted.

The Company is currently evaluating the impact of these new amendments on its interim financial statements.

3. Business combinations

On January 31, 2017, JLL acquired 100% of the outstanding shares of Body Plus Nutritional Products Inc. (“Body Plus”) and Sonoma Nutraceuticals Inc. (“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, which were recognized in the Annual Financial Statements, except for approximately \$789 of the acquisition costs, which the Company recognized during the year ended December 31, 2016. The purchase price was funded with cash. An additional \$1,863 is 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 continues 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.

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, 2018, the Company has recognized a net gain of \$1,066 of deferred consideration (2017 - an expense of \$1,476) in the other (income) expense line on the unaudited condensed consolidated interim statements of operations and comprehensive income (loss).

Body Plus markets, develops and distributes premium quality sports nutrition products under the Progressive, Precision and Iron Vegan brands. Sonoma manufactures, develops and distributes sports nutrition products, supplements and also provides contract manufacturing services.

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

The following table provides the value of the net assets acquired at their fair value amounts:

	Body Plus and Sonoma
	\$
Accounts receivable	5,442
Inventories	13,736
Prepaid expenses and other current assets	292
Accounts payable and accrued liabilities	(2,879)
Property, plant and equipment	1,672
Goodwill	28,322
Intangible assets	49,500
Income taxes payable	(7)
Deferred income tax liability	(13,578)
Total net assets acquired	82,500

The determination of the fair value of assets acquired and liabilities assumed has been based upon management's estimates and certain assumptions with respect to the fair values of the net assets acquired and liabilities assumed except for deferred taxes, which are based on the full amount required under IAS 12.

The fair value of intangible assets acquired comprises \$44,800 of trade names and \$4,700 of customer relationships.

The goodwill represents the future economic benefit arising from other assets acquired in the acquisition that are not individually identifiable and separately recognized. The goodwill arising from the acquisition of \$28,322 is attributable to expected future income and cash-flow projections and synergies the Company expects to achieve in combining the acquisition into its operations. Goodwill is allocated between the fair value of the assembled workforce and the residual value.

4. Accounts receivable

As at	March 31, 2018	December 31, 2017
	\$	\$
Trade	57,574	71,974
Other miscellaneous receivables	371	172
Allowance for doubtful accounts	(150)	(150)
	57,795	71,996

5. Inventories

As at	March 31, 2018	December 31, 2017
	\$	\$
Raw material and packaging	28,358	25,878
Bulk product and work in process	13,195	7,957
Packaged finished goods	29,885	27,760
Inventory provision	(1,692)	(2,515)
	69,746	59,080

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

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 statements of operations and comprehensive income (loss).

6. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

On January 30, 2014, Jamieson Finco LP (“Finco”) subscribed for 3,121,516 common shares, on a post share split basis in the capital of the Company for proceeds of \$83,501. On February 1, 2014, the Company repurchased the common shares it issued to Finco on January 30, 2014 in exchange for a note in the amount of \$83,501. The proceeds of the subscription were used by the Company to fund a portion of its acquisition of JLL. The term of the note was seven years and bore an interest rate of 9.75%.

On June 28, 2017, Finco forgave \$12,958 of accrued interest reducing the principal and accrued interest in respect of the note to \$98,289 (\$83,501 principal and \$14,789 accrued interest). Through a series of transactions, the principal and accrued interest was settled on a net basis in exchange for 94,592,252.49 class W preferred shares of the Company (see Note 8) and the Company agreeing to remit \$3,697 of tax payable on behalf of Finco (the “Finco Tax Payable”).

7. Long-term debt

As at	March 31, 2018	December 31, 2017
	<u>\$</u>	<u>\$</u>
Revolving credit facility	40,620	30,000
Term credit facility	135,250	137,688
Deferred financing fees	(4,116)	(4,479)
	<u>171,754</u>	<u>163,209</u>
Less: Current portion	<u>(10,969)</u>	<u>(9,750)</u>
	<u>160,785</u>	<u>153,459</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 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, 2018, the weighted average interest rate on this facility was 4.2% (2017 - 4.5%).

For the 3 months ended March 31, 2018, JLL made drawings of \$nil (2017 - \$195,000) and debt repayments of \$2,438 (2017 - \$nil) applied against the term credit facility.

For the 3 months ended March 31, 2018, JLL made drawings of \$12,620 (2017 - \$43,000) and debt repayments of \$2,000 (2017 - \$10,000) applied against the revolving credit facility.

As at March 31, 2018, JLL had an outstanding letter of credit (“LC”) for \$1,060 (December 31, 2017 - \$1,060). The LC reduces the available borrowing against the revolving credit facility by the LC amount.

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

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.

On January 31, 2017, JLL extinguished its existing credit facilities with CPPIB Credit Investments Inc. (“CPPIB”) and Wells Fargo Capital Finance Corporation (“Wells Fargo”) and made a debt repayment of \$155,936. JLL expensed the remaining unamortized deferred financing fees of \$2,340 related to the CPPIB credit facility and \$819 related to the Wells Fargo credit facility.

8. Share capital and redeemable preferred shares

The following tables reflect the impact of the share split as it was retrospectively applied to all periods presented.

	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		

	Common Shares		Class A-V Preferred Shares	
	#	\$	#	\$
As at December 31, 2016	520,253	400	21,314,440	197,901
Issued during the period	-	-	96,636	1,391
Repurchased during the period	-	-	(7,196)	(50)
Preferred share accretion during the period	-	-	-	15,385
As at March 31, 2017	<u>520,253</u>	<u>400</u>	<u>21,403,880</u>	<u>214,627</u>

As at March 31, 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.

As at March 31, 2017, the authorized share capital consisted of:

- a) Unlimited number of common shares with no par value.
- b) Unlimited number of class A common shares with no par value.
- c) Unlimited number of convertible and redeemable preferred shares, issuable in series, voting, with a cumulative dividend accruing at 4.5% annually as and when declared. Retractable by the holder and redeemable by the Company at an amount that is the greater of: a) the original purchase price plus any declared but unpaid dividends and b) the as-if converted value (convertible 1:1 for common shares subject to adjustment for declared and unpaid dividends) (the “Class A to V” preferred shares). Prior to any conversion, the preferred shareholder who was converting was entitled to receive a return of capital in an amount equal to the amount paid by the shareholder to the Company for such shares less the value, at the time of the issuance of the preferred shares, of the common shares issuable upon conversion of those preferred shares (the “Return of Capital Right”). Excluding special repurchase options on shares issued as deferred compensation.

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

On May 25, 2017, preferred shares issued as deferred compensation to Lorna Vanderhaeghe Health Solutions Inc. were vested under an accelerated vesting agreement. The accrued compensation had been reclassified to redeemable preferred shares on these Interim Financial Statements.

On June 8, 2017, the Supreme Court in British Columbia (the Company's governing jurisdiction at the time) granted an order (the "Rectification Order") to amend and rectify certain language in the articles of the Company and to create 22 separate classes of preferred shares. The purpose of the order was to clarify the Return of Capital Right of preferred shareholders and to facilitate the payment of a cumulative 4.5% dividend upon declaration prior to the conversion of preferred shares into common shares. The amended articles had been considered in the accounting for the preferred shares on a prospective basis.

Pre-closing capital changes

Prior to the closing of the Offering, the Company executed the following transactions (collectively, the "Reorganization"): (i) declared accrued and unpaid dividends (at 4.5% compounded quarterly) on the then outstanding Class A to V and class W preferred shares in an aggregate amount of \$9,605, which dividends (net of Part XIII tax withholdings (the "Dividend Tax Withholding")) were satisfied through the issuance of promissory notes (the "Dividend Notes"); (ii) returned capital on the then outstanding Class A to V preferred shares in the aggregate amount of \$65,102, which return of capital was satisfied through the issuance of promissory notes (the "ROC Notes"); (iii) redeemed all of the outstanding class W preferred shares in exchange for a note payable of \$94,592 ("Class W Promissory Note"); and (iv) agreed to remit the Dividend Tax Withholding and Finco Tax Payable of \$3,697 (see Note 6).

The Company used a portion of the proceeds from the Offering to repay the Dividend Notes, the ROC Notes, the Class W Promissory Note, and the Finco Tax Payable, such that these obligations are no longer outstanding.

Following the transactions described immediately above and also forming part of the Reorganization: (i) each of the holders of the then outstanding Class A to V preferred shares converted their shares on a 1:1 basis into Common Shares of the Company; and (ii) the Company filed articles of amendment to split each common share into 20.81010939 Common Shares, add a new class of Preference Shares and eliminate the Class A common shares and Class A to W preferred shares. In addition, the Company amended and restated the legacy option plan and entered into option exchange agreements.

9. Share-based compensation

Senior employees and directors plan

The Company's share-based compensation expense, which includes a long-term incentive plan and a legacy option plan for the three months ended March 31, 2018 is \$427 (2017 - \$305).

As at March 31, 2018, options to purchase 2,925,866 common shares were outstanding (December 31, 2017 – 3,005,088).

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

10. Other (income) expenses

	Three months ended March 31,	
	2018	2017
	\$	\$
Deferred consideration (Note 3)	(1,066)	1,476
Consulting costs	961	-
Other	93	227
	(12)	1,703

11. Interest expense and other financing costs

	Three months ended March 31,	
	2018	2017
	\$	\$
Interest on debt and borrowings	1,813	2,956
Interest on note to Finco (Note 6)	-	2,036
Amortization of deferred financing fees (Note 7)	363	3,320
	2,176	8,312

12. 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, 2018			December 31, 2017		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
	\$USD	Asset	Liability	\$USD	Asset	Liability
	\$	\$	\$	\$	\$	\$
Foreign currency forward contract designated as hedging instruments	36,000	747	-	36,000	-	(1,081)

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, 2018 and December 31, 2017 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, 2018 there were no transfers between levels.

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

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, 2018, \$45,526 (December 31, 2017 - \$46,259) of anticipated foreign currency denominated sales and purchases have been hedged with underlying foreign exchange forward contracts settling at various dates in the year preceding the unaudited condensed 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 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 (loss) before taxes:

	Increase/ decrease in basis points +/-	Effect on profit before tax \$
Three months ended March 31, 2018	100	441
Three months ended March 31, 2017	100	463

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

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 (loss), 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 operating lease commitments.

The Company manages its liquidity risk through continuous monitoring of its forecast and actual cash flows and also 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, 2018	December 31, 2017
	\$	\$
Amounts payable in more than 12 months	169,899	162,794
Amounts payable in less than 12 months	71,469	76,371
	241,368	239,165

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 inception of the Company's operations.

The Company is subject to capital requirements under the credit facility agreement, as described in Note 7. As at March 31, 2018 and December 31, 2017, the Company was in compliance with all financial covenants.

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

13. Segment information

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

- The Jamieson Brands segment principal activity is the manufacturing, distribution and marketing of branded natural health products including vitamins, minerals and supplements; and
- The Strategic Partners segment 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, 2018		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	<u>59,894</u>	<u>10,210</u>	<u>70,104</u>
Earnings from operations	<u>9,136</u>	<u>990</u>	<u>10,126</u>
Foreign exchange loss			200
Termination benefits and related costs			1,732
Other income			(12)
Interest expense and other financing costs			2,176
Provision for income taxes			<u>1,404</u>
Net income			<u>4,626</u>

	For the three month period ended March 31, 2017		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	<u>52,920</u>	<u>11,981</u>	<u>64,901</u>
Earnings from operations	<u>6,633</u>	<u>1,389</u>	<u>8,022</u>
Foreign exchange loss			232
Termination benefits and related costs			2,499
Public offering costs			231
Acquisition costs			1,857
Other expense			1,703
Preferred share accretion			15,385
Interest expense and other financing costs			8,312
Recovery of income taxes			<u>(546)</u>
Net loss			<u>(21,651)</u>

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

14. Earnings per share

Basic earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the Company less dividends declared and paid to preferred shareholders by the weighted average number of shares outstanding during the period.

Jamieson Wellness Inc.
Notes to the Unaudited Condensed Consolidated Interim Financial
Statements
Three months ended March 31, 2018 and 2017

Diluted earnings (loss) per share amounts are calculated by dividing the net earnings (loss) attributable to common shareholders of the Company less dividends declared and paid to preferred shareholders by the weighted average number of shares outstanding during the period, adjusted for the effects of potentially dilutive preferred shares and share options.

The following table sets forth the calculation of basic and diluted earnings (loss) per share (“EPS”), and reflects the impact of the share split as if it was retrospectively applied to all periods presented:

Three months ended March 31,	2018			2017		
	Net income available to common shareholders	Weighted average number of shares	EPS \$	Net income (loss) available to common shareholders	Weighted average number of shares	EPS \$
<i>Basic</i>						
Continuing operations	4,626	37,831,159	0.12	(21,651)	520,253	(41.62)
<i>Diluted</i>						
Continuing operations	4,626	39,666,424	0.12	(21,651)	520,253	(41.62)

For the three month period ended March 31, 2017, diluted EPS excludes the effect of approximately 2,548,281 options and 21,403,884 preferred shares on a post share split basis, that are anti-dilutive.