MAV Beauty Brands Inc. (the “issuer”)
Condensed Consolidated interim financial statements
(unaudited)

For the three and nine months ended September 30, 2018

NOTE TO READER

The interim financial statements of the issuer for the three and nine months ended September 30, 2018 have been re-filed as the issuer inadvertently filed an earlier draft version of the unaudited condensed consolidated interim statements of operations and comprehensive (loss) income. These interim financial statements replace the previously filed interim financial statements. All other information remains unchanged.

Unaudited condensed consolidated interim financial statements of

MAV Beauty Brands Inc.

(formerly MAC Topco Holdings Inc.)

For the three and nine months ended September 30, 2018 and 2017
(in US dollars)

MAV Beauty Brands Inc. (formerly MAC Topco Holdings Inc.)

Unaudited condensed consolidated interim statements of operations and comprehensive (loss) income

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
		$	$	$	$
Revenue	5	26,175	10,471	65,007	30,204
Cost of sales		14,577	4,200	35,641	12,174
Gross profit		11,598	6,271	29,366	18,030
Expenses					
Selling and administrative		6,312	2,710	17,988	8,473
Foreign exchange loss (gain)		4	248	(147)	124
Amortization and depreciation		783	560	2,220	1,665
Finance and other charges	10	12,073	2,346	23,415	6,999
		19,172	5,864	43,476	17,261
(Loss) income before income taxes		(7,574)	407	(14,110)	769
Income tax expense					
Deferred		(1,763)	76	(3,463)	234
		(1,763)	76	(3,463)	234
Net (loss) income and comprehensive (loss) income for the period		(5,811)	331	(10,647)	535
Net (loss) earnings per common share					
Basic		(0.16)	0.04	(0.53)	0.06
Diluted		(0.16)	0.01	(0.53)	0.02
Weighted average number of common shares outstanding	6				
Basic		35,753,919	9,355,587	20,009,115	9,355,587
Diluted		40,723,390	24,315,061	33,025,389	24,315,061

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

MAV Beauty Brands Inc. (formerly MAC Topco Holdings Inc.)

Unaudited condensed consolidated interim statements of financial position

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

	Notes	As at September 30, 2018	As at December 31, 2017
		$	$
Assets			
Current assets			
Cash		**5,116**	1,249
Trade and other receivables	7	**18,448**	7,676
Inventories	8	**21,346**	5,265
Prepaid expenses		**2,398**	1,232
		47,308	15,422
Non-current assets			
Property and equipment	5	**487**	390
Deferred tax asset		**1,853**	—
Intangible assets	9	**142,934**	92,627
Goodwill	9	**164,539**	85,766
		357,121	194,205
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**19,987**	9,222
Deferred revenue		**114**	103
Provision for returns and markdowns		**350**	265
Borrowings	11	**—**	3,771
		20,451	13,361
Non-current liabilities			
Deferred tax liability		**9,153**	11,283
Deferred consideration	4	**2,394**	—
Borrowings	11	**111,147**	83,185
Preferred shares	13	**—**	53,731
		143,145	161,560
Equity			
Share capital	12	**225,261**	33,604
Equity-settled employee benefits reserve	14	**624**	303
Deficit		**(11,909)**	(1,262)
		213,976	32,645
		357,121	194,205

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

MAV Beauty Brands Inc. (formerly MAC Topco Holdings Inc.)

Unaudited condensed consolidated interim statements of changes in shareholders' equity

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

	Notes	Shares	Equity-settled employee benefits reserve	Deficit	Total
		$	$	$	$
Opening balance as at January 1, 2017		33,604	—	(3,278)	30,326
Net income		—	—	243	243
Recognition of share-based payments	14	—	48	—	48
Balance as at March 31, 2017		33,604	48	(3,035)	30,617
Net loss		—	—	(39)	(39)
Recognition of share-based payments	14	—	74	—	74
Balance as at June 30, 2017		33,604	122	(3,074)	30,652
Net income		—	—	331	331
Recognition of share-based payments	14	—	88	—	88
Balance as at September 30, 2017		33,604	210	(2,743)	31,071
Opening balance as at January 1, 2018		33,604	303	(1,262)	32,645
Issuance of share capital	4	28,000	—	—	28,000
Net loss		—	—	(1,873)	(1,873)
Recognition of share-based payments	14	—	79	—	79
Balance as at March 31, 2018		61,604	382	(3,135)	58,851
Net loss		—	—	(2,963)	(2,963)
Recognition of share-based payments	14	—	133	—	133
Balance as at June 30, 2018		61,604	515	(6,098)	56,021
Issuance of share capital (net of issuance costs)	12	91,828	—	—	91,828
Preferred share conversion	12, 13	71,829	—	—	71,829
Net loss		—	—	(5,811)	(5,811)
Recognition of share-based payments	14	—	109	—	109
Balance as at September 30, 2018		**225,261**	**624**	**(11,909)**	**213,976**

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

MAV Beauty Brands Inc. (formerly MAC Topco Holdings Inc.)

Unaudited condensed consolidated interim statements of cash flows

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
		$	**$**	**$**	**$**
Operating activities					
Net (loss) income for the period		**(5,811)**	**331**	**(10,647)**	**535**
Adjustments to net income (loss) for non-cash items					
Depreciation of property and equipment		**67**	**29**	**203**	**72**
Amortization of intangible assets	9	**716**	**531**	**2,017**	**1,593**
Finance and other charges	10	**12,073**	**2,346**	**23,415**	**6,999**
Share-based payments	14	**109**	**88**	**321**	**210**
Unrealized foreign exchange gain		**271**	**(22)**	**390**	**(82)**
Income taxes		**(1,763)**	**76**	**(3,463)**	**234**
		5,662	**3,379**	**12,236**	**9,561**
Finance charges paid		**(4,318)**	**(2,173)**	**(14,605)**	**(6,508)**
Income taxes paid		**-**	**-**	**-**	**(133)**
Changes in non-cash working capital	16	**(7,212)**	**(194)**	**(9,197)**	**(1,068)**
		(5,868)	**1,012**	**(11,566)**	**1,852**
Investing activities					
Purchase of property and equipment		**(59)**	**(77)**	**(208)**	**(150)**
Business acquisitions	4	**2,000**	—	**(111,784)**	—
Disposal of assets and liabilities of subsidiary	4	**—**	—	**396**	—
		1,941	**(77)**	**(111,596)**	**(150)**
Financing activities					
Issuance of common shares (net of issuance costs)	12	**90,547**	—	**90,547**	—
Issuance of preferred shares		**—**	—	**18,098**	—
Proceeds received under non - revolving term loan	11	**107,500**	—	**207,700**	—
Drawndown of revolving facilities	11	**5,500**	—	**10,500**	—
Repayment of borrowings		**(196,178)**	**(943)**	**(199,816)**	**(3,829)**
		7,369	**(943)**	**127,029**	**(3,829)**
Increase (decrease) in cash		**3,442**	**(8)**	**3,867**	**(2,127)**
Cash, beginning of period		**1,674**	**1,015**	**1,249**	**3,134**
Cash, end of period		**5,116**	**1,007**	**5,116**	**1,007**

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

1. Description of the business

MAV Beauty Brands Inc. (formerly known as MAC Topco Holdings Inc.) (or the "Company") is a global personal care company selling hair care, body care and beauty products in Canada, the United States, and internationally. The Company offers various products through retail partners and distributors. The Company also provides salon services through an outlet in Toronto, Ontario such as haircut and style, color and treatments, make up, and blow dry club services. The Company is headquartered at 190 Pippin Road, Vaughan, Ontario, Canada, L4K 4X9.

On July 10, 2018, the Company closed its initial public offering (the "IPO") of common shares (the "Shares") at a price of CAD $14.00 per Share. The IPO included a treasury offering by the Company and a secondary offering of Shares by the selling shareholders. The Company sold 9,000,000 Shares and the selling shareholders sold 8,267,000 Shares under the IPO that resulted in net proceeds to the Company of CAD $119,385,000 and net proceeds to the selling shareholders of CAD $109,661,775 after underwriting commissions but before deducting other expenses of the IPO. The Company did not receive any proceeds from the secondary offering. In addition to the underwriting fees that were paid by the Company and selling shareholders, other expenses net of costs deducted from share capital related to the Offering and Secondary Offering of approximately $4,171 net of tax 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 "MAV".

Our fiscal year end is December 31. The condensed consolidated interim financial statements ("Interim Financial Statements") include the accounts and results of the Company and its wholly owned subsidiaries.

2. Standards issued and adopted

IFRS 15

Effective January 1, 2018, the Company adopted International Financial Reporting Standards ("IFRS") 15 Revenue from Contracts with Customers ("IFRS 15" or "the new standard"). IFRS 15 replaces International Accounting Standard ("IAS") 18, Revenue, IAS 11, Construction contracts, and related interpretations on revenue. The new standard sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments and certain non-monetary exchanges. Under the new standard, a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services, using a control based approach. IFRS 15 includes a five-step process to achieve this principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than are required under previous IFRSs, including estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

The Company has adopted IFRS 15 using the modified retrospective approach and has elected to apply the standard only to contracts that are not completed as of January 1, 2018.

The Company's accounting policies for its revenue streams are disclosed in detail in Note 3. Apart from providing more extensive disclosures on the Company's revenue transactions, the application of IFRS 15 did not have a significant impact on the financial position and/or financial performance of the Company.

2. Standards issued and adopted (continued)

IFRS 9

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9") and as permitted by the transitional provisions in IFRS 9, the Company elected not to restate comparative figures. IFRS 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting. IFRS 9 replaces the 'incurred loss' model in IAS 39 - Financial Instruments, with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost and under IFRS 9, credit losses are recognized earlier than under IAS 39.

- Cash, trade and other receivables classified as Loans and receivables are now classified as Amortized cost.
- Financial liabilities classified as Amortized cost under IAS 39 continue to be classified as such under IFRS 9.

The adoption of IFRS 9 did not have a significant impact on the financial position and/or financial performance of the Company.

IFRS 2

Effective January 1, 2018, the Company adopted the amendments to IFRS 2, *Share-based Payments*, clarifying the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The adoption of IFRS 2 did not have a significant impact on the financial position and/or financial performance of the Company.

3. Significant accounting policies

Basis of presentation

The Interim Financial Statements are prepared in accordance with IAS 34, *Interim Financial Reporting*. These Interim Financial Statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2017. These Interim Financial Statements and the accompanying notes have been prepared using the accounting policies described in Note 2 to the annual consolidated financial statements, except as discussed in Notes 2 and 3 herein.

The Interim Financial Statements were authorized for issuance by the Board of Directors on November 9, 2018.

Share consolidation

As a result of the 4.7206-to-1 share consolidation, effected July 10, 2018, all current and historical period per share data and number of common shares, Class A and B preferred shares (as defined in Note 13) and options outstanding in these consolidated financial statements are presented on a post share consolidation basis.

3. Significant accounting policies (continued)

Basis of consolidation

The Interim Financial Statements incorporate the financial information of the Company and the subsidiaries over which the Company has control. All intercompany assets and liabilities, equity, income, expenses and cash flows are eliminated in full on consolidation.

Revenue Recognition

The Company sells hair care, body care and beauty products both to distributors and retailers.

For sales to distributors, revenues are recognized when control of the goods have transferred to the distributor, which is dependent on specific shipping terms. Following shipping, the distributor has full discretion over the manner of distribution and has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognized by the Company when control of the goods has transferred to the distributor as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales to retailers, revenue is recognized when control of the goods has transferred, which is dependent on the specific shipping terms. Payment of the transaction price is due immediately at the point in which control transfers.

The Company provides sales discounts and reductions through contract price discounts, payment terms, point of sale price reduction arrangements and customer returns and markdowns. If variable, the Company uses its accumulated historical experience to estimate the variable consideration to which it is entitled to, using the expected value method. If considered highly probable that a significant reversal in the cumulative revenue recognized will not occur, such consideration shall be recognized in revenue.

The Company conducts extensive promotional activities, primarily through the use of cooperative advertising, coupons, in-store displays, slotting fees and other funded costs from retail partners. The costs of such activities are recorded as a reduction of the transaction price over the period in which the goods or services are transferred to the customer, to the extent the consideration is not in exchange for a distinct good or service. Refer to Note 5 for segment information, which aligns with the disaggregation of revenues requirements.

Standard issued but not yet effective

The following new standard has been issued, but is not effective for the current fiscal year, and has not been applied in preparing these Interim Financial Statements. Future changes to our existing accounting policies and other note disclosures may result.

In January 2016, the International Accounting Standards Board ("IASB") issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, *Leases* and related interpretations. The standard provides a new framework for lessee accounting that requires substantially all assets obtained through operating leases to be capitalized and a related liability to be recorded. The new standard seeks to provide a more accurate picture of a company's leased assets and related liabilities and create greater comparability between companies who lease assets and those who purchase assets. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. The Company is currently assessing the impact the new standard may have on its results of operations, financial position and disclosures.

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

4. Fair value of net identifiable assets acquired

On January 23, 2018, the Company acquired 100% of the common shares of Cake Beauty Inc. ("Cake") for a total cash consideration of approximately $1,750 along with an earnout based on operating profit from continuing and new business. The earnout was accounted for as an acquisition related contingent consideration and measured at fair value. The following table sets out the allocation of the purchase price to assets and liabilities acquired:

	January 23, 2018
	$
Purchase consideration	
Cash	**1,548**
Working capital escrow	**196**
Acquisition related contingent consideration	**2,240**
	3,984
Net assets acquired	
Trade and other receivables	**170**
Inventories	**334**
Prepaid expenses	**14**
Property and equipment	**64**
Deferred tax liability	**(315)**
Accounts payable and accrued liabilities	**(367)**
Fair value of net assets identifiable acquired	**(100)**
Brand name	**763**
Customer list	**361**
Goodwill	**2,960**
	3,984

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

4. Fair value of net identifiable assets required (continued)

On March 8, 2018, the Company acquired 100% of the units of Renpure, LLC and Onesta Hair Care, LLC (collectively, "Renpure"), both personal care product companies, for total consideration of $140,040. During the three month period ending September 30, 2018, the cash purchase price was adjusted based on the final closing date net working capital and provision for trade spend, which resulted in a reduction of the purchase price of $2,000. The acquisitions were funded through a combination of debt and equity. The following table sets out the allocation of the purchase price to assets and liabilities acquired:

	March 8, 2018
	$
Purchase consideration	
Cash (net of working capital adjustment of $2,000)	**110,040**
Common shares	**28,000**
	138,040
Net assets acquired	
Cash	**169**
Trade and other receivables	**4,720**
Prepaid expenses	**429**
Inventories	**10,127**
Property and equipment	**29**
Accounts payable and accrued liabilities	**(3,780)**
Deferred tax liability	**(667)**
Fair value of identifiable net assets acquired	**11,027**
Brand name	**40,400**
Customer relationships	**10,800**
Goodwill	**75,813**
	138,040

Both acquisitions were accounted for as business combinations using the acquisition method with the results of operations consolidated with the Company from the date of acquisition. Goodwill arising from the Cake acquisition is not deductible for tax purposes, but goodwill arising from the Renpure acquisition is deductible for tax purposes. The brand arising from both acquisitions are considered indefinite life assets as the Company see no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Company. On May 4, 2018, the Company sold substantially all of the assets and related liabilities of Onesta Hair Care, LLC to Onesta Acquisition, LLC (a related party through common ownership) in exchange for cash consideration of $396.

5. Segment information

The Company has one reportable segment, which provides personal care products to consumers via retailers and distributors and this single reportable operating segment derives its revenues from the sale of such products.

The Company operates in two principal geographical areas, Canada/United States of America ("US"), and International ("International"), which represents all markets outside of Canada and the US.

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

5. Segment information (continued)

The Company's revenue from external customers by location and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Revenue from external customers	
	Three months ended September 30, 2018	Three months ended September 30, 2017	**Nine months ended September 30, 2018**	Nine months ended September 30, 2017
	$	$	**$**	$
Canada/US	**24,216**	8,354	**58,419**	24,102
International	**1,959**	2,117	**6,588**	6,102
	26,175	10,471	**65,007**	30,204

	Property and equipment	
	As at September 30, 2018	As at December 31, 2017
	$	$
Canada/US	**487**	390
International	**—**	—
	487	390

The Company's goodwill and intangibles are common across all locations. Therefore management does not classify goodwill and intangibles on a location basis.

6. Earnings per share

Basic earnings per share is computed by dividing the net (loss) income available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similarly to basic earnings per share except that the weighted average number of shares outstanding is increased to include preferred shares and additional shares for the assumed exercise of share options, if dilutive.

The weighted average number of shares is calculated by assuming that outstanding conversions were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the three and nine months ended September 30, 2018.

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

6. Earnings per share (continued)

	Three months ended September 30, 2018	Three months ended September 30, 2017	**Nine months ended September 30, 2018**	Nine months ended September 30, 2017
	#	#	**#**	#
Number of shares				
Weighted number of shares used for basic earnings per share	**35,753,919**	9,355,587	**20,009,115**	9,355,587
Shares deemed to be issued in respect of share-based payments	**660,506**	—	**408,581**	—
Weighted number of preferred shares	**1,375,427**	14,959,474	**11,629,848**	14,959,474
Weighted number of proportionate voting shares	**2,933,538**	—	**977,845**	—
Weighted average number of shares used in diluted earnings per share	**40,723,390**	24,315,061	**33,025,389**	24,315,061

7. Trade and other receivables

	September 30, 2018	December 31, 2017
	$	$
Trade and other receivables	**18,105**	7,493
Government remittances receivable	**352**	192
Allowance for doubtful accounts	**(9)**	(9)
	18,448	7,676

The following is the breakdown of the trade and other receivables aging:

	September 30, 2018	December 31, 2017
	$	$
0–60 days	**11,751**	4,715
61–90 days	**2349**	612
91–120 days	**774**	563
121 days and older	**3,574**	1,786
	18,448	7,676

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

7. Trade and other receivables (continued)

Movements in the allowance for doubtful accounts were as follows:

	September 30, 2018	December 31, 2017
	$	$
Balance, beginning of period	**9**	9
Balance, end of period	**9**	9

8. Inventories

Inventories consist of:

	September 30, 2018	December 31, 2017
	$	$
Raw materials	**3,100**	1,131
Finished goods, packaging and marketing materials	**19,052**	4,525
Provision for inventory obsolescence	**(806)**	(391)
	21,346	5,265

Inventories are carried at the lower of cost and net realizable value. During the three and nine months ended September 30, 2018, inventories recognized as an expense within cost of sales amounted to $13,404 and $31,690, respectively (for the three and nine months ended September 30, 2017, $3,260 and $9,971, respectively).

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

9. Goodwill and intangible assets

	Customer list	Brand name	Total intangibles	Goodwill
	$	$	$	$
Cost				
Balance, December 31, 2017	33,872	61,401	95,273	85,766
Additions	—	—	—	—
Retirements	—	—	—	—
Additions through business acquisitions	11,161	41,163	52,324	80,773
Balance, March 31, 2018	45,033	102,564	147,597	166,539
Additions	—	—	—	—
Retirements	—	—	—	—
Balance, June 30, 2018	45,033	102,564	147,597	166,539
Additions	—	—	—	—
Retirements	—	—	—	—
Working capital adjustment	—	—	—	(2,000)
Balance, September 30, 2018	**45,033**	**102,564**	**147,597**	**164,539**
Accumulated amortization				
Balance, December 31, 2017	2,646	—	2,646	—
Amortization	585	—	585	—
Retirements	—	—	—	—
Balance, March 31, 2018	3,231	—	3,231	—
Amortization	716	—	716	—
Retirements	—	—	—	—
Balance, June 30, 2018	3,947	—	3,947	—
Amortization	716	—	716	—
Retirements	—	—	—	—
Balance, September 30, 2018	4,663	—	4,663	—
Carrying amounts				
December 31, 2017	31,226	61,401	92,627	85,766
September 30, 2018	40,370	102,564	142,934	164,539

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

10. Finance and other charges

	Three months ended September 30, 2018	Three months ended September 30, 2017	**Nine months ended September 30, 2018**	Nine months ended September 30, 2017
	$	$	**$**	$
Transaction costs	**4,337**	82	**7,669**	292
Interest on term loans	**1,736**	2,091	**9,103**	6,215
Amortization of deferred financing costs	**3,815**	105	**4,157**	294
Accretion of deferred consideration	**90**	—	**241**	—
Accretion of subordinated notes	**1,958**	62	**2,093**	179
Accretion of promissory note	**136**	6	**150**	18
Other	**1**	—	**2**	1
	12,073	2,346	**23,415**	6,999

11. Borrowings

	September 30, 2018	December 31, 2017
	$	$
Non-revolving term loan	**107,500**	-
Revolving credit facility	**5,500**	-
Term loans	**-**	70,713
Revolving commitment facility	**-**	500
Senior subordinated notes	**-**	17,048
Promissory note	**-**	735
	113,000	88,996
Deferred financing fees	**(1,853)**	(2,040)
Total borrowings	**111,147**	86,956
Less: current portion of borrowings	**-**	3,771
	111,147	83,185

(a) On July 10, 2018, concurrent with the IPO, the Company settled its term loans, revolving commitment facility, senior subordinate notes and promissory note and entered into a new credit facility. The new credit facility includes (a) a revolving credit facility in the aggregate principal amount of $20,000; (b) a non-revolving term loan credit facility in the aggregate amount of up to $107,500; (c) an accordion feature in the amount of $50,000 for working capital and general corporate purposes. The new credit facility has no fixed repayment terms and will mature on July 10, 2023. Both the term loan and revolving credit facility bear interest at LIBOR rate plus the applicable margin of 2.75% per annum.

The Company must satisfy certain financial covenants as of September 30, 2018 defined by the Financing Agreement. As at September 30, 2018, the Company was in compliance with these covenants.

(b) On March 8, 2018, the Company added $100,200 to its existing term loan borrowing facility and had fully drawn the additional amount in connection with the acquisition of Renpure, LLC. The term loans will mature on September 30, 2022 and bear interest at either the bank's prime interest rate or the adjusted LIBOR rate (selected by the Company) plus the applicable margin of 5.25% to 6.75% per annum.

The Company had a revolving commitment facility totaling $5,000.

11. Borrowings (continued)

(b) (continued)

The term loan along with the revolving commitment facility were fully settled during the three months ended September 30, 2018. Deferred financing costs associated with the settled term loans and revolving commitment were fully expensed in the three months ended September 30, 2018 and were charged to finance charges in the statement of operations and comprehensive (loss) income.

The Company has issued senior subordinated notes totaling $19,141 that bear interest at a rate of 12% per annum. The senior subordinated note was fully settled during the three months ended September 30, 2018. The senior subordinated notes were fully accreted to face value during the three months ended September 30, 2018. Both the deferred financing costs and accelerated accretion were charged to finance and other charges in the statement of operations and comprehensive (loss) income.

(c) A promissory note payable has been issued for $849 to a shareholder on September 30, 2016 was fully settled during the three months ended September 30, 2018. The promissory note was fully accreted to face value during the three months ended September 30, 2018. The accelerated accretion was charged to finance and other charges in the statement of operations and comprehensive (loss) income.

12. Share capital

Authorized

In connection with and immediately prior to the closing of the IPO, the Company implemented the following pre-closing capital changes (the "Pre-Closing Capital Changes"): (i) the share capital was amended such that it was comprised of an unlimited number of Shares, an unlimited number of Proportionate Voting Shares and an unlimited number of preferred shares, issuable in series; (ii) all of the then issued and outstanding shares of the Company were exchanged for newly authorized Shares; (iii) all of the issued and outstanding Shares were consolidated on a 4.7206-for-one basis; (iv) 3,178,000 of the Shares retained by a related party, Bock Capital EU Luxembourg MAC S.À R.L., were exchanged for Proportionate Voting Shares on a 1,000-to-one basis; (v) each of the then outstanding options to acquire shares of the Company under the Company's legacy option plan were consolidated on a 4.7206-for-one basis and be exercisable for Shares at a post-consolidation exercise price; (vi) all classes of shares included in the authorized share capital prior to such amendments were repealed from the Articles; and (vii) the Company amalgamated with a Canadian subsidiary by way of a short form vertical amalgamation under the British Columbia Business Corporation Act. Immediately prior to closing the IPO, the Company had 28,577,169 Common Shares and 3,178 Proportionate Voting Shares outstanding.

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

12. Share capital (continued)

Issued

	Class A Number	Amount	Class B Number	Amount	Class C Number	Amount	Common Shares	Amount	Proportionate Voting Shares	Amount	Total Number	Amount
		$		$		$		$		$		$
Balance, December 31, 2017	41,038,986	31,211	3,125,000	2,393	-	-	-	-	-	-	44,163,986	33,604
Issue of share capital	-	-	-	-	21,333,942	28,000	-	-	-	-	21,333,942	28,000
Disposals share capital	-	-	-	-	-	-	-	-	-	-	-	-
Balance, March 31, 2018	41,038,986	31,211	3,125,000	2,393	21,333,942	28,000	-	-	-	-	65,497,928	61,604
Balance, June 30, 2018	41,038,986	31,211	3,125,000	2,393	21,333,942	28,000	-	-	-	-	65,497,928	61,604
Exchange for newly issued shares	(41,038,986)	(31,211)	(3,125,000)	(2,393)	(21,333,942)	(28,000)	65,497,928	61,604	-	-	-	-
Exchange of preferred shares (note 13)	-	-	-	-	-	-	84,406,921	71,829	-	-	84,406,921	71,829
Share consolidation of issued shares and preferred shares	-	-	-	-	-	-	(118,149,680)	-	-	-	(118,149,680)	-
Issue of share capital (net of issuance costs)	-	-	-	-	-	-	9,000,000	91,828	-	-	9,000,000	91,828
Proportionate voting share exchange	-	-	-	-	-	-	(3,178,000)	(44,492)	-	-	(3,178,000)	(44,492)
Proportionate voting shares									3,178	44,492	3,178	44,492
Balance, September 30, 2018	**-**	**-**	**-**	**-**	**-**	**-**	**37,577,169**	**180,769**	**3,178**	**44,492**	**37,580,347**	**225,261**

13. Preferred shares

The Company is authorized to issue an unlimited number of preferred shares. On September 30, 2016, the Company issued 70,617,689 Class A preferred shares for proceeds of $53,731. On March 8, 2018, the Company issued 13,789,232 Class B preferred shares for proceeds of $18,098. As part of the IPO, the preferred shares were exchanged for common shares of the Company. At the date of exchange, the preferred shares had no dividends declared or payable in arrears.

	Class A Number	Amount	Class B Number	Amount	Total Number	Amount
		$		$		$
Balance						
December 31, 2017	70,617,689	53,731	—	—	70,617,689	53,731
Issue of share capital	—	—	13,789,232	18,098	13,789,232	18,098
Disposals share capital	—	—	—	—	—	—
Balance, March 31, 2018	70,617,689	53,731	13,789,232	18,098	84,406,921	71,829
Balance, June 30, 2018	70,617,689	53,731	13,789,232	18,098	84,406,921	71,829
Preferred share exchange (note 12)	-70,617,689	-53,731	-13,789,232	-18,098	-84,406,921	-71,829
Balance, September 30, 2018	**-**	**-**	**-**	**-**	**-**	**-**

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

14. Equity-settled employee benefits reserve

The Company has a Share Option Plan (the "Plan") applicable to employees, advisors and members of the Board of Directors effective January 20, 2017. The maximum number of Common Shares which may be reserved for issuance under the Plan shall not exceed 10% of the total issued and outstanding Common Shares (assuming the conversion of all issued and outstanding Proportionate Voting Shares to Common Shares) from time to time. Options shall vest over a 60-month period from the date of grant, with 20% vesting on the 12 - month anniversary of the date of grant, and additional 5% of the options vesting on each subsequent quarter. The option exercise price is the fair value (or greater) of the Common Shares of the Company at the date of granting the options as determined and approved by the Board of Directors. Option term shall be no more than 10 years from the date of option grant.

In connection with the issuance of options to employees, the Company has recorded equity-settled employee benefits of $109 and $321 for the three and nine months ended September 30, 2018 ($88 and $210 for the three and nine months ended September 30, 2017) to reflect the share-based compensation expense relating to the Company's Plan and is included in selling and administrative expense.

The continuity of equity-settled employee benefits reserve is as follows:

	$
Balance, December 31, 2016	—
Share-based compensation	48
Balance, March 31, 2017	48
Share-based compensation	74
Balance, June 30, 2017	122
Share-based compensation	88
Balance, September 30, 2017	210
Balance, December 31, 2017	303
Share-based compensation	79
Balance, March 31, 2018	382
Share-based compensation	133
Balance, June 30, 2018	515
Share-based compensation	109
Balance, September 30, 2018	**624**

The above equity-settled employee benefits reserve relates to share options granted by the Company to its employees under its plan.

The weighted average fair value of all options granted during the three and nine months ended September 30, 2018 was estimated at the date of grant to be CAD $5.56 and CAD $1.54, respectively, using the Black-Scholes option pricing model. The assumptions used to measure the fair value of options granted during the three and nine months ended September 30, 2018 under the Black Scholes option pricing model were as follows:

Expected option life (years)	5
Volatility	45%
Forfeiture rate	0%
Risk-free interest rate	1.93% - 2.00%

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

14. Equity-settled employee benefits reserve (continued)

The following table summarizes the movement in options and the weighted average exercise price of options for the three and nine months ended September 30, 2018:

	Number of options	Weighted average exercise price
	$	CAD$
Options, December 31, 2017	1,229,064	7.64
Grants	391,687	11.56
Forfeited	—	—
Options, March 31, 2018	1,620,751	8.59
Grants	67,541	13.63
Forfeited	—	—
Options, June 30, 2018	1,688,292	8.79
Grants	33,364	13.38
Forfeited	—	—
Options, September 30, 2018	**1,721,656**	**8.88**

The following table summarizes information about share options outstanding and exercisable as at September 30, 2018:

	Number of options	**Weighted average remaining life (in years)**	**September 30, 2018 Number exercisable**
	$	**$**	**$**
Exercise price (in CAD)			
4.72	**722,579**	**3.44**	**202,590**
9.44	**253,242**	**3.40**	**72,933**
14.16	**253,242**	**3.40**	**72,933**
6.23	**148,578**	**4.23**	**—**
12.46	**74,289**	**4.23**	**—**
18.69	**74,289**	**4.23**	**—**
7.79	**81,037**	**4.53**	**—**
15.58	**40,518**	**4.53**	**—**
23.37	**40,518**	**4.53**	**—**
13.38	**33,364**	**4.92**	**—**
	1,721,656	**3.70**	**348,456**

15. Financial instruments and risk management

Financial assets and liabilities except for long-term borrowings have relatively short periods to maturity and the carrying values contained in the Interim Financial Statements approximate their fair value.

Financial risk management objectives

As a result of holding and issuing financial instruments, the Company is exposed to credit, interest rate risk and foreign currency risks. The following provides a description of these risks and how the Company manages these exposures.

(a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's principal financial assets that expose it to credit risk are trade and other receivables and the Company mitigates this risk by monitoring the credit worthiness of its customers.

The Company provides credit to its customers in the normal course of its operations. The amounts disclosed in the statement of financial position represent the maximum credit risk and are net of allowance for doubtful accounts, based on management's estimates taking into account the Company's prior experience and its assessment of the current and forward-looking economic environment. As at September 30, 2018, 43% of trade and other receivables is due from 2 customers (54% as at December 31, 2017).

One customer contributed 10% or more to the Company's revenue for the three and nine months ended September 30, 2018. Three customers and four customers contributed 10% or more to the Company's revenue in the three and nine months ended September 30, 2017, respectively.

(b) Interest rate risk

The Company has credit facilities for which general rate fluctuations apply. This exposes the Company to the risk of changing interest rates that may have an effect on its earnings. The Company does not use any derivative financial instruments to mitigate this risk. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the three and nine months ended September 30, 2018 would decrease/increase by $138 and $538, respectively ($115 and $344 for the three and nine months ended September 30, 2017, respectively).

(Expressed in thousands of US dollars except for share and per share amounts unless otherwise noted)

15. Financial instruments and risk management (continued)

(c) Foreign currency risk

The Company undertakes sales and purchase transactions in foreign currencies and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company does not use any derivative financial instruments to reduce its exposure to foreign currency risk. The statement of financial position includes the following amounts with respect to financial assets and liabilities for which cash flows are originally denominated in currencies other than U.S. dollars:

	September 30, 2018	**December 31, 2017**
	$	$
Cash	**1,130**	1,292
Trade and other receivables	**3,070**	1,749
Accounts payable and accrued liabilities	**(11,744)**	(3,534)
Borrowings	**-**	(662)

As at September 30, 2018, if a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately $754 (as at September 30, 2017, $433) due to the fluctuation and this would be recorded in the consolidated statements of operations and comprehensive income.

16. Selected cash flow information

	Three months ended September 30, 2018	Three months ended September 30, 2017	**Nine months ended September 30, 2018**	Nine months ended September 30, 2017
	$	$	**$**	$
(Increase) decrease in assets				
Trade and other receivables	**(3,796)**	(846)	**(6,509)**	(2,526)
Inventories	**(1,927)**	152	**(5,785)**	(454)
Prepaid expenses	**155**	121	**(657)**	333
	(5,568)	(573)	**(12,951)**	(2,647)
Increase (decrease) in liabilities				
Accounts payable and accrued liabilities	**(1,802)**	427	**3,692**	1,611
Deferred revenue	**(3)**	4	**(23)**	2
Provision for returns and markdowns	**161**	(52)	**85**	(34)
	(1,644)	379	**3,754**	1,579
	(7,212)	**(194)**	**(9,197)**	(1,068)