



STAGE: NEXT

2017 ANNUAL REPORT





HERE'S TO THOSE WHO
EMBRACE THE NEXT STAGE.



HERE'S TO THOSE WHO ACCEPT
THE CHALLENGE OF CHANGE.









HERE'S TO THOSE WHO NEVER
TAKE THEIR EYES OFF THE FUTURE.



THE FUTURE IS NOW.





AND WE'RE PREPARED.





A MESSAGE FROM OUR CEO

Dear Fellow Stockholders:

Throughout our 96-year history, Jamieson has celebrated a long heritage of growth, innovation and market leadership while pursuing our vision of improving the world's health and wellness. 2017 was a landmark year with an unprecedented level of expansion and progress, combined with Jamieson Wellness Inc. ("Jamieson Wellness") becoming a public company. I am extremely proud to be part of a team that exhibits an unwavering commitment to our vision, mission and values, and of the unrivaled relationship of trust and confidence we have built with our customers and consumers in Canada and around the world.

In 2017, we continued to generate the growth that has become synonymous with Jamieson, highlighted by 21.1% revenue growth. We executed well, controlling costs and expanding margins to deliver 31.4% growth of Adjusted EBITDA, all while enhancing our executive team and installing the incremental infrastructure necessary to operate as a public company. We are proud of our performance and financial results, and are honoured to share our accomplishments with our investors.

As we enter this next stage, we will continue to embrace our values of integrity, transparency, teamwork, achieving results, entrepreneurship and external focus to further our vision. We will expand our relationships with our ever-growing global customer base, which will be the driver of long-term growth of shareholder value. We will continue to innovate, lead our industry in quality and safety and pursue profitable growth opportunities with a global focus.

We reached several new milestones in 2017, including our initial public offering and our subsequent secondary offering. We also created an outstanding Board of Directors and expanded our branded portfolio through the acquisition of Body Plus Nutritional Products Inc. ("Body Plus"), and the addition of new manufacturing capabilities with the acquisition of Sonoma Nutraceuticals Inc. ("Sonoma"). These milestones position Jamieson Wellness for continued success in a near century-long history of improving the world's health and wellness.

We thank you for your support and partnership.

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a horizontal line extending to the right.

MARK HORNICK
President, CEO & Director

JAMIESON WELLNESS BY THE NUMBERS

Becoming the industry leader is no simple task. We got here by holding strong to our belief that people deserve the best quality vitamins, minerals, and supplements on the market. So we continually look ahead, in anticipation of what our customers need. That foresight has shaped our company, to this day.





AS OF 12.31.17



SOLD IN

10K RETAIL
LOCATIONS
ACROSS CANADA



7 MANUFACTURING,
DISTRIBUTION & WAREHOUSE
FACILITIES



PRODUCTS
SOLD IN

40 COUNTRIES
WORLDWIDE



EXPANDED TO

2 NEW
INTERNATIONAL
MARKETS



800+
EMPLOYEES



83

NEW
PRODUCTS
LAUNCHED IN 2017



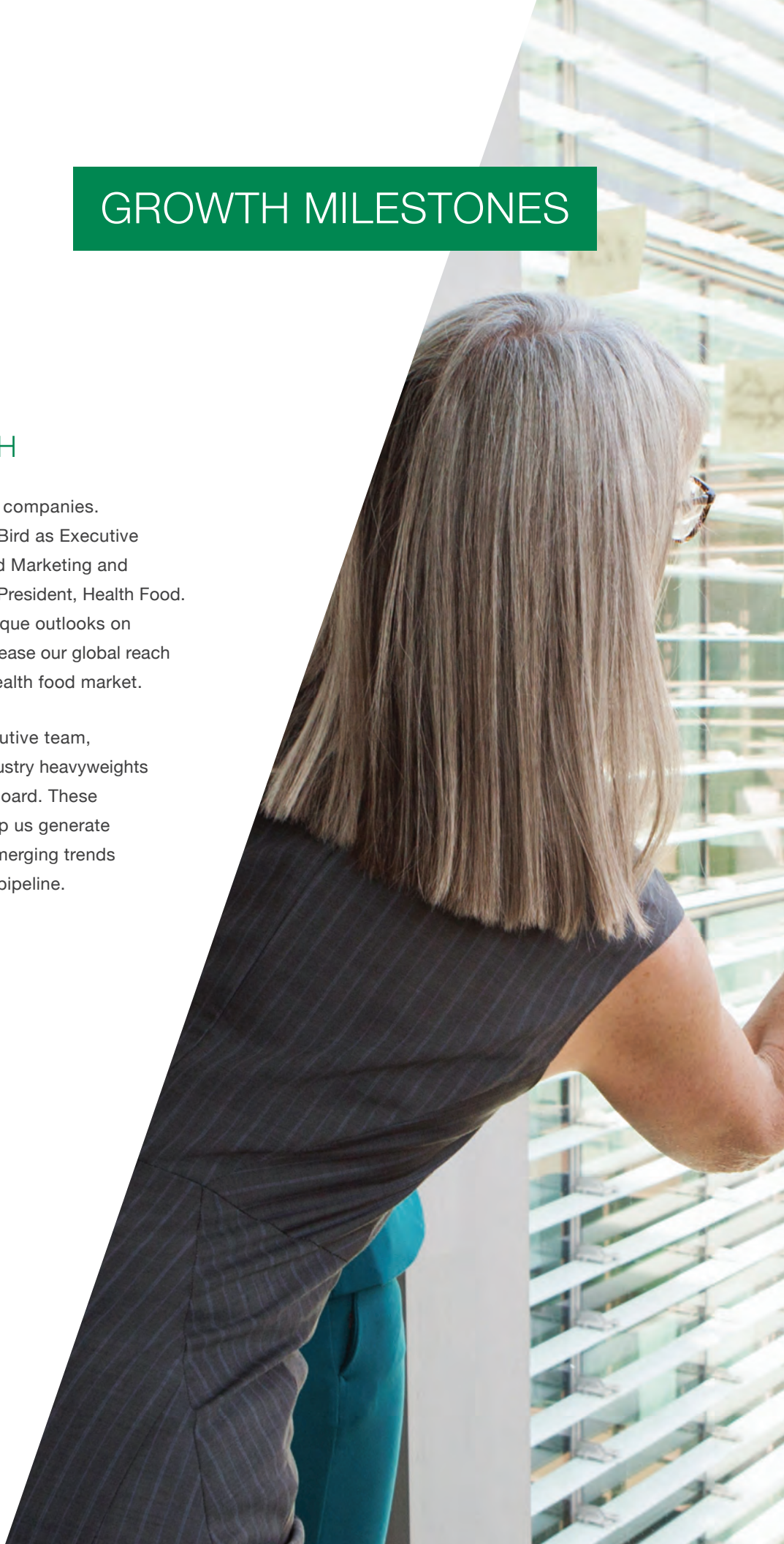
GROWTH MILESTONES

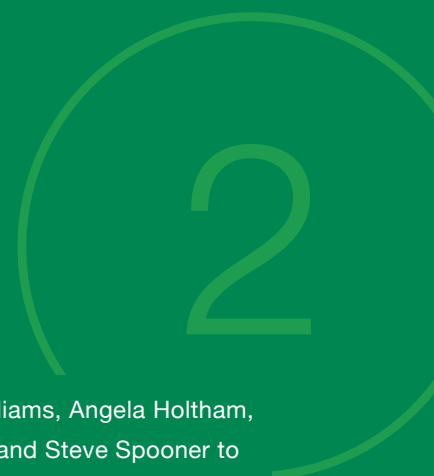
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INTERNAL GROWTH

Strong leaders make for strong companies. We've recently brought on Don Bird as Executive Vice President, Global Sales and Marketing and Thomas Bedford as Senior Vice President, Health Food. Both Don and Thomas bring unique outlooks on the industry that will help us increase our global reach and grow our presence in the health food market.

In addition to growing our executive team, we've assembled a group of industry heavyweights to lead our Scientific Advisory Board. These top researchers and experts help us generate proprietary ideas and identify emerging trends to drive our product innovation pipeline.





VISIONARY GOVERNANCE

In 2017, we were fortunate to appoint David Williams, Angela Holtham, Jason Tafler, Catherine Potechin, Heather Allen and Steve Spooner to our Board of Directors, joining Mark Hornick and Dr. Louis J. Aronne. These talented individuals are not only passionate about our vision, but they also bring a fresh perspective to Jamieson Wellness in the areas of branding, innovation, international expansion and mergers & acquisitions.

With their expertise, we're confident that Jamieson Wellness will continue to provide the world with the best in health and wellness.

GROWTH MILESTONES

EXPANSION THROUGH ACQUISITION: BODY PLUS AND SONOMA

In January of 2017, we proudly added Body Plus and Sonoma to the family. The addition of the Progressive, Precision and Iron Vegan brands, and Sonoma's manufacturing capabilities give us a strong position in the sports nutrition market. This expansion fuels our growth and allows us to offer a broader portfolio of products to our customers.



JAMIESON WELLNESS GOES PUBLIC

Our initial public offering ("IPO") thrust Jamieson Wellness into the spotlight. Throughout the IPO process we maintained our operational focus and achieved our 2017 guidance.

Here are some of the media outlets that featured Jamieson Wellness in 2017:



Names and logos of third parties are used for identification purposes and do not imply any relationship or endorsement. Third party trade-marks are the property of their respective owners.



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PRODUCT PORTFOLIO INNOVATION

2017 was a phenomenal year for product innovation at Jamieson Wellness as we launched 83 new branded products into the Canadian marketplace. The acquisition of Body Plus allowed us to enter the sports nutrition market and introduce new Iron Vegan Sprouted Protein Bars. Jamieson Cold Fighter became available in food, drug and mass retailers. Innovation is a key driver of growth — Jamieson branded products launched in the last 3 years represented 20% of domestic Jamieson branded sales in 2017.*

*Represents the percentage of Jamieson brand sales in that year comprised of new products launched in that year and the prior two fiscal years. These gross sales figures for the fiscal years 2015-2017 have not been audited for the purposes of this annual report and such figures were not derived from our audited consolidated financial statements for such fiscal years.



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FINANCIAL GROWTH

Not only did we provide a good showing for our first year as a publicly-traded company, but we far outperformed our 2016 earnings. Our progress has left us very excited for what the future has in store for Jamieson Wellness.

+21.1% INCREASED
REVENUE
TO \$300.6 MILLION

+31.4% ADJUSTED
EBITDA
TO \$61.5 MILLION

+152.8% ADJUSTED
NET INCOME
TO \$27.6 MILLION

\$0.70 PRO FORMA
ADJUSTED EARNINGS
PER DILUTED SHARE



INDUSTRY RECOGNITION

In 2017 Jamieson Wellness received awards from some of the best names in the business. We are proud of our company, products and people, and honoured to be recognized for the hard work and determination that got us here.





**CANADA'S TOP 10
MOST REPUTABLE
COMPANIES**

REPUTATION INSTITUTE

Jamieson Laboratories



**BEST NEW
PRODUCT**

BRANDSPARK

Jamieson Omega-3 NFA Supplements



**CONSUMER
SUPERBRAND**

SUPERBRANDS SLOVAKIA

Jamieson Vitamins



**AWARD OF
EXCELLENCE
BEST PARTNER,
VITAMINS &
SUPPLEMENTS**

WELL.CA

Jamieson Laboratories



**OUTSTANDING
PARTNER OF
THE YEAR,
HEALTH**

LONDON DRUGS

Jamieson Laboratories



**LIFETIME
ACHIEVEMENT
IN QUALITY**

NATIONAL NUTRITION

Progressive Nutritional Therapies
(Silver)



BEST PRODUCT

NATIONAL NUTRITION

Multivitamin: Progressive Active Men and Women
(Platinum)
Whey Protein: Progressive Harmonized Protein
(Gold)
Omega: Jamieson Omega Complete Super Krill 500mg
(Bronze)
Vegan Protein: Iron Vegan Sprouted Protein
(Bronze)



OUR PEOPLE

NATIONAL NUTRITION

Our people were recognized
in the following categories:
Best Guest Speaker
Best Industry Executive
Best Naturopathic Doctor
Best Account Manager

This annual report contains "forward-looking information" within the meaning of applicable securities laws, which forward-looking information represents management's expectations as at the date hereof and is subject to change after such date. For a detailed discussion of forward-looking information, which applies in all respects to the forward-looking information contained herein, please refer to the section entitled "Forward-Looking Statements" in Jamieson Wellness' annual information form dated March 29, 2018.

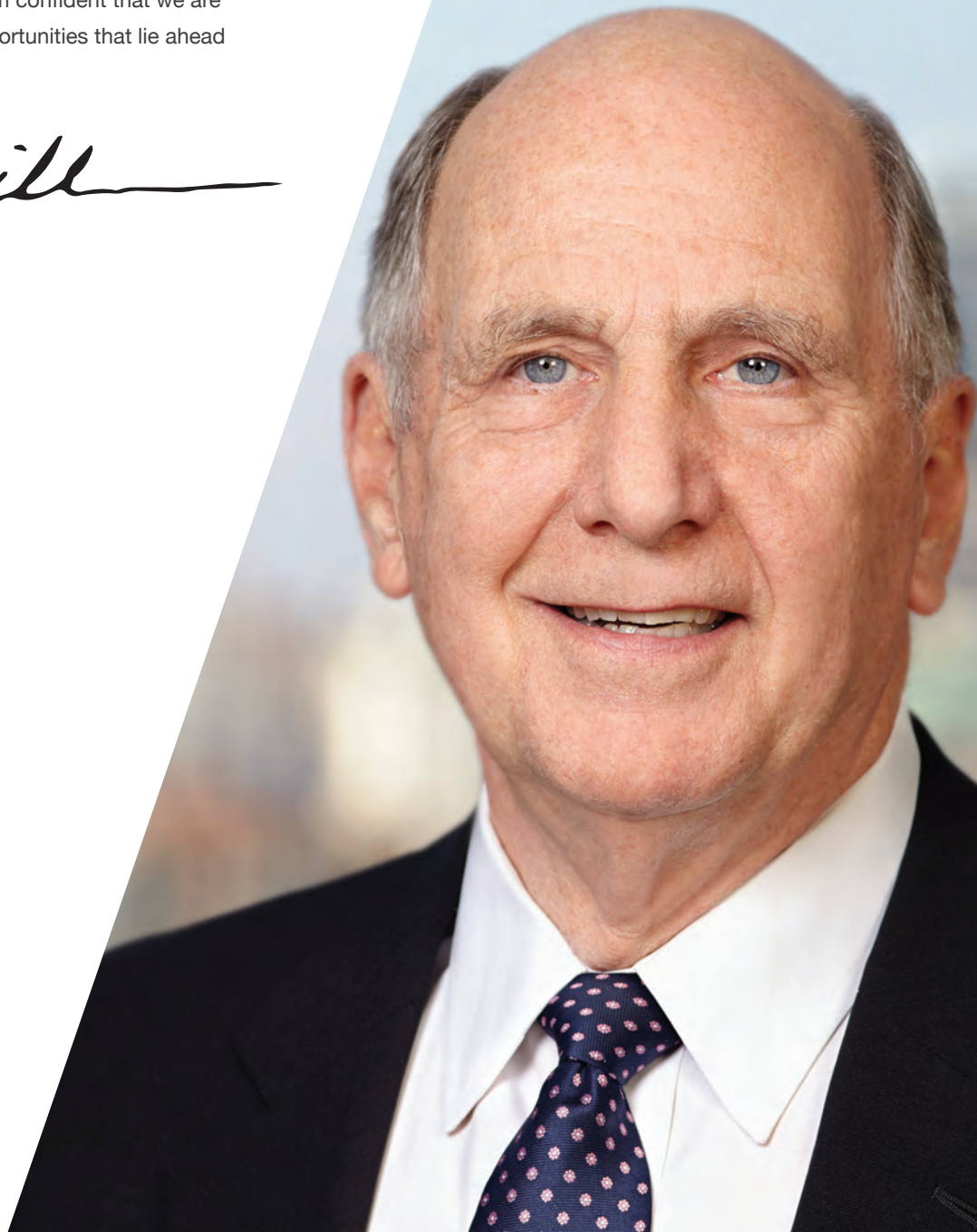
A MESSAGE FROM OUR CHAIRMAN

The past year has been a transformative one for Jamieson Wellness as the company completed two strategic acquisitions and an initial public offering on the Toronto Stock Exchange. The Board of Directors, along with our management team and dedicated associates have embraced this next stage of Jamieson Wellness' development and delivered another record year while enhancing the organization at every level.

We instill the same unrivaled quality inherent in all of our products across our entire organization, and I am confident that we are well-equipped to capitalize on the opportunities that lie ahead and deliver our next stage of growth.



DAVID WILLIAMS
Chairman of the Board



Management's Discussion and Analysis of Financial Condition and Results of Operations

For the three and twelve months ended December 31, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and twelve months ended December 31, 2017

The following management's discussion and analysis of financial condition and results of operations ("MD&A") of Jamieson Wellness Inc. (together with its subsidiaries), referred to herein as "Jamieson", the "Company", "we", "us" or "our", is dated as of February 22, 2018. It should be read in conjunction with our audited consolidated annual financial statements and our accompanying notes for the year ended December 31, 2017.

Our audited consolidated annual financial statements and accompanying notes for the year ended December 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These audited consolidated annual financial statements include the accounts of our Company and other entities that we control and are reported in Canadian dollars. All references in this MD&A to "Q4 2017" are to our fiscal quarter ended December 31, 2017 and to "Q4 2016" are to our fiscal quarter ended December 31, 2016.

See "*Forward-Looking Information*" and "*Risk Factors*" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors, including those referred to under the heading "*Risk Factors*" and elsewhere in this MD&A.

Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS measures. Management uses these non-IFRS financial measures for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "gross profit", "gross profit margin", "operating margin" "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted Net Income" and "Adjusted Diluted Earnings per Share", to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also uses non-IFRS measures in order to prepare annual operating budgets and to determine components of management compensation.

Forward-Looking Information

Certain statements contained in this MD&A including, in particular, in the sections below entitled "*Summary of Factors Affecting our Performance*", "*Liquidity and Capital Resources*", "*Outlook*" and "*Risk Factors*", contain forward-looking information within the meaning of applicable securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividend policy, plans and objectives of our Company. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

In addition, our assessments of, and targets for, annual revenue, Adjusted EBITDA and certain other measures are considered forward-looking information. See "*Outlook*" for additional information concerning our strategies, assumptions and market outlook in relation to these assessments.

This forward-looking information is based on management's opinions, estimates and assumptions in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe to be appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the ability to pursue further strategic acquisitions; our ability to source raw materials and other inputs from our suppliers; our ability to continue to innovate product offerings that resonate with our target customer base; our ability to retain key management and personnel; our ability to continue to expand our international presence and grow our brand internationally; our

ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; changes to trends in our industry or global economic factors; and changes to laws, rules, regulations and global standards are material factors made in preparing the forward-looking information and management's expectations contained in this MD&A.

The forward-looking information contained in this MD&A represents management's expectations as of the date of this MD&A and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except (i) as required under applicable securities laws in Canada and (ii) to provide updates in our annual MD&A for each financial year up to and including that in respect of 2021 on our growth targets disclosed in our final prospectus (the "Prospectus") dated June 29, 2017 in respect of our initial public offering (the "Initial Offering"), including to provide information on our growth targets disclosed in such prospectus, actual results and a discussion of variances from our growth targets. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to those described below and referred to under the heading "*Risk Factors*".

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

Overview

Founded in 1922, Jamieson is Canada's leading branded manufacturer, distributor and marketer of high quality natural health products. We offer consumers a comprehensive and innovative line of branded vitamins, minerals and supplements ("VMS") products and certain over-the-counter remedies through our Jamieson and Lorna Vanderhaeghe Health Solutions Inc. ("LVHS") brands as well as sports nutrition products through our Progressive, Precision and Iron Vegan brands, all of which we refer to as our "Jamieson Brands" segment. In addition to our Jamieson Brands segment, we also offer comprehensive manufacturing and product development services on a contract manufacturing basis to select blue-chip consumer health companies and retailers worldwide, which we refer to as our "Strategic Partners" segment.

VMS and sports nutrition are two large and growing segments of the consumer health industry. Jamieson is Canada's #1 overall consumer health brand by sales and Canada's #1 brand in VMS by sales. Our trusted reputation and success in Canada has allowed us to significantly grow the business internationally, with products being sold in 40 countries worldwide.

Our trusted reputation, strong industry relationships and certifications and commitment to meeting the highest standards of manufacturing together with high quality production capabilities, attract opportunities for us to manufacture products for select blue-chip consumer health companies and retailers worldwide. Combining deep consumer insights with extensive research and development capabilities, we deliver category-leading innovation and growth.

Our leading market position and brand, focus on quality and innovation and extensive selection of products make us the preferred partner for retailers in Canada.

Initial Public Offering

On July 7, 2017, we successfully completed the Initial Offering. Our common shares are listed for trading on the Toronto Stock Exchange under the stock symbol "JWEL".

Immediately prior to the closing of the Initial Offering, we executed the following transactions (the "Reorganization"): (i) declared accrued and unpaid dividends on the then outstanding Class A to V (as defined herein) and Class W (as defined herein) preferred shares in an aggregate amount of \$9.6 million, which dividends (net of Part XIII tax withholdings (the "Dividend Tax Withholding")) were satisfied through the issuance of promissory notes (the "Dividend Notes"); (ii) returned capital on the then outstanding Class A to V preferred shares in the aggregate amount of \$65.1 million, which return of capital was satisfied through the issuance of promissory notes (the "ROC Notes"); (iii) redeemed all of the then outstanding Class W preferred shares in exchange for a note payable of \$94.6 million ("Class W Promissory Note"); and (iv) agreed to remit the Dividend Tax Withholding and Finco Tax Payable (as defined herein) (refer to "*Liquidity and Capital Resources – Related Party Transactions – Due to Jamieson Finco LP*") in the aggregate amount of \$5.8 million.

Following the transactions described immediately above and also forming part of the Reorganization: (i) each of the holders of the then outstanding Class A – V preferred shares converted their shares on a 1:1 basis into common shares of the Company; and (ii) the Company filed articles of amendment to split each common share into 20.81010939 common shares, add a new class of

preferred shares and eliminate the Class A common shares and Class A – W preferred shares. In addition, the Company amended and restated the Legacy Option Plan as of July 5, 2017 (“Legacy Option Plan”) and entered into option exchange agreements.

The Initial Offering consisted of the offering to the public of 19,050,000 common shares consisting of a treasury issuance by the Company of 15,554,755 common shares and a secondary offering of 3,495,245 common shares by certain selling shareholders (the “Selling Shareholders”), including Jamieson Intermediate Holdings S.à r.l. (“CCMP”), an entity which is controlled by certain funds to which investment advisory services are provided by CCMP Capital Advisors, LP. The Initial Offering price of \$15.75 per common share resulted in net proceeds to the Company of \$232.1 million, and \$52.2 million to the Selling Shareholders after underwriting commissions of \$15.8 million. In addition, CCMP granted to the underwriters an over-allotment option (the “Over-Allotment Option”) to purchase up to an additional 2,857,500 common shares from CCMP (or an affiliate) at an exercise price of \$15.75. The Over-Allotment Option was fully exercised after the Initial Offering and closed on July 14, 2017 and raised additional net proceeds of \$42.6 million after underwriting commissions of \$2.4 million for one of the Selling Shareholders.

On July 7, 2017, the Company used a portion of the proceeds from the Initial Offering to: (i) make a loan to Jamieson Laboratories Ltd. (“JLL”), \$50.0 million of which was used by JLL on the same day to repay a portion of its Term Loan Facility (as defined herein) (refer to “*Liquidity and Capital Resources – Credit Facilities*”); and (ii) repay the Dividend Notes, the ROC Notes, the Class W Promissory Note, the Dividend Tax Withholding and the Finco Tax Payable, such that these obligations are no longer outstanding.

On July 7, 2017 the Company adopted a long-term incentive plan (the “LTIP”). In conjunction with the closing of the Initial Offering, options to purchase 679,944 common shares were granted under the LTIP to directors, officers and certain employees of the Company.

Also on July 7, 2017 after the closing of the Initial Offering, CCMP transferred all of its common shares of the Company to its affiliate, CCMP Capital Investors III Aggregator (AV-3) Ltd. (“CCMP Aggregator”). On August 3, 2017, CCMP Aggregator transferred all of its common shares of the Company to its shareholders, on a pro rata basis, including CCMP Capital Investors III (AV-3), L.P. (“CCMP AV-3”) and CCMP Capital Investors III (AV-3) Employee, L.P. (“CCMP AV-3 Employee”, and together with CCMP AV-3, the “CCMP Shareholders”).

Secondary Offering

On October 18, 2017, a secondary offering (the “Secondary Offering”) by certain shareholders of the Company of common shares, including the sale by the CCMP Shareholders of all the common shares held by them, was completed.

The Secondary Offering of 14,778,751 common shares, including 1,758,751 common shares which were sold by the CCMP Shareholders to the underwriters upon the exercise in full of the over-allotment, raised gross proceeds of \$Nil for the Company and \$273.4 million for the selling shareholders, at a price of \$18.50 per common share. Underwriting fees were paid by the selling shareholders, and other expenses related to the Secondary Offering of approximately \$0.7 million were incurred and paid by the Company.

The closing of the Secondary Offering constituted a change of control event, as a result of which, the remaining service based options granted under the Legacy Option Plan vested (amounting to an aggregate of 852,314 options to purchase common shares), resulting in an acceleration of expense of \$1.0 million.

Summary of Factors Affecting Our Performance

We believe our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and referred to under “*Risk Factors*”.

Our Brand

Our iconic brand has been built around consumer trust through focus on product quality, purity and potency. Our well-established brands include Jamieson, LVHS, Progressive, Precision and Iron Vegan. Maintaining, enhancing and growing our brand appeal in Canada and internationally is critical to our continued success. Failure to maintain and enhance our brands in any of the targeted markets may materially and adversely affect the business, results of operations or financial condition.

Product Innovation and Planning

We believe that product innovation is integral to our success and following our acquisition by CCMP in 2014, we increased our focus on innovation as a key pillar of our growth. We believe these changes have thus far accelerated our pace of innovation and allowed us to increase our speed to market with the introduction of new products, providing us with the ability to turn concept development into sales in as little as twelve weeks. Furthermore, in the past 20 years, we have developed over 2,000 individual formulations. We believe our pace of innovation and speed to market with the introduction of new products provide us with a competitive advantage within the space in which we compete.

Our business is subject to changing consumer trends and preferences which is dependent, in part, on continued consumer interest in our new products, line extensions and reformulations. The success of new product offerings, enhancements, or reformulations depends upon a number of factors, including our ability to: (i) accurately anticipate customer needs; (ii) develop new products, line extensions or reformulations that meet these needs; (iii) successfully commercialize new products, line extensions and reformulations in a timely manner; (iv) price products competitively; (v) manufacture and deliver products in sufficient volumes and in a timely manner; (vi) differentiate product offerings from those of competitors; and (vii) maintain relationships with scientist employees and consultants and members of our panel of consumer health industry experts, which we call the Jamieson Scientific Advisory Board, in order to benefit from their expertise and innovations.

Customer Relationships

We have longstanding and deeply entrenched customer relationships with Canada's top retailers across the food, drug, mass, club, health food store, specialty and online retail channels. We sell products through our knowledgeable retail partners and we are dependent on retail partners across all channels to display and present our products to customers, in their brick and mortar stores and on their online e-commerce sites. Our partners service customers by stocking and displaying our products, and, in certain health food and other specialty stores, explaining product attributes and health benefits. Our relationships with these retail customers are important for consumer trust in the brand and the advertising and educational programs we continue to deploy. Failure to maintain these relationships with retail partners or financial difficulties experienced by these retail partners could adversely affect our business.

Sourcing and Production

We have developed a strong, global supply chain based on long-standing relationships. The majority of our suppliers have had a relationship with us for over ten years. We purchase our ingredients from nearly 200 high quality raw material ingredient and packaging suppliers worldwide and potential suppliers are subject to a rigorous evaluation process by our quality assurance department. We are dependent on a stable and consistent supply of materials and inputs, including ingredients and packaging products. Although materials and inputs are generally available from multiple sources, certain materials and inputs are sourced from a restricted number of suppliers. In 2017, our top ten suppliers accounted for approximately 50% of our purchases. As is customary in the consumer health industry, we do not have long-term written contracts with most suppliers and often enter into one year contracts for raw materials at fixed prices to provide additional time to address price increases and mitigate margin erosion.

Consumer Trends

The Canadian consumer health industry is subject to shifts in consumer trends, preferences and consumer spending and our revenue and operating results depend, in part, on our ability to respond to such changes in a timely manner. As a result of our broad product scope and our strong innovation capabilities, we believe that we are well-positioned to respond to these shifts in consumer trends, preferences and consumer spending.

Our revenue is also impacted by consumer spending habits, including spending on our products, which are affected by many factors that are beyond our control, including, but not limited to, prevailing economic conditions, levels of employment, fuel prices, salaries and wages, the availability of consumer credit, and consumer perception of economic conditions.

Competition

The market for VMS and sports nutrition products is highly competitive. Our direct competition consists of publicly and privately owned companies, which tend to be highly fragmented in terms of both geographic market coverage and product categories. In many of our product categories, we compete not only with widely advertised branded products, but also with private label products. Given our significant scale and broad product scope relative to our competition, our iconic brand status, our strong innovation capabilities and our high-quality manufacturing, we believe that we are well-positioned to capitalize on favorable long-term trends in the VMS and sports nutrition segments. The specialized knowledge, expertise, and certifications required for production of VMS and sports nutrition products, is generally a significant barrier to entry for new competitors. Internationally, our competition varies by market and we have a strategic approach to entering international markets, which includes evaluating certain factors in each market, such as competitiveness, pricing dynamics, growth potential, regulatory environment and the propensity to be attracted to foreign brands.

Foreign Exchange

We currently benefit from a natural currency hedge by purchasing certain materials and inputs in U.S. dollars and selling our products internationally in U.S. dollars. With respect to sales in Canada, we are exposed to fluctuating US-Canadian currency exchange rate where the products sold contain materials and inputs purchased with U.S. dollars. We manage net exposure to fluctuating US-Canadian currency exchange rate with foreign exchange hedging contracts. We do not have foreign exchange

hedging contracts in place with respect to all currencies in which we currently do business but may, from time to time, enter into additional foreign exchange hedging contracts in respect of other foreign currencies.

Currency hedging entails a risk of illiquidity and, to the extent the applicable foreign currency depreciates or appreciates against the Canadian dollar, the use of hedges could result in losses greater than if the hedging had not been used. There can be no assurance that our hedging strategies, if any, will be effective in the future or that we will be able to enter into foreign exchange hedging contracts on satisfactory terms.

Business Acquisitions

We leverage our relationships and network of industry participants and advisors to actively source and identify acquisition opportunities. We continue to pursue strategic acquisitions that enable us to further broaden and diversify product offerings, and leverage current manufacturing and distribution facilities for new products. Any acquisitions may involve large transactions or realignment of existing investments, and present financial, managerial and operational challenges, which, if not successfully overcome, may reduce our profitability. We believe we have demonstrated our ability to successfully identify, integrate and grow businesses that we acquire. Since 2014, management has successfully made three acquisitions in line with our strategy.

Implementation of Growth Strategies

We have a successful track record of growing revenues faster than the broader VMS segment and we believe we have a strong domestic and international growth strategy in place aimed at continuing to exceed broader industry growth rates. Our future success depends, in part, on management's ability to implement our growth strategy, including (i) product innovations within existing categories and growth into adjacent categories and continued growth of existing products in existing categories; (ii) further penetration into international markets and new geographies; (iii) growth in the Strategic Partners segment; and (iv) in support of our profitability targets, improvements in operating income, gross profit and operating expense margins. The ability to implement this growth strategy depends, among other things, on our ability to develop new products and product line extensions that appeal to consumers, maintain and expand brand loyalty and brand recognition, maintain and improve competitive position in the channels in which we compete and identify and successfully enter and market products in new geographic markets, market segments and categories.

Regulation

In Canada and in the other jurisdictions in which we operate, we are subject to the laws and regulations applicable to any business engaged in formulation, production and distribution of consumer health products. This includes natural health product regulations, laws governing advertising, consumer protection regulations, environmental laws, laws governing the operation of warehouse facilities and labour and employment laws. We hold all required Health Canada site licenses, Canadian Food Inspection Agency certifications and import licenses for all of our manufacturing and distribution centres. Our products sold outside of Canada are subject to tariffs, treaties and various trade agreements as well as laws affecting the importation of consumer goods and we continuously monitor changes in these laws, regulations, treaties and agreements.

There is currently no uniform regulation applicable to natural health products worldwide and there has been an increasing movement in certain foreign markets to increase the regulation of natural health products. The adoption of new laws, regulations or other constraints or changes in the interpretations of such requirements may result in compliance costs or lead us to discontinue product sales and may have an adverse effect on the marketing of our products, resulting in loss of sales. We believe that Canadian regulations are amongst the most stringent worldwide and, as we currently operate in compliance with these high standards, increased regulation in foreign jurisdictions makes us uniquely positioned to grow sales in such jurisdictions.

How We Assess the Performance of our Business

The key performance indicators below are used by management in evaluating the performance of our Company and assessing our business. We refer to certain key performance indicators used by management and typically used by our competitors in the Canadian consumer health industry, certain of which are not recognized under IFRS. See "*Non-IFRS Financial Measures*".

Revenue

The majority of our revenue is derived from the sale of Jamieson Brands products to distributors, retail and wholesale customers, as well as providing contract manufacturing services and the sale of product through our Strategic Partners segment.

We recognize revenue from product sales at the fair value of the consideration received or receivable, net of estimated returns and an estimate of sales incentives provided to customers excluding taxes or duty. Revenue is recognized when the customer takes ownership of the product, title has transferred, all the risks and rewards of ownership have transferred to the customer, recovery of the consideration is probable, we have satisfied our performance obligations under the arrangement, and have no ongoing involvement with the sold product. Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured, regardless of when the payment is received. The value of sales incentives provided to

customers are estimated using historical trends and are recognized at the time of sale as a reduction of revenue. Sales incentives include rebate and promotional programs provided to our customers. These rebates are based on achievement of specified volume or growth in volume levels and other agreed promotional activities. In subsequent periods, we monitor the performance of customers against agreed upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required. A provision for returns and sales is recognized at the time the product is sold and recognized as a reduction to revenue.

Gross Profit

“Gross profit” is defined as revenue less cost of sales. Cost of sales includes product-related costs, labour costs, other operating costs such as rent, repair and maintenance costs, fixed fee trade cost and amortization. Our cost of sales may include different costs compared to other manufacturers and distributors in the Canadian consumer health industry. Management believes that gross profit is a useful measure in assessing the Company’s underlying operating performance before sales, general, and administrative (“SG&A”) expenses and share-based compensation.

Gross Profit Margin

“Gross profit margin” is defined as gross profit divided by revenue.

SG&A

Our SG&A expenses are predominantly comprised of wages, benefits, travel, marketing, accounting fees, legal fees and other expenses related to the corporate infrastructure required to support our business. We expect our SG&A expenses to increase as we incur additional regulatory, legal, accounting, insurance and other expenses associated with being a public company.

Earnings from Operations

“Earnings from operations” is defined as gross profit less SG&A expenses and share-based compensation.

Operating Margin

“Operating margin” is defined as earnings from operations divided by revenue.

EBITDA

“EBITDA” is defined as net income (loss) before: (i) provision for (recovery of) income taxes; (ii) interest (income) expense and other financing costs; (iii) preferred share accretion; (iv) depreciation of property, plant, and equipment; and (v) amortization of intangible assets.

Adjusted EBITDA

“Adjusted EBITDA” is defined as EBITDA before: (i) share-based compensation; (ii) amortization of fair value adjustments; (iii) foreign exchange (gain) loss; (iv) termination benefits and related costs; (v) acquisition costs; (vi) purchase consideration accounted for as compensation expense; (vii) public offering costs; and (viii) other non-operating, non-recurring and non-cash costs. We believe Adjusted EBITDA is a useful measure to assess the performance and cash flow of our Company as it provides more meaningful operating results by excluding the effects of interest, taxes, depreciation and amortization costs, expenses we believe are not reflective of our underlying business performance and other one-time, non-recurring or non-cash expenses.

Adjusted EBITDA Margin

“Adjusted EBITDA margin” is defined as Adjusted EBITDA divided by revenue.

Adjusted Net Income

“Adjusted Net Income” is defined as consolidated net income (loss) adjusted for the impact of: (i) share-based compensation; (ii) amortization of fair value adjustments; (iii) amortization of deferred financing fee; (iv) foreign exchange (gain) loss; (v) termination benefits and related costs; (vi) acquisition costs; (vii) purchase consideration accounted for as compensation expense; (viii) public offering costs; (ix) net interest forgiveness; (x) preferred share accretion; and (xi) other non-operating and non-recurring costs net of related tax effects. We believe Adjusted Net Income is a useful measure to assess the performance of our Company as it provides more meaningful operating results by excluding the effects of expenses that are not reflective of our underlying business performance and other one-time or non-recurring expenses.

Adjusted Diluted Earnings per Share

“Adjusted Diluted Earnings per Share” is defined as dividing Adjusted Net Income by the total number of outstanding diluted shares at the end of the most recently completed quarter. We believe Adjusted Diluted Earnings per Share is a useful measure to assess the performance of our Company as it provides a consistent number of shares from which to evaluate our underlying business performance.

Selected Consolidated Financial Information

The following table provides selected historical information and other data of the Company which should be read in conjunction with our audited consolidated annual financial statements and related notes. A reconciliation of net income to EBITDA, Adjusted EBITDA, and Adjusted Net Income can be found in the below "Results of Operations" sections for the respective fiscal periods.

(\$ in 000's, except share and per share amounts)	Three months ended December 31		For the year ended December 31	
	2017	2016	2017	2016
Revenue	84,318	65,695	300,619	248,331
Cost of sales	53,421	41,991	195,770	167,519
Gross profit	30,897	23,704	104,849	80,812
Selling, general and administrative expenses	14,252	11,007	53,589	44,837
Share-based compensation	1,712	1,233	6,325	4,934
Earnings from operations	14,933	11,464	44,935	31,041
Operating margin	17.7%	17.5%	14.9%	12.5%
Foreign exchange loss (gain)	116	(154)	331	(192)
Termination benefits and related costs	1,633	234	4,132	1,420
Public offering costs	1,200	—	10,720	—
Acquisition costs	—	789	2,444	789
Other expenses (income)	2,981	(2,906)	9,410	(2,876)
Preferred share accretion	—	24,123	28,796	30,434
Interest expense and other financing costs	2,140	5,686	4,733	22,926
Income (loss) before income taxes	6,863	(16,308)	(15,631)	(21,460)
Provision for income taxes	3,130	2,414	8,156	3,706
Net income (loss)	3,733	(18,722)	(23,787)	(25,166)
Adjusted net income	9,749	5,101	27,582	10,910
EBITDA	11,194	15,409	26,400	39,446
Adjusted EBITDA	18,848	14,727	61,477	46,794
Net income (loss)	3,733	(18,722)	(23,787)	(25,166)
Preferred share dividend	—	—	(9,605)	—
Basic, net income (loss) attributable to common shareholders:	3,733	(18,722)	(33,392)	(25,166)
Preferred share accretion	—	—	—	—
Diluted, net income (loss) attributable to common shareholders:	3,733	(18,722)	(33,392)	(25,166)
Weighted average number of shares:				
Basic	37,729,359	520,253	18,669,758	520,253
Diluted	39,639,122	520,253	18,669,758	520,253
Adjusted Diluted	39,639,122	39,639,122	39,639,122	39,639,122
Earnings per share attributable to common shareholders:				
Basic, earnings (loss) per share	0.10	(35.99)	(1.79)	(48.37)
Diluted, earnings (loss) per share	0.09	(35.99)	(1.79)	(48.37)
Adjusted Diluted, earnings (loss) per share	0.25	0.13	0.70	0.28

The following table provides selected consolidated financial position data for the periods indicated.

(\$ in 000's)	As at December 31, 2017	As at December 31, 2016
Selected Consolidated Financial Position Data:		
Total assets	512,555	405,179
Total non-current liabilities	210,012	305,023

Results of Operations – three months ended December 31, 2017 and 2016

The following table provides a summary of our results for the three months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	Three months ended December 31		\$ Change	% Change
	2017	2016		
Revenue	84,318	65,695	18,623	28.3%
Cost of sales	53,421	41,991	11,430	27.2%
Gross profit	30,897	23,704	7,193	30.3%
Selling, general and administrative expenses	14,252	11,007	3,245	29.5%
Share-based compensation	1,712	1,233	479	38.8%
Earnings from operations	14,933	11,464	3,469	30.3%
Operating margin	17.7%	17.5%	—	0.2%
Foreign exchange loss (gain)	116	(154)	270	175.3%
Termination benefits and related costs	1,633	234	1,399	597.9%
Public offering costs	1,200	—	1,200	—
Acquisition costs	—	789	(789)	(100.0%)
Other expenses (income)	2,981	(2,906)	5,887	202.6%
Preferred share accretion	—	24,123	(24,123)	(100.0%)
Interest expense and other financing costs	2,140	5,686	(3,546)	(62.4%)
Income (loss) before income taxes	6,863	(16,308)	23,171	142.1%
Provision for income taxes	3,130	2,414	716	29.7%
Net income (loss)	3,733	(18,722)	22,455	119.9%
Adjusted net income	9,749	5,101	4,648	91.1%
EBITDA	11,194	15,409	(4,215)	(27.4%)
Adjusted EBITDA	18,848	14,727	4,121	28.0%

The following table provides a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA for the three months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	Three months ended December 31		\$ Change	% Change
	2017	2016		
Net income (loss)	3,733	(18,722)	22,455	119.9%
<i>Add:</i>				
Provision for income taxes	3,130	2,414	716	29.7%
Interest expense and other financing costs	2,140	5,686	(3,546)	(62.4%)
Preferred share accretion	—	24,123	(24,123)	(100.0%)
Depreciation of property, plant, and equipment	1,336	1,100	236	21.5%
Amortization of intangible assets	855	808	47	5.8%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	11,194	15,409	(4,215)	(27.4%)
<i>Add EBITDA adjustments:</i>				
Share-based compensation ⁽¹⁾	1,712	1,233	479	38.8%
Foreign exchange loss (gain)	116	(154)	270	175.3%
Termination benefits and related costs ⁽²⁾	1,633	234	1,399	597.9%
Acquisition costs	—	789	(789)	(100.0%)
Purchase consideration accounted for as compensation expense ⁽³⁾	2,521	—	2,521	—
Public offering costs ⁽⁴⁾	1,200	—	1,200	—
Other ⁽⁵⁾	472	(2,784)	3,256	117.0%
Adjusted EBITDA	18,848	14,727	4,121	28.0%

- (1) As per our Legacy Option Plan for directors, officers and employees and certain option exchange agreements: (i) options issued under the Legacy Option Plan became exercisable for common shares (rather than Class A common shares) and (ii) adjustments were made to reflect the share split. Following the closing of the Initial Offering, no further awards may be made under the Legacy Option Plan. In Q4 2017, a \$1.0 million expense was incurred pertaining to the accelerated vesting of certain options under the Legacy Option Plan in connection with the Secondary Offering.
- (2) As management continually assesses and enhances current processes, reorganization activities are undertaken intermittently in order to gain flexibility and improve efficiency. The costs related to both years are mainly comprised of severance costs and salary continuance.
- (3) In conjunction with the acquisition of Body Plus Nutritional Products Inc. ("Body Plus") and Sonoma Nutraceuticals Inc. ("Sonoma") on January 31, 2017, deferred consideration payable has been accounted for as compensation expense under the provisions of IFRS 3, Business Combinations. A portion of the deferred consideration of \$9.4 million was due to be paid on the one year anniversary of the acquisition with the remaining balance payable by July 2018.
- (4) Costs related to our Initial Offering (refer to "Initial Public Offering") and our Secondary Offering (refer to "Secondary Offering").
- (5) In Q4 2017, the Company made investments in process improvement projects and other one-time studies commissioned to integrate the acquired Sonoma operations. In Q4 2016, the company recorded a gain, net of legal costs, related to the settlement of a dispute in connection with the acquisition of JLL from its former owner on January 31, 2014.

The following table provides a reconciliation of net income (loss) to Adjusted Net Income for the three months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	Three months ended December 31		\$ Change	% Change
	2017	2016		
Net income (loss)	3,733	(18,722)	22,455	119.9%
<i>Adjustments to net income (loss):</i>				
Share-based compensation ⁽¹⁾	978	912	66	7.2%
Foreign exchange loss (gain)	116	(154)	270	175.3%
Termination benefits and related costs	1,633	234	1,399	597.9%
Acquisition costs	—	789	(789)	(100.0%)
Purchase consideration accounted for as compensation expense	2,521	—	2,521	—
Public offering costs	1,200	—	1,200	—
Preferred share accretion	—	24,123	(24,123)	(100.0%)
Other	472	(2,784)	3,256	117.0%
Related tax effects	(904)	703	(1,607)	(228.6%)
Adjusted net income	9,749	5,101	4,648	91.1%

(1) In Q4, 2017, this adjustment is in relation to the accelerated vesting of certain options under the Legacy Option Plan as a result of the Secondary Offering. In Q4 2016, this adjustment was in relation to JLL's acquisition of LVHS, whereby as part of the transaction, 1,067,891.57 Class B preferred shares, on a post share split basis, were placed into escrow for issuance to the former owner. These shares were converted to common shares and released from escrow as part of a series of transactions prior to the closing of the Initial Offering.

The following table provides revenue, gross profit, gross profit margin, earnings from operations, operating margin, Adjusted EBITDA and Adjusted EBITDA margin for our two operating segments for the three months ended December 31, 2017 and December 31, 2016.

Jamieson Brands

(\$ in 000's)	For the three months ended December 31,		\$ Change	% Change
	2017	2016		
Revenue	65,545	55,188	10,357	18.8%
Gross profit	27,107	22,477	4,630	20.6%
Gross profit margin	41.4%	40.7%	—	0.7%
Earnings from operations	12,732	11,330	1,402	12.4%
Operating margin	19.4%	20.5%	—	(1.1%)
Adjusted EBITDA	16,308	14,215	2,093	14.7%
Adjusted EBITDA margin	24.9%	25.8%	—	(0.9%)

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the three months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	For the three months ended December 31,			
	2017	2016	\$ Change	% Change
Earnings from operations	12,732	11,330	1,402	12.4%
Depreciation of property, plant, and equipment	997	722	275	38.1%
Amortization of intangible assets	855	808	47	5.8%
Share-based compensation	1,712	1,233	479	38.8%
Other	12	122	(110)	(90.2%)
Adjusted EBITDA	16,308	14,215	2,093	14.7%

Strategic Partners and Eliminations

(\$ in 000's)	For the three months ended December 31,			
	2017	2016	\$ Change	% Change
Revenue	18,773	10,507	8,266	78.7%
Gross profit	3,790	1,227	2,563	208.9%
Gross profit margin	20.2%	11.7%	—	8.5%
Earnings from operations	2,201	134	2,067	1542.5%
Operating margin	11.7%	1.3%	—	10.4%
Adjusted EBITDA	2,540	512	2,028	396.1%
Adjusted EBITDA margin	13.5%	4.9%	—	8.6%

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the three months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	For the three months ended December 31,			
	2017	2016	\$ Change	% Change
Earnings from operations	2,201	134	2,067	1542.5%
Depreciation of property, plant, and equipment	339	378	(39)	(10.3%)
Adjusted EBITDA	2,540	512	2,028	396.1%

Revenue

Revenue increased 28.3%, or \$18.6 million, to \$84.3 million in Q4 2017. Of the increase, 17.2% was due to the inclusion of the operating results for Body Plus and Sonoma in Q4 2017 following the acquisition on January 31, 2017. Excluding revenue from acquisitions, revenue increased by 11.1% compared to the prior year including \$1.5 million in the Jamieson Brands segment and \$5.8 million in the Strategic Partners segment.

Revenue in the Jamieson Brands segment increased 18.8%, or \$10.4 million, to \$65.5 million in Q4 2017 due to the impact of \$8.9 million or a 16.1% increase from the acquisition of Body Plus and a year over year increase of 2.7% in our domestic and international brands. Our domestic branded business increased by \$2.3 million driven from greater shipments as a result of higher consumer demand. Revenue from innovations was \$2.2 million in Q4 2017 compared to \$2.4 million in Q4 2016, where the launch of value sizes on our popular letter vitamins generated strong shipments during the last quarter in prior year. Our international branded business decreased by \$0.8 million partially due to unfavorable USD/CAD exchange rates and the timing of sales to Asia partially offsetting increased sales in Europe.

Revenue in the Strategic Partners segment increased 78.7%, or \$8.3 million, to \$18.8 million in Q4 2017. Of the increase, \$2.5 million was attributable to the Sonoma acquisition and \$5.8 million of the increase was attributable to an increase in the

legacy Strategic Partners business which was driven by expanded business with existing customers and strong consumer demand for customer branded products.

Gross profit

Gross profit increased by 30.3%, or \$7.2 million, to \$30.9 million in Q4 2017. The increase was primarily due to an increase in revenue from the Jamieson Brands segment combined with an increase in activity in the Strategic Partners segment. Gross profit margin increased 50 basis points to 36.6% in Q4 2017 due to manufacturing efficiencies and the acquisition of higher margin Body Plus and Sonoma operations.

Gross profit in the Jamieson Brands segment increased \$4.6 million to \$27.1 million in Q4 2017. Gross profit pertaining to the operating results for Body Plus in Q4 2017 accounted for \$4.0 million of the increase while the remaining increase was driven by higher volume and gross profit margin improvements. Gross profit margin increased by 70 basis points to 41.4% in Q4 2017 due to raw material purchasing savings and improved plant efficiencies partially offset by higher promotional activities.

Gross profit in the Strategic Partners segment increased \$2.6 million to \$3.8 million in Q4 2017. Gross profit pertaining to the operating results for Sonoma in Q4 2017 accounted for \$0.8 million of the increase while the remaining increase was driven by higher volume and gross profit margin improvements. Gross profit margin increased by 850 basis points to 20.2% in Q4 2017 due to the impact of adding higher margin Sonoma activity, favourable product mix, raw material purchasing savings, and improved plant efficiencies.

Selling, general and administrative expenses

SG&A expenses increased by 29.5%, or \$3.2 million, to \$14.3 million in Q4 2017. In the Jamieson Brands segment, SG&A expenses increased by \$2.7 million in Q4 2017 primarily due to the acquisition of Body Plus adding \$1.9 million in costs, \$0.9 million primarily due to higher variable compensation costs and \$0.5 million of public company costs, offset by a reduction in consulting and marketing fees of \$0.6 million. In the Strategic Partners segment, SG&A expenses increased by \$0.5 million in Q4 2017 primarily due to the acquisition of Sonoma while spending remained consistent in the legacy Strategic Partners business.

Share-based compensation

Share-based compensation increased by 38.8%, or \$0.5 million, to \$1.7 million in Q4 2017. This was mainly due to an increase of \$1.0 million relating to accelerated vesting of certain options granted to our directors, officers and employees under the Legacy Option Plan and \$0.4 million in additional grants of options under the LTIP partially offset by a decrease of \$0.9 million on account of shares in escrow related to the acquisition of the assets of LVHS.

Earnings from operations and operating margin

Earnings from operations increased 30.3%, or \$3.5 million, to \$14.9 million in Q4 2017. Of the increase, 21.7% was due to the inclusion of operating results for Body Plus and Sonoma in Q4 2017 of \$2.1 million and \$0.4 million, respectively. The remaining increase was due to higher volumes in both the legacy Jamieson Brands and Strategic Partners segments, partially offset by higher SG&A expenses and share-based compensation. Operating margin increased 20 basis points to 17.7% in Q4 2017 driven by gross profit margin improvements, partially offset by higher SG&A expenses, higher share-based compensation and an increase in Strategic Partner revenue as a percent of total revenue. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Operating margin increased by 220 basis points to 18.3% in Q4 2017 compared to 16.1% in Q4 2016.

Earnings from operations in the Jamieson Brands segment increased 12.4%, or \$1.4 million, to \$12.7 million in Q4 2017. Earnings from operations was driven by increased earnings as a result of the acquisition of Body Plus, higher volume in the legacy Jamieson Brands segment, offset by higher variable compensation in SG&A expenses and accelerated share-based compensation. Operating margin decreased 110 basis points to 19.4% in Q4 2017 due primarily to higher short-term compensation in SG&A. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Operating margin increased by 130 basis points to 20.2% in Q4 2017 compared to 18.9% in Q4 2016.

Earnings from operations in the Strategic Partners segment increased by \$2.1 million to \$2.2 million in Q4 2017. Earnings from operations was driven by increased earnings as a result of the acquisition of Sonoma and higher volume in the legacy Strategic Partners segment. Operating margin increased to 11.7% in Q4 2017 compared to 1.3% in Q4 2016 due to higher margin Sonoma activity, favourable product mix, raw material purchasing savings, improved plant efficiencies and lower SG&A expenses as a percentage of revenue.

Foreign exchange loss (gain)

Foreign exchange was a loss of \$0.1 million in Q4 2017 compared to a gain of \$0.2 million in Q4 2016. The change was due to fluctuations in USD/CAD exchange rates between the date of the transaction and when cash was settled.

Termination benefits and related costs

Termination benefits and related costs increased by \$1.4 million to \$1.6 million in Q4 2017 mainly due to timing of reorganization activities. As management continually assesses and enhances current processes, reorganization activities are undertaken intermittently in order to gain flexibility and improve efficiency. The costs related to both years are mainly comprised of severance costs and salary continuance.

Public offering costs

Public offering costs of \$1.2 million in Q4 2017 is related to our Initial Offering (refer to "*Initial Public Offering*") and our Secondary Offering (refer to "*Secondary Offering*").

Other expenses

Other expenses of \$3.0 million in Q4 2017 was mainly related to deferred consideration in relation to the acquisition of Body Plus and Sonoma for \$2.5 million, other non-recurring consulting services of \$0.4 million, and other advisory fees of \$0.1 million. Other income of \$2.9 million in Q4 2016 was a result of the Company recording a gain, net of legal costs, related to the settlement of a dispute in connection with the acquisition of JLL from its former owner on January 31, 2014.

Preferred share accretion

Preferred share accretion was \$nil in Q4 2017 compared to \$24.1 million of expense in Q4 2016. The charge in the prior year was tied to the change in the underlying fair value of our Company based on a multiple of Adjusted EBITDA.

Interest expense and other financing costs

Interest expense and other financing costs decreased by \$3.5 million to \$2.1 million in Q4 2017. This was primarily due to the discharge of our note payable to Jamieson Finco LP ("Finco") in Q2 2017 which incurred \$2.0 million interest in the same period in the prior year, lower interest rates on outstanding debt under the new credit facility for \$1.7 million, offset by a slight increase in amortization of deferred financing fees of \$0.2 million. As of December 31, 2017, the weighted average interest rate on the new credit facility was 4.5% compared to our term loan agreement with CPPIB Credit Investments Inc. ("CPPIB") in the prior year for which as at December 31, 2016, the weighted average interest rate was 8.4%.

Provision for income taxes

Provision for income taxes increased by \$0.7 million to \$3.1 million in Q4 2017 mainly driven by higher income before income taxes and the impact of certain expenses such as share-based compensation, purchase consideration accounted for as compensation expense, and preferred share accretion which are not deductible for tax purposes.

Depreciation

Depreciation expense increased \$0.2 million to \$1.3 million in Q4 2017. The increase was primarily due to \$0.1 million depreciation expense from Body Plus and Sonoma and additions to property, plant and equipment.

Amortization

Amortization expense remained relatively consistent with the same period in the prior year. A minor increase was due to amortization of intangibles pertaining to customer relationships acquired as part of the acquisition of Body Plus and Sonoma which are amortized straight line over 25 years.

EBITDA and Adjusted EBITDA

EBITDA decreased by \$4.2 million to \$11.2 million in Q4 2017 primarily due to the factors discussed above.

Adjusted EBITDA increased by 28.0%, or \$4.1 million, to \$18.8 million in Q4 2017. The increase was due in part to the inclusion of operating results for Body Plus and Sonoma in Q4 2017 of \$2.1 million and \$0.4 million, respectively. The remaining increase is due to higher earnings from operations in both the legacy Jamieson Brands and Strategic Partners segments, net of share-based compensation and SG&A expenses. Adjusted EBITDA margin is consistent to prior year at 22.4% in Q4 2017 as higher fixed costs were offsetting our gross profit margin improvements. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Adjusted EBITDA margin increased by 190 basis points to 22.9% in Q4 2017 compared to 21.0% in Q4 2016.

Adjusted EBITDA in the Jamieson Brands segment increased 14.7%, or \$2.1 million, to \$16.3 million in Q4 2017. The increase was primarily driven by the acquisition of Body Plus. Within the legacy Jamieson Brands segment, higher volume was offset by higher SG&A. Adjusted EBITDA margin decreased 90 basis points to 24.9% in Q4 2017 due to higher short-term compensation and public company costs within SG&A expenses. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Adjusted EBITDA margin increased by 150 basis points to 25.6% in Q4 2017 compared to 24.1% in Q4 2016.

Adjusted EBITDA in the Strategic Partners segment increased \$2.0 million, to \$2.5 million in Q4 2017. The increase is driven by the acquisition of Sonoma and higher volume in the legacy Strategic Partners segment, partially offset by higher SG&A expenses. Adjusted EBITDA margin increased 860 basis points to 13.5% in Q4 2017 due to higher margin Sonoma activity, favourable product mix, raw material purchasing savings, improved plant efficiencies and lower SG&A expenses as a percentage of revenue.

Results of Operations – twelve months ended December 31, 2017 and 2016

The following table provides a summary of our results for the twelve months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	For the year ended December 31			
	2017	2016	\$ Change	% Change
Revenue	300,619	248,331	52,288	21.1%
Cost of sales	195,770	167,519	28,251	16.9%
Gross profit	104,849	80,812	24,037	29.7%
Selling, general and administrative expenses	53,589	44,837	8,752	19.5%
Share-based compensation	6,325	4,934	1,391	28.2%
Earnings from operations	44,935	31,041	13,894	44.8%
Operating margin	14.9%	12.5%	—	2.4%
Foreign exchange loss (gain)	331	(192)	523	272.4%
Termination benefits and related costs	4,132	1,420	2,712	191.0%
Public offering costs	10,720	—	10,720	—
Acquisition costs	2,444	789	1,655	209.8%
Other expenses (income)	9,410	(2,876)	12,286	—
Preferred share accretion	28,796	30,434	(1,638)	(5.4%)
Interest expense and other financing costs	4,733	22,926	(18,193)	(79.4%)
Income (loss) before income taxes	(15,631)	(21,460)	5,829	27.2%
Provision for income taxes	8,156	3,706	4,450	120.1%
Net income (loss)	(23,787)	(25,166)	1,379	5.5%
Adjusted net income	27,582	10,910	16,672	152.8%
EBITDA	26,400	39,446	(13,046)	(33.1%)
Adjusted EBITDA	61,477	46,794	14,683	31.4%

The following table provides a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA for the twelve months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	For the year ended December 31		\$ Change	% Change
	2017	2016		
Net income (loss)	(23,787)	(25,166)	1,379	5.5%
<i>Add:</i>				
Provision for income taxes	8,156	3,706	4,450	120.1%
Interest expense and other financing costs	4,733	22,926	(18,193)	(79.4%)
Preferred share accretion	28,796	30,434	(1,638)	(5.4%)
Depreciation of property, plant, and equipment	5,106	4,316	790	18.3%
Amortization of intangible assets	3,396	3,230	166	5.1%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	26,400	39,446	(13,046)	(33.1%)
<i>Add EBITDA adjustments:</i>				
Share-based compensation ⁽¹⁾	6,325	4,934	1,391	28.2%
Amortization of fair value adjustments ⁽²⁾	1,694	—	1,694	—
Foreign exchange loss (gain)	331	(192)	523	272.4%
Termination benefits and related costs ⁽³⁾	4,132	1,420	2,712	191.0%
Acquisition costs	2,444	789	1,655	209.8%
Purchase consideration accounted for as compensation expense ⁽⁴⁾	8,427	—	8,427	—
Public offering costs ⁽⁵⁾	10,720	—	10,720	—
Other ⁽⁶⁾	1,004	397	607	152.9%
Adjusted EBITDA	61,477	46,794	14,683	31.4%

- (1) As per our Legacy Option Plan for directors, officers and employees and certain option exchange agreements: (i) options issued under the Legacy Option Plan became exercisable for common shares (rather than Class A common shares) and (ii) adjustments were made to reflect the share split. Following the closing of the Initial Offering, no further awards may be made under the Legacy Option Plan. In addition, 1,067,891.57 Class B preferred shares, on a post share split basis, were placed into escrow for issuance to the former owner as part of the LVHS acquisition. Pertaining to the accelerated vesting of certain options under the Legacy Option Plan in connection with the Initial Offering and Secondary Offering, expenses of \$1.7 million and \$1.0 million were incurred respectively.
- (2) In conjunction with the acquisition of Body Plus and Sonoma on January 31, 2017, the fair value adjustment of inventory as part of the initial purchase price allocation was amortized over the 6 month period post acquisition.
- (3) As management continually assesses and enhances current processes, reorganization activities are undertaken intermittently in order to gain flexibility and improve efficiency. The costs related to both years are mainly comprised of severance costs and salary continuance.
- (4) In connection with the acquisition of Body Plus and Sonoma, deferred consideration payable has been accounted for as compensation expense under the provisions of IFRS 3, Business Combinations. A portion of the deferred consideration of \$9.4 million was due to be paid on the one year anniversary of the acquisition with the remaining balance payable by July 2018.
- (5) Costs related to our Initial Offering (refer to "Initial Public Offering") and our Secondary Offering (refer to "Secondary Offering").
- (6) In 2017, costs were mainly related to investments in process improvement projects and other one-time studies commissioned for the acquired Sonoma operations and cost incurred pertaining to our labour agreement. In 2016, costs were mainly related to indemnity settlements relating to the acquisition of JLL on January 31, 2014, process improvement projects and one-time studies commissioned to understand specific markets for international expansion.

The following table provides a reconciliation of net income (loss) to Adjusted Net Income for the twelve months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	For the year ended December 31			
	2017	2016	\$ Change	% Change
Net income (loss)	(23,787)	(25,166)	1,379	5.5%
<i>Adjustments to net income (loss):</i>				
Share-based compensation ⁽¹⁾	4,171	3,651	520	14.2%
Amortization of fair value adjustments	1,694	—	1,694	—
Amortization of deferred financing fee ⁽²⁾	3,078	—	3,078	—
Foreign exchange loss (gain)	331	(192)	523	272.4%
Termination benefits and related costs	4,132	1,420	2,712	191.0%
Acquisition costs	2,444	789	1,655	209.8%
Purchase consideration accounted for as compensation expense	8,427	—	8,427	—
Public offering costs	10,720	—	10,720	—
Net interest forgiveness	(11,001)	—	(11,001)	—
Preferred share accretion	28,796	30,434	(1,638)	(5.4%)
Other	1,004	397	607	152.9%
Related tax effects	(2,427)	(423)	(2,004)	(473.8%)
Adjusted net income	27,582	10,910	16,672	152.8%

- (1) This adjustment is in relation to JLL's acquisition of LVHS on June 12, 2014, whereby as part of the transaction, 1,067,891.57 Class B preferred shares, on a post share split basis, were placed into escrow for issuance to the former owner. Included in 2017 is a \$1.7 million and a \$1.0 million adjustment pertaining to the accelerated vesting of management share option plan as a result of the Initial Offering and Secondary Offering respectively.
- (2) Write-off of remaining deferred financing fees associated with the extinguishment of our revolving credit facility with Wells Fargo Capital Finance Corporation ("Wells Fargo") and our term loan with CPPIB on January 31, 2017.

The following table provides revenue, gross profit, gross profit margin, earnings from operations, operating margin, Adjusted EBITDA and Adjusted EBITDA margin for our two operating segments for the twelve months ended December 31, 2017 and December 31, 2016.

Jamieson Brands

(\$ in 000's)	For the year ended December 31			
	2017	2016	\$ Change	% Change
Revenue	237,001	192,496	44,505	23.1%
Gross profit	91,559	74,072	17,487	23.6%
Gross profit margin	38.6%	38.5%	—	0.1%
Earnings from operations	37,595	28,844	8,751	30.3%
Operating margin	15.9%	15.0%	—	0.9%
Adjusted EBITDA	52,834	43,165	9,669	22.4%
Adjusted EBITDA margin	22.3%	22.4%	—	(0.1%)

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the twelve months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	For the year ended December 31			
	2017	2016	\$ Change	% Change
Earnings from operations	37,595	28,844	8,751	30.3%
Depreciation of property, plant, and equipment	3,803	2,884	919	31.9%
Amortization of intangible assets	3,396	3,230	166	5.1%
Share-based compensation	6,325	4,934	1,391	28.2%
Amortization of fair value adjustments	1,694	—	1,694	—
Other	21	3,273	(3,252)	(99.4%)
Adjusted EBITDA	52,834	43,165	9,669	22.4%

Strategic Partners and Eliminations

(\$ in 000's)	For the year ended December 31			
	2017	2016	\$ Change	% Change
Revenue	63,618	55,835	7,783	13.9%
Gross profit	13,290	6,740	6,550	97.2%
Gross profit margin	20.9%	12.1%	—	8.8%
Earnings from operations	7,340	2,197	5,143	234.1%
Operating margin	11.5%	3.9%	—	7.6%
Adjusted EBITDA	8,643	3,629	5,014	138.2%
Adjusted EBITDA margin	13.6%	6.5%	—	7.1%

The following table provides a reconciliation from earnings from operations to Adjusted EBITDA for the twelve months ended December 31, 2017 and December 31, 2016.

(\$ in 000's)	For the year ended December 31			
	2017	2016	\$ Change	% Change
Earnings from operations	7,340	2,197	5,143	234.1%
Depreciation of property, plant, and equipment	1,303	1,432	(129)	(9.0%)
Adjusted EBITDA	8,643	3,629	5,014	138.2%

Revenue

Revenue increased 21.1%, or \$52.3 million, to \$300.6 million in 2017. Of the increase, 17.8% was due to the inclusion of eleven months of operating results for Body Plus and Sonoma. Excluding revenue from acquisitions, revenue increased by 3.3% compared to the prior year including \$9.5 in the Jamieson Brands segment offset by a \$1.5 million decrease in the Strategic Partners segment, of which \$14.3 million relates to the switch from a turnkey to tolling arrangement for a major customer. After adjusting for the switch to tolling, consolidated revenue grew by 9.5% on an organic basis.

Revenue in the Jamieson Brands segment increased 23.1%, or \$44.5 million, to \$237.0 million in 2017 due to the impact of \$35.0 million or an 18.2% increase from the acquisition of Body Plus and a year over year increase of 4.9% in our domestic and international brands. Our domestic branded business increased by \$10.5 million driven from the success of our Essentials marketing campaign and media promotions, offsetting significant prior year growth from the relaunch of our multivitamins. Included in our domestic branded business is a decrease in sales from innovation of \$1.0 million. Revenue from innovations was \$6.0 million in 2017 compared to \$7.0 million in 2016, which was related to the type, timing and the usage cycle associated with the products

released in the respective year. Within our Jamieson legacy brands, we have launched 38 products in 2017 compared to 30 products in 2016. Our international branded business decreased by \$1.0 million partially due to unfavorable USD/CAD exchange rate impact of \$0.5 million with remaining decrease due to timing of sales to Asia offsetting increased sales in Europe and the Middle East.

Revenue in the Strategic Partners segment increased 13.9%, or \$7.8 million, to \$63.6 million in 2017. In fiscal 2016, a major customer changed a significant number of its products from a turnkey to a tolling arrangement. On a consistent tolling basis, revenue in the Strategic Partners segment increased by \$22.1 million to \$63.6 million in 2017 from \$41.5 million in 2016. Of the increase, \$9.3 million was attributable to the Sonoma acquisition while \$12.8 million was due to our success in securing additional volume from existing customers and strong consumer demand for customer branded products.

Gross profit

Gross profit increased by 29.7%, or \$24.0 million, to \$104.8 million in 2017. The increase was primarily due to an increase in revenue from the Jamieson Brands segment combined with an increase in activity within the Strategic Partners segment. Gross profit margin increased by 230 basis points to 34.9% in 2017 leveraging on increased Body Plus and Sonoma volumes combined with the impact of our change from a turnkey to tolling with a major customer.

Gross profit in the Jamieson Brands segment increased \$17.5 million, to \$91.6 million in 2017. Gross profit pertaining to the eleven months of operating results for Body Plus in 2017 accounted for \$12.2 million of the increase while the remaining increase was driven by higher volume with a constant gross profit margin. Gross profit margin remained relatively consistent to prior year at 38.6% in 2017 due to lower Body Plus margin impacted by \$1.7 million of amortization of fair value adjustment of inventory included within cost of sales offset by raw material purchasing savings and improved plant efficiencies.

Gross profit in the Strategic Partners segment increased \$6.6 million, to \$13.3 million in 2017. Gross profit pertaining to the eleven months of operating results for Sonoma in 2017 accounted for \$3.9 million of the increase while the remaining increase was driven by higher volume and gross profit margin improvements. Gross profit margin increased to 20.9% in 2017 due to the change to a tolling arrangement, the impact of adding higher margin Sonoma activity, favourable product mix, raw material purchasing savings, and improved plant efficiencies.

Selling, general and administrative expenses

SG&A expenses increased by 19.5%, or \$8.8 million, to \$53.6 million in 2017. In the Jamieson Brands segment, SG&A expenses increased by \$7.3 million in 2017 primarily due to the acquisition of Body Plus adding \$6.7 million in costs, \$3.9 million primarily due to higher variable compensation costs, \$0.9 million of public company costs, offset by a decrease in non-recurring consulting services of \$1.5 million and marketing expenses of \$2.7 million. In the Strategic Partners segment, SG&A expenses increased by \$1.4 million in 2017 primarily due to the acquisition of Sonoma for \$1.5 million while spending decreased slightly at \$0.1 million in the legacy Strategic Partners business.

Share-based compensation

Share-based compensation increased 28.2%, or \$1.4 million, to \$6.3 million in 2017. This was mainly due to \$2.7 million in accelerated vesting of certain options granted to our directors, officers and employees under the Legacy Option Plan and \$0.9 million in additional grants of options under the LTIP partially offset by a decrease of \$2.2 million on account of shares in escrow related to the acquisition of the assets of LVHS.

Earnings from operations and operating margin

Earnings from operations increased 44.8%, or \$13.9 million, to \$44.9 million in 2017. Of the increase, 25.5% was due to the inclusion of eleven months of operating results for Body Plus and Sonoma in 2017 of \$5.5 million and \$2.4 million, respectively. The remaining increase was due to higher volumes in both the legacy Jamieson Brands and Strategic Partners segments, partially offset by higher SG&A expenses and share-based compensation. Operating margin increased 240 basis points to 14.9% in 2017 mainly driven by gross profit margin improvements. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Operating margin increased by 430 basis points to 15.2% in 2017 compared to 10.9% in 2016.

Earnings from operations in the Jamieson Brands segment increased 30.3%, or \$8.8 million, to \$37.6 million in 2017. Earnings from operations was driven by the acquisition of Body Plus, higher volume in the legacy Jamieson Brands segment, partially offset by higher SG&A expenses and the acceleration of share-based compensation. Operating margin increased to 15.9% in 2017 from 15.0% in 2016 mainly due to a decrease in SG&A expenses as a percentage of revenue. Normalizing for the impact of short-term

compensation in the prior year and public company costs in the current year, Operating margin increased by 320 basis points to 16.2% in 2017 compared to 13.0% in 2016.

Earnings from operations in the Strategic Partners segment increased \$5.1 million to \$7.3 million in 2017. Earnings from operations was driven by the acquisition of Sonoma, higher volume in the legacy Strategic Partners segment net of tolling impact, favourable product mix, raw material purchasing savings and improved plant utilization. Operating margin increased to 11.5% in 2017 compared to 3.9% in 2016 due to the change to a tolling arrangement, favourable product mix, raw material purchasing savings, and improved plant efficiencies offset by higher fixed costs as a percentage of revenue.

Foreign exchange loss (gain)

Foreign exchange was a loss of \$0.3 million in 2017 compared to a gain of \$0.2 million in 2016. The change was due to fluctuations in USD/CAD exchange rates between the date of the transaction and when cash was settled.

Termination benefits and related costs

Termination benefits and related costs increased by \$2.7 million to \$4.1 million in 2017. As management continually assesses and enhances current processes, reorganization activities are undertaken intermittently in order to gain flexibility and improve efficiency. The costs related to both years are mainly comprised of severance costs and salary continuance.

Public offering costs

Public offering costs of \$10.7 million in 2017 is related to our Initial Offering (refer to “*Initial Public Offering*”) and our Secondary Offering (refer to “*Secondary Offering*”).

Acquisition costs

Acquisition costs of \$2.4 million in 2017 were related to acquisition of Body Plus and Sonoma.

Other expenses

Other expense of \$9.4 million in 2017 is mainly related to deferred consideration in relation to the acquisition of Body Plus and Sonoma for \$8.4 million, other non-recurring consulting services of \$0.7 million, costs relating to our labour agreement for \$0.2 million and other advisory fees of \$0.1 million.

Preferred share accretion

Preferred share accretion decreased by \$1.6 million to \$28.8 million in 2017. The decrease is tied to the change in the underlying fair value of our Company based on a multiple of Adjusted EBITDA up to the date of our Initial Offering. The preferred share obligation was eliminated in conjunction with the Reorganization (refer to “*Initial Public Offering*” section above), as all of the preferred shares have been converted into common shares in connection with the Initial Offering.

Interest expense and other financing costs

Interest expense and other financing costs decreased by \$18.2 million to \$4.7 million in 2017. This was primarily due to interest forgiveness on our note payable to Finco for \$13.0 million, lower interest of \$4.1 million, lower interest rates on outstanding debt under the new credit facility for \$4.6 million, offset by higher amortization of deferred financing fees of \$3.5 million driven by the write-off of the remaining balance when we extinguished both the revolving credit facility with Wells Fargo and our term loan with CPPIB. Our note payable to Finco was discharged in Q2 2017 as part of the Company's Reorganization prior to the Initial Offering. As at December 31, 2017, the weighted average interest rate on the new credit facility was 4.5%.

Provision for income taxes

Provision for income taxes increased by \$4.5 million to \$8.2 million in 2017 mainly driven by higher income before income taxes and the impact of certain expenses such as share-based compensation, purchase consideration accounted for as compensation expense, and preferred share accretion which are not deductible for tax purposes.

Depreciation

Depreciation expense increased by 18.3%, or \$0.8 million, to \$5.1 million in 2017. The increase was primarily due to \$0.2 million depreciation expense from Body Plus and Sonoma and additions to property, plant and equipment which were more heavily weighted towards the latter half of the year in 2016.

Amortization

Amortization expense increased by 5.1%, or \$0.2 million, to \$3.4 million in 2017. The increase was due to eleven months of amortization of intangibles pertaining to \$4.7 million in customer relationships acquired as part of the acquisition of Body Plus and Sonoma which are amortized straight line over 25 years.

EBITDA and Adjusted EBITDA

EBITDA decreased by \$13.0 million to \$26.4 million in 2017 primarily due to the factors discussed above.

Adjusted EBITDA increased by 31.4%, or \$14.7 million, to \$61.5 million in 2017. The increase was due in part to the inclusion of operating results for Body Plus and Sonoma in 2017 of \$7.4 million and \$2.6 million, respectively. The remaining increase is due to higher earnings from operations in the legacy Jamieson Brands and legacy Strategic Partners segments. Adjusted EBITDA margin increased 160 basis points to 20.5% in 2017 primarily driven by gross profit margin improvements and lower fixed costs as a percentage of revenue. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Adjusted EBITDA margin increased by 340 basis points to 20.7% in 2017 compared to 17.3% in 2016.

Adjusted EBITDA in the Jamieson Brands segment increased 22.4%, or \$9.7 million, to \$52.8 million in 2017. The increase was driven by the acquisition of Body Plus, higher volume in the legacy Jamieson Brands segment, partially offset by higher SG&A expenses. Adjusted EBITDA margin remained relatively consistent at 22.3% in 2017 mainly due to a decrease in SG&A expenses as a percentage of revenue offset by a decrease in EBITDA adjustments as a percentage of revenue. Normalizing for the impact of short-term compensation in the prior year and public company costs in the current year, Adjusted EBITDA margin increased by 230 basis points to 22.7% in 2017 compared to 20.4% in 2016.

Adjusted EBITDA in the Strategic Partners segment increased \$5.0 million to \$8.6 million in 2017. The increase is driven by the acquisition of Sonoma, higher volume in the legacy Strategic Partners segment net of tolling impact, and Adjusted EBITDA margin improvements. Adjusted EBITDA margin increased 710 basis points to 13.6% in 2017 due to the change to a tolling arrangement, higher margin Sonoma activity, favourable product mix, raw material purchasing savings and improved plant efficiencies.

Summary of Consolidated Quarterly Results

The following is a summary of selected consolidated financial information for each of the eight most recently completed quarters prepared in accordance with IFRS. Due to the factors below, the results of operations for any quarter are not necessarily indicative of the result of operations for the fiscal year.

(\$ in 000's, except share and per share amounts)	2017				
	Q4	Q3	Q2	Q1	Total
Revenue by segment					
Branded Business	65,545	61,889	56,647	52,920	237,001
Strategic Partners	18,773	18,256	14,608	11,981	63,618
Total revenue	84,318	80,145	71,255	64,901	300,619
Earnings from operations	14,933	11,281	10,699	8,022	44,935
Net income (loss)	3,733	1,089	(6,958)	(21,651)	(23,787)
Adjusted net income	9,749	7,793	7,870	2,170	27,582
EBITDA	11,194	8,346	3,255	3,605	26,400
Adjusted EBITDA	18,848	16,134	15,071	11,424	61,477
Basic, earnings (loss) per share	0.10	(0.24)	(13.37)	(41.62)	(1.79)
Diluted, earnings (loss) per share	0.09	(0.24)	(13.37)	(41.62)	(1.79)
Adjusted Diluted, earnings (loss) per share	0.25	0.20	0.20	0.05	0.70

	2016				
(\$ in 000's, except share and per share amounts)	Q4	Q3	Q2	Q1	Total
Revenue by segment					
Branded Business	55,188	45,882	47,024	44,402	192,496
Strategic Partners	10,507	9,381	19,992	15,955	55,835
Total revenue	65,695	55,263	67,016	60,357	248,331
Earnings from operations	11,464	7,370	8,244	3,963	31,041
Net income (loss)	(18,722)	8,313	1,823	(16,580)	(25,166)
Adjusted net income	5,101	2,512	2,944	353	10,910
EBITDA	15,409	8,988	9,769	5,280	39,446
Adjusted EBITDA	14,727	11,292	12,060	8,715	46,794
Basic, earnings (loss) per share	(35.99)	15.98	3.50	(31.87)	(48.37)
Diluted, earnings (loss) per share	(35.99)	0.04	0.07	(31.87)	(48.37)
Adjusted Diluted, earnings (loss) per share	0.13	0.06	0.07	0.01	0.28

Revenue

Jamieson Brands revenue for the last eight quarters were impacted by factors including the following:

- the impact of innovation, both in adjacent categories and within our core VMS portfolio;
- shipment fluctuations in our international markets;
- the volume and timing of promotion and media;
- the volume of inventory and timing of shipments to distributors and retailers;
- seasonality; and
- foreign currency fluctuations.

Strategic Partners revenue for the last eight quarters were impacted by factors including the following:

- available capacity when considering demand for Branded Products, resulting in less Strategic Partners revenue;
- innovation and geographic demand for high quality certified manufacturers;
- the impact of a change from a turnkey arrangement to tolling for certain products;
- periodic price increases to recapture cost escalation; and
- foreign currency fluctuations.

Earnings from operations

Earnings from operations for the last eight quarters were impacted by factors including the following:

- revenue factors impacting price and volume noted above;
- return on incremental promotion and media spend;
- improvements in production efficiencies and higher economies of scale;
- raw material costs in native currency; and
- foreign currency fluctuations.

Selected Annual Information

The following selected annual information is shown for the three most recently completed financial years:

(\$ in 000's, except share and per share amounts)	For the year ended December 31		
	2017	2016	2015
Revenue	300,619	248,331	230,865
Earnings from operations	44,935	31,041	25,527
Net income (loss)	(23,787)	(25,166)	(95,382)
Adjusted net income	27,582	10,910	8,655
EBITDA	26,400	39,446	31,109
Adjusted EBITDA	61,477	46,794	44,523
Basic, earnings (loss) per share	(1.79)	(48.37)	(183.34)
Diluted, earnings (loss) per share	(1.79)	(48.37)	(183.34)
Adjusted Diluted, earnings (loss) per share	0.70	0.28	0.22
Selected Consolidated Financial Position Data:			
Total assets	512,555	405,179	403,867
Total non-current liabilities	210,012	305,023	296,589

Over the three year period, revenue increased year over year driven by growth in the Jamieson Brands segment through innovations and international expansion, growth in the Strategic Partners segment through increased business with existing and new customers, and additional revenue through acquisitions (refer to the “Acquisitions” section below). Total assets have increased over the three year period reflecting acquisitions and strategic investments in property, plant, and equipment designed to improve efficiency or expand capacity.

Dividends declared for the year ended December 31, 2017:

Cash dividends per common share:				0.16			
Cash dividends per each former class of preferred share:							
Class A	0.419	Class G	0.921	Class M	0.853	Class S	0.371
Class B	1.022	Class H	0.920	Class N	0.754	Class T	0.243
Class C	0.929	Class I	0.916	Class O	0.749	Class U	0.254
Class D	0.928	Class J	0.912	Class P	0.746	Class V	0.229
Class E	0.923	Class K	—	Class Q	0.740	Class W	0.001
Class F	0.922	Class L	0.905	Class R	—		

In 2017, immediately prior to the closing of the Initial Offering (refer to the “Initial Public Offering” section above) the Company declared accrued and unpaid dividends (at 4.5% compounded quarterly) on the then outstanding Class A to V and Class W preferred shares in an aggregate amount of \$9.6 million. The Company also declared cash dividend for the second and third quarter of 2017 for \$0.08 per common share and \$0.08 per common share, respectively. No dividends were paid in 2016 and 2015.

Liquidity and Capital Resources

Overview

Our principal uses of funds are for operating expenses, capital expenditures, finance costs, and debt service. Management believes that cash generated from operations, together with amounts available under the Credit Facilities (refer to “Credit Facilities” section below) and net proceeds raised through the Initial Offering (refer to the “Initial Public Offering” section above) will be sufficient to meet our future operating expenses, capital expenditures, and future debt service costs. Our Company incurred operating losses in Q1 and Q2 of 2017 due to the preferred share accretion and had a working capital deficiency resulting from classification as a liability of the redeemable preferred share obligation issued to CCMP. The preferred share obligation and the associated working

capital deficiency have been eliminated in conjunction with the Reorganization (refer to “*Initial Public Offering*” section above), as all of the preferred shares have been converted into common shares in connection with the Initial Offering.

While operations continue to provide cash, our primary use of cash was for the acquisition of Body Plus and Sonoma. Our total acquisition of businesses was \$82.5 million and we incurred capital expenditures of \$4.7 million in 2017. In 2016, our total capital expenditures were \$4.7 million, and there were no expenditures for the acquisition of businesses.

Our primary liquidity and capital requirements are for capital expenditures, working capital and general corporate needs. We have cash and availability under the Revolving Credit Facility (refer to “*Credit Facilities*” section below) that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business (primarily through working capital and capital expenditures), repay short-term obligations and for general corporate purposes. We believe that cash from operations, together with our cash balance and the Revolving Credit Facility will be enough to meet ongoing capital expenditures, working capital requirements and other cash needs.

Our ability to fund future debt service costs, operating expenses, and capital expenditures will depend on our future operating performance which will be affected by general economic, financial and other factors including factors beyond our control (refer to “*Risk Factors*”). From time to time, our management reviews acquisition opportunities and if suitable opportunities arise, may make selected acquisitions to implement our business strategy. Historically, the funding for any such acquisitions has come from cash flow from operating activities and additional debt.

Credit Facilities

Total outstanding debt as at December 31, 2016 was comprised of a term loan agreement with CPPIB with \$155.9 million in drawings and an unused \$45.0 million revolving credit facility with Wells Fargo. Both the revolving credit facility with Wells Fargo and the term loan with CPPIB were extinguished on January 31, 2017.

On January 31, 2017, JLL entered into a credit agreement (the “Credit Agreement”) with a syndicate of lenders. The Credit Agreement is comprised of a revolving credit facility (the “Revolving Credit Facility”) in the amount of \$75.0 million (including a \$10.0 million swingline facility) and a \$195.0 million term loan facility (the “Term Loan Facility” and together with the Revolving Credit Facility, the “Credit Facilities”), each maturing on January 31, 2021. The Credit Agreement provides an additional \$60.0 million in availability upon the exercising of an accordion feature. The Term Loan Facility was advanced to finance JLL’s acquisition of Body Plus and Sonoma and to pay related fees, costs and expenses and to refinance existing indebtedness of JLL. As at December 31, 2017, the aggregate amount outstanding under the Credit Facilities was approximately \$167.7 million (\$30.0 million under the Revolving Credit Facility and \$137.7 million under the Term Loan Facility) and the weighted average interest rate on this facility was 4.5%.

For the three and twelve month periods ended December 31, 2017, JLL made drawings of \$nil and \$195.0 million, respectively, and debt repayments of \$2.4 million and \$57.3 million, respectively, applied against the term credit facility. For the three and twelve month periods ended December 31, 2017, JLL made drawings of \$nil and \$46.0 million, respectively, and debt repayments of \$6.2 million and \$16.0 million, respectively, applied against the revolving credit facility.

The Credit Facilities contain restrictive covenants customary for credit facilities of this nature, including the maintenance of a minimum interest coverage ratio and a maximum leverage ratio. Quarterly repayment on the Credit Facilities is 1.25% through to December 31, 2018 and 1.875% through to December 31, 2020 thereafter with all amounts outstanding due on maturity date.

Analysis of Cash Flows – three months ended December 31, 2017 and 2016

(\$ in 000's)	Three months ended December 31		\$ Change	% Change
	2017	2016		
Cash, beginning of period	1,196	9,822	(8,626)	(87.8%)
Cash flows from (used in):				
Operating activities	17,552	12,643	4,909	38.8%
Investing activities	(2,414)	(1,358)	(1,056)	(77.8%)
Financing activities	(11,501)	(5,226)	(6,275)	(120.1%)
Cash, end of period	4,833	15,881	(11,048)	(69.6%)

Cash Flows Generated from Operating Activities

In Q4 2017, cash flows generated from operating activities totalled \$17.6 million, compared to cash flows generated of \$12.6 million for the same period in the prior year. The increase is due to cash generated in operating activities before working capital considerations of \$0.8 million and an increase in cash generated in working capital of \$4.1 million. The increase of cash generated from working capital is primarily driven from the drawdown of inventory from shipments for cough and cold season and a reduction of accounts receivable due to timing of collection from major customers.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in Q4 2017 totalled \$2.4 million compared to cash flows used of \$1.4 million for the same period in the prior year. This is mainly due to expenditures for property, plant, and equipment which fluctuate based on scheduled preventative maintenance as well as the timing and availability of strategic investment opportunities designed to improve efficiency and/or expand capacity.

Cash Flows Used in Financing Activities

Cash flows used in financing activities in Q4 2017 totalled \$11.5 million compared to cash flows used of \$5.2 million for the same period in the prior year. In Q4 2017, we made debt repayments (net of drawings) of \$6.2 million and \$2.4 million from our Revolving Credit Facility and Term Loan Facility respectively, along with issuance of \$3.0 million of dividends to common shareholders offset by cash generated from the exercise of stock option for \$0.1 million. In Q4 2016, cash flows used in financing activities was primarily due to settlement of the shareholder note related to the acquisition of JLL on January 31, 2014.

Analysis of Cash Flows – twelve months ended December 31, 2017 and 2016

(\$ in 000's)	For the year ended December 31			
	2017	2016	\$ Change	% Change
Cash, beginning of period	15,881	2,325	13,556	583.1%
Cash flows from (used in):				
Operating activities	17,845	29,009	(11,164)	(38.5%)
Investing activities	(87,486)	(4,710)	(82,776)	(1757.5%)
Financing activities	58,593	(10,743)	69,336	645.4%
Cash, end of period	4,833	15,881	(11,048)	(69.6%)

Cash Flows Generated from Operating Activities

For 2017, cash flows generated from operating activities totalled \$17.8 million, compared to \$29.0 million for 2016. The decrease is due to cash used in working capital of \$11.4 million partially offset by cash generated from operating activities before working capital considerations of \$0.2 million. The decrease in cash generated from working capital includes the impact of higher accounts receivable due to timing of collection from major customers and planned inventory build in preparation for expanded promotions and safety stock for top-selling SKUs to improve efficiencies and mitigate risk of out-of-stocks.

Cash Flows Used in Investing Activities

Cash flows used in investing activities in 2017 totalled \$87.5 million compared to \$4.7 million in the prior year. This is mainly due to the acquisition of Body Plus and Sonoma for \$82.5 million. The remaining balance relates to expenditures for property, plant, and equipment which fluctuates based on scheduled preventative maintenance as well as the timing and availability of strategic investment opportunities designed to improve efficiency and/or expand capacity.

Cash Flows Generated from (Used in) Financing Activities

For 2017, cash flows generated from financing activities totalled \$58.6 million, compared to cash used in financing activities of \$10.7 million in 2016. In 2017, the Initial Offering generated net proceeds net of transaction costs to the Company of \$230.2 million, we made drawings of \$241.0 million from our Credit Facilities, and we received \$1.3 million from the issuance of redeemable preferred shares and \$0.1 million from the exercise of stock option. This was offset by total debt repayment of \$229.2 million, a return of capital on the then outstanding Class A to V preferred shares of \$65.1 million, a repayment of our note payable to Finco of \$94.6 million, Finco Tax Payable of \$3.7 million, financing costs of \$5.8 million, dividends on the then outstanding Class A to V and Class W preferred shares of \$9.6 million and \$6.0 million of dividends to common shareholders. In the same period in the prior year, our Company repaid long term debt of \$5.7 million and made payments of 5.0 million to a former shareholder.

Acquisitions

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

Consideration for the acquisition totalled \$82.5 million (net of cash acquired), plus acquisition costs of \$3.2 million which were recognized in the consolidated statements of operations and comprehensive income (loss) of the Company for the year ended December 31, 2017, except for approximately \$0.8 million of the acquisition costs which the Company recognized during the year ended December 31, 2016. The purchase price was funded with cash. An additional \$1.9 million was set aside to be paid as a retention bonus to key employees of Body Plus and Sonoma, subject to these individuals remaining employed for 12 and/or 18 months following the closing of the acquisition. Further, pursuant to the purchase agreement, the former owner is entitled to a \$7.5 million payment (the "Holdback Amount") from JLL subject to a consulting agreement entered into between JLL and the former owner, if the consulting relationship continues for 12 months following the closing of the acquisition. On January 31, 2018 the Company paid the former owner \$5.5 million (representing a \$2.0 million reduction) in exchange for the Company releasing the former owner from certain of the Company's post-closing indemnification rights under the purchase agreement. In accordance with IFRS 3 "Business Combination", the deferred compensation of \$9.4 million comprised of the Holdback Amount and the retention bonus have been accounted for as deferred compensation.

During the year ended December 31, 2017 the Company has recognized \$8.4 million of deferred compensation in the other expense line on the consolidated statements of operations and comprehensive income (loss).

Body Plus markets, develops and distributes premium quality sports nutrition products under the Progressive, Precision and Iron Vegan brands. Sonoma manufactures, develops and distributes sports nutrition products, supplements and also provides contract manufacturing services. In addition to expanding into a growing adjacent category within the consumer health industry, these acquisitions increased our presence in the health food store and other specialty retail channels, while expanding our R&D and manufacturing capabilities.

Contractual Obligations

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at December 31, 2017.

(\$ in 000's)	2018	2019-2022	Thereafter	Total
Operating leases	\$ 1,766	\$ 1,726	\$ —	\$ 3,492
Trade and other payable	66,621	—	—	66,621
Revolving credit facility ⁽¹⁾	—	30,000	—	30,000
Term credit facility ⁽¹⁾	9,750	127,938	—	137,688
Total contractual obligations	\$ 78,137	\$ 159,664	\$ —	\$ 237,801

(1) On January 31, 2017, JLL entered into a Credit Agreement with a syndicate of lenders which is comprised of a revolving credit facility and a term loan facility each maturing on January 31, 2021.

Operating lease commitments

We have entered into a number of operating leases for vehicles, production equipment, computer and communications equipment, office equipment and office space. Total minimum lease payments payable in future years is \$3.5 million.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Related Party Transactions

Balances and transactions between us and our subsidiaries, have been eliminated on consolidation.

Due to Jamieson Finco LP

On January 30, 2014, Finco subscribed for 3,121,516 common shares, on a post share split basis, in the capital of our Company for proceeds of \$83.5 million. On February 1, 2014, our Company repurchased the common shares it issued to Finco on January 30, 2014 in exchange for a note in the amount of \$83.5 million. The proceeds of the subscription were used by our Company to fund a portion of its acquisition of JLL. The term of the note was seven years and bore an interest rate of 9.75%.

On June 28, 2017, Finco forgave \$13.0 million of accrued interest reducing the principal and accrued interest in respect of the note to \$98.3 million (\$83.5 million principal and \$14.8 million accrued interest). Through a series of transactions, the principal and accrued interest was settled on a net basis in exchange for 94,592,252.49 Class W preferred shares of the Company and we agreed to remit \$3.7 million of tax payable on behalf of Finco (the “Finco Tax Payable”).

The balance of the note as at December 31, 2017 was \$nil (2016 – \$107.3 million) including accrued interest of \$nil (2016 – \$23.8 million).

Share-based compensation

The Company offers share option plans for senior employees and directors as well as an Employee Share Purchase Plan for eligible employees of the Company and its subsidiaries for the purchase of common shares of the Company. Please refer to Note 17 in the accompanying notes of our Company’s audited consolidated annual financial statements for the year ended December 31, 2017 for details of these plans.

Financial Instruments

We primarily use foreign currency forward contracts to manage our exposure to fluctuations with respect to transactions in U.S. dollars such as a portion of trade accounts payable, trade accounts receivable and cash and cash equivalents. These agreements mature at various dates in fiscal 2017 and qualify for hedge accounting as cash flow hedges of future foreign currency transactions. The terms of the foreign currency forward contracts 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 (loss).

Outstanding Share Capital and Redeemable Preferred Shares

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

	Common Shares	
	#	\$
As at December 31, 2016	520,253	400
Issued during the period (net)	15,554,755	233,534
Exercise of options	261,233	174
Exchange of Class A to V preferred shares	21,403,880	800
As at December 31, 2017	37,740,121	234,908

	Class A-V Preferred Shares		Class W Preferred Shares	
	#	\$	#	\$
As at December 31, 2016	21,314,440	197,901	—	—
Issued during the period	96,636	1,391	94,592,252	94,592
Accelerated vesting of preferred shares	—	11,527	—	—
Repurchased during the period	(7,196)	(50)	—	—
Redeemed during the period	(21,403,880)	(239,565)	(94,592,252)	(94,592)
Preferred share accretion during the period	—	28,796	—	—
As at December 31, 2017	—	—	—	—

	Common Shares		Preferred Shares	
	#	\$	#	\$
As at December 31, 2015	520,253	400	21,321,052	167,467
Issued during the year	—	—	7,780	100
Repurchased during the year	—	—	(14,392)	(100)
Preferred share accretion during the period	—	—	—	30,434
As at December 31, 2016	520,253	400	21,314,440	197,901

As at December 31, 2017, 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 preferred shares, issuable in series.

As at June 30, 2017, the authorized share capital consisted of:

- a) Unlimited number of common shares with no par value.
- b) Unlimited number of Class A common shares with no par value.
- c) Unlimited number of convertible and redeemable preferred shares, issuable in series, voting, with a cumulative dividend accruing at 4.5% compounded quarterly as and when declared. Retractable by the holder and redeemable by the Company at an amount that is the greater of: a) the original purchase price plus any declared but unpaid dividends and b) the as-if converted value (convertible 1:1 for common shares, subject to adjustment for declared and unpaid dividends) (the "Class A to V" preferred shares). Prior to any conversion, the preferred shareholder who was converting was entitled to receive a return of capital in an amount equal to the amount paid by the shareholder to the Company for such shares less the value, at the time of the issuance of the preferred shares, of the common shares issuable upon conversion of those preferred shares (the "Return of Capital Right").
- d) Unlimited number of redeemable preferred shares, non-voting with a cumulative dividend accruing at 4.5% compounded quarterly as and when declared. Retractable by the holder and redeemable by the Company at an amount equal to \$1.00 per share plus accrued and unpaid dividends (the "Class W" preferred shares).

On May 25, 2017 preferred shares issued as deferred compensation to LVHS were vested under an accelerated vesting agreement. The accrued compensation had been reclassified to redeemable preferred shares on the consolidated statements of financial position.

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

As part of the Initial Offering, the Company further reorganized its share capital pursuant to the Reorganization. The above description as at June 30, 2017 is a description of the Company's share capital after the receipt of the Rectification Order, after an amendment to the Company's articles to create the Class W preferred shares but prior to the Reorganization (refer to the "Initial Public Offering" section above).

Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management's best judgments and experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Significant judgments made by management in applying our accounting policies and key sources of estimation of uncertainty were the same as those applied and described in Note 3 in the accompanying notes of our Company's audited consolidated annual financial statements for the year ended December 31, 2017. Items subject to significant estimate uncertainty and critical judgements which have the most significant impact on the amounts recognized in the consolidated financial statements are included both below and in the annual audited financial statement notes.

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

We employ 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. We make estimates when determining depreciation methods, depreciation rates and asset useful lives, which requires taking into account industry trends and company-specific factors. We review these decisions at least once each year or when circumstances change. We will change depreciation methods, depreciation rates or asset useful lives if they are different from previous estimates.

Long-lived assets valuation

We perform impairment testing annually for goodwill and indefinite-life intangible assets and when circumstances indicate long-lived assets may be impaired. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying cash-generating units (“CGU”) for the purpose of impairment testing. We assess 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 assumption. 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 our 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.

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 us 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 (loss), and comprehensive income (loss) will be affected in future periods.

Trade merchandise allowances and other trade discounts

We provide for estimated payments to customers based on various trade programs and contracts that often include payments that are contingent upon attainment of specified sales volumes. Significant estimates used to determine these liabilities include: (i) the projected level of sales volume for the relevant period; (ii) customer contracted rates for allowances, discounts, and rebates; and (iii) an amount based on the historical rate of returns. 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. To the extent that payments on trade discounts differ from estimates of the related liability, accounts payable and accrued liabilities, net income (loss), and comprehensive income (loss) will be affected in future periods.

Employee benefit plans

The cost of post-employment medical benefits and the present value of the benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, mortality rates and future benefit cost increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of high quality corporate bonds and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Inflation, health care and dental costs are based on expected trend rates for the respective segment.

Measurement of fair values

A number of our 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 judgement is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of our financial and non-financial assets and liabilities.

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

To the extent that these estimates differ from those realized, the measured asset or liability, net income (loss), and/or comprehensive income (loss) will be affected in future periods.

Taxes

The calculation of current and deferred income taxes requires us to make estimates and assumptions and to exercise judgement regarding the carrying values of assets and liabilities which 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 (loss) 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 judgements may result in a change in our income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

Significant Accounting Policies

Our audited consolidated annual financial statements have been prepared in accordance with IFRS and our significant accounting policies are described in Note 2 in the accompanying notes of our audited consolidated annual financial statements for the year ended December 31, 2017.

Accounting Pronouncements Issued But Not Yet Effective

New accounting pronouncements are issued periodically that affect our current and future operations. We intend to adopt these standards when they become effective.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17, "Leases", and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if entities have also applied IFRS 15.

We are currently evaluating the impact of these new standards, interpretations and amendments on our consolidated financial statements.

IFRS 9 "Financial Instruments: Classification and Measurement"

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment and a new hedge accounting model with corresponding disclosures about risk management activity. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Management plans to adopt the new standard on the effective date, including the new hedge accounting guidance. During 2017, we commenced an assessment of all three aspects of IFRS 9. Based on the assessment performed thus far, the adoption of IFRS 9 is not expected to have a material impact on the consolidated financial statements. We do not intend to restate prior year comparatives and any adjustment will be applied to opening retained earnings as of January 1, 2018.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"), which replaces IAS 18, "Revenue", IAS 11 "Construction Contracts" and various revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model where revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after January 1, 2018.

We are in the process of completing our evaluation of IFRS 15, including the review of our customer contracts. Based on the assessment performed thus far, we do not expect that IFRS 15 will have a material impact on the amount and timing of revenue recognized, however additional disclosure requirements are expected.

IFRS 2 "Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2"

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with

net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. We are assessing the potential effect of the amendments on our consolidated financial statements.

IFRIC Interpretation 23 “Uncertainty over Income Tax Treatment”

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. We will apply interpretation from its effective date, which may affect our consolidated financial statements and the required disclosures. In addition, we may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer (the “Certifying Officers”), along with other members of management, have designed, or caused to be designed under their supervision, Disclosure Controls and Procedures (“DC&P”) to provide reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s DC&P as at December 31, 2017 and have concluded that the Company’s DC&P was effective as at December 31, 2017 subject to the scope limitation described below.

Internal Control over Financial Reporting

The Certifying Officers, along with other members of management, have also designed, or caused to be designed under their supervision, Internal Control over Financial Reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control – Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) to design the Company’s ICFR. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s ICFR as at December 31, 2017 and have concluded that the Company’s ICFR was effective as at December 31, 2017, subject to the scope limitation described below.

There have been no changes in the Company’s ICFR during the three-month period ended December 31, 2017 which have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

Scope Limitation on Disclosure Controls and Procedures and Internal Control over Financial Reporting

As permitted by securities legislation, for the twelve months ended December 31, 2017, we have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of Body Plus and Sonoma, which are wholly-owned subsidiaries of the Company acquired as of January 31, 2017.

Included in our audited consolidated annual financial statements for the year ended December 31, 2017 are the following amounts pertaining to Body Plus and Sonoma, respectively.

(\$ in 000's)		As at December 31, 2017
Selected Financial Position Data:		
Body Plus		
Total assets		89,457
Total non-current liabilities		12,873
Sonoma		
Total assets		9,450
Total non-current liabilities		188

(\$ in 000's)		Three months ended December 31, 2017	For the year ended December 31, 2017 ⁽¹⁾
Selected Statements of Operations Data:			
Body Plus			
Revenue		8,892	34,977
Gross profit		4,001	12,202
Sonoma			
Revenue		2,462	9,262
Gross profit		843	3,878

(1) Results reflect the eleven month period post acquisition as of January 31, 2017.

Limitations of an Internal Control System

We believe that any Disclosure Controls and Procedures or Internal Control over Financial Reporting, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of control is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future conditions.

Outlook

In fiscal 2018, we expect revenue to range between \$325.0 million – \$335.0 million, Adjusted EBITDA to range between \$67.0 million and \$69.0 million and Adjusted diluted earnings per share to range between \$0.83 and \$0.87. Revenue in the Jamieson Brands segment is expected to increase 7% to 10% and be driven by growth in the innovation, international and base business. Revenue in the Strategic Partners segment is expected to grow between 6% and 12% due to strong consumer demand for our customer branded products. We also expect to incur certain non-recurring expenses related to the integration of our existing health food businesses including the consolidation of our separate supply chain activities. The expected Adjusted EBITDA range for fiscal 2018 referred to above reflects the adding back of these expenses, which will impact net income. Our Adjusted Net Income for fiscal 2018 will also reflect the adding back of such expense on a tax-effected basis.

The foregoing financial outlook is based on the following assumptions for fiscal 2018, amongst others:

- the current exchange rate between the U.S. and Canadian dollar whereby U.S.\$1.00 = \$1.25;
- interest rates of 4.5% on borrowing plus our deferred financing fees; and
- income tax rates of approximately 28% based on non-deductible stock compensation expenses and compensation costs related to the acquisition of Body Plus and Sonoma
- a fully diluted share count of approximately 39.8 million shares

The description of our 2018 financial outlook in this MD&A is based on management's current views and strategies, our assumptions and expectations concerning our growth opportunities and our assessment of the opportunities for our business and the consumer health industry as a whole and the VMS and sports nutrition segments of the consumer health industry in particular, and has been calculated using accounting policies that are generally consistent with our current accounting policies. The

description of our 2018 outlook is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. See “*Forward-Looking Information*” and “*Risk Factors*” for a reference to the risks and uncertainties that impact our business and that could cause actual results to vary.

Current Share and Option Information

As of the date hereof, an aggregate of 37,851,516 common shares and no preferred shares are issued and outstanding. As of the date hereof, the Company had 2,952,605 options outstanding.

Additional Information

Additional information relating to our Company, including our most recent quarterly reports and Prospectus are available on SEDAR at www.sedar.com.

Risk Factors

We are exposed to a variety of financial risks in the normal course of operations including credit risk, market risk and liquidity risk, each of which is discussed below. Management oversees the management of these risks. Our 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 us. We are exposed to credit risk from our customers (primarily related to trade accounts receivable) in the normal course of business. We have adopted a policy of only dealing with creditworthy counterparties. To mitigate this risk, we carry out regular credit evaluations and purchase credit insurance for international customers, where appropriate, as a means of mitigating the risk of financial loss from defaults.

We are also exposed to counterparty credit risk inherent in our financing activities, trade receivable insurance and foreign currency derivatives. We have assessed these risks as minimal.

Market Risk

Market risk is comprised of foreign exchange risk, interest rate risk and commodity price 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. Our exposure to the risk of changes in foreign exchange rates relates primarily from transactions in US dollars such as a portion of trade accounts payable, trade accounts receivable and cash.

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. Our accounts receivables and accounts payables are non-interest bearing. Our exposure to the risk of changes in market interest rates arises from long-term debt obligations issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk.

Commodity Price Risk

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

Liquidity Risk

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

We manage our liquidity risk through continuous monitoring of our forecast and actual cash flows and also through the management of our capital structure. We continually revise our available liquid resources as compared to the timing of the payment of liabilities to manage our liquidity risk.

Subsequent Events

On January 31, 2018, the Company paid the former owner of Body Plus and Sonoma a reduced Holdback Amount of \$5.5 million (representing a \$2.0 million reduction) in exchange for the Company transferring the seller the amounts held in escrow in relation to the general and tax indemnities and releasing the former owner from the Company’s post-closing indemnification rights under the purchase agreement (see “*Acquisitions*”).

Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Jamieson Wellness Inc.

We have audited the accompanying consolidated financial statements of Jamieson Wellness Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jamieson Wellness Inc. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada
February 22, 2018

Ernst & Young LLP

Chartered Professional Accountants,
Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of Canadian dollars as at December 31	Notes	2017	2016
Assets			
Current assets			
Cash	5	4,833	15,881
Accounts receivable	6	71,996	52,888
Inventories	7	59,080	36,417
Prepaid expenses and other current assets		1,507	1,787
		137,416	106,973
Non-current assets			
Property, plant and equipment	8	45,173	43,901
Goodwill	9	122,975	94,653
Intangible assets	10	204,264	157,888
Deferred income tax	15	2,727	1,764
Total assets		512,555	405,179
Current liabilities			
Redeemable preferred shares	16	—	197,901
Accounts payable and accrued liabilities	11	66,621	51,077
Income taxes payable	15	4,267	2,688
Derivatives	21	1,081	92
Current portion of long-term debt	13	9,750	—
		81,719	251,758
Long-term liabilities			
Long-term debt	13	153,459	152,777
Note to Jamieson Finco LP	12	—	107,255
Post-retirement benefits	14	4,856	3,797
Deferred income tax	15	51,697	41,194
Total liabilities		291,731	556,781
Shareholders' equity (deficiency)			
Share capital	16	234,908	400
Contributed surplus	17	7,437	2,598
Deficit		(19,486)	(153,724)
Accumulated other comprehensive loss		(2,035)	(876)
Total shareholders' equity (deficiency)		220,824	(151,602)
Total liabilities and shareholders' equity (deficiency)		512,555	405,179
Commitments and contingencies	22		
Events after the reporting period	26		

(see the accompanying notes to the consolidated financial statements)

Approved on behalf of the Board:



Angela Holtham
Director



David Williams
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

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

	Notes	2017	2016
Revenue	23	300,619	248,331
Cost of sales	18	195,770	167,519
Selling, general and administrative expenses	18	53,589	44,837
Share-based compensation	17	6,325	4,934
Earnings from operations		44,935	31,041
Foreign exchange loss (gain)		331	(192)
Termination benefits and related costs		4,132	1,420
Public offering costs	1	10,720	—
Acquisition costs	4	2,444	789
Other expenses (income)	19, 22	9,410	(2,876)
Preferred share accretion	16	28,796	30,434
Interest expense and other financing costs	20	4,733	22,926
Loss before income taxes		(15,631)	(21,460)
Provision for income taxes	15	8,156	3,706
Net loss		(23,787)	(25,166)
<i>Other comprehensive income (loss)</i>			
Actuarial loss not reclassified to net loss	14	(580)	(234)
Income tax		148	60
Net of tax		(432)	(174)
Net movement on cash flow hedges that may be reclassified subsequently to net loss	21	(989)	(3,292)
Income tax		262	839
Net of tax		(727)	(2,453)
Total other comprehensive loss		(1,159)	(2,627)
Comprehensive loss		(24,946)	(27,793)
Loss per share attributable to common shareholders:	24		
Basic, loss per share		(1.79)	(48.37)
Diluted, loss per share		(1.79)	(48.37)
Weighted average number of shares	24		
Basic		18,669,758	520,253
Diluted		18,669,758	520,253

(see the accompanying notes to the consolidated financial statements)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

In thousands of Canadian dollars	Notes	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total Shareholders' equity (deficiency)
As at January 1, 2016		400	1,315	(128,558)	1,751	(125,092)
Net loss for the year		—	—	(25,166)	—	(25,166)
Other comprehensive loss		—	—	—	(2,627)	(2,627)
Share-based compensation	17	—	1,283	—	—	1,283
As at December 31, 2016		400	2,598	(153,724)	(876)	(151,602)
Net loss for the year		—	—	(23,787)	—	(23,787)
Issuance of treasury shares	1	232,126	—	—	—	232,126
Capitalized transaction cost		(1,971)	—	—	—	(1,971)
Taxes realized on transaction costs		3,379	—	—	—	3,379
Redemption of preferred shares	16	800	—	173,662	—	174,462
Exercise of stock options	17	174	—	—	—	174
Preferred share dividend	16	—	—	(9,605)	—	(9,605)
Common share dividend (\$0.16 per share)		—	—	(6,032)	—	(6,032)
Other comprehensive loss		—	—	—	(1,159)	(1,159)
Share-based compensation	17	—	4,839	—	—	4,839
As at December 31, 2017		234,908	7,437	(19,486)	(2,035)	220,824

(see the accompanying notes to the consolidated financial statements)

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars, for the years ended December 31,	Notes	2017	2016
Cash provided by (used in)			
Operating activities			
Net loss		(23,787)	(25,166)
Items not affecting cash			
Depreciation of property, plant and equipment	8	5,106	4,316
Amortization of intangible assets	10	3,396	3,230
Amortization of fair value adjustments		1,694	—
Amortization of deferred financing fees	20	4,490	967
Deferred income taxes		(270)	1,052
Accrued interest	20	(8,966)	8,150
Share-based compensation	17	6,325	4,934
Gain on settlement of deferred purchase consideration	22	—	(2,866)
Former shareholder consideration reclassified as compensation expense	4	8,427	—
Preferred share accretion	16	28,796	30,434
Net change in non-cash working capital		(7,874)	3,491
Others		508	467
		17,845	29,009
Investing activities			
Acquisition of business (net of cash acquired)	4	(82,500)	—
Additions to property, plant and equipment	8	(4,714)	(4,710)
Acquisition of intangible assets	10	(272)	—
		(87,486)	(4,710)
Financing activities			
Proceeds from credit facilities	13	241,000	—
Repayment of credit facilities	13	(229,248)	(5,743)
Financing charges	13	(5,801)	—
Issuance of redeemable preferred shares, net	16	1,341	—
Issuance of common stock, net of transaction costs	16	230,155	—
Return of capital and repayment of Note to Finco	12, 16	(163,391)	—
Dividends to Preferred Shareholders	16	(9,605)	—
Dividends to Common Shareholders		(6,032)	—
Exercise of stock options	16	174	—
Payment to former shareholder	22	—	(5,000)
		58,593	(10,743)
(Decrease) increase in cash		(11,048)	13,556
Cash – Beginning of the year		15,881	2,325
Cash – End of the year		4,833	15,881
Supplemental disclosure			
Amount of income taxes paid		6,187	59
Amount of interest paid		11,423	13,845

(see the accompanying notes to the consolidated financial statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 consolidated financial statements of Jamieson and its subsidiaries for the year ended December 31, 2017 were authorized for issue by the Board of Directors of the Company on February 22, 2018. Jamieson is a company continued under the *Business Corporations Act* (Ontario) (“OBCA”) and resident in Canada. Jamieson’s registered office is located at 66 Wellington Street West, Suite 5300, TD Bank Tower, Toronto, ON, M5K 1E6.

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

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

On October 18, 2017, a secondary offering (the “Secondary Offering”) by certain shareholders of the Company (the “Secondary Offering Shareholders”) of common shares, including the sale by the former majority shareholder of the Company (being entities (collectively, the “CCMP Shareholders”) that CCMP Capital Advisors, LP provides investment advisory services to) of all the common shares held by the CCMP Shareholders, was completed. The Secondary Offering consisted of 14,778,751 common shares (which includes 1,758,751 common shares that were sold by CCMP to the underwriters upon the exercise in full of the over-allotment option). The offering price of \$18.50 per common share resulted in net proceeds to the Secondary Offering Shareholders of \$262,471 after deducting underwriting commissions of \$10,936.

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

1.2 Subsidiaries

The table below provides a summary of the Company’s subsidiaries. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of common shares, which are held directly or indirectly by the Company. JWELL Holdings Inc. (“JWELL”) was created for certain limited purposes in connection with the Reorganization (as defined in Note 16). JWELL was wound up on July 4, 2017 but has not yet been formally dissolved. For each of the subsidiaries, Canada is their principal place of operations.

As at December 31, Entity	2017 %	2016 %
Jamieson Laboratories Ltd.	100	100
International Nutrient Technologies Limited	100	100
JWELL Holdings Inc.	100	—
Body Plus Nutritional Products Inc.	100	—
Sonoma Nutraceuticals Inc.	100	—

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 share-based compensation and post-retirement benefit plans 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.

Share split

As a result of the one-to-20.81010939 share split, effected July 5, 2017, all current and historical period per share data and number of common shares, Class A to V preferred shares (as defined in Note 16) and options outstanding in these consolidated financial statements are presented on a post share split basis.

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 loss.

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.

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 (loss).

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 statement 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:

- Accounting policy disclosures Note 2.3.3
- Disclosures for valuation methods, significant estimates and assumptions Notes 3, 9 and 16
- Quantitative disclosures of fair value measurement hierarchy Note 21
- Financial instruments (including those carried at amortized cost) Notes 13 and 21

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, as well as providing contract manufacturing services and the sale of product to strategic partners. The Company recognizes revenue from product sales at the fair value of the consideration received or receivable, net of estimated returns and an estimate of sales incentives provided to customers excluding taxes or duty. Revenue is recognized when the customer takes ownership of the product, title has transferred, all the risks and rewards of ownership have transferred to the customer, recovery of the consideration is probable, the Company has satisfied its performance obligations under the arrangement, and has no ongoing involvement with the sold product. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. A portion of the Company's revenues derived from contract manufacturing services provided to customers in its Strategic Partners Business is under a tolling arrangement where the customer supplies the Company with a raw material or ingredient. Revenue is recognized net of the cost of the raw material or ingredient supplied by the customer.

The value of sales incentives provided to customers is estimated using historical trends and is recognized at the time of sale as a reduction of revenue. Sales incentives include rebate and promotional programs provided to the Company's customers. These rebates are based on achievement of specified volume or growth in volume levels and other agreed promotional activities. In subsequent periods, the Company monitors the performance of customers against agreed-upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required. A provision for returns and sales provisions is recognized at the time the product is sold and recognized as a reduction to revenue.

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. All subsidiaries' functional currency is the Canadian dollar.

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.

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 statement of operations and comprehensive loss. 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 other comprehensive income ("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 (loss).

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 years
Machinery and equipment	4 – 10 years
Furniture and fixtures	4 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 loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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

Customer relationships	25 – 30 years
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.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (“FVTPL”), loans and receivables, held-to-maturity (“HTM”) investments, available-for-sale (“AFS”) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, other liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets and liabilities are recognized initially at fair value plus, in the case of financial instruments classified as loans and receivables, HTM investments, and other liabilities, transaction costs that are attributable to the acquisition of the financial instrument, which are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

The Company has made the following financial instrument classifications:

Cash	FVTPL
Accounts receivable	Loans and receivables
Redeemable preferred shares	FVTPL
Accounts payable and accrued liabilities	Other liabilities
Note to Jamieson Finco LP	Other liabilities
Current portion of long-term debt	Other liabilities
Long-term debt	Other liabilities
Derivatives	FVTPL

Subsequent measurement

The subsequent measurement of financial assets and financial liabilities depends on their classification as described below:

Financial assets and financial liabilities at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Foreign exchange forward contracts classified as FVTPL are carried in the consolidated statements of financial position at fair value with net changes in fair value presented as foreign exchange loss (gain) in the consolidated statements of operations and comprehensive loss, unless designated in an effective hedging relationship. Financial liabilities at FVTPL include redeemable preferred shares designated as FVTPL due to the existence of embedded derivatives as a result of the conversion and retraction features.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate ("EIR") method, less impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statement of operations and comprehensive loss. Any losses arising from impairment are recognized in the consolidated statements of operations and comprehensive loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Impairment of financial assets carried at amortized cost

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as a reduction to the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of operations and comprehensive loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Other liabilities

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of operations and comprehensive loss through the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability. The EIR amortization is included in interest expense in the consolidated statements of operations and comprehensive loss.

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 loss.

2.3.10 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as foreign exchange forward contracts to hedge its foreign currency risks. 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 (loss).

The Company uses hedge accounting for highly probable forecasted transactions. 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 until the hedged item affects net earnings.

When a cash flow hedge is discontinued or derecognized, any cumulative adjustment to either the hedged item or other comprehensive income (loss) is recognized in net income (loss). If a designated hedge is no longer effective, the associated derivative instrument is subsequently carried at fair value through net income (loss) without any offset from the hedged item.

2.3.11 Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw materials

Purchase cost on a first-in, first-out basis.

Finished goods and work in progress

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.

Inventory provision

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 8
- Goodwill and intangible assets Notes 9 and 10

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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or 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 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 (loss) in those expense categories consistent with the function of the impaired asset.

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 loss. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3.13 Cash

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

2.3.14 Provisions**General**

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 (see Note 14) 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 pro-rated 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, 2017.

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 loss 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 (loss) in subsequent periods.

2.3.16 Share-based compensation

The Company has a share option plan for senior employees and directors from which options to purchase common shares of the Company are issued. Options may not be granted with an exercise price of less than fair value at grant date. The awards have no cash settlement alternatives.

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.

Legacy Option Plan

In connection with the Offering, on July 5, 2017 the Legacy Option Plan was amended and restated and option exchange agreements were entered into such that, among other things: (i) options issued under the Legacy Option Plan became exercisable for common shares (rather than Class A common shares, which were a part of the authorized share capital of the Company prior to the Reorganization (as described in Note 16)); and (ii) adjustments were made to reflect the share split.

The vesting requirements are service and performance based and the options have a contractual life of no more than 10 years. Options had an exercise price equal to no less than the market price on the date of grant. The share price on the date of grant was estimated by the Company by calculating the fair value of the Company using a capitalized adjusted EBITDA approach and determining the residual value attributable to common shareholders.

No further awards may be made under the Legacy Option Plan.

Time-based share options

The Company granted time-based share options to directors, officers and employees to purchase common shares of the Company, which vested over four years with the vesting period generally beginning on the date of grant, but in some cases on an earlier date tied to the beginning of the individual's employment with the Company (vesting 50% on each of the third and fourth anniversary from the beginning of the vesting period).

The resulting share-based compensation cost is recognized based on the graded vested method of accounting with the corresponding credit to contributed surplus over the vesting period, typically four years, which is considered a contribution as the share option plan is settled in shares of the Company.

Performance-based share options

The Company granted performance-based share options to certain employees to purchase common shares of the Company. These options vest based on the achievement of specified targets, which range from two to three times Intrepid's initial investment in JLL plus a preferred return. The Company has concluded that the specified target represents a market condition, and thus, recognizes the compensation cost over the estimated vesting period irrespective of whether the market condition is satisfied provided that service conditions are satisfied. The corresponding credit is recognized as contributed surplus and is considered a contribution as the share option plan is settled in shares of the Company.

Fair value measurement of share options granted under the Legacy Option Plan

The fair value of time-based and performance-based options is determined using a binomial option valuation model, which requires the Company to develop a scenario analysis by forecasting several estimated outcomes, including forecasting the consideration the Company may achieve on the sale of the Company and associating a probability to each. Other inputs to the valuation model include discount rate, estimated life and fair value of the Company at the grant date.

Long-term incentive plan

In conjunction with the Offering, the Company adopted a long-term incentive plan ("LTIP"). Pursuant to the LTIP, 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 or vest at a rate of 25% per year on each anniversary date from the beginning of

the vesting period. Options granted to persons other than directors of the Company vest at a rate of 25% 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.

Fair value measurement of share options granted under the LTIP

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

Employee-share purchase plan

The Company maintains an Employee Stock 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 stock purchases through payroll deductions at a rate equal to any whole percentage from 1 percent to 10 percent.

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 and ESPP plans combined.

2.3.17 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of operations and comprehensive loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The Company does not have any finance lease arrangements.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statements of operations and comprehensive loss 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.

Judgments

The Company has identified the following judgments, apart from estimates, that management had 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.

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.

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 judgement 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.

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 (loss), and comprehensive income (loss) will be affected in future periods.

Trade merchandise allowances, return provision, and other trade discounts

The Company provides for estimated payments to customers based on various trade programs and contracts that often include payments that are contingent upon attainment of specified sales volumes. Significant estimates used to determine these liabilities include: (i) the projected level of sales volume for the relevant period; (ii) customer contracted rates for allowances, discounts, and rebates; and (iii) an amount based on the historical rate of returns. 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. To the extent that payments on trade discounts differ from estimates of the related liability, accounts payable and accrued liabilities, net income (loss), and comprehensive income (loss) will be affected in future periods.

Employee benefit plans

The cost of post-employment medical benefits and the present value of the benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, mortality rates and future benefit cost increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of high quality corporate bonds and extrapolates as needed along the yield curve to correspond with the

expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Inflation, health care and dental costs are based on expected trend rates for the respective segment.

Further details about the Company's post-retirement benefit obligations are provided in Note 14.

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.

Tangible and intangible assets acquired through the business combination 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 (loss), and/or comprehensive income (loss) 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 9, 14, 16, 17 and 21.

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 loss 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.

4. BUSINESS COMBINATIONS

On January 31, 2017, JLL acquired 100% of the outstanding shares of Body Plus Nutritional Products Inc. ("Body Plus") and Sonoma Nutraceuticals Inc. ("Sonoma"), and Body Plus and Sonoma became wholly owned subsidiaries of JLL.

Consideration for the acquisition totalled \$82,500 (net of cash acquired), plus acquisition costs of \$3,233, which were recognized in the consolidated statements of operations and comprehensive loss of the Company for the year ended December 31, 2017, except for approximately \$789 of the acquisition costs, which the Company recognized during the year ended December 31, 2016. The purchase price was funded with cash. An additional \$1,863 is to be paid as a retention bonus (the "Retention Bonus") to key employees of Body Plus and Sonoma, subject to these individuals remaining employed for 12 and/or 18 months following the closing of the acquisition. Pursuant to the purchase agreement, the former owner is entitled to a \$7,500 payment (the "Holdback Amount") subject to a consulting agreement entered into between JLL and the former owner, if the consulting relationship continues for 12 months following the closing of the acquisition. In accordance with IFRS 3 "Business Combinations," the deferred compensation of \$9,363 comprised of the Holdback Amount and the Retention Bonus has been accounted for as deferred compensation.

During the year ended December 31, 2017, the Company has recognized \$8,427 of deferred compensation in the other expense line on the consolidated statements of operations and comprehensive loss.

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

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

	Preliminary fair value as at January 31, 2017 \$	Measurement period fair value adjustments \$	Final fair value as at January 31, 2017 \$
Accounts receivable	5,731	(289)	5,442
Inventories	13,909	(173)	13,736
Prepaid expenses and other current assets	291	1	292
Accounts payable and accrued liabilities	(4,203)	1,324	(2,879)
Property, plant and equipment	1,491	181	1,672
Goodwill	31,802	(3,480)	28,322
Intangible assets	49,500	—	49,500
Income taxes payable	(2,801)	2,794	(7)
Deferred income tax liability	(13,578)	—	(13,578)
Total net assets acquired	82,142	358	82,500

Measurement period fair value adjustments are a result of closing working capital adjustments and a change in estimate of income taxes payable pursuant to the tax indemnity in the purchase agreement.

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

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

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

Since the acquisition of Body Plus and Sonoma, revenues of \$44,239 and net income of \$4,607 have been included in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2017. Had the acquisition occurred at the beginning of the annual reporting period, the revenue and net loss for the Company on a consolidated basis would have been \$304,091 and \$23,480, respectively.

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

5. CASH

Cash comprises cash at the bank.

6. ACCOUNTS RECEIVABLE

As at December 31,	2017 \$	2016 \$
Trade	71,974	52,279
Other miscellaneous receivables	172	1,364
Allowance for doubtful accounts	(150)	(755)
	71,996	52,888

The Company maintains an allowance for doubtful accounts that represents its estimate of the uncollectible amounts based on specific losses estimated on individual exposures and provisions based on historical experience.

The aging of receivables is as follows:

As at December 31,	2017 \$	2016 \$
Current	52,323	42,401
Aged 1 – 30 days past due	17,079	9,416
Aged 31 – 60 days past due	2,247	701
Aged > 60 days past due	497	1,125
Allowance for doubtful accounts	(150)	(755)
	71,996	52,888

7. INVENTORIES

As at December 31,	2017 \$	2016 \$
Raw material and packaging	25,878	12,455
Bulk product and work in process	7,957	8,086
Packaged finished goods	27,760	18,047
Inventory provision	(2,515)	(2,171)
	59,080	36,417
Inventories expensed during the year	161,691	140,437

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

For the year ended December 31, 2017, inventory write-downs of \$1,263 were expensed through cost of sales (2016 – \$1,420).

8. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Buildings \$	Machinery and equipment \$	Other \$	Total \$
Cost					
At January 1, 2016	2,497	22,783	24,160	1,779	51,219
Additions	—	562	3,060	1,088	4,710
Disposals	—	(3)	(53)	(2)	(58)
At December 31, 2016	2,497	23,342	27,167	2,865	55,871
Acquisitions (Note 4)	—	—	1,097	575	1,672
Additions	—	312	3,102	1,300	4,714
Disposals	—	(5)	(27)	(3)	(35)
At December 31, 2017	2,497	23,649	31,339	4,737	62,222
Accumulated Depreciation					
At January 1, 2016	—	2,097	5,004	567	7,668
Depreciation for the year	—	1,151	2,630	535	4,316
Disposals	—	—	(13)	(1)	(14)
At December 31, 2016	—	3,248	7,621	1,101	11,970
Depreciation for the year	—	1,172	3,127	807	5,106
Disposals	—	(1)	(24)	(2)	(27)
At December 31, 2017	—	4,419	10,724	1,906	17,049
Net book value					
At December 31, 2017	2,497	19,230	20,615	2,831	45,173
At December 31, 2016	2,497	20,094	19,546	1,764	43,901

There are no fixed assets under finance leases included in the amounts noted above. Other comprises furniture and fixtures, computer equipment, and leasehold improvements.

9. GOODWILL

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

The carrying amount of goodwill for the years ended December 31, 2017 and 2016 is as follows:

	2017 \$	2016 \$
Balance, beginning of the year	94,653	94,653
Acquisitions (Note 4)	28,322	—
Balance, end of year	122,975	94,653

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 10.5x multiple (2016 – 10.5x), whereby the Company referenced comparable companies in determining adjusted EBITDA multiples. Comparable companies were determined based 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 impairments losses recognized against goodwill during the years ended December 31, 2017 and 2016.

10. INTANGIBLE ASSETS

	Customer relationships \$	Trademarks \$	Other	Total \$
Cost				
At January 1, 2016	96,885	70,324	—	167,209
At December 31, 2016	96,885	70,324	—	167,209
Acquisitions (Note 4)	4,700	44,800	—	49,500
Additions	—	—	272	272
At December 31, 2017	101,585	115,124	272	216,981
Accumulated amortization				
At January 1, 2016	6,091	—	—	6,091
Amortization charge for the year	3,230	—	—	3,230
At December 31, 2016	9,321	—	—	9,321
Amortization charge for the year	3,373	—	23	3,396
At December 31, 2017	12,694	—	23	12,717
Net book value				
At December 31, 2017	88,891	115,124	249	204,264
At December 31, 2016	87,564	70,324	—	157,888

The remaining amortization period of customer relationships is 24-27 years. Amortization is recorded in cost of sales on the consolidated statements of operations and comprehensive loss.

The carrying amount of indefinite-life intangible assets comprises trademarks allocated to the Jamieson Brands CGU.

Refer to note 9 for the Company's determination of the recoverable amount.

There have been no impairments losses recognized against intangible assets during the years ended December 31, 2017 and 2016.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31,	2017 \$	2016 \$
Trade payables and accrued liabilities	28,908	21,186
Trade and promotional accruals	21,871	16,644
Salaries, commissions and bonuses	5,339	606
Deferred compensation	8,427	10,041
Termination benefits	1,992	414
Accrued interest – current	84	2,186
	66,621	51,077

Deferred compensation

In conjunction with the acquisition of Body Plus and Sonoma, the Company recognized \$8,427 of deferred compensation in accrued liabilities on the consolidated statements of financial position (see Note 4). On May 25, 2017, preferred shares issued as deferred compensation to Lorna Vanderhaeghe Health Solutions Inc. were vested under an accelerated vesting agreement, pursuant to which 25,668 shares were vested (2016 – 12,829 shares vested). The Company recognized share-based compensation expense for the year ended December 31, 2017 of \$1,486 (2016 – \$3,651) for these shares.

The asset purchase agreement had provided the former owner the right to redeem the shares for cash, once vested. The Company had classified this instrument as a financial liability that was re-measured to fair value at each reporting year-end. Subsequent to

vesting, the deferred compensation had been reclassified to redeemable preferred shares on the consolidated statements of financial position and subsequently redeemed as part of the pre-closing capital changes (refer to Note 16 details).

12. 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.

(i) Due to Jamieson Finco LP ("Finco")

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

On June 28, 2017, Finco forgave \$12,958 of accrued interest, reducing the principal and accrued interest in respect of the note to \$98,289 (\$83,501 principal and \$14,788 accrued interest). Through a series of transactions, the principal and accrued interest was settled on a net basis in exchange for 94,592,252.49 Class W preferred shares of the Company (see Note 16) and the Company agreeing to remit \$3,697 of tax payable on behalf of Finco (the "Finco Tax Payable").

The following table provides a reconciliation of the change in financing liabilities with respect to the note:

	Note to Finco \$
As at January 1, 2017	107,255
Accrued interest	3,992
Interest forgiveness	(12,958)
Finco tax payable	(3,697)
Issuance of Class W preferred shares (Note 16)	(94,592)
As at December 31, 2017	—

The balance of the note as at December 31, 2017 is \$nil (December 31, 2016 – \$107,255) including accrued interest of \$nil (2016 – \$23,754).

(ii) Share-based compensation

The Company offers its employees a share-based compensation plan, whereby certain employees receive options to purchase shares of the Company in the event certain conditions are achieved. Please refer to Note 17 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 external director of the Company.

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

For the years ended December 31,	2017 \$	2016 \$
Short-term employee benefits	4,966	1,903
Termination and post-employment benefits	282	—
Share-based compensation	1,427	800
Total remuneration	6,675	2,703

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

13. LONG-TERM DEBT

As at December 31,	2017 \$	2016 \$
Revolving credit facility (i, iii)	30,000	—
Term credit facility (i, ii)	137,688	155,936
Deferred financing fees	(4,479)	(3,159)
	163,209	152,777
Less: Current portion	(9,750)	—
	153,459	152,777

The following table provides a reconciliation of the change in financing liabilities with respect to the term and revolving credit facilities:

	\$
As at January 1, 2017	152,777
Net drawing from credit facilities	11,752
Capitalized financing costs	(5,801)
Amortization of deferred financing fees	4,490
Other	(9)
As at December 31, 2017	163,209

i) On January 31, 2017, JLL entered into a term loan and revolving credit facility agreement with a syndicate of lenders. The agreement provided a secured term credit facility of \$195,000 (with the option to increase the facility up to \$255,000) and a revolving credit facility of \$75,000 (including a \$10,000 swingline facility) (collectively, the "Credit Facilities"). The Credit Facilities mature on January 31, 2021 with the outstanding principal repayable in full on this date. Financing costs of \$4,265 and \$1,536 were incurred as part of the issuance of the term credit facility and revolving credit facility, respectively.

As at December 31, 2017, the weighted average interest rate on this facility was 4.5%.

For the year ended December 31, 2017, JLL made drawings of \$195,000 and debt repayments of \$57,312 applied against the term credit facility.

For the year ended December 31, 2017, JLL made drawings of \$46,000 and debt repayments of \$16,000 applied against the revolving credit facility.

As at December 31, 2017, the Company had an outstanding letter of credit ("LC") for \$1,060 (2016 – \$nil). The LC reduces the available borrowing against the revolving credit facility by the LC amount.

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

Under the terms of the credit facilities, JLL is subject to restrictive covenants and must maintain an interest coverage ratio of not less than 3.00:1.00 and a leverage ratio not greater than 4.05:1.00. JLL is in compliance with all covenants as at the date of these consolidated financial statements.

On January 31, 2017, JLL extinguished its existing credit facilities with CPPIB (see ii) and Wells Fargo (see iii). The Company expensed the remaining unamortized deferred financing fees of \$2,340 related to the CPPIB credit facility and \$819 related to the Wells Fargo credit facility.

ii) On January 31, 2014, JLL entered into a second lien term loan agreement with CPPIB Credit Investments Inc. ("CPPIB"). The agreement provided a secure term credit facility of \$150,000. On June 12, 2014, JLL amended the term facility to provide an additional \$15,000 in committed funds. The term facility was to mature on January 31, 2021, with the outstanding principal amount repayable in full on this date.

Interest on borrowings under this facility accrued based on Canadian Banker's Acceptance ("BA") plus an applicable margin of 7.14% with a BA floor of 1.25%. As at December 31, 2016, the weighted average interest rate on this facility was 8.39% (2016 – 8.39%).

The term credit facility required an annual repayment based on a percentage of excess cash flow. For the year ended December 31, 2017, JLL made debt repayments of \$155,936 (2016 – \$5,743).

The term facility was secured by a collateral agreement and second charge over the assets including property, plant and equipment of JLL.

iii) On January 31, 2014, JLL entered into a credit agreement with Wells Fargo Capital Finance Corporation ("Wells Fargo"). The agreement provided a revolving credit facility of \$45,000. The revolving facility was to mature on January 31, 2019, with the outstanding principal amount repayable in full on this date. As at December 31, 2016, JLL had no amounts outstanding and the entire \$45,000 revolving credit facility was available to draw upon.

Interest on borrowings under this facility accrued based on BA plus an applicable margin of 2.5% with a BA floor of 1.25%. As at December 31, 2016, the weighted average interest rate on this facility was 3.9%.

The revolving facility was collateralized with first charge over the assets including property, plant and equipment of JLL.

Under the terms of the revolving and term credit facilities, JLL was subject to restrictive covenants and was required to maintain a leverage ratio less than 6.2:1 as at December 31, 2016. JLL was in compliance with all covenants of the credit agreement at December 31, 2016.

14. 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.

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

As at December 31,	2017 \$	2016 \$
Balance, beginning of the year	3,797	3,140
Benefits paid	(21)	(20)
Actuarial loss	580	234
Interest costs	152	133
Current service costs	348	310
Balance, end of the year	4,856	3,797

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

As at December 31,	2017 %	2016 %
Benefit obligations		
Discount rate – expense for the year	4.00	4.25
Discount rate – year-end obligation	3.50	4.00
Health care cost inflation	5.00 – 6.00	5.00 – 6.50
Dental care cost inflation	4.50	4.50

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

As at December 31,	Accrued benefit obligation		Service cost		Interest cost	
	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	1,339	(938)	143	(98)	47	(33)
2016	1,045	(732)	118	(81)	42	(29)

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,	2017 \$	2016 \$
Within one year	24	20
Between 2 and 5 years	165	138
Between 5 and 10 years	525	428
Total expected payments	714	586

15. INCOME TAXES

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

Years ended December 31,	2017 \$	2016 \$
Current income tax expense	9,119	2,688
Deferred income tax expense (recovery)	(963)	1,018
Provision for income taxes	8,156	3,706

Reconciliation of effective tax rate

Income tax expense (recovery) 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,	2017 \$	2016 \$
Income tax recovery at combined statutory rate of 26.5% (2016 – 26.1%)	(4,141)	(5,601)
Non-deductible expenses	109	60
Share-based compensation	1,622	1,224
Deferred compensation	1,842	—
Non-deductible acquisition costs	980	—
Other and deductible temporary differences not benefited	7,744	8,023
	8,156	3,706

Income tax recognized in other comprehensive income (loss)

As at December 31,	2017 \$	2016 \$
Derivative instruments	262	839
Post-retirement benefit plan	148	60
	410	899

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 and deferred financing fees.

Deferred income tax assets and liabilities comprise the following:

As at December 31,	2017 \$	2016 \$
Non capital losses carried forward	—	664
Deferred financing fees	4,585	—
Post retirement	1,249	969
Property, plant and equipment	(6,052)	(4,391)
Intangible assets	(49,353)	(36,649)
Other	601	(23)
Total deferred income tax liabilities	(48,970)	(39,430)
Classified in the consolidated financial statements as:		
Deferred income tax assets	2,727	1,764
Deferred income tax liabilities	(51,697)	(41,194)
Net deferred income tax	(48,970)	(39,430)

The Company has Canadian based non-capital loss carry forwards as at December 31, 2017 of \$nil (2016 – \$2,598) on a pre-tax basis.

Deferred income taxes represents the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following represents deductible temporary differences that have not been recognized in these consolidated financial statements:

As at December 31,	2017 \$	2016 \$
Non-capital loss carryforwards	—	52
Redeemable preferred shares	—	138,884
Deductible temporary differences not recognized	—	138,936

16. SHARE CAPITAL AND REDEEMABLE PREFERRED SHARES

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

	Common Shares			
	#	\$		
As at December 31, 2016	520,253	400		
Issued during the year, net	15,554,755	233,534		
Exercise of options	261,233	174		
Exchange of Class A to V preferred shares	21,403,880	800		
As at December 31, 2017	37,740,121	234,908		

	Class A-V Preferred Shares		Class W Preferred Shares (Note 12)	
	#	\$	#	\$
As at December 31, 2016	21,314,440	197,901	—	—
Issued during the year	96,636	1,391	94,592,252	94,592
Accelerated vesting of preferred shares (Note 11)	—	11,527	—	—
Repurchased during the year	(7,196)	(50)	—	—
Redeemed during the year	(21,403,880)	(239,565)	(94,592,252)	(94,592)
Preferred share accretion during the year	—	28,796	—	—
As at December 31, 2017	—	—	—	—

	Common Shares		Preferred Shares	
	#	\$	#	\$
As at December 31, 2015	520,253	400	21,321,052	167,467
Issued during the year	—	—	7,780	100
Repurchased during the year	—	—	(14,392)	(100)
Preferred share accretion during the year	—	—	—	30,434
As at December 31, 2016	520,253	400	21,314,440	197,901

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

- 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.
- Unlimited number of preferred shares, issuable in series.

As at June 30, 2017, the authorized share capital consisted of:

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

- d) Unlimited number of redeemable preferred shares, non-voting with a cumulative dividend accruing at 4.5% compounded quarterly as and when declared. Retractable by the holder and redeemable by Company at an amount equal to \$1.00 per share plus accrued and unpaid dividends (the “Class W” preferred shares).

On May 25, 2017, preferred shares issued as deferred compensation to Lorna Vanderhaeghe Health Solutions Inc. were vested under an accelerated vesting agreement. The accrued compensation had been reclassified to redeemable preferred shares on the consolidated statements of financial position.

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

Pre-closing capital changes

Immediately prior to the closing of the Offering, the Company executed the following transactions (the “Reorganization”):

- (i) declared accrued and unpaid dividends (at 4.5% compounded quarterly) on the then outstanding Class A to V and Class W preferred shares in an aggregate amount of \$9,605, which dividends (net of Part XIII tax withholdings (the “Dividend Tax Withholding”)) were satisfied through the issuance of promissory notes (the “Dividend Notes”);
- (ii) returned capital on the then outstanding Class A to V preferred shares in the aggregate amount of \$65,102, which return of capital was satisfied through the issuance of promissory notes (the “ROC Notes”);
- (iii) redeemed all of the outstanding Class W preferred shares in exchange for a note payable of \$94,592 (“Class W Promissory Note”); and
- (iv) agreed to remit the Dividend Tax Withholding and Finco Tax Payable of \$3,697 (see Note 12).

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

Following the transactions described immediately above and also forming part of the Reorganization: (i) each of the holders of the then outstanding Class A to V preferred shares converted their shares on a 1:1 basis into common shares of the Company; (ii) the Company filed articles of amendment to split each common share into 20.81010939 common shares, add a new class of preferred shares and eliminate the Class A common shares and Class A to W preferred shares. In addition, the Company amended and restated the Legacy Option Plan and entered into option exchange agreements (as described in Note 17).

As at December 31, 2016, the authorized share capital consisted of:

- a) Unlimited number of common shares with no par value.
- b) Unlimited number of class A common shares with no par value.
- c) Unlimited number of convertible and redeemable preferred shares, voting, with a cumulative dividend accruing at 4.5% annually as and when declared. Retractable by the holder and redeemable by Company at an amount that is the greater of: a) the original purchase price plus any declared but unpaid dividends and b) the as-if converted value (convertible 1:1 for common shares subject to adjustment for declared and unpaid dividends). Upon conversion, the shareholders have agreed that prior to receiving common shares the preferred shareholder who was converting will receive the cumulative dividend plus a return of capital in the amount paid by an investor for the preferred shares less the value, at the time of the issuance of the preferred shares, of the common shares issuable upon conversion of those preferred shares. Excluding special repurchase options on shares issued as deferred compensation as described in Note 11.

These redeemable preferred shares, which were retractable at the option of the holder on demand, were classified as financial liabilities on the consolidated statements of financial position.

17. SHARE-BASED COMPENSATION

Senior employees and directors plan

All options that had been issued under the Legacy Option Plan vested in conjunction with the Offering and Secondary Offering.

Outstanding options held under the Legacy Option Plan and LTIP to purchase common shares have the following expiry dates and exercise prices:

Range of Exercise Prices	2017 Outstanding Options			2017 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	1,605,787	7.48	2.12	1,605,787	2.12
\$10 – \$20	1,399,301	8.51	15.02	669,935	13.90

Movements during the year

A summary of the status of the Company's outstanding share options and changes during the years ended December 31, presented below:

	2017		2016	
	Options (number of shares)	Weighted Average Exercise Price/Share	Options (number of shares)	Weighted Average Exercise Price/Share
Outstanding options, beginning of year	2,505,059	4.42	2,582,118	4.28
Granted	1,043,662	13.97	107,922	8.55
Exercised	(261,233)	0.67	—	—
Forfeited	(282,400)	3.89	(184,981)	4.57
Outstanding options, end of year	3,005,088	8.13	2,505,059	4.42
Options exercisable, end of year	2,275,722	5.59	—	—

At grant date, each option series is measured at fair value based on the binomial option pricing model for options granted under the Legacy Option Plan and the Black-Scholes option-pricing model for options granted under the LTIP. The inputs used in this model for the options granted during the years ended December 31 are shown in the table below.

As at December 31,	2017	2016
Weighted average share price at the measurement date	\$13.48	\$ 6.61
Weighted average option fair value at the grant date	\$4.85	\$ 5.43
Expected volatility (i)	35% – 43%	43%
Risk-free interest rate (ii)	1.11% – 1.90%	1.79%
Expected life (in years) (iii)	3 – 6.5	3
Expected dividend yield	0% – 2.0%	—

- (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 either.
- (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 expense recognized for employee services received related to the Legacy Option Plan and LTIP for the year ended December 31, 2017 is \$4,839 (2016 – \$1,283), and is classified as contributed surplus on the Company's consolidated statements of financial position.

Employee-share purchase plan

For the year ended December 31, 2017, employee contributions amounted to approximately \$64 and no shares have been issued.

18. 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 loss as follows:

For the year ended December 31,	2017 \$	2016 \$
Salaries, wages and bonus	52,212	37,757
Other employee benefits	10,704	9,272
Post-retirement benefits (Note 14)	500	443
	63,416	47,472

Additionally, the Company recognized termination benefits for the year ended December 31, 2017 of \$4,132 (2016 – \$1,420) related to reorganization activities to gain flexibility and improve efficiency. The costs related to both years are mainly composed of severance costs and salary continuances.

19. OTHER EXPENSES (INCOME)

As at December 31,	2017 \$	2016 \$
Deferred compensation (Note 4)	8,427	—
Other	983	(2,876)
	9,410	(2,876)

20. INTEREST EXPENSE AND OTHER FINANCING COSTS

As at December 31,	2017 \$	2016 \$
Interest on debt and borrowings	9,209	13,809
Interest on note to Finco (Note 12)	(8,966)	8,150
Amortization of deferred financing fees (Note 13)	4,490	967
	4,733	22,926

21. 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 fair value through OCI are designated as hedging instruments in cash flow hedges for forecast purchases and sales in US\$ and have been classified as Level 2 in the fair value hierarchy. Derivatives not designated in a formal hedging relationship are classified as fair value through profit or loss 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.

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

	2017			2016		
	Notional Amount \$USD	Fair Value		Notional Amount \$USD	Fair Value	
		Asset \$	Liability \$		Asset \$	Liability \$
Foreign currency forward contract designated as hedging instruments	36,000	—	(1,081)	24,000	—	(92)

The terms of the foreign currency forward contracts 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 loss.

The fair values of financial assets and liabilities classified as loans and receivables and other financial liabilities (excluding long-term debt and note to Finco) approximate their carrying value due to their short-term nature.

The carrying value of long-term debt as at December 31, 2017 and December 31, 2016 approximates their fair value. The carrying value of the note to Finco approximates its fair value at December 31, 2016. 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 2017 and 2016.

Financial instrument risk management objectives and policies

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

Credit risk

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

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

Market risk

Foreign exchange risk

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

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposure. As of December 31, 2017, \$46,259 (2016 – \$32,257) of anticipated foreign currency denominated sales and purchases have been hedged with underlying foreign exchange forward contracts settling at various dates in the year preceding the consolidated statement of financial position date.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's net loss 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 equity (due to changes in the fair value of foreign exchange forward contracts designated as cash flow hedges).

As at December 31,	Change in US\$ fx rate %	Effect on income (loss) before tax \$	Effect on pre-tax OCI \$
2017	5	1,149	1,800
2016	5	796	1,200

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 issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk.

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

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

As at December 31,	Increase/decrease in basis points +/-	Effect on profit before tax \$
2017	100	1,936
2016	100	920

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

Commodity price risk

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

Liquidity risk

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

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

The contractual undiscounted principal cash flows payable in respect of financial liabilities as at the consolidated statement of financial position date were as follows:

As at December 31,	2017 \$	2016 \$
Amounts payable in more than 12 months	162,794	266,988
Amounts payable in less than 12 months	76,371	51,077
	239,165	318,065

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

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

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

The Company is subject to capital requirements under the credit facility agreement, as described in Note 13. As at December 31, 2017, the Company was in compliance with all financial covenants.

22. COMMITMENTS AND CONTINGENCIES

Due to former shareholder

In conjunction with the acquisition of JLL disclosed in Note 1, Intrepid issued a \$9,400 note payable to JLL's former shareholder. During the year ended December 31, 2015, JLL paid \$1,943 on the note and in accordance with the terms of the related share purchase agreement, JLL withheld the balance of the note payable. The amount withheld resulted from differences discovered during the purchase accounting process, and the former shareholder filed suit to recover the amount withheld.

On November 7, 2016, management of the Company settled outstanding litigation for gross payment of \$5,000 to the former shareholder of JLL. The terms of the settlement forever discharge and release JLL from any and all claims or potential claims with respect to this issue. The resulting gain of \$2,866 is recorded in other income on the consolidated statements of operations and comprehensive loss.

Operating lease commitments

JLL and its subsidiaries have entered into a number of operating leases for vehicles, production equipment, computer and communications equipment, office equipment and office space.

Total minimum lease payments payable in future years are as follows:

As at December 31, Year	2017 \$	2016 \$
2017	—	1,141
2018	1,766	1,053
2019	1,443	730
2020	255	46
2021	28	—
2022	—	—
	3,492	2,970

For the year ended December 31, 2017, an amount of \$1,692 was recognized as an expense in respect of operating leases (2016 – \$1,234).

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.

23. SEGMENT INFORMATION

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

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

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

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

	For the year ended December 31, 2017		
	Jamieson Brands \$	Strategic Partners \$	Total \$
Revenue	237,001	63,618	300,619
Earnings from operations	37,595	7,340	44,935
Foreign exchange loss			331
Termination benefits and related costs			4,132
Public offering costs			10,720
Acquisition costs			2,444
Other expenses			9,410
Preferred share accretion			28,796
Interest expense and other financing costs			4,733
Provision for income taxes			8,156
Net loss			(23,787)

	For the year ended December 31, 2016		
	Jamieson Brands \$	Strategic Partners \$	Total \$
Revenue	192,496	55,835	248,331
Earnings from operations	28,844	2,197	31,041
Foreign exchange gain			(192)
Termination benefits and related costs			1,420
Acquisition costs			789
Other income			(2,876)
Preferred share accretion			30,434
Interest expense and other financing costs			22,926
Provision for income taxes			3,706
Net loss			(25,166)

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

Geographic information

Net income earned outside of Canada for the years ended December 31, 2017 and 2016 represents an insignificant portion of total net income.

Information about major customers

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

For the years ended December 31,	2017	2016
Customer 1	17.9%	21.2%
Customer 2	10.6%	11.8%
Customer 3	10.5%	11.0%
	39.0%	44.0%

The revenue concentration noted mirrors the consolidated nature of the retail grocery landscape in Canada. 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 in excess of 10% of total sales.

24. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss attributable to common shareholders of the Company less dividends declared and paid to Class A to W preferred shareholders by the weighted average number of shares outstanding during the year.

The following table sets for the calculation of net loss available to common shareholders:

For the year ended December 31,	2017 \$	2016 \$
Net loss	(23,787)	(25,166)
Preferred share dividends	(9,605)	—
Basic, net loss available to common shareholders	(33,392)	(25,166)

Diluted loss per share amounts are calculated by dividing the net loss 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 and share options.

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

Year ended December 31,	2017			2016		
	Net loss available to common shareholders	Weighted average number of shares	EPS \$	Net loss available to common shareholders	Weighted average number of shares	EPS \$
<i>Basic</i>						
Continuing operations	(33,392)	18,669,758	(1.79)	(25,166)	520,253	(48.37)
<i>Diluted</i>						
Continuing operations	(33,392)	18,669,758	(1.79)	(25,166)	520,253	(48.37)

For the year ended December 31, 2017, diluted EPS excludes the effect of approximately 3,005,088 options on a post share split basis that are anti-dilutive.

For the year ended December 31, 2016, diluted EPS excludes the effect of approximately 2,505,059 options and 21,314,440 preferred shares on a post share split basis, that are anti-dilutive.

25. FUTURE ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that have been issued, but are not yet effective, up to the date of issuance of these consolidated financial statements are disclosed below. The Company intends to adopt these standards on the required effective date.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17, "Leases", and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if entities have also applied IFRS 15.

The Company is currently evaluating the impact of these new standards, interpretations and amendments on its consolidated financial statements.

IFRS 9, "Financial Instruments: Classification and Measurement"

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment and a new hedge accounting model with corresponding disclosures about risk management activity. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Company plans to adopt the new standard on the effective date, including the new hedge accounting guidance. During 2017, the Company commenced an assessment of all three aspects of IFRS 9. Based on the assessment performed thus far, the adoption of IFRS 9 is not expected to have a material impact on the consolidated financial statements. The Company does not intend to restate prior year comparatives and any adjustment will be applied to opening retained earnings as of January 1, 2018.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), which replaces IAS 18, "Revenue", IAS 11, "Construction Contracts" and various revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model where revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after January 1, 2018.

The Company is in the process of completing its evaluation of IFRS 15, including the review of its customer contracts. Based on the assessment performed thus far, the Company does not expect that IFRS 15 will have a material impact on the amount and timing of revenue recognized; however, additional disclosure requirements are expected.

IFRS 2, "Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2"

The IASB issued amendments to IFRS 2, "Share-based Payment" that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is assessing the potential effect of the amendments on its consolidated financial statements.

IFRIC Interpretation 23, "Uncertainty over Income Tax Treatment"

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. The Company will apply interpretation from its effective date, which may affect its consolidated financial statements and the required disclosures. In addition, the Company may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

26. EVENTS AFTER THE REPORTING PERIOD

On January 31, 2018, the Company paid the former owner a reduced Holdback Amount of \$5,500 (representing a \$2,000 reduction) in exchange for the Company transferring the seller the amounts held in escrow in relation to the general and tax indemnities and releasing the former owner from the Company's post-closing indemnification rights under the purchase agreement (see Note 4).



HERE'S TO ANOTHER
YEAR OF GROWTH.





833.223.2666

info@jamiesonwellness.com

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