



Consolidated Financial Statements
For the years ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Jamieson Wellness Inc.**

Opinion

We have audited the consolidated financial statements of Jamieson Wellness Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, the consolidated statements of operations and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR’S REPORT (continued)

Sales promotional incentives

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>As described in the Summary of Significant Accounting Policies in Note 2 to the consolidated financial statements, the Group provides certain customers with discounts and sales promotional incentives, which results in variable consideration and the Group having to estimate expected levels of promotions that are typically settled in a period after the sale being recorded. The estimated costs of these discounts and customer-specific sales promotional incentives are recorded as a reduction to revenue at the time a product is sold to the customer.</p> <p>The Group’s sales promotional incentives are complex, and there are a significant number of customers and products affected. The measurement of sales promotional incentives involves the use of judgement related to estimating future promotional spending based on historical performance of promotions and adjustments for current trends, among other inputs. The timing difference between sales of goods by the Group and the settlement of customer-specific sales promotional incentives further increases the risk associated with the measurement of revenues. Changes in these estimates can have a significant impact on the amount of revenue recognized.</p>	<ul style="list-style-type: none"> • We considered the appropriateness of the Group’s revenue recognition accounting policies, specifically the recognition and classification criteria for discounts and sales promotional incentives, by reviewing the Group’s contractual and non-contractual arrangements with its customers. • Among other audit procedures, we tested the sales promotional incentives accrued at the end of the year by comparing program details with agreements or other correspondence between the Group and its customers, where applicable, taking customary trade practices into consideration. • We examined correspondence between the Group and its customers, and historical end-consumer spending patterns on similar promotions, to evaluate the reasonableness of the estimated end-consumer purchases forecasted by management during the promotional period. • We also analyzed retrospective reviews prepared by management on its ability to estimate customer-specific sales promotional incentives, which compared actual spending to amounts accrued at period end and analyzed trending of customer-specific sales promotional incentives as a percentage of revenue, to evaluate the accuracy and completeness of amounts accrued by management at year end. • Additionally, we performed inquiry procedures directly with sales representatives to evaluate the completeness of incentive programs.

Other information

Management is responsible for the other information. The other information comprises:

- Management’s Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor’s report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor’s report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Paula J. Smith.

EY
Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 24, 2021

Jamieson Wellness Inc.
Consolidated Statements of Financial Position
In thousands of Canadian dollars as at December 31,

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets			
Cash		1,166	198
Accounts receivable	4	97,951	89,394
Inventories	5	102,645	81,948
Prepaid expenses and other current assets		2,389	1,893
		204,151	173,433
Non-current assets			
Property, plant and equipment	6	83,796	64,906
Goodwill	7	122,975	122,975
Intangible assets	8	196,158	198,189
Deferred income tax	13	2,261	2,272
Total assets		609,341	561,775
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	73,084	67,795
Income taxes payable	13	6,580	2,365
Derivatives	20	8,231	1,292
Current portion of other long-term liabilities	14	3,115	1,890
		91,010	73,342
Long-term liabilities			
Long-term debt	11	149,058	164,769
Post-retirement benefits	12	3,538	3,923
Deferred income tax	13	51,479	51,107
Other long-term liabilities	14	21,854	9,466
Total liabilities		316,939	302,607
Shareholders' equity			
Share capital	15	255,795	243,224
Contributed surplus		12,986	10,727
Retained earnings		29,023	6,061
Accumulated other comprehensive loss		(5,402)	(844)
Total shareholders' equity		292,402	259,168
Total liabilities and shareholders' equity		609,341	561,775
Commitments and contingencies	21		

(see the accompanying notes to the consolidated financial statements)

Approved on behalf of the Board:

Steve Spooner
Director

David Williams
Director

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

In thousands of Canadian dollars, except share and per share amounts, for the years ended December 31,

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Revenue	22, 23	403,661	344,980
Cost of sales	5	258,905	215,246
Selling, general and administrative expenses		76,259	69,942
Share-based compensation	16	4,925	4,343
Earnings from operations		63,572	55,449
Foreign exchange loss		460	404
Other expenses	18	22	3,369
Interest expense and other financing costs	19	6,042	9,372
Income before income taxes		57,048	42,304
Provision for income taxes	13	15,450	10,647
Net income		41,598	31,657
<i>Other comprehensive income (loss)</i>			
Actuarial gain (loss) not to be reclassified subsequently to net income	12	785	(671)
Income tax	13	(198)	179
Net of tax		587	(492)
Unrealized loss on amounts to be reclassified net of realized gains on amounts reclassified to net income	20	(6,939)	(4,416)
Income tax	13	1,756	1,136
Net of tax		(5,183)	(3,280)
Total other comprehensive loss		(4,596)	(3,772)
Comprehensive income		37,002	27,885
Income per share attributable to common shareholders	24		
Basic, income per share		1.05	0.82
Diluted, income per share		1.01	0.80
Weighted average number of shares	24		
Basic		39,539,955	38,535,274
Diluted		41,160,341	39,614,909

(see the accompanying notes to the consolidated financial statements)

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

	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total Shareholders' equity
As at January 1, 2019		239,404	9,037	(10,670)	2,951	240,722
Impact of new accounting standards adopted January 1, 2019		-	-	(239)	-	(239)
Net income for the year		-	-	31,657	-	31,657
Exercise of stock options and ESPP	15	3,820	(2,195)	-	-	1,625
Common share dividend (\$0.38 per share)		-	-	(14,687)	-	(14,687)
Other comprehensive loss		-	-	-	(3,772)	(3,772)
Currency translation adjustment		-	-	-	(23)	(23)
Share-based compensation	16	-	3,885	-	-	3,885
As at December 31, 2019		243,224	10,727	6,061	(844)	259,168
Net income for the year		-	-	41,598	-	41,598
Exercise of stock options and ESPP	15	12,571	(2,315)	-	-	10,256
Common share dividend (\$0.47 per share)		-	-	(18,636)	-	(18,636)
Other comprehensive loss		-	-	-	(4,596)	(4,596)
Currency translation adjustment		-	-	-	38	38
Share-based compensation	16	-	4,574	-	-	4,574
As at December 31, 2020		255,795	12,986	29,023	(5,402)	292,402

(see the accompanying notes to the consolidated financial statements)

Jamieson Wellness Inc.
Consolidated Statements of Cash Flows
In thousands of Canadian dollars, for the years ended December 31,

Cash provided by (used in)	Notes	2020	2019
Operating activities			
Net income		41,598	31,657
Items not affecting cash			
Depreciation of property, plant and equipment	6	8,260	7,263
Amortization of intangible assets	8	3,949	3,653
Amortization and derecognition of deferred financing fees	18, 19	-	3,026
Deferred income taxes		1,941	1,108
Share-based compensation	16	4,574	3,885
Others		478	303
Net change in non-cash working capital		<u>(20,204)</u>	<u>(34,499)</u>
		40,596	16,396
Investing activities			
Additions to property, plant and equipment, net	6	(11,251)	(9,027)
Acquisition of intangible assets	8	<u>(1,918)</u>	<u>(471)</u>
		(13,169)	(9,498)
Financing activities			
Proceeds from credit facilities	11	60,292	47,224
Repayment of credit facilities	11	(76,003)	(51,393)
Payment of lease liabilities	14	(2,368)	(1,914)
Dividends to Common Shareholders		(18,636)	(14,687)
Exercise of stock options and ESPP	15	<u>10,256</u>	<u>1,625</u>
		(26,459)	(19,145)
Increase (decrease) in cash		968	(12,247)
Cash - Beginning of the year		<u>198</u>	<u>12,445</u>
Cash - End of the year		<u>1,166</u>	<u>198</u>
Supplemental disclosure			
Amount of income taxes paid		9,296	11,628
Amount of interest paid		4,503	8,251

(see the accompanying notes to the consolidated financial statements)

Jamieson Wellness Inc.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. Company overview

1.1 Description of the business and consolidated financial statements

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

The consolidated financial statements of Jamieson and its subsidiaries for the year ended December 31, 2020 were authorized for issue by the Board of Directors of the Company on February 24, 2021. Jamieson is a company continued under the *Business Corporations Act* (Ontario) and resident in Canada. Jamieson’s registered office is located at 66 Wellington Street West, Suite 5300, TD Bank Tower, Toronto, ON, M5K 1E6.

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

1.2 Subsidiaries

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

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

As at December 31, Entity	2020 %	2019 %	Principal Place of Operations	Functional Currency
Jamieson Laboratories Ltd.	100	100	Canada	Canadian dollar
International Nutrient Technologies Limited	100	100	Canada	Canadian dollar
Body Plus Nutritional Products Inc.	100	100	Canada	Canadian dollar
Jamieson Health Products (Shanghai) Co., Ltd.	100	100	China	Chinese yuan
Jamieson Health Products Australia Pty Ltd.	100	100	Australia	Australian dollar
Jamieson Health Products UK Ltd.	100	100	United Kingdom	United States dollar
Jamieson Health Products USA Ltd.	100	100	United States of America	United States dollar

2. Summary of significant accounting policies

2.1 Basis of preparation and statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The consolidated financial statements have been prepared on a historical cost basis, except for certain derivative financial instruments and liabilities associated with the post-retirement benefit plan that have been measured at fair value. The consolidated 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.

Jamieson Wellness Inc.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

2.2 Basis of consolidation

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

2.3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its consolidated financial statements:

2.3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition-related costs are expensed as incurred and included in the consolidated statements of operations and comprehensive income.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is subsequently re-measured to fair value at each reporting period end, with the changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured, and subsequent settlement is accounted for within equity.

Jamieson Wellness Inc.

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Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in net income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units ("CGUs") (or group of CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

2.3.2 Current versus non-current classification

The Company presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.3.3 Fair value measurement

The Company measures financial instruments, such as derivatives, at fair value at each consolidated statements of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes:

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- Accounting policy disclosures (Note 2.3.3)
- Disclosures for valuation methods, significant estimates and assumptions (Notes 3 and 7)
- Quantitative disclosures of fair value measurement hierarchy (Note 20)
- Financial instruments (including those carried at amortized cost) (Notes 11 and 20)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of instruments that are quoted in active markets is determined using the quoted prices. The Company uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Therefore, where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgment, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity.

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined as follows:

- Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.4 Revenue recognition

The majority of the Company's revenue is derived from the sale of Jamieson branded products to distributors, retail and wholesale customers, referred to as the Company's "Jamieson Brands" segment, as well as providing contract manufacturing services and the sale of products to strategic partners, referred to as the Company's "Strategic Partners" segment.

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 based on shipping

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terms. The Company generally has a right to payment at the time of delivery (which is the same time that the 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 segment 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.

Rights of return give 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. For products that are expected to be returned, a refund liability is recognized as a reduction of revenue at the time the control of the products purchased is transferred to the customers.

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 and estimating sales promotional incentives provided to customers based on historical spending patterns. Jamieson may also provide other consideration to customers for customer-specific programs to promote the Company's products. Consequently, revenues are recognized net of these estimated program costs. All other estimated non-customer-specific promotional costs and consideration are expensed as selling, general and administrative expenses.

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.

2.3.5 Foreign currencies

The Company's consolidated financial statements are presented in Canadian dollars. For each entity, the Company determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency (refer to Note 1.2).

Transactions and balances

Transactions in foreign currencies are initially recorded by the entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

- Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.
- Revenue and expense items are translated using the average exchange rate during the year.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

On consolidation, the assets and liabilities of foreign operations are translated into the reporting currency at the reporting currency spot rate of exchange in effect at the reporting date and their statement of operations are

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translated using the average exchange rate during the year. Exchange differences arising on translation for consolidation are recognized in other comprehensive income (“OCI”). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

2.3.6 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of operations and comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income taxes are not recognized where:

- The deferred income tax liability arises from the initial recognition of goodwill;
- The deferred income tax asset or liability arises on the initial recognition of an asset or liability in an acquisition that is not a business combination and, at the time of the acquisition, affects neither the accounting profit nor taxable profit or loss; and
- For temporary differences relating to investments in subsidiaries to the extent that the Company can control the timing of the temporary difference and it is probable that they will not reverse in the foreseeable future.

Deferred income tax assets are recognized for unused loss carry forwards and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. At each reporting period, previously unrecognized deferred income tax assets are reassessed to determine whether it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred income taxes relating to items recognized directly in OCI or equity are also recognized directly in OCI or equity, respectively.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances arise. The adjustment is either treated as an adjustment to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognized in net income.

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Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

2.3.7 Property, plant and equipment

Property, plant and equipment, with the exception of land, is recorded at cost less accumulated depreciation and any net accumulated impairment losses. Land is carried at cost and not depreciated. Construction-in-process assets are capitalized during construction and depreciation commences when the asset is available for use. Repair and maintenance costs are recognized in profit or loss as incurred unless the recognition criteria are satisfied and it substantially changes the useful life of an asset.

Depreciation is calculated on a straight-line basis, after taking into account residual values, over the following expected useful lives of the assets:

Land	Not depreciated
Buildings	20-30 years
Machinery and equipment	3-20 years
Furniture and fixtures	4-5 years
Computer equipment and software	3 years
Tools and dies	1 year

When parts of an item of property and equipment have different useful lives, those components are accounted for as components of property and equipment. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of operations and comprehensive income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed periodically.

2.3.8 Intangible assets

Intangible assets are established as a result of business combinations and measured on initial recognition at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses.

Upon recognition of an intangible asset, the Company determines if the asset has a definite or indefinite life. In making this determination, the Company considers the expected use, expiry of agreements, the nature of the asset, and whether the value of the asset decreases over time.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period, as appropriate, and are

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treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the consolidated statements of operations and comprehensive income on a straight-line basis over their estimated useful lives as follows:

Customer relationships	25-30 years
Registrations, licenses, and other	3-10 years

The Company expects its trade names to generate economic benefit in perpetuity, and accordingly, has assigned the trade names as indefinite-life intangible assets.

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

2.3.9 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 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, “Financial Instruments” (“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 statements of operations and comprehensive income. The remaining amount of change in the fair value of liability is recognized in the consolidated statements of operations and comprehensive income. 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 statements of operations and comprehensive income; instead, they are transferred to retained earnings, upon derecognition of the financial liability.

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The Company has made the following financial instrument classifications:

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

Impairment

IFRS 9 requires a forward-looking Expected Credit Loss (“ECL”) model. 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 was no transitional adjustment as a result of adopting the new impairment requirements.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of operations and comprehensive income.

2.3.10 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments (primarily forward contracts and swaps) to manage exposure to fluctuations in foreign currency exchange rates and interest rates. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is executed and are subsequently remeasured at fair value each reporting period end.

At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and its strategy for undertaking the hedge. The documentation identifies the specific asset, liability, or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

The Company also formally assesses, both at inception and at each reporting date thereafter, whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. If a hedge relationship becomes ineffective, it no longer qualifies for hedge accounting and any subsequent change in the fair value of the hedging instrument is recognized in net income.

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The Company uses hedge accounting for highly probable forecasted transactions (cash flow hedges). When hedge accounting is appropriate, the hedging relationship is designated as a cash flow hedge. In a cash flow hedge, the change in fair value of the hedging instrument is recorded, to the extent it is effective, in other comprehensive income. 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 other comprehensive income is immediately recognized in the consolidated statements of operations and comprehensive income.

2.3.11 Inventories

Inventories are valued at the lower of cost and net realizable value. Raw material costs are accounted for using purchase cost on a first-in, first-out basis. Finished goods and work in progress costs are accounted for using cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. A provision for obsolescence is calculated based on historical experience and expiration.

2.3.12 Impairment of non-financial assets

Disclosures relating to impairment of non-financial assets are summarized in the following notes:

- Accounting policy disclosures (Note 2.3.12)
- Disclosures for significant assumptions (Note 3)
- Property, plant and equipment (Note 6)
- Goodwill and intangible assets (Notes 7 and 8)

The Company performs impairment testing annually for goodwill and indefinite-life intangible assets and, when circumstances indicate that there may be impairment, for other long-lived assets. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying CGUs for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, a market multiple approach is used. These calculations are corroborated by other available fair value indicators.

The determination of the recoverable amount involves significant estimates and assumptions, including those with respect to valuation multiples, future cash inflows and outflows, discount rates, and asset lives. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values were to change. These determinations will affect the amount of amortization expense on definite-life intangible assets recognized in future periods.

Where the carrying amount of an asset or CGU (or group of CGUs) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses, if any, of continuing operations are recognized in the consolidated statements of operations and comprehensive income in those expense categories consistent with the function of the impaired asset.

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A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset or group of assets does not exceed their recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the consolidated statements of operations and comprehensive income. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3.13 Cash

Cash in the consolidated statements of financial position is comprised of cash balances that are subject to an insignificant risk of changes in value.

2.3.14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the subsequent increase in the provision due to the passage of time is recognized as a finance cost.

2.3.15 Post-retirement benefits

The Company's post-retirement benefit plan (refer to Note 12) is unfunded and available to all Canadian hourly union personnel. The plan provides prescription and vision benefits to eligible employees upon attainment of age 65 with at least 15 years of service.

Post-retirement benefit costs for the plan are actuarially determined using the projected unit credit method prorated on service and management's best estimate of the appropriate discount rate, health care costs, inflation, mortality and other decrements. The accrued benefit obligation is based on the present value of future benefits based on the last actuarial valuation completed as of December 31, 2020.

Current and past years' service costs, interest income or expenses and gains and losses on curtailments are recognized in the consolidated statements of operations and comprehensive income as they occur and at the date of a plan amendment or curtailment.

Re-measurements, comprising actuarial gains and losses, are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to OCI in the period in which they occur. Re-measurements are not reclassified to net income in subsequent periods.

2.3.16 Share-based compensation

The Company has an equity-based compensation plan providing for the issuance of securities under which the grants will be made by the Company. Under the long-term incentive plan (the "LTIP"), the Board of Directors of the Company, at its discretion may grant share options, restricted shares, restricted share units in the form of time-based restricted share units ("RSUs") or performance-based share units ("PSUs"), stock appreciation rights and deferred share units. The awards are settled in Common Shares with a cash settlement alternative available to the Company.

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Share-based compensation costs are accounted for on a fair value basis, as measured at the grant date, which is generally the date at which both the Company and employee have a mutual understanding of the terms of the award.

The compensation expense is based on the estimated number of awards that will eventually vest and adjustments for forfeitures are made as they occur.

Upon exercise of options and settlement of RSUs and PSUs the amount recognized in contributed surplus for the award plus the cash received upon exercise is recognized as an increase in share capital.

Options are granted with an exercise price equal to or greater than their fair value, as determined by the closing price on the TSX immediately preceding the grant date of the shares into which they may be converted. Options granted to directors of the Company fully vest on the one-year anniversary from the grant date. Options granted to persons other than directors of the Company vest at a rate of 25% or 33% per year on each anniversary date from the beginning of the vesting period. Options expire no later than the 10th anniversary of the beginning of the vesting period or upon termination of employment.

The fair value of the share options is estimated using the Black-Scholes option-pricing model. Several assumptions are used in the underlying calculation of fair values of the Company's share options using the Black-Scholes option-pricing model, including the market value at grant date, expected life of the option, stock-price volatility, forfeiture rates, and risk-free interest rates.

PSUs and RSUs granted represent the right to receive one Common Share for each PSU or RSU. PSUs vest on the third anniversary of the grant date if the weighted average price of the Common Shares on the TSX for the 90 day period immediately preceding the third anniversary of the grant date, measured over the three year term of the PSUs, increases 6% or more annually (using a compound annual growth rate) over the weighted average price of the Common Shares on the TSX for the 90 day period immediately preceding the grant date.

The Company has determined that the above specified performance condition represents a market condition. Accordingly, the Company recognizes the compensation cost over the vesting period, irrespective of whether the market condition is satisfied, provided that service conditions are satisfied.

The fair value of PSUs is estimated at grant date using the Monte Carlo simulation. Several inputs and assumptions are used in the underlying calculation of fair values of the Company's PSUs, including the market value of a Common Share at grant date, expected dividend and stock-price volatility.

The RSUs vest at a rate of 1/3 per year on each anniversary date from the beginning of the vesting period.

The fair value of RSUs is measured at grant date based on the market value of a Common Share at grant date.

Employee share purchase plan

The Company maintains an employee share purchase plan ("ESPP") for all eligible employees. Employees can contribute any amount of their eligible earnings subject to an annual cap of 10% of aggregate base salary and commissions to the ESPP. Share purchases occur 14 days following the end of the Company's fiscal quarter (the "Purchase Date"), or the first business day thereafter if any Purchase Date is not a business day. Eligible employees are able to purchase Common Shares at 90 percent of the volume weighted average closing price on the TSX on the five trading days immediately preceding the Purchase Date.

Employees pay for their share purchases through payroll deductions at a rate equal to any whole percentage from 1 percent to 10 percent.

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Contributions to the ESPP are recorded as share capital at each Purchase Date.

A maximum of 10% of the issued Common Shares outstanding are reserved for issuance under the LTIP, the ESPP and the Company's legacy option plan combined.

2.3.17 Leases

The Company assesses at contract inception whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets during the lease term for all leases.

Right-of-use assets

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

The Company's right-of-use assets are included in property, plant, and equipment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

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

The Company's lease liabilities are included in other long-term liabilities.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-

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value assets are expensed on a straight-line basis over the lease term.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company's significant accounting judgments, estimates and assumptions are affected as a result of the various ongoing economic and social impacts of the COVID-19 global pandemic. There continues to be significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our employees, suppliers, and customers. It is not possible to predict the impact COVID-19 will have on the Company, its financial position, and the results of operations in the future. The Company is monitoring the future impact of the pandemic on all aspects of its business. Each quarter end, the Company analyzes the impact of the COVID-19 pandemic on its estimates and judgements related to valuation of inventory, receivables and allowance for doubtful accounts below.

Judgments

The Company has identified the following judgments, apart from estimates, that management made in the process of applying the Company's accounting policies, and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Estimating variable consideration for returns, trade merchandise allowances and sales promotional incentives

The Company uses historical customer return data to determine the expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Company.

The Company provides for estimated payments to customers based on various trade programs and sales promotional incentives. The Company estimates the most likely amount payable to each customer for each trade and incentive program separately using (i) the projected level of sales volume for the relevant period; (ii) customer rates for allowances, discounts, and rebates; (iii) historical spending patterns; and (iv) sales lead time. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations.

The Company updates its expected return, trade merchandise allowances and sales promotional incentives on a quarterly basis and the refund liability and trade and promotional accruals are adjusted accordingly. To the extent that payments differ from estimates of the related liability, accounts payable and accrued liabilities, net income, and comprehensive income will be affected in future periods.

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Valuation of inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, products sold by the Company turn quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or “best before” dates are very important in the determination of realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net income, and comprehensive income will be affected in future periods.

Consumer responses to COVID-19 have resulted in the acceleration of demand for both immunity and general health supplements, thus reducing the risk of inventory obsolescence. The Company has customer specific materials on hand to support certain strategic partner customers, that requires management to estimate future demand at the customers’ retail locations when establishing appropriate provisions for inventory. These estimates are based on the assumption that such customers will continue to carry on business, and management also considers the current economic conditions of the customer, product life of inventory and the potential alternative use. To the extent that actual losses on inventory differ from those estimated, inventory, net income, and comprehensive income will be affected in future periods.

Receivables and allowance for expected credit losses

The Company is exposed to credit risk with respect to amounts receivable from customers. The Company’s allowance is determined by historical experiences, and considers factors including, the aging of the balances, the customer’s credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers.

COVID-19 has increased the measurement uncertainty with respect to the determination of the allowance for doubtful accounts. The impact of the COVID-19 pandemic to customers’ business is considered when making credit assessments. Deposits are requested on accounts as required. The Company also maintains provisions for potential credit losses, which are assessed on a regular basis.

Long-lived assets valuation

The Company performs impairment testing annually for goodwill and indefinite-life intangible assets and when circumstances indicate long-lived assets may be impaired. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying CGUs for the purpose of impairment testing. The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less costs of disposal.

The determination of the recoverable amount involves significant estimates and assumptions. Fair value less costs to sell is determined using market multiples. Value in use is determined using future cash inflows and outflows, discount rates, growth rates and asset lives. These estimates and assumptions could affect the Company’s future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite-life intangible assets recognized in future periods.

Measurement of fair values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of the Company’s financial and non-financial assets and liabilities.

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Tangible and intangible assets acquired through business combinations are initially recorded at their fair values based on assumptions of management. These assumptions include estimating the cost of tangible assets and future expected cash flows arising from intangible assets identified. Financial instruments acquired are determined based on the amortized costs at the acquisition date that approximate their carrying values.

To the extent that these estimates differ from those realized, the measured asset or liability, net income, and/or comprehensive income will be affected in future periods. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 7, 12, 15, 16 and 20.

Taxes

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities that are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated statements of financial position, a charge or credit to income tax expense in the consolidated statements of operations and comprehensive income and may result in cash payments or receipts.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company's income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

Useful lives of property, plant and equipment and intangible assets with finite useful lives

The Company employs significant estimates to determine the estimated useful lives of property, plant and equipment and intangible assets with finite useful lives, including assets arising from business combinations, considering industry trends such as technological advancements, past experience, expected use and review of asset lives.

Components of an item of property, plant and equipment may have different useful lives. The Company makes estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. The Company reviews these decisions at least once each year or when circumstances change. The Company will change depreciation methods, depreciation rates or asset useful lives if they are different from previous estimates.

4. Accounts Receivable

As at December 31,	2020	2019
	\$	\$
Trade	96,647	86,251
Other miscellaneous receivables	1,407	4,314
Allowance for expected credit losses	(103)	(1,171)
	97,951	89,394

The Company maintains an allowance for expected credit losses that represents its estimate of uncollectible amounts based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment.

For the year ended December 31, 2020, the Company has written off \$1,796 (2019 - \$nil) of receivables from a strategic partner customer whose retail business was impacted by COVID-19.

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The aging of receivables is as follows:

As at December 31,	2020	2019
	\$	\$
Current	81,097	74,233
Aged 1-30 days past due	14,406	12,842
Aged 31-60 days past due	913	1,749
Aged > 60 days past due	1,638	1,741
Allowance for expected credit losses	(103)	(1,171)
	97,951	89,394

5. Inventories

As at December 31,	2020	2019
	\$	\$
Raw material and packaging	52,565	31,544
Bulk product and work in process	18,269	12,202
Packaged finished goods	34,605	41,165
Inventory provision	(2,794)	(2,963)
	102,645	81,948
Inventories expensed during the year	240,156	199,594

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

For the year ended December 31, 2020, inventory write-downs of \$1,801 were expensed through cost of sales (2019 - \$1,797).

6. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Right-of-use Assets (Note 14)	Other	Total
	\$	\$	\$	\$	\$	\$
Cost						
At January 1, 2019	2,497	23,803	39,901	-	6,256	72,457
Impact of new accounting standards adopted January 1, 2019	-	-	-	7,434	-	7,434
Additions	-	623	4,987	5,491	3,411	14,512
Disposals	-	(6)	(47)	-	(40)	(93)
At December 31, 2019	2,497	24,420	44,841	12,925	9,627	94,310
Additions	-	1,333	8,959	15,939	959	27,190
Disposals	-	(5)	(132)	(30)	(6)	(173)
At December 31, 2020	2,497	25,748	53,668	28,834	10,580	121,327
Accumulated Depreciation						
At January 1, 2019	-	5,596	14,014	-	2,613	22,223
Depreciation for the year	-	815	3,229	2,006	1,213	7,263
Disposals	-	(1)	(42)	-	(39)	(82)
At December 31, 2019	-	6,410	17,201	2,006	3,787	29,404
Depreciation for the year	-	869	3,913	2,588	890	8,260
Disposals	-	(2)	(101)	(24)	(6)	(133)
At December 31, 2020	-	7,277	21,013	4,570	4,671	37,531
Net book value						
At December 31, 2020	2,497	18,471	32,655	24,264	5,909	83,796
At December 31, 2019	2,497	18,010	27,640	10,919	5,840	64,906

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Other is comprised of furniture and fixtures, computer equipment, and leasehold improvements.

7. Goodwill

Goodwill acquired through business combinations is allocated to the Jamieson Brands operating segment for the purpose of impairment testing, which is expected to benefit from the synergies of the business combination in which the goodwill arose.

The estimated recoverable amount was determined by the Company as the fair value less costs of disposal of the Jamieson Brands operating segment by using the capitalized adjusted EBITDA approach, based on a multiple range of 13.5x - 15.5x (2019 - 11.5x) whereby the Company referenced comparable companies in determining adjusted EBITDA multiples. Comparable companies were determined by reference to size and operation in similar industries.

The impairment analysis is not sensitive to reasonable possible changes to the multiple.

There have been no impairment losses recognized against goodwill for the years ended December 31, 2020 and 2019.

8. Intangible assets

	Customer relationships \$	Trademarks \$	Registrations, licenses, and other \$	Total \$
Cost				
At January 1, 2019	101,585	115,124	874	217,583
Additions	-	-	471	471
At December 31, 2019	101,585	115,124	1,345	218,054
Additions	-	33	1,885	1,918
At December 31, 2020	101,585	115,157	3,230	219,972
Accumulated amortization				
At January 1, 2019	16,091	-	121	16,212
Amortization charge for the year	3,441	-	212	3,653
At December 31, 2019	19,532	-	333	19,865
Amortization charge for the year	3,419	-	530	3,949
At December 31, 2020	22,951	-	863	23,814
Net book value				
At December 31, 2020	78,634	115,157	2,367	196,158
At December 31, 2019	82,053	115,124	1,012	198,189

The remaining amortization period of customer relationships is 21-23 years. Amortization is recorded in cost of sales on the consolidated statements of operations and comprehensive income.

The carrying amount of indefinite-life intangible assets is comprised of trademarks, of which \$68,000 is allocated to the domestic and international sales CGU and \$47,157 is allocated to the specialty brands sales CGU (comprised of previous acquisitions of Body Plus Nutritional Products Inc., Sonoma Nutraceuticals Inc., and Lorna Vanderhaeghe Health Solutions Inc.). The estimated recoverable amount was determined by the Company as the fair value less costs of disposal of the CGU by using the capitalized adjusted EBITDA approach, based on a multiple range of 13.5x - 15.5x (2019 - 11.5x), whereby the Company referenced comparable companies in determining adjusted EBITDA multiples. Comparable companies were determined by reference to size and operation in similar industries.

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Other indefinite-life intangible assets are comprised of patents, registrations, definite-life trademarks, and business development costs.

No impairment losses were recognized against intangible assets during the years ended December 31, 2020 and 2019.

9. Accounts payable and accrued liabilities

As at December 31,	2020	2019
	<u>\$</u>	<u>\$</u>
Trade payables and accrued liabilities	38,618	33,126
Trade and promotional accruals	19,916	22,917
Refund liabilities	3,950	4,458
Salaries, commissions and bonuses	10,350	6,929
Termination benefits	104	270
Accrued interest - current	146	95
	<u>73,084</u>	<u>67,795</u>

10. 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.

Share-based compensation

The Company offers its employees a share-based compensation plan. Please refer to Note 16 for details of the share-based compensation awards.

Compensation of key management personnel of the Company

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company and/or its subsidiaries, directly or indirectly, including any non-executive director of the Company.

Remuneration of key management personnel including C-suite executives of the Company is comprised of the following expenses:

For the years ended December 31,	2020	2019
	<u>\$</u>	<u>\$</u>
Short-term employee benefits	5,187	4,604
Share-based compensation	2,947	3,179
Total remuneration	<u>8,134</u>	<u>7,783</u>

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

11. Long-term debt

On September 27, 2019, JLL amended and restated its credit agreement (the "Amended Credit Agreement") to add Jamieson Health Products USA Ltd. (collectively with JLL the "Borrowers") as a co-borrower and to provide a secured revolving facility of \$275,000 (including a \$10,000 swingline facility) with the option to increase the

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revolving facility up to \$475,000 (collectively, the “Credit Facilities”). The Credit Facilities mature on September 27, 2024 with the outstanding principal repayable in full on this date.

The Company concluded that the amendments to the Initial Credit Agreement (as defined below) represent a substantial modification of the terms with its lenders. Accordingly, extinguishment accounting was applied, resulting in the derecognition of the previous unamortized deferred financing fee of \$1,949. Financing costs of \$1,442 were incurred as part of the issuance of the Credit Facilities which have been expensed and recorded as other expenses in Note 18.

Prior to the Amended Credit Agreement, JLL was party to the credit agreement dated January 31, 2017 (the “Initial Credit Agreement”) with a syndicate of lenders. The Initial 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). 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.

For the year ended December 31, 2020, JLL made drawings of \$60,292 (2019 - \$13,897) and debt repayments of \$76,003 (2019 - \$35,064) applied against the Credit Facilities.

For the year ended December 31, 2019, JLL made debt repayments of \$4,875 applied against the initial term credit facility.

For the year ended December 31, 2019, JLL made drawings of \$33,327 and debt repayments of \$11,454 applied against the initial revolving credit facility.

For the year ended December 31, 2020, the weighted average interest rate on the Credit Facilities was 3.1% (2019 - 4.4%).

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 to fix the interest rate on a portion of its outstanding Credit Facilities. The Company has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. As an effective hedge, unrealized gains or losses on the interest rate swap are recognized in other comprehensive income.

The Credit Facilities are secured by security agreements and first charges over the assets including property, plant and equipment and intellectual property of the Borrowers and its 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 4.00:1.00.

The Borrowers are in compliance with all covenants as of December 31, 2020 and 2019.

12. Post-retirement benefits

The Company maintains an unfunded post-retirement benefit plan that provides health and vision care coverage to retirees at age 65 with 15 or more years of service. The Company uses actuarial reports prepared by independent actuaries to measure its accrued obligation for funding and accounting purposes.

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Changes in the present value of the post-retirement benefit plan are as follows:

As at December 31,	2020	2019
	<u>\$</u>	<u>\$</u>
Balance, beginning of the year	3,923	2,923
Benefits paid	(28)	(20)
Actuarial loss/(gain)	(785)	671
Interest costs	127	117
Current service costs	301	232
Balance, end of the year	<u>3,538</u>	<u>3,923</u>

The following significant economic assumptions were employed to determine the accrued benefit obligation:

As at December 31,	2020	2019
	<u>%</u>	<u>%</u>
Benefit obligations		
Discount rate - expense for the year	3.25	4.00
Discount rate - year-end obligation	2.75	3.25
Drug trend rate	4.50	4.50 - 5.00

Impact of an increase/decrease in the health care trend of 1%:

As at December 31,	<u>Accrued benefit obligation</u>		<u>Service cost</u>		<u>Interest cost</u>	
	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease
2020	1,064	(775)	104	(72)	29	(21)
2019	1,060	(787)	100	(71)	35	(26)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the post-retirement benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the post-retirement benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The same method has been applied for the sensitivity analysis as used to calculate the recognized post-retirement liability.

The following payments are expected contributions to the post-retirement benefit plan in future years:

As at December 31,	2020	2019
	<u>\$</u>	<u>\$</u>
Within one year	21	28
Between 2 and 5 years	136	165
Between 5 and 10 years	354	477
Total expected payments	<u>511</u>	<u>670</u>

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13. Income taxes

The major components of income tax expense for the years ended December 31 are as follows:

Years ended December 31,	2020	2019
	\$	\$
Current income tax expense	13,508	9,540
Deferred income tax expense	1,942	1,107
Provision for income taxes	15,450	10,647

Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory income tax rates as a result of the following:

As at December 31,	2020	2019
	\$	\$
Income tax expense at combined statutory rate of 25.2% (2019 - 25.4%)	14,380	10,745
Non-deductible expenses	91	113
Share-based compensation	1,074	985
Other and deductible temporary differences not benefited	(95)	(1,196)
	15,450	10,647

Income tax recognized in other comprehensive income

As at December 31,	2020	2019
	\$	\$
Derivative instruments	1,756	1,136
Post-retirement benefit plan	(198)	179
	1,558	1,315

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities arise on the timing differences between accounting and tax treatment of goodwill and intangible assets, property plant and equipment, post-retirement employee benefit obligations, deferred financing fees, and non-capital losses carried forward.

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Deferred income tax assets and liabilities are comprised of the following:

As at December 31,	2020	2019
	\$	\$
Non-capital losses carried forward	1,923	900
Deferred financing fees	1,179	1,645
Post retirement	896	995
Property, plant and equipment	(9,270)	(7,572)
Goodwill and intangible assets	(46,316)	(47,181)
Other	2,370	2,378
Total deferred income tax liabilities	<u>(49,218)</u>	<u>(48,835)</u>
Classified in the consolidated financial statements as:		
Deferred income tax assets	2,261	2,272
Deferred income tax liabilities	(51,479)	(51,107)
Net deferred income tax liabilities	<u>(49,218)</u>	<u>(48,835)</u>

The Company has Canadian and foreign based non-capital loss carry forwards as at December 31, 2020 of \$7,382 (2019 - \$3,414) on a pre-tax basis. The Canadian non-capital loss expires in 2038-2040. The foreign non-capital loss expires from 2023 to indefinitely.

14. Leases

The Company has lease contracts for various items of property, plant, vehicles and other equipment used in its operations. Leases of property and plant generally have lease terms between 3 and 10 years, while motor vehicles and other equipment generally have lease terms between 2 and 5 years.

The Company also has certain leases with lease terms of 12 months or less. The Company applied the 'short-term lease' recognition exemptions for these leases. Expense relating to short-term leases for the year ended December 31, 2020 is \$nil (2019 - \$587).

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognized and the movements during the period:

	Right-of-use assets				Lease liabilities
	Property and Plant	Vehicles	Other Equipment	Total	
	\$	\$	\$	\$	\$
As at January 1, 2019	7,157	262	15	7,434	7,799
Additions	4,673	24	794	5,491	5,471
Depreciation Expense	(1,812)	(118)	(76)	(2,006)	-
Interest Expense	-	-	-	-	435
Prepaid Adjustment	-	-	-	-	(25)
Payments	-	-	-	-	(2,324)
As at December 31, 2019	10,018	168	733	10,919	11,356
Additions	15,939	-	-	15,939	15,939
Disposals	(6)	-	-	(6)	(7)
Depreciation Expense	(2,300)	(113)	(175)	(2,588)	-
Interest Expense	-	-	-	-	686
Prepaid Adjustment	-	-	-	-	42
Payments	-	-	-	-	(3,047)
As at December 31, 2020	23,651	55	558	24,264	24,969

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The following table shows the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at December 31, 2020:

As at December 31,	2020	2019
	\$	\$
Within one year	4,005	2,354
After one year but not more than five years	12,210	5,881
More than five years	13,571	5,711
	29,786	13,946

The future cash outflows relating to leases that have not yet commenced are disclosed in Note 21.

15. Share capital and redeemable preferred shares

	Common Shares	
	#	\$
As at January 1, 2020	38,989,942	243,224
Exercise of stock options	867,301	12,122
Employee stock purchase plan	15,669	449
As at December 31, 2020	39,872,912	255,795
	Common Shares	
	#	\$
As at January 1, 2019	38,207,114	239,404
Exercise of stock options	758,333	3,357
Employee stock purchase plan	24,495	463
As at December 31, 2019	38,989,942	243,224

As at December 31, 2020 and 2019, 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.

16. Share-based compensation

Outstanding options held to purchase Common Shares have the following expiry dates and exercise prices:

Range of Exercise Prices	2020 Outstanding Options			2020 Exercisable Options	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price/Share	Number of Exercisable Options	Weighted Average Exercise Price/Share
\$0.00-\$10.00	276,574	4.86	3.67	276,574	3.67
\$10.01-\$20.00	720,518	6.38	16.02	593,018	16.08
\$20.01-\$30.00	1,549,461	5.63	23.43	405,361	22.79

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The following is a summary of the Company's share option plan activity for the years ended December 31:

	2020		2019	
	Number of Shares	Weighted Average Exercise Price/Share	Number of Shares	Weighted Average Exercise Price/Share
Outstanding, beginning of year	2,919,776	15.79	2,958,875	11.10
Granted	515,862	25.75	756,230	20.00
Exercised	(858,301)	11.40	(749,333)	6.74
Forfeited	(30,784)	22.75	(45,996)	15.43
Outstanding, end of year	2,546,553	19.19	2,919,776	15.79
Exercisable, end of year	1,274,953	15.52	1,605,565	11.85

The following is a summary of the Company's PSU and RSU activity for the year ended December 31:

	2020		2019	
	PSUs	RSUs	PSUs	RSUs
Outstanding beginning of year	187,903	18,000	95,706	27,000
Granted	68,991	-	92,197	-
Exercised	-	(9,000)	-	(9,000)
Outstanding end of year	256,894	9,000	187,903	18,000
Exercisable, end of year	-	-	-	-

The inputs used in measuring the fair value of equity-based compensation granted during the years ended December 31 are shown in the table below.

Type of compensation	2020		2019	
	Options	PSUs	Options	PSUs
Weighted average share price at the measurement date	\$ 25.75	\$ 25.75	\$ 20.00	\$ 24.67
Weighted average fair value at the grant date	\$ 5.25	\$ 20.00	\$ 4.03	\$ 16.25
Expected volatility (i)	27.0%	22%-32%	27%-33%	25%-30%
Risk-free interest rate (ii)	1.6%	2.0%	1.4%-2.0%	1.7%
Expected life (in years) (iii)	4.0-5.5	3.0	4.0-5.5	3.0
Expected dividend yield	1.6%	1.6%	1.6%-2.1%	1.9%
Pricing Model	Black-Scholes	Monte Carlo	Black-Scholes	Monte Carlo

(i) Estimated by considering comparable industry share price volatility. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

(ii) Based on Government of Canada Bonds.

(iii) Based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur.

The Company's share-based compensation expense for the year ended December 31, 2020 is \$4,925 (2019 - \$4,343), of which \$4,574 (2019 - \$3,885) is classified as contributed surplus in the Company's consolidated financial statements and \$351 (2019 - \$458) is related to employment taxes paid on exercise of options.

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17. Employee benefits expense

The Company recognized employee benefit expenses included in cost of sales and selling, general and administrative expenses on the consolidated statements of operations and other comprehensive income as follows:

For the year ended December 31,	2020	2019
	\$	\$
Salaries, wages and bonus	67,310	63,117
Other employee benefits	13,602	12,721
Post-retirement benefits (Note 12)	428	349
	81,340	76,187

Additionally, the Company recognized termination benefits for the year ended December 31, 2020 of \$350 (2019 - \$480) related to reorganization. The costs related to both years are mainly comprised of severance costs and salary continuances.

18. Other expenses

As at December 31,	2020	2019
	\$	\$
Derecognition of deferred financing fees (Note 11)	-	1,949
Credit facility financing costs (Note 11)	-	1,442
Other	22	(22)
	22	3,369

19. Interest expense and other financing costs

As at December 31,	2020	2019
	\$	\$
Interest on debt and borrowings	5,356	7,860
Interest on lease liabilities (Note 14)	686	435
Amortization of deferred financing fees (Note 11)	-	1,077
	6,042	9,372

20. Financial instruments and risk management activities

Financial instruments

The Company's financial assets and liabilities have been classified in Note 2.

Fair value measurement

Foreign exchange forward contracts measured at FVOCI are designated as hedging instruments in cash flow hedges for forecast purchases and sales in U.S. dollars and have been classified as Level 2 in the fair value hierarchy. Interest rate swaps measured at FVOCI are designated as hedging instruments in cash flow hedges and have been classified as Level 2 in the fair value hierarchy. Derivatives not designated in a formal hedging relationship are classified as FVTPL and classified as Level 2 in the fair value hierarchy. Net gains and losses on financial instruments held for trading consist of realized and unrealized gains and losses on derivatives that were de-designated or were otherwise not in a formal hedging relationship.

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The Company is holding the following foreign exchange forward contracts:

	Maturity						Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Beyond 12 months	
As at December 31, 2020							
Notional Amount (\$USD)	5,000	10,000	15,000	12,000	15,000	60,000	117,000
Average forward rate (USD/CAD)	1.35	1.35	1.35	1.34	1.35	1.32	-
As at December 31, 2019							
Notional Amount (\$USD)	4,000	8,000	12,000	12,000	12,000	-	48,000
Average forward rate (USD/CAD)	1.33	1.33	1.34	1.32	1.32	-	-

The fair values and notional amounts of derivative financial instruments shown below are as at December 31:

	2020				2019			
	Notional Amount \$CAD	Notional Amount \$USD	Fair Value		Notional Amount \$CAD	Notional Amount \$USD	Fair Value	
			Asset \$	Liability \$			Asset \$	Liability \$
Foreign currency forward contract designated as hedging instruments (forecast purchases)	-	117,000	-	(6,811)	-	48,000	-	(1,292)
Interest rate swaps designated as hedging instruments	140,000	-	-	(1,420)	-	-	-	-
	140,000	117,000	-	(8,231)	-	48,000	-	(1,292)

The terms of the foreign currency forward contracts and interest rate swaps match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the consolidated statements of operations and comprehensive income.

Potential sources of hedge ineffectiveness are:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments;
- The counterparty's credit risk differently impacting the fair value movements of the hedging instruments and hedged items; and
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

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 December 31, 2020 and December 31, 2019 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.

There were no transfers between levels during 2020 and 2019.

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 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 U.S. dollars such as a portion of trade accounts payable, trade accounts receivable and cash.

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposure. As of December 31, 2020, \$156,124 (2019 - \$63,619) of anticipated foreign currency denominated sales and purchases have been hedged with underlying foreign exchange forward contracts settling at various dates in the 2 years proceeding the consolidated statements of financial position date.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rate, with all other variables held constant, of the Company's net income before income taxes (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives) and the Company's pre-tax OCI (due to changes in the fair value of foreign exchange forward contracts designated as cash flow hedges).

As at December 31,	Change in U.S.\$ FX rate %	Effect on income (loss) before tax \$	Effect on pre-tax OCI \$
2020	5	881	5,850
2019	5	650	2,400

The Company's exposure to foreign currency changes for all other currencies is not material.

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 with floating interest rates.

The Company manages its interest rate risk by entering into 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 income before income taxes:

As at December 31,	Increase/decrease in basis points +/-	Effect on income (loss) before tax \$
2020	100	318
2019	100	1,779

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

Commodity price risk

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

Liquidity risk

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

As at December 31,	2020	2019
	\$	\$
Amounts payable in more than 12 months	178,377	180,284
Amounts payable in less than 12 months	77,089	70,149
	255,466	250,433

Impact of COVID-19

Considering the outbreak of COVID-19 around the world, conditions may come into existence that influence the Company's operations. Since becoming aware of the outbreak in early January 2020, the Company has secured additional, alternate sources of raw materials to ensure continuity of supply and implemented safety measures across the organization to ensure that employees and business partners are protected. Consumer response to COVID-19 has resulted in the acceleration of demand for both immunity and general health supplements. Higher demand includes the impact of temporary non-essential store closures within the supplement only portion of the health food channel during the year while our products remained widely available within essential food, drug, mass and e-commerce channels.

Revenue and the distribution of our products may be impacted by an escalation of COVID-19 infections should it lead to the closure of essential food, drug, mass and e-commerce channels. High demand and service interruptions to transportation may affect the delivery of raw materials and ingredients as well as international and domestic shipments of finished goods. Manufacturing closures have the potential to impact the Company's ability to produce finished goods and affect the availability of purchased finished goods. The duration and impact of the COVID-19 outbreak is unknown and the Company's ability to continue to adapt to the changing environment may materially affect the business, results of operations or financial condition.

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

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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 11. As at December 31, 2020, the Company was in compliance with all financial covenants.

21. Commitments and contingencies

Lease commitments

The Company has lease contracts that have not yet commenced as at December 31, 2020. The future lease payments for these non-cancellable lease contracts are as follows:

As at December 31,	2020	2019
	<u>\$</u>	<u>\$</u>
After one year but not more than five years	2,673	1,882
More than five years	2,268	3,059
	4,941	4,941

Future lease payments exclude operating costs, taxes, and utilities. Prior year has been adjusted accordingly.

General contingencies

In addition, various claims and potential claims arising in the normal course of operation are pending against JLL. It is the opinion of management that these claims or potential claims are without merit and the amount of potential liability, if any, is not determinable. Management believes the final determination of these claims or potential claims will not materially affect the financial position or results of the Company.

22. Segment information

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

- 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.

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	For the year ended December 31, 2020		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	316,423	87,238	403,661
Earnings from operations	61,767	1,805	63,572
Foreign exchange loss			460
Other expenses			22
Interest expense and other financing costs			6,042
Provision for income taxes			15,450
Net income			41,598

	For the year ended December 31, 2019		
	Jamieson Brands	Strategic Partners	Total
	\$	\$	\$
Revenue	265,843	79,137	344,980
Earnings from operations	50,081	5,368	55,449
Foreign exchange loss			404
Other expenses			3,369
Interest expense and other financing costs			9,372
Provision for income taxes			10,647
Net income			31,657

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

Geographic information

For the years ended December 31, 2020 and 2019, no customer outside of Canada represented a significant portion of total sales.

Information about major customers

The following table provides the proportion of revenue attributed to each significant customer:

For the years ended December 31,	2020	2019
Customer 1	14.3%	9.7%
Customer 2	12.4%	8.7%
Customer 3	7.5%	13.9%
	34.2%	32.3%

The revenue concentration noted mirrors the consolidated nature of the retail grocery landscape in Canada. Revenue from significant customers primarily affect the Jamieson Brands segment. It is management's opinion that the loss of any customer, significant or otherwise, would not impact the Company's viability. No other sales were made to any one customer that represented more than 10% of total sales.

23. 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:

For the years ended December 31,	2020	2019
	\$	\$
Domestic sales	264,915	231,478
International sales	51,508	34,365
Total revenue from contracts with customers	316,423	265,843

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Domestic sales include revenues generated from previous acquisitions of Body Plus Nutritional Products Inc. and Lorna Vanderhaeghe Health Solutions Inc.

24. Income per share

Basic income per share amounts are calculated by dividing the net income 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 year.

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

The following table sets forth the calculation of basic and diluted income per share (“EPS”):

Year ended December 31,	2020			2019		
	Net income available to common shareholders	Weighted average number of shares	EPS \$	Net income available to common shareholders	Weighted average number of shares	EPS \$
<i>Basic</i>						
Continuing operations	41,598	39,539,955	1.05	31,657	38,535,274	0.82
<i>Diluted</i>						
Continuing operations	41,598	41,160,341	1.01	31,657	39,614,909	0.80