Unaudited condensed consolidated interim financial statements of
MAV Beauty Brands Inc.

For the three and nine months ended September 30, 2019 and 2018
(in US dollars)

Unaudited consolidated interim statements of operations and comprehensive income (loss)	1
Unaudited consolidated interim statements of financial position	2
Unaudited consolidated interim statements of changes in shareholders' equity	3
Unaudited consolidated interim statements of cash flows	4
Notes to the unaudited condensed consolidated interim financial statements	5-16

MAV Beauty Brands Inc.

Consolidated interim statements of operations and comprehensive income (loss)

(Expressed in thousands of US dollars unless otherwise noted, unaudited)

	Notes	**Three months ended September 30, 2019**	Three months ended September 30, 2018	**Nine months ended September 30, 2019**	Nine months ended September 30, 2018
		$	$	**$**	$
Revenue	5	**28,368**	26,175	**77,708**	65,007
Cost of sales		**14,243**	14,577	**39,268**	35,641
Gross profit		**14,125**	11,598	**38,440**	29,366
Expenses					
Selling and administrative		**6,276**	5,901	**20,294**	15,317
Amortization and depreciation		**884**	783	**2,692**	2,220
Interest and accretion	9	**1,787**	7,736	**5,482**	15,746
Foreign exchange loss (gain)		**190**	4	**96**	(147)
Integration, restructuring, and other	10	**395**	5,612	**2,186**	11,204
		9,532	20,036	**30,750**	44,340
Income (loss) before income taxes		**4,593**	(8,438)	**7,690**	(14,974)
Income tax expense (recovery)					
Current		**627**	—	**627**	—
Deferred		**1,027**	(1,763)	**1,802**	(3,463)
		1,654	(1,763)	**2,429**	(3,463)
Net income (loss) and comprehensive income (loss) for the period		**2,939**	(6,675)	**5,261**	(11,511)
Net earnings (loss) per common share					
Basic		**0.08**	(0.19)	**0.14**	(0.58)
Diluted		**0.07**	(0.19)	**0.13**	(0.58)
Weighted average number of common shares outstanding	6				
Basic		**36,898,092**	35,753,919	**37,257,307**	20,009,115
Diluted		**40,143,766**	40,723,390	**40,674,390**	33,025,389

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

MAV Beauty Brands Inc.

Consolidated interim statements of financial position

(Expressed in thousands of US dollars unless otherwise noted, unaudited)

	Notes	**As at September 30, 2019**	As at December 31, 2018
		$	$
Assets			
Current assets			
Cash		**5,423**	5,841
Trade and other receivables	7	**20,360**	19,462
Inventories	8	**20,458**	21,214
Prepaid expenses		**2,727**	3,025
		48,968	49,542
Non-current assets			
Property and equipment	5	**2,381**	518
Deferred tax asset		**—**	588
Right-of-use asset		**3,153**	—
Intangible assets		**140,142**	142,218
Goodwill	4	**165,199**	165,199
		359,843	358,065
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	**13,425**	18,248
Deferred revenue		**100**	107
Current portion of deferred consideration	4	**1,469**	738
Current portion of lease liability		**288**	—
		15,282	19,093
Non-current liabilities			
Deferred tax liability		**10,767**	9,553
Deferred consideration	4	**1,233**	2,329
Lease liability		**3,226**	—
Borrowings	11	**109,422**	111,206
		139,930	142,181
Shareholders' equity			
Share capital	12	**221,458**	224,961
Equity-settled employee benefits reserve	13	**5,400**	2,587
Deficit		**(6,945)**	(11,664)
		219,913	215,884
		359,843	358,065

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

MAV Beauty Brands Inc.

Consolidated interim statements of changes in shareholders' equity

(Expressed in thousands of US dollars unless otherwise noted, unaudited)

	Notes	Share capital	Equity-settled employee benefits reserve	Deficit	Total
		$	$	$	$
Opening balance as at January 1, 2018		33,604	303	(1,262)	32,645
Net loss		—	—	(11,511)	(11,511)
Recognition of share-based payments	13	—	1,185	—	1,185
Issuance of share capital	4	119,828	—	—	119,828
Preferred share conversion		71,829	—	—	71,829
Balance as at September 30, 2018		225,261	1,488	(12,773)	213,976
Opening balance as at January 1, 2019		**224,961**	**2,587**	**(11,664)**	**215,884**
Net income		**—**	**—**	**5,261**	**5,261**
Recognition of share-based payments	13	**—**	**2,813**	**—**	**2,813**
Repurchase of shares	12	**(3,503)**	**—**	**(542)**	**(4,045)**
Balance as at September 30, 2019		**221,458**	**5,400**	**(6,945)**	**219,913**

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

MAV Beauty Brands Inc.

Consolidated interim statements of cash flows

(Expressed in thousands of US dollars unless otherwise noted, unaudited)

	Notes	**Three months ended September 30, 2019**	Three months ended September 30, 2018	**Nine months ended September 30, 2019**	Nine months ended September 30, 2018
		$	$	**$**	$
Operating activities					
Net income (loss) for the period		**2,939**	(6,675)	**5,261**	(11,511)
Adjustments to net income (loss) for non-cash items					
Amortization and depreciation		**884**	783	**2,692**	2,220
Amortization of deferred financing costs and debt discounts	9, 11	**104**	122	**301**	613
Accretion of deferred consideration	4, 9	**103**	90	**322**	241
Accretion of lease liability	9	**43**	—	**133**	—
Debt extinguishment costs	9	**—**	9,184	**—**	9,184
Share-based payments	13	**642**	973	**2,813**	1,185
Unrealized foreign exchange loss		**175**	271	**123**	390
Deferred income taxes		**1,027**	(1,763)	**1,802**	(3,463)
Cash flow from (used in) operations		**5,917**	2,985	**13,447**	(1,141)
Changes in non-cash working capital	14	**(380)**	(6,854)	**(4,713)**	(6,419)
Cash provided by (used in) operating activities		**5,537**	(3,869)	**8,734**	(7,560)
Investing activities					
Purchase of property and equipment		**(164)**	(59)	**(2,246)**	(208)
Repayment of deferred consideration	4	**—**	—	**(776)**	—
Business acquisitions	4	**—**	2,000	**—**	(111,784)
Proceeds from sale of assets	4	**—**	—	**—**	396
Cash (used in) provided by investing activities		**(164)**	1,941	**(3,022)**	(111,596)
Financing activities					
Issuance of common shares (net of issuance costs)		**—**	90,547	**—**	90,547
Issuance of preferred shares		**—**	—	**—**	18,098
Repurchase of shares	12	**(981)**	—	**(4,045)**	—
Proceeds received under non-revolving term loan	11	**—**	107,500	**—**	207,700
Deferred financing costs	11	**—**	(2,002)	**(85)**	(4,009)
Prepayment fees paid on extinguishment of debt	11	**—**	(3,395)	**—**	(3,395)
Drawdown of revolving facilities	11	**2,000**	5,500	**5,000**	13,000
Repayment of borrowings and revolving facilities	11	**(4,000)**	(192,780)	**(7,000)**	(198,918)
Cash (used in) provided by financing activities		**(2,981)**	5,370	**(6,130)**	123,023
Increase (decrease) in cash		**2,392**	3,442	**(418)**	3,867
Cash, beginning of period		**3,031**	1,674	**5,841**	1,249
Cash, end of period		**5,423**	5,116	**5,423**	5,116
Supplemental cash flow information	14				

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 is headquartered at 100 New Park Place, Suite 810, Vaughan, Ontario, Canada, L4K 0H9.

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 under the IPO that resulted in net proceeds to the Company of $90,547 after underwriting commissions and certain expenses related to the IPO. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the stock symbol "MAV".

The Company's fiscal year end is December 31. These unaudited 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 16

Effective January 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16"), which supersedes previous accounting standards for leases, including IAS 17 – Leases ("IAS 17") and IFRIC 4 – Determining Whether an Arrangement Contains a Lease ("IFRIC 4").

IFRS 16 introduced a single accounting model for lessees unless the underlying asset is of low value. A lessee is required to recognize, on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. As a result of adopting IFRS 16, the Company has recognized a significant increase to both assets and liabilities on its consolidated interim statements of financial position, as well as a decrease to selling and administrative expenses (for the removal of rent expense for leases), an increase to amortization and depreciation expenses (due to depreciation of the right-of-use asset), and an increase to interest and accretion expenses (due to accretion of the lease liability). The accounting treatment for lessors remains largely the same as under IAS 17.

IFRS 16 was adopted by the Company using the modified retrospective approach. Comparative information has not been restated and continues to be reported under IAS 17.

On January 1, 2019, the Company has set up a right-of-use asset and corresponding lease liability in the amount of $3,376. The impact to opening deficit on January 1, 2019 was $nil.

The Company has elected to not separate fixed non-lease components from lease components and instead account for each lease component and associated fixed non-lease components as a single lease component. The Company has also elected the recognition exemption on short-term and low-value leases.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the related incremental borrowing rate as at January 1, 2019. The right-of-use asset at transition has been measured at an amount equal to the corresponding lease liability, as there was no prepaid or accrued rent relating to that lease.

2. Standards issued and adopted (continued)

IFRIC 23

Effective January 1, 2019, the Company adopted IFRIC 23 – Uncertainty over Income Tax Treatments ("IFRIC 23"). IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 – Income Taxes for taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates to determine current or deferred tax asset or liability when there is uncertainty over income tax treatments. There was no impact to the Interim Financial Statements as a result of adopting this standard.

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, 2018. These Interim Financial Statements and the accompanying notes have been prepared using the accounting policies described in Note 3 to the annual consolidated financial statements, except as discussed in Notes 2 and 3 herein.

The Interim Financial Statements were approved by the Board of Directors on November 12, 2019.

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 and options outstanding are presented on a post share consolidation basis.

Basis of consolidation

The Interim Financial Statements incorporate the financial information of the Company and the subsidiaries over which the Company has control. An entity is controlled when the Company has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity and is able to use its power over the entity to affect its returns from the entity.

The Company reassesses 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 as prescribed by IFRS 10 – Consolidated Financial Statements.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated interim statements of operations and comprehensive income (loss) from the date the Company gains control until the date when the Company ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

All intercompany assets and liabilities, equity, income, expenses and cash flows are eliminated in full on consolidation.

3. Significant accounting policies (continued)

Leases

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing its carrying amount to reflect accretion on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The Company applies IAS 36 – Impairment of Assets, to determine whether the asset is impaired and account for any identified impairment loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low value assets. Lease payments on short-term leases and leases of low value assets are recognized as selling and administrative expenses in the consolidated interim statements of operations and comprehensive income (loss).

The Company has also elected to not separate fixed non-lease components from lease components and instead account for each lease component and associated fixed non-lease components as a single lease component.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are presented as such in the consolidated interim statements of operations and comprehensive income (loss).

Standards issued but not yet effective

The following new standards have been issued, but are not effective for the current fiscal year, and have not been applied in preparing these Interim Financial Statements. Future changes to the Company's existing accounting policies and other note disclosures may result.

(a) Definition of Material

In October 2018, the International Accounting Standards Board ("IASB") issued amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, clarifying the definition of material. Under the amended definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments also clarify the explanations accompanying the definition of material. The amendments are effective January 1, 2020 and are required to be applied prospectively. Early adoption is permitted. The implementation of these amendments is not expected to have a significant impact on the Company.

(b) Definition of Business

In October 2018, the IASB issued amendments to IFRS 3 – Business Combinations. The amendments narrowed and clarified the definition of a business. The amendments will help companies determine whether an acquisition is a business or a group of assets. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business. The amendments apply to transactions for which the

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

3. Significant accounting policies (continued)

(b) Definition of Business (continued)

acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Early adoption is permitted. The implementation of these amendments is not expected to have a significant impact on the Company.

4. Business combinations

Cake Beauty

On January 23, 2018, the Company acquired 100% of the common shares of Cake Beauty Inc. ("Cake"), a hair care and beauty company, for a total cash consideration of $1,744 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 final allocation of the purchase price to assets and liabilities acquired:

	January 23, 2018
	$
Purchase consideration	
Cash	1,744
Acquisition-related contingent consideration	2,240
	3,984
Fair value of net identifiable 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)
Brand name	763
Customer list	361
	1,024
Goodwill	2,960
	3,984

The fair value measurement of the deferred consideration is determined using unobservable (Level 3) inputs. These inputs include: (i) the estimated amount and timing of the projected cash flows on which the contingency is based; and (ii) the risk-adjusted discount rate used to determine the present value of those cash flows.

During the nine months ended September 30, 2019, the Company paid $776 in relation to the deferred consideration liability.

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

4. Business combinations (continued)

Renpure

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 year ended December 31, 2018, the cash purchase price was adjusted based on the final closing date net working capital, 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 final 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
Fair value of net identifiable assets acquired	
Cash	**169**
Trade and other receivables	**4,720**
Prepaid expenses	**429**
Inventories	**9,388**
Property and equipment	**29**
Accounts payable and accrued liabilities	**(3,985)**
Deferred tax liability	**(383)**
Brand name	**40,400**
Customer relationships	**10,800**
	61,567
Goodwill	**76,473**
	138,040

For the period from March 8 to December 31, 2018, Renpure contributed revenue of $40,468 and net income of $5,837 to the Company's results. If the acquisition had occurred on January 1, 2018, management estimates that consolidated revenue for the year ended December 31, 2018 would have been $102,629, and consolidated net loss and comprehensive loss for the year ended December 31, 2018 would have been $(8,509). In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2018.

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. The goodwill recognized is attributable mainly to expected future growth potential and expected synergies. 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 brands arising from both acquisitions are considered indefinite-life assets as the Company sees 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.

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

5. Segment information

The Company has one reportable segment, which provides personal care products to consumers via retailers and distributors, and this single reportable segment derives its revenue 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.

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, 2019	Three months ended September 30, 2018	**Nine months ended September 30, 2019**	Nine months ended September 30, 2018
	$	$	**$**	$
Canada/US	**26,042**	24,216	**71,097**	58,419
International	**2,326**	1,959	**6,611**	6,588
	28,368	26,175	**77,708**	65,007

	Property and equipment	
	As at September 30, 2019	As at December 31, 2018
	$	$
Canada/US	**2,381**	518
International	**—**	—
	2,381	518

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

6. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) 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, 2019.

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

6. Earnings (loss) per share (continued)

	Three months ended September 30, 2019	Three months ended September 30, 2018	**Nine months ended September 30, 2019**	Nine months ended September 30, 2018
	#	#	**#**	#
Number of shares				
Weighted number of common shares used for basic earnings per share	**36,898,092**	35,753,919	**37,257,307**	20,009,115
Common shares deemed to be issued in respect of share-based payments	**67,674**	660,506	**239,083**	408,581
Weighted number of preferred shares	**—**	1,375,427	**—**	11,629,848
Weighted number of proportionate voting shares	**3,178,000**	2,933,538	**3,178,000**	977,845
Weighted average number of shares used in diluted earnings per share	**40,143,766**	40,723,390	**40,674,390**	33,025,389

7. Trade and other receivables

	September 30, 2019	December 31, 2018
	$	$
Trade and other receivables	**19,913**	18,148
Government remittances receivable	**465**	1,323
Provision for expected credit losses	**(18)**	(9)
	20,360	19,462

8. Inventories

Inventories consist of the following:

	September 30, 2019	December 31, 2018
	$	$
Raw materials	**3,884**	4,102
Finished goods, packaging and marketing materials	**17,057**	17,517
Provision for inventory obsolescence	**(483)**	(405)
	20,458	21,214

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

8. Inventories (continued)

Inventories are carried at the lower of cost and net realizable value; during the three and nine months ended September 30, 2019, inventories recognized as an expense within cost of sales amounted to $12,554 and $34,464, respectively (for the three and nine months ended September 30, 2018, $13,404 and $31,690, respectively).

9. Interest and accretion

	Three months ended September 30, 2019	Three months ended September 30, 2018	**Nine months ended September 30, 2019**	Nine months ended September 30, 2018
	$	$	**$**	$
Interest on borrowings and revolving facilities	**1,537**	1,735	**4,726**	9,103
Deferred financing costs written off on extinguishment	**—**	3,694	**—**	3,694
Debt discounts written off on extinguishment	**—**	2,095	**—**	2,095
Amortization of deferred financing costs	**104**	121	**301**	463
Accretion of deferred consideration	**103**	90	**322**	241
Accretion of lease liability	**43**	—	**133**	—
Accretion of subordinated notes	**—**	—	**—**	135
Accretion of promissory note	**—**	1	**—**	15
	1,787	7,736	**5,482**	15,746

10. Integration, restructuring, and other

	Three months ended September 30, 2019	Three months ended September 30, 2018	**Nine months ended September 30, 2019**	Nine months ended September 30, 2018
	$	$	**$**	$
Integration	**—**	155	**365**	407
Restructuring	**78**	36	**997**	114
Acquisition related	**261**	5,256	**261**	9,965
Other	**56**	165	**563**	718
	395	5,612	**2,186**	11,204

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

11. Borrowings

	Section	September 30, 2019	December 31, 2018
		$	$
Non-revolving term loan	(a)	**107,500**	107,500
Revolving credit facility	(a)	**3,500**	5,500
		111,000	113,000
Deferred financing fees		**(1,578)**	(1,794)
Total borrowings		**109,422**	111,206

(a) Non-revolving term loan and revolving credit facility

On July 10, 2018, concurrent with the IPO, the Company settled its term loans, revolving commitment facility, senior subordinate notes and promissory note as described in the Company's annual consolidated financial statements for the year ended December 31, 2018 and entered into a new credit facility (the "New Credit Facility"). The New Credit Facility includes (i) a revolving credit facility in the aggregate principal amount of $20,000; (ii) a non-revolving term loan credit facility in the aggregate amount of up to $107,500; and (iii) 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 plus the applicable margin of 2.75% per annum.

The Company must satisfy certain financial covenants as of September 30, 2019 defined by the agreement relating to the New Credit Facility. As at September 30, 2019, the Company was in compliance with these covenants.

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: (i) the share capital was amended such that it comprised an unlimited number of common 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 common shares were consolidated on a 4.7206-for-one basis; (iv) 3,178,000 of the common 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 exercisable for common 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 *Business Corporations Act* (British Columbia). Immediately prior to closing the IPO, the Company had 28,577,169 common shares and 3,178 Proportionate Voting Shares outstanding.

12. Share capital (continued)

Share repurchases

On March 28, 2019, the Company announced the commencement of a normal course issuer bid ("NCIB") to purchase and cancel up to 812,500 common shares, commencing on April 2, 2019 and ending on April 1, 2020. Purchases began on April 8, 2019.

During the nine months ended September 30, 2019, the Company repurchased and cancelled 729,448 common shares for $4,045 at a volume weighted average price of CAD $7.40 per common share, reducing the Company's share capital by $3,503 and increasing its deficit by $542.

Issued

As at September 30, 2019, the Company had 36,847,721 common shares and 3,178 Proportionate Voting Shares issued and outstanding (December 31, 2018 – 37,577,169 common shares and 3,178 Proportionate Voting Shares issued and outstanding.)

13. Equity-settled employee benefits reserve

The Company has a legacy Share Option Plan and an omnibus long-term incentive plan (collectively, the "Plans") applicable to executive officers, employees, consultants and members of the Board of Directors effective January 20, 2017. The maximum number of common shares that may be reserved for issuance under the Plans 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 generally 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 an additional 5% of the options vesting on each subsequent quarter. The option exercise price is the fair market 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 in accordance with the Plans. Option terms shall be no more than 10 years from the date of option grant.

In connection with the issuance of options to eligible participants, the Company recorded equity-settled employee benefits of $2,813 for the nine months ended September 30, 2019 ($1,185 for the nine months ended September 30, 2018) to reflect the share-based compensation expense relating to the Company's Plans, which is included in selling and administrative expense.

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

13. Equity-settled employee benefits reserve (continued)

The following table summarizes the movement in options and the weighted average exercise price of options for the nine months ended September 30, 2019:

	Number of options	Average exercise price
	#	CAD$
Options outstanding as at December 31, 2018	3,516,355	11.46
Grants	88,824	7.05
Forfeited	(267,454)	9.68
Options outstanding as at September 30, 2019	**3,337,725**	**11.49**

The assumptions used to measure the fair value of options granted during nine months ended September 30, 2019 under the Black Scholes option pricing model were as follows:

Expected option life (years)	5
Volatility	45%
Forfeiture rate	0%
Risk-free interest rate	1.54%

The following table summarizes information about share options outstanding and exercisable as at September 30, 2019:

	Number of options	**Weighted average remaining life (in years)**	**September 30, 2019 Number exercisable**
Exercise price (in CAD)			
4.72	**624,303**	**2.44**	**329,206**
6.23	**148,577**	**3.23**	**46,936**
7.05	**88,824**	**4.67**	**—**
7.79	**45,586**	**3.56**	**20,259**
9.44	**204,105**	**2.39**	**114,632**
12.46	**74,288**	**3.23**	**23,468**
12.68	**73,529**	**4.08**	**—**
13.38	**33,364**	**3.92**	**6,673**
14.00	**1,721,170**	**3.75**	**344,234**
14.16	**204,105**	**2.39**	**114,632**
15.58	**22,793**	**3.56**	**10,130**
18.69	**74,288**	**3.23**	**23,468**
23.37	**22,793**	**3.56**	**10,130**
	3,337,725	**3.32**	**1,043,768**

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

14. Supplemental cash flow information

The change in non-cash operating items comprises the following:

	Three months ended September 30, 2019	Three months ended September 30, 2018	**Nine months ended September 30, 2019**	Nine months ended September 30, 2018
	$	$	**$**	$
Decrease (increase) in assets				
Trade and other receivables	**434**	(3,796)	**(898)**	(6,509)
Inventories	**1,260**	(1,927)	**756**	(5,785)
Prepaid expenses	**305**	155	**298**	(657)
	1,999	(5,568)	**156**	(12,951)
Increase (decrease) in liabilities				
Accounts payable and accrued liabilities	**(2,377)**	(1,283)	**(4,862)**	6,555
Deferred revenue	**(2)**	(3)	**(7)**	(23)
	(2,379)	(1,286)	**(4,869)**	6,532
	(380)	(6,854)	**(4,713)**	(6,419)

The supplemental cash flow information comprises the following:

	Three months ended September 30, 2019	Three months ended September 30, 2018	**Nine months ended September 30, 2019**	Nine months ended September 30, 2018
	$	$	**$**	$
Interest paid	**1,537**	2,336	**4,726**	9,103

15. Contingencies

In the normal course of business activities, the Company is subject to a number of claims and legal actions that may be made by customers, suppliers or others. The Company is actively defending these actions, and management believes the possibility of any outflow in settlement is remote and thus no provisions have been recognized.

16. Comparative figures

Certain comparative figures have been reclassified to conform with the financial presentation adopted for the current periods.