Dollarama Inc.

Condensed Interim Consolidated Financial Statements

For the 13-week and 39-week periods ended October 29, 2017 and October 30, 2016

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

Dollarama Inc.

Interim Consolidated Statement of Financial Position as at
(Unaudited, expressed in thousands of Canadian dollars)

	Note	October 29, 2017 $	January 29, 2017 $
Assets			
Current assets			
Cash		77,256	62,015
Accounts receivable		14,248	15,386
Deposits and prepaid expenses		6,683	7,162
Merchandise inventories		516,636	465,715
Derivative financial instruments	6	2,006	8,787
		616,829	559,065
Non-current assets			
Property, plant and equipment		460,434	437,089
Intangible assets		143,735	139,515
Goodwill		727,782	727,782
Total assets		1,948,780	1,863,451
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		179,180	198,486
Dividend payable		12,332	11,591
Income taxes payable		28,328	16,597
Derivative financial instruments	6	20,997	8,085
Current portion of long-term debt	7	12,775	278,643
		253,612	513,402
Non-current liabilities			
Long-term debt	7	1,504,196	1,050,101
Deferred rent and lease inducements		88,643	81,827
Deferred income taxes		117,628	117,837
Total liabilities		1,964,079	1,763,167
Commitments	11		
Shareholders' equity (deficit)			
Share capital		421,303	420,266
Contributed surplus		26,761	24,321
Deficit		(444,154)	(342,957)
Accumulated other comprehensive loss		(19,209)	(1,346)
Total shareholders' equity (deficit)	8	(15,299)	100,284
Total liabilities and shareholders' equity		1,948,780	1,863,451

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

Dollarama Inc.

Interim Consolidated Statement of Changes in Shareholders' Equity (Deficit)

For the 39-week periods ended

(Unaudited, expressed in thousands of Canadian dollars, except share amounts)

	Note	Number of common shares	Share capital $	Contributed surplus $	Deficit $	Accumulated other comprehensive income (loss) $	Total $
Balance – January 31, 2016		122,225,104	439,296	20,136	(62,375)	69,795	466,852
Net earnings for the period		-	-	-	299,562	-	299,562
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax recovery of $21,318		-	-	-	-	(58,753)	(58,753)
Dividends declared		-	-	-	(35,850)	-	(35,850)
Repurchase and cancellation of shares	8	(5,140,646)	(18,476)	-	(462,845)	-	(481,321)
Share-based compensation	8	-	-	5,175	-	-	5,175
Issuance of common shares		240,544	4,689	-	-	-	4,689
Reclassification related to exercise of share options		-	2,687	(2,687)	-	-	-
Balance – October 30, 2016		117,325,002	428,196	22,624	(261,508)	11,042	200,354
Balance – January 29, 2017		115,051,349	420,266	24,321	(342,957)	(1,346)	100,284
Net earnings for the period		-	-	-	356,582	-	356,582
Other comprehensive loss							
Unrealized loss on derivative financial instruments, net of reclassification adjustment and income tax recovery of $6,659		-	-	-	-	(17,863)	(17,863)
Dividends declared		-	-	-	(37,340)	-	(37,340)
Repurchase and cancellation of shares	8	(3,678,840)	(13,444)	-	(420,439)	-	(433,883)
Share-based compensation	8	-	-	5,015	-	-	5,015
Issuance of common shares		309,050	11,906	-	-	-	11,906
Reclassification related to exercise of share options		-	2,575	(2,575)	-	-	-
Balance – October 29, 2017		111,681,559	421,303	26,761	(444,154)	(19,209)	(15,299)

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

Dollarama Inc.

Interim Consolidated Statement of Net Earnings and Comprehensive Income

For the 13-week and 39-week periods ended

(Unaudited, expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	13-week periods ended		39-week periods ended	
		October 29, 2017	October 30, 2016	October 29, 2017	October 30, 2016
		$	$	$	$
Sales		810,583	738,708	2,328,015	2,108,688
Cost of sales	13	485,703	447,239	1,415,816	1,300,779
Gross profit		324,880	291,469	912,199	807,909
General, administrative and store operating expenses		117,630	116,972	339,887	330,860
Depreciation and amortization	13	17,999	14,666	51,845	42,199
Operating income		189,251	159,831	520,467	434,850
Financing costs	13	10,154	8,517	29,621	22,440
Earnings before income taxes		179,097	151,314	490,846	412,410
Income taxes	9	49,005	41,256	134,264	112,848
Net earnings for the period		130,092	110,058	356,582	299,562
Other comprehensive income (loss)					
Items to be reclassified subsequently to net earnings					
Unrealized gain (loss) on derivative financial instruments, net of reclassification adjustment		22,214	8,414	(24,522)	(80,071)
Income taxes recovery (expenses) relating to components of other comprehensive income (loss)		(5,915)	(2,325)	6,659	21,318
Total other comprehensive income (loss), net of income taxes		16,299	6,089	(17,863)	(58,753)
Total comprehensive income for the period		146,391	116,147	338,719	240,809
Earnings per common share					
Basic net earnings per common share		$1.16	$0.93	$3.15	$2.50
Diluted net earnings per common share	10	$1.15	$0.92	$3.11	$2.47
Weighted average number of common shares outstanding during the period (*thousands*)		112,191	118,181	113,303	119,864
Weighted average number of diluted common shares outstanding during the period (*thousands*)	10	113,601	119,496	114,667	121,101

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

Dollarama Inc.

Interim Consolidated Statement of Cash Flows
For the 13-week and 39-week periods ended
(Unaudited, expressed in thousands of Canadian dollars)

	Note	13-week periods ended		39-week periods ended	
		October 29, 2017 $	October 30, 2016 $	October 29, 2017 $	October 30, 2016 $
Operating activities					
Net earnings for the period		130,092	110,058	356,582	299,562
Adjustments for:					
Depreciation of property, plant and equipment and amortization of intangible assets	13	17,999	14,666	51,845	42,199
Amortization of deferred tenant allowances		(1,294)	(1,184)	(3,789)	(3,584)
Amortization of deferred leasing costs		120	126	363	393
Amortization of debt issue costs		492	468	1,533	1,186
Recognition of realized gains on foreign exchange contracts	6	(1,445)	(7,400)	(3,496)	(43,745)
Cash settlement of gains (losses) on foreign exchange contracts		(11,373)	1,443	(1,267)	21,201
Deferred lease inducements		1,240	1,708	3,721	4,336
Deferred tenant allowances		2,694	1,922	6,884	5,435
Share-based compensation	8	1,676	1,772	5,015	5,175
Financing costs on long-term debt		7,675	6,002	9,132	6,037
Deferred income taxes		8,141	3,972	6,383	10,743
Loss on disposal of assets		126	206	181	390
		156,143	133,759	433,087	349,328
Changes in non-cash working capital components	14	(35,490)	(35,476)	(48,059)	(46,525)
Net cash generated from operating activities		120,653	98,283	385,028	302,803
Investing activities					
Additions to property, plant and equipment		(24,620)	(40,149)	(66,920)	(120,410)
Additions to intangible assets		(6,800)	(2,559)	(13,577)	(8,354)
Proceeds on disposal of property, plant and equipment		184	-	544	53
Net cash used in investing activities		(31,236)	(42,708)	(79,953)	(128,711)
Financing activities					
Proceeds from long-term debt (Series 2 Floating Rate Notes)	7	-	-	300,000	-
Proceeds from long-term debt (2.203% Fixed Rate Notes)	7	-	-	250,000	-
Proceeds from long-term debt (2.337% Fixed Rate Notes)	7	-	-	-	525,000
Proceeds (Repayments) of Credit Facility	7	35,000	70,000	(95,000)	(180,000)
Repayment of Series 1 Floating Rate Notes	7	-	-	(275,000)	-
Payment of debt issue costs		-	-	(2,438)	(2,318)
Repayment of finance lease		-	(84)	-	(588)
Issuance of common shares		1,477	633	11,906	4,689
Dividends paid		(12,461)	(11,902)	(36,599)	(35,124)
Repurchase and cancellation of shares	8	(115,403)	(152,047)	(442,703)	(474,824)
Net cash used in financing activities		(91,387)	(93,400)	(289,834)	(163,165)
Increase (decrease) in cash		(1,970)	(37,825)	15,241	10,927
Cash – beginning of period		79,226	107,930	62,015	59,178
Cash – end of period		77,256	70,105	77,256	70,105

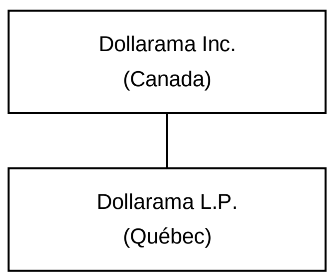
The accompanying notes are an integral part of the condensed interim consolidated financial statements.

1 General information

Dollarama Inc. (the "Corporation") was formed on October 20, 2004 under the Canada Business Corporations Act. The Corporation operates dollar stores in Canada that sell all items for $4.00 or less. As at October 29, 2017, the Corporation maintains retail operations in every Canadian province. The Corporation's corporate headquarters, distribution centre and warehouses are located in the Montreal area. The Corporation is listed on the Toronto Stock Exchange ("TSX") under the symbol "DOL" and is incorporated and domiciled in Canada.

The Corporation's head and registered office is located at 5805 Royalmount Avenue, Montreal, Quebec, H4P 0A1.

As at October 29, 2017, the significant entities within the legal structure of the Corporation are as follows:



Dollarama L.P. operates the chain of stores and performs related logistical and administrative support activities.

2 Basis of preparation

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors for issue on December 6, 2017.

The Corporation prepares its condensed interim consolidated financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". In accordance with GAAP, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended January 29, 2017 ("Fiscal 2017"), which have been prepared in accordance with IFRS as issued by the IASB. In management's opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented.

3 Summary of significant accounting policies

These condensed interim consolidated financial statements have been prepared using the accounting policies as outlined in note 3 of the Fiscal 2017 audited consolidated financial statements.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

4 Significant new accounting standards not yet adopted

In January 2016, the IASB issued IFRS 16, “Leases”, which will replace IAS 17, “Leases”. The new standard will be effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted provided the Corporation has adopted IFRS 15, “Revenue from Contracts with Customers”. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts, and record it on the statement of financial position, except with respect to lease contracts that meet limited exception criteria. Given that the Corporation has significant contractual obligations in the form of operating leases (note 11) under IAS 17, there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the timing of recognition of expenses associated with lease arrangements.

The following table outlines the key areas that will be impacted by the adoption of IFRS 16.

Impacted areas of the business	**Analysis**	**Impact**
Financial reporting	The analysis includes which contracts will be in scope as well as the options available under the new standard such as whether to early adopt, the two recognition and measurement exemptions and whether to apply the new standard on a full retrospective application in accordance with IAS 8 or choose the “modified retrospective approach”.	The Corporation is in the process of analyzing the full impact of the adoption of IFRS 16 on the Corporation’s consolidated statement of financial position and consolidated statement of net earnings and comprehensive income. In addition, the Corporation is working with a third party provider of advisory services. As at October 29, 2017, the operating leases disclosed in note 11 to the unaudited condensed interim consolidated financial statements for the third quarter ended October 29, 2017 are in scope with IFRS 16.
Information systems	The Corporation is analyzing the need to make changes within its information systems environment to optimize the management of more than 1,000 leases that will fall within the scope of the new standard.	The Corporation has chosen an IT solution for the eventual recognition and measurement of leases in scope. Integration testing began during the 13-week period ended October 29, 2017.
Internal controls	The Corporation will be performing an analysis of the changes to the control environment as a result of the adoption of IFRS 16.	Concurrently with integration testing, the Corporation is evaluating the impact of IFRS 16 on its control environment.
Stakeholders	The Corporation will be performing an analysis of the impact on the disclosure to its stakeholders as a result of the adoption of IFRS 16.	The Corporation has begun discussing the impact of IFRS 16 to stakeholders.

In July 2014, the IASB issued the final version of IFRS 9, “Financial Instruments” concerning classification and measurement, impairment and hedge accounting, to supersede IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 will be effective for years beginning on or after January 1, 2018 with early adoption permitted. On transition to IFRS 9, the Corporation will apply the new hedge accounting requirements to all qualifying hedge relationships existing on the date of transition. IFRS 9 introduces changes to the cash flow hedge accounting model and eliminates the accounting policy choice provided by IAS 39 for the hedge of a forecasted transaction that results in the recognition of a non-financial asset or liability.

As a result of the adoption of IFRS 9, the Corporation will remove the unrealized gains or losses previously recognized in accumulated other comprehensive income (loss) and include them directly in the carrying amount of the asset or the liability (referred to as ‘basis adjustment’). This is done in order to better match the settlement of the hedged transaction that has occurred with the carrying amount of the hedged asset, being the portion of the Corporation’s inventory that was purchased with a foreign currency. This basis adjustment is not a reclassification adjustment and will not affect the Corporation’s consolidated statement of net earnings and comprehensive income.

4 Significant new accounting standards not yet adopted (cont'd)

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces all previous revenue recognition standards, including IAS 18, "Revenue". In September 2015, the IASB deferred the effective date of IFRS 15 from January 1, 2017 to annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation is in the final stages of analyzing the impact of the adoption of IFRS 15 on the Corporation's consolidated statement of financial position and consolidated statement of net earnings and comprehensive income. The impact is not expected to be significant.

5 Critical accounting estimates and judgments

The preparation of condensed interim consolidated financial statements requires management to make estimates and assumptions using judgment that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses during the reporting period. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In preparing these condensed interim consolidated financial statements, the significant estimates and judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for Fiscal 2017 (refer to note 5 of the Fiscal 2017 audited consolidated financial statements).

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

6 Derivative financial instruments

Fair value of financial instruments

The three levels of fair value hierarchy under which the Corporation's financial instruments are valued are the following:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

A summary of the aggregate contractual nominal value, average contract rate, statement of financial position location and estimated fair values of the Corporation's derivative financial instruments as at October 29, 2017 and January 29, 2017 follows:

	Contractual nominal value	Average contract rate	Statement of financial position	Fair value - Asset (Liability)	Nature of hedging relationship
	USD	USD/ CAD	Location	Significant other observable inputs (Level 2)	Recurring
	$			$	
As at October 29, 2017					
Hedging instruments					
Foreign exchange forward contracts	100,000	1.26	Non-current assets	2,006	Cash flow hedge
Foreign exchange forward contracts	505,000	1.32	Current liabilities	(20,997)	Cash flow hedge
	605,000	1.31		(18,991)	
As at January 29, 2017					
Hedging instruments					
Foreign exchange forward contracts	215,000	1.28	Current assets	8,787	Cash flow hedge
Foreign exchange forward contracts	335,000	1.34	Current liabilities	(8,085)	Cash flow hedge
	550,000	1.31		702	

During the 39-week period ended October 29, 2017, a gain of $3,496 (October 30, 2016 – gain of $43,745) was reclassified from accumulated other comprehensive income to the consolidated statement of net earnings and comprehensive income.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

7 Long-term debt

Long-term debt outstanding consists of the following as at:

	October 29, 2017	January 29, 2017
	$	$
Senior unsecured notes bearing interest at:		
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022 (the “2.203% Fixed Rate Notes”)	250,000	-
Fixed annual rate of 2.337% payable in equal semi-annual instalments, maturing July 22, 2021 (the “2.337% Fixed Rate Notes”)	525,000	525,000
Fixed annual rate of 3.095% payable in equal semi-annual instalments, maturing November 5, 2018 (the “3.095% Fixed Rate Notes” and collectively with the 2.203% Fixed Rate Notes and the 2.337% Fixed Rate Notes, the “Fixed Rate Notes”)	400,000	400,000
Variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 59 basis points payable quarterly, maturing March 16, 2020 (the “Series 2 Floating Rate Notes”)	300,000	-
Variable rate equal to 3-month bankers’ acceptance rate (CDOR) plus 54 basis points payable quarterly, matured May 16, 2017 (the “Series 1 Floating Rate Notes”, and collectively with the Series 2 Floating Rate Notes, the “Floating Rate Notes”)	-	274,834
Unsecured revolving credit facility maturing September 29, 2022 (the “Credit Facility”)	35,000	130,000
Less: Unamortized debt issue costs	(5,804)	(4,899)
Accrued interest on the Floating Rate Notes and Fixed Rate Notes	12,775	3,809
	1,516,971	1,328,744
Current portion (includes accrued interest on the Floating Rate Notes and Fixed Rate Notes)	(12,775)	(278,643)
	1,504,196	1,050,101

Fixed Rate Notes

On May 10, 2017, the Corporation issued the 2.203% Fixed Rate Notes by way of private placement in reliance upon exemptions from the prospectus requirements under applicable securities legislation. The 2.203% Fixed Rate Notes were issued at par, for aggregate gross proceeds of $250,000, and bear interest at a rate of 2.203% per annum, payable in equal semi-annual instalments, in arrears, on the 10th day of May and November of each year until maturity on November 10, 2022.

As at October 29, 2017, the carrying value of the 2.203% Fixed Rate Notes was $251,520 (January 29, 2017 – n/a). The fair value of the 2.203% Fixed Rate Notes as at October 29, 2017 was determined to be $244,953 valued as a level 2 in the fair value hierarchy (January 29, 2017 – n/a).

As at October 29, 2017, the carrying value of the 2.337% Fixed Rate Notes was $526,553 (January 29, 2017 – $523,192). The fair value of the 2.337% Fixed Rate Notes as at October 29, 2017 was determined to be $523,688 valued as a level 2 in the fair value hierarchy (January 29, 2017 – $526,628). The 2.337% Fixed Rate Notes are due on July 22, 2021.

7 Long-term debt (cont'd)

As at October 29, 2017, the carrying value of the 3.095% Fixed Rate Notes was $405,436 (January 29, 2017 – $401,994). The fair value of the 3.095% Fixed Rate Notes as at October 29, 2017 was determined to be $404,784 valued as a level 2 in the fair value hierarchy (January 29, 2017 – $410,100). The 3.095% Fixed Rate Notes are due on November 5, 2018.

Floating Rate Notes

On May 10, 2017, the Corporation issued additional Series 2 Floating Rate Notes due March 16, 2020 (the "Additional Series 2 Floating Rates Notes"). The Additional Series 2 Floating Rate Notes constitute an increase to the $225,000 principal amount of original Series 2 Floating Rate Notes issued by the Corporation on March 16, 2017. The Additional Series 2 Floating Rate Notes were issued at a premium of 0.284% of the $75,000 principal amount thereof, for aggregate gross proceeds of $75,213. As at the date of issuance, the effective spread over the 3-month bankers' acceptance rate (CDOR) for the Additional Series 2 Floating Rate Notes was 49 basis points (or 0.49%). Once issued, they bear interest at the same rate as the original Series 2 Floating Rate Notes, such rate being equal to the 3-month bankers' acceptance rate (CDOR) plus 59 basis points (or 0.59%), to be set quarterly on the 16th day of March, June, September and December of each year. All other terms and conditions applicable to the original Series 2 Floating Rate Notes also apply to the Additional Series 2 Floating Rate Notes, and those are treated as a single series with the original Series 2 Floating Rate Notes. As at October 29, 2017, the carrying value of the Series 2 Floating Rate Notes was $299,989 (January 29, 2017 – n/a). The fair value of the Series 2 Floating Rate Notes as at October 29, 2017 was determined to be $301,452 valued as a level 2 in the fair value hierarchy (January 29, 2017 – n/a).

Credit Facility

As at October 29, 2017, an amount of $35,000 was outstanding under the Credit Facility (January 29, 2017 – $130,000), other than letters of credit issued for the purchase of inventories which amounted to $2,542 (January 29, 2017 – $831). As at October 29, 2017, the Corporation was in compliance with all of its financial covenants.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

8 Shareholders' equity

a) Share capital

Normal course issuer bid

On June 7, 2017, the Corporation announced the renewal of its normal course issuer bid to repurchase for cancellation up to 5,680,390 common shares, representing 5.0% of the 113,607,809 common shares issued and outstanding as at the close of markets on June 6, 2017, during the 12-month period from June 19, 2017 to June 18, 2018 ("the 2017-2018 NCIB").

The total number of common shares repurchased for cancellation under the 2017-2018 NCIB during the 13-week period ended October 29, 2017 amounted to 687,700 common shares (October 30, 2016 – 1,571,500 common shares under the normal course issuer bid then in effect) for a total cash consideration of $93,123 (October 30, 2016 – $157,809). For the 13-week period ended October 29, 2017, the Corporation's share capital was reduced by $2,513 (October 30, 2016 – $5,648) and the remaining $90,610 (October 30, 2016 – $152,161) was accounted for as an increase of the deficit, resulting in negative shareholders' equity as at October 29, 2017.

The total number of common shares repurchased for cancellation under the 2016-2017 NCIB (which expired on June 16, 2017) and the 2017-2018 NCIB during the 39-week period ended October 29, 2017 amounted to 3,678,840 common shares (October 30, 2016 – 5,140,646 common shares under the normal course issuer bids then in effect) for a total cash consideration of $433,883 (October 30, 2016 – $481,321). For the 39-week period ended October 29, 2017, the Corporation's share capital was reduced by $13,444 (October 30, 2016 – $18,476) and the remaining $420,439 (October 30, 2016 – $462,845) was accounted for as an increase of the deficit, resulting in negative shareholders' equity as at October 29, 2017.

b) Contributed surplus

Share-based compensation

During the 13-week and 39-week periods ended October 29, 2017, the Corporation recognized a share-based compensation expense of $1,676 and $5,015 respectively (13-week and 39-week periods ended October 30, 2016 – $1,772 and $5,175, respectively).

Outstanding and exercisable share options for the 39-week periods ended on the dates provided below are as follows:

	October 29, 2017		October 30, 2016	
	Number of share options	Weighted average exercise price ($)	Number of share options	Weighted average exercise price ($)
Outstanding – beginning of period	2,572,000	50.68	2,478,200	42.29
Granted	252,000	112.36	420,000	90.59
Exercised	(309,050)	38.52	(319,800)	38.28
Cancelled	(2,400)	41.62	-	-
Outstanding – end of period	2,512,550	58.37	2,578,400	50.66
Exercisable – end of period	1,179,350	42.15	879,200	36.39

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

8 Shareholders' equity (cont'd)

Information relating to share options outstanding and exercisable as at October 29, 2017 is as follows:

	Share options outstanding			Share options exercisable		
Range of exercise prices	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)	Weighted average remaining life (in months)	Number of share options	Weighted average exercise price ($)
$6.00 - $8.75	22	9,000	8.44	22	9,000	8.44
$8.76 - $18.89	42	18,000	15.91	41	18,000	15.91
$18.90 - $27.01	51	180,400	21.78	51	180,400	21.78
$27.02 - $40.97	66	707,850	36.45	66	490,250	36.34
$40.98 - $56.17	78	582,400	44.76	77	300,800	44.43
$56.18 - $71.03	89	349,900	71.03	89	109,900	71.03
$71.04 - $90.59	101	413,000	90.37	101	71,000	90.59
$90.60 - $112.07	113	249,000	112.07	-	-	-
$112.08 - $136.81	118	3,000	136.81	-	-	-
	81	2,512,550	58.37	70	1,179,350	42.15

The weighted average fair value of the share options granted during the 39-week periods ended on the dates provided below was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	October 29, 2017	October 30, 2016
Exercise price per share	$112.36	$90.59
Dividend yield	0.4%	0.4%
Risk-free interest rate	1.2%	0.8%
Expected life	6.2 years	6.3 years
Expected volatility	20.4%	20.7%
Weighted average fair value of share options estimated at the grant date	$24.20	$18.91

The expected life is estimated using the average of the vesting period and the contractual life of the share options. Expected volatility is estimated based on the Corporation's publicly traded share price.

c) Deficit

As at October 29, 2017, the deficit was $444,154 as a result of: 1) an opening deficit, as at January 29, 2017, of $342,957; 2) net earnings of $356,582; 3) dividends declared of $37,340; and 4) cash paid for the repurchase of common shares under the Corporation's normal course issuer bid of $420,439. The portion of the price paid by the Corporation to repurchase common shares that is in excess of their book value is recognized as a reduction in retained earnings, whereas the portion of the price paid for the common shares that corresponds to the book value of those shares is recognized as a reduction of share capital. As a result, the Corporation's shareholders' equity for accounting purposes was in a deficit position at $15,299 as at October 29, 2017.

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

9 Income taxes

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. The statutory income tax rate for the 13-week and 39-week periods ended October 29, 2017 was 26.9% (October 30, 2016 – 26.9%). The Corporation's effective income tax rate for the 13-week and 39-week periods ended October 29, 2017 was 27.4% (13-week and 39-week periods ended October 30, 2016 – 27.3% and 27.4%, respectively).

10 Earnings per common share

Diluted net earnings per common share were calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares as follows:

	13-week periods ended		39-week periods ended	
	October 29, 2017	**October 30, 2016**	**October 29, 2017**	**October 30, 2016**
Net earnings attributable to shareholders of the Corporation and used to determine basic and diluted net earnings per common share	$130,092	$110,058	$356,582	$299,562
Weighted average number of common shares outstanding during the period (*thousands*)	112,191	118,181	113,303	119,864
Assumed share options exercised (*thousands*)	1,410	1,315	1,364	1,237
Weighted average number of common shares for diluted net earnings per common share *(thousands)*	113,601	119,496	114,667	121,101
Diluted net earnings per common share	$1.15	$0.92	$3.11	$2.47

11 Commitments

Contractual obligations

As at October 29, 2017, contractual obligations for operating leases amounted to $1,071,001 (October 30, 2016 – $1,041,266). The leases extend, depending on the renewal options, over various periods up to the year 2039.

Basic and contingent rent expense

The basic rent and contingent rent expense of operating leases for stores, warehouses, the distribution centre and corporate headquarters are as follows:

	13-week periods ended		39-week periods ended	
	October 29, 2017	**October 30, 2016**	**October 29, 2017**	**October 30, 2016**
	$	**$**	**$**	**$**
Basic rent	44,361	41,190	132,228	121,606
Contingent rent	1,203	1,061	3,602	3,219
	45,564	42,251	135,830	124,825

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

12 Related party transactions

Rent

Rental expenses charged by entities controlled by a director totalled $3,669 and $14,703, respectively, for the 13-week and 39-week periods ended October 29, 2017 (13-week and 39-week periods ended October 30, 2016 - $3,561 and $14,513, respectively).

These transactions were measured at cost, which equals fair value, being the amount of consideration established at market terms.

Land

Land in Montreal, Quebec was acquired on February 5, 2016 from a party related to Dollarama at a cost of $22,144, the same price paid by such party in a recent arm's length transaction, for the purpose of building a 500,000 square-foot warehouse. Construction is complete and the building is available for use since January 30, 2017.

13 Expenses by nature included in the interim consolidated statement of net earnings and comprehensive income

	13-week periods ended		39-week periods ended	
	October 29, 2017 $	October 30, 2016 $	October 29, 2017 $	October 30, 2016 $
Cost of sales				
Merchandise, labour, transport and other costs	410,740	377,327	1,193,366	1,094,440
Occupancy costs	74,963	69,912	222,450	206,339
Total cost of sales	485,703	447,239	1,415,816	1,300,779
Depreciation and amortization				
Depreciation of property, plant and equipment	14,691	12,264	42,785	35,261
Amortization of intangible assets	3,308	2,402	9,060	6,938
Total depreciation and amortization	17,999	14,666	51,845	42,199
Employee benefits	89,611	85,584	252,614	244,884
Financing costs	10,154	8,517	29,621	22,440

(Unaudited, expressed in thousands of Canadian dollars, unless otherwise noted)

14 Changes in non-cash working capital

The changes in non-cash working capital components are as follows:

	13-week periods ended		39-week periods ended	
	October 29, 2017 $	October 30, 2016 $	October 29, 2017 $	October 30, 2016 $
Accounts receivable	(867)	(52)	1,138	(1,876)
Deposits and prepaid expenses	902	1,911	478	3,643
Merchandise inventories	(44,373)	(38,715)	(50,921)	(4,852)
Accounts payable and accrued liabilities	(6,064)	4,450	(10,485)	(1,081)
Income taxes payable	14,912	(3,070)	11,731	(42,359)
	(35,490)	(35,476)	(48,059)	(46,525)
Cash paid for taxes	25,862	40,498	116,068	146,089
Cash paid for interest	1,559	1,483	17,845	14,026

Cash paid for taxes and interest are cash flows used in operating activities.

15 Events after the reporting period

Quarterly cash dividend

On December 6, 2017, the Corporation announced that the Board of Directors had approved a quarterly cash dividend for holders of its common shares of $0.11 per common share. The Corporation's quarterly cash dividend will be paid on January 31, 2018 to shareholders of record at the close of business on January 5, 2018 and is designated as an "eligible dividend" for Canadian tax purposes.

Amendments to Credit Agreement

On November 28, 2017, the Corporation and the lenders entered into an amending agreement to the credit agreement pursuant to which, among other things, the term of the initial commitments in the amount of $250,000 was extended from December 14, 2021 to September 29, 2022 and the term of the 2016 commitments in the amount of $250,000 was extended from January 29, 2019 to September 29, 2019.