LXRandCo, Inc.

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

Third Quarter – Three-Month Period Ended September 30, 2017

November 9, 2017

The following management's discussion and analysis ("MD&A") is prepared as of November 9, 2017 and is intended to assist readers in understanding the financial performance and financial condition of LXRandCo, Inc. (together with its consolidated subsidiares, referred to herein as "LXRandCo" or the "Company"). This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and notes thereto for the three-month and nine-month periods ended September 30, 2017, and the audited consolidated financial statements and notes thereto of the Company's wholly-owned subsidiary, LXR Produits de Luxe International Inc. ("LXR International") for the years ended December 31, 2016, 2015 and 2014 and the related management's discussion and analysis.

On June 9, 2017, Gibraltar Growth Corporation ("Gibraltar Growth"), the predecessor of the Company, completed the acquisition of LXR International (the "LXR Acquisition") and closed a private placement (the "Private Placement") of Class B shares (each, a "Class B Share") for gross proceeds of $25.0 million. Gibraltar Growth, a special purpose acquisition corporation ("SPAC") whose Class A restricted voting shares (each, a "Class A Restricted Voting Share") and warrants (each, a "Warrant") were listed on the Toronto Stock Exchange (the "TSX"), was incorporated under the *Business Corporations Act* (Ontario) for the purpose of effecting an acquisition of one or more businesses or assests, by way of meger, amalgamation, share exchange, asset acquisition, share purchase, reorganization, or other similar business combination involving Gibraltar Growth, referred to as its "qualifying acquisition". The LXR Acquisition constituted Gibraltar Growth's qualifying acquisition. In connection with the closing of the LXR Acquisition, Gibraltar Growth was renamed to LXRandCo, Inc.

While Gibraltar Growth was the legal acquirer of LXR International, LXR International was identified as the acquirer for accounting purposes. The LXR Acquisition is outside the scope of IFRS 3, Business Combinations, and it is accounted for as a share-based payment transaction in accordance with IFRS 2, Share-based Payments ("IFRS 2"). LXRandCo is considered to be a continuation of LXR International with the net identifiable assets of Gibraltar Growth deemed to have been acquired by LXR International in exchange for shares of LXR International. Under IFRS 2, the transaction is measured at the fair value of the shares deemed to have been issued by LXR International in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of LXR International acquiring 100% of Gibraltar Growth. Any difference in the fair value of the shares deemed to have been issued by LXR International and the fair value of Gibraltar Growth's identifiable net assets represents a service received by LXR International, recorded through profit and loss. LXR International's historical financial statements as of and for the periods ended prior to the completion of the LXR Acquisition are presented as the historical financial statements of LXRandCo prior to the date of the completion of the LXR Acquisition.

Basis of Presentation

The unaudited condensed interim consolidated financial statements of LXRandCo have been prepared in accordance with IFRS. All amounts are presented in Canadian dollars, unless otherwise stated. LXRandCo's fiscal year is the 12-month period ending December 31.

The unaudited condensed interim consolidated financial statements and notes thereto for the three-month and nine-month periods ended September 30, 2017 and this MD&A were approved by the Audit Committee of LXRandCo's Board of Directors.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of LXRandCo's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of LXRandCo's financial information reported under IFRS. Management uses non-IFRS measures including: "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "Adjusted Net Loss". These non-IFRS measures are used to provide investors with supplemental measures of LXRandCo's operating performance and thus highlight trends in LXRandCo's core business that may not otherwise be apparent when relying solely on IFRS measures. Management also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. For a definition of "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "Adjusted Net Loss", and a reconciliation of these non-IFRS measures to IFRS measures, see "How Management Assesses the Performance of LXRandCo" and "Selected Consolidated Financial Information of LXRandCo" sections of this MD&A.

Caution Regarding Forward-Looking Statements

Certain statements in this MD&A are prospective in nature and constitute forward-looking information and/or forward-looking statements within the meaning of applicable securities laws (collectively, "**forward-looking statements**"). Forward-looking statements include, but are not limited to, statements concerning the financial results and condition of the Company, expectations regarding market trends, overall market growth rates and the Company's growth rates, future objectives and strategies to achieve those objectives, including, without limitation, new store openings, store productivity, margin improvements, e-Commerce penetration and future acquisitions, as well as other statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, outlook, circumstances, performance or expectations that are not historical facts.

Forward-looking statements generally, but not always, can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "could", "would", "will", "expect", "intend", "estimate", "forecasts", "project", "seek", "anticipate", "believes", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events and the negative of any of these terms.

Forward-looking statements reflect management's current beliefs, expectations and assumptions and are based on information currently available to management, which includes assumptions about continued revenues based on historical past performance, management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. With respect to the forward-looking statements included in this MD&A, management has made certain assumptions with respect to, among other things, the Company's ability to meet its future objectives and strategies, the Company's ability to achieve its future projects and plans and that such projects and plans will proceed as anticipated, the expected growth of the Company's e-Commerce revenue, the expected number and timing of store openings in North America and internationally, entering into new and/or expanded retail partnerships in North America and internationally, the Company's ability to source products, the Company's competitive position in the vintage luxury industry, and beliefs and intentions regarding the ownership of material trademarks and domain names used in connection with the marketing, distribution and sale of the Company's products as well as assumptions concerning general economic and market growth rates, currency exchange and interest rates and competitive intensity.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include, but are not limited to, those factors described under the headings "Risk Factors" and "Management's Discussion and Analysis of LXR – Risk Factors" in Gibraltar Growth's final non-offering long form prospectus dated May 12, 2017 (the "**Final Prospectus**") and as described from time to time in the reports and disclosure documents filed by the Company with the Canadian securities regulatory agencies and commissions. Such list of risk factors is not exhaustive of the factors that may impact the forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the forward-looking statements in this MD&A. As a result of the foregoing and other factors, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements included in and incorporated into this MD&A are qualified by these cautionary statements. Unless otherwise indicated, the forward-looking statements contained herein are made as of the date of this MD&A, and except as required by applicable law, the Company does not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Overview

LXRandCo is a rapidly growing, international omni-channel retailer of branded vintage luxury handbags and accessories. LXRandCo sources and authenticates high quality pre-owned products and sells them through: a retail network of "shop-in-shop" stores located in major department stores in Canada, the United States and Europe; wholesale operations primarily in the United States; and its own e-Commerce website, www.lxrco.com. LXRandCo offers pre-owned products from iconic brands such as Hermès, Louis Vuitton, Gucci and Chanel, among others, at attractive prices and seeks to appeal to the aspirational lifestyle needs of women of all ages. As at September 30, 2017, LXRandCo's retail network consisted of 86 stores with nine located in Canada, 50 in the United States, 13 in Germany, four in Belgium, five in the Netherlands and five in the United Kingdom. LXRandCo has offices in Montréal, Québec, and Tokyo, Japan.

LXRandCo's mission is to connect consumers with pre-owned branded luxury products and inspire a new pride in 'vintage luxury' by making sought after luxury products accessible to a broader audience. Management believes that its curated offering of branded pre-owned vintage luxury products addresses a growing demand by aspirational buyers who seek luxury products and accessories that might otherwise be unavailable to them due to price and accessibility. LXRandCo offers an integrated omni-channel buying environment, and authenticated and condition-graded products that are attractively priced compared to new products.

Completion of LXR Acquisition

On June 9, 2017, Gibraltar Growth completed the LXR Acquisition, consisting of the acquisition of LXR International, and closed the Private Placement of Class B Shares for gross proceeds of $25.0 million. In connection with the closing of the LXR Acquisition, Gibraltar Growth was renamed to LXRandCo, Inc., and the Gibraltar Growth Class A Restricted Voting Shares not submitted for redemption were automatically converted into Class B Shares on a one-for-one basis. The Class B Shares commenced trading on the TSX on June 14, 2017, concurrent with the delisting of the Class A Restricted Voting Shares. The Class B Shares and Warrants are listed and posted for trading on the TSX under the symbols "LXR" and "LXR.WT".

As of November 9, 2017, LXRandCo had 12,946,483 Class B Shares, 10,861,250 Warrants and 281,798 options exercisable for Class B Shares. The outstanding Class B Shares reflect working capital adjustments in accordance with the Purchase Agreement which were finalized during the three-month period ended September 30, 2017.

Financial and Operating Highlights

Refer to the section entitled "How Management Assesses the Performance of LXRandCo" in this MD&A for the definition of items disclosed below and, when applicable, to the section entitled "Selected Consolidated Financial Information" for a reconciliation of non-IFRS measures with the most directly comparable IFRS measure.

Three-Month Period Ended September 30, 2017 Compared to Three-Month Period Ended September 30, 2016

Select financial highlights include the following:

- Net revenue increased by 82.3% to $8.8 million in the three-month period ended September 30, 2017 from $4.8 million in the three-month period ended September 30, 2016.

- E-Commerce revenue increased to 4.1% of net revenue in the three-month period ended September 30, 2017 from 3.5% of net revenue in the three-month period ended September 30, 2016 (e-Commerce figures for the 2016 period are presented pro forma the re-acquisition of Groupe Global, see "*Non-Recurring Gain from a Step Business Combination*" in "Results of Operations" section).

- 25 stores were opened in the three-month period ended September 30, 2017, compared to eight in the three-month period ended June 30, 2016, offset by one store closure**.**

- The retail network expanded to 86 stores in the three-month period ended September 30, 2017, including launches in two new countries for the Company – the United Kingdom and the Netherlands – as well as additional store openings with existing partners in the United States and Germany.

- Gross profit increased by 99% to $2.9 million in the three-month period ended September 30, 2017 from $1.4 million in the three-month period ended September 30, 2016.

- Gross profit margin was 32.5% of net revenue in the three-month period ended September 30, 2017, compared to 29.8% of net revenue in the three-month period ended September 30, 2016.

- Adjusted EBITDA (a non-IFRS measure) was $(0.8) million in the three-month period ended September 30, 2017, compared to $0.1 million in the three-month period ended September 30, 2016.

- Adjusted Net Loss (a non-IFRS measure) was $0.9 million in the three-month period ended September 30, 2017, compared to Adjusted Net Loss of $0.1 million in the three-month period ended September 30, 2016.

- The number of employees increased by 105 to 328 in the three-month period ended September 30, 2017.

Nine-Month Period Ended September 30, 2017 Compared to Nine-Month Period Ended September 30, 2016

Select financial highlights include the following:

- Net revenue increased by 73% to $22.1 million in the nine-month period ended September 30, 2017 from $12.8 million in the nine-month period ended September 30, 2016.

- E-Commerce revenue increased to 5.7% of net revenue in the nine-month period ended September 30, 2017 from 5.1% of net revenue in the nine-month period ended September 30, 2016 (e-Commerce figures for the 2016 period are presented pro forma the re-acquisition of Groupe Global, see "*Non-Recurring Gain from a Step Business Combination*" in "Results of Operations" section).

- 45 stores were opened in the nine-month period ended September 30, 2017 offset by three closures, compared to 15 store openings in the nine-month period ended September 30, 2016, offset by one closure**.**

- The retail network expanded to 86 stores in the nine-month period ended September 30, 2017, including launches in three new countries for the Company – Belgium, the United Kingdom and the Netherlands – as well as additional store openings with existing partners in the United States and Germany.

- Gross profit increased by 69% to $6.7 million in the nine-month period ended September 30, 2017 from $4.0 million in the nine-month period ended September 30, 2016.

- Gross profit margin was 30.3% of net revenue in the nine-month period ended September 30, 2017, compared to 31.0% of net revenue in the nine-month period ended September 30, 2016.

- Adjusted EBITDA (a non-IFRS measure) was $(1.7) million in the nine-month period ended September 30, 2017, compared to $(0.1) million in the nine-month period ended September 30, 2016.

- Adjusted Net Loss (a non-IFRS measure) was $2.5 million in the nine-month period ended September 30, 2017, compared to Adjusted Net Loss of $0.8 million in the nine-month period ended September 30, 2016.

- The number of employees increased by 153 to 328 in the nine-month period ended September 30, 2017.

Additional Operating Highlights

Select other operating highlights include:

- The opening of 42 stores subsequent to September 30, 2017 which increases the Company's existing retail network to 128 as of November 9, 2017.

- The addition of a new retail partner in Europe during the three-month period ended September 30, 2017, and the subsequent announcement of three new retail partners in the United States, bringing the Company's total number of retail partners to ten.

- The expansion of the Company's vintage luxury product offering to include apparel and shoes at five locations.

- The diversification of its supply sourcing through a new supplier agreement with a U.S.-based vendor.

- The appointment of veteran international retail executive Todd Howard as Executive Vice President, Global Business Development.

Factors Affecting Results from Operations

Management believes that the performance and future success of LXRandCo depends on a number of factors that present significant opportunities. These factors are also subject to a number of risks and challenges, some of which are discussed under the headings "Risk Factors" and "Management's Discussion and Analysis of LXR – Risk Factors" in the Final Prospectus as well as in the documents filed by the Company with the Canadian securities regulatory agencies and commissions from time to time.

LXR Brand

LXRandCo sources and authenticates branded pre-owned luxury vintage products that it sells through its international omni-channel sales network. Management believes that growing customer awareness and trust in the LXRandCo product offering has been important to the success of LXRandCo and that maintaining and enhancing the important attributes of the LXRandCo brand, including product authenticity and an attractive price to value relationship, are essential to LXRandCo's continued success. Any loss of brand appeal may adversely affect LXRandCo's business and financial results.

Product Mix and Merchandising Strategy

LXRandCo believes that its ability to determine which products and brands to offer its addressable market is a key driver of its net revenue growth. LXRandCo gains an understanding of market demand for pre-owned vintage luxury products by analyzing general demographic data, data provided by retail partners on product sales and location-specific traffic, and occasionally data obtained from the launch of pop-up stores. LXRandCo's merchandising strategies have been developed since its inception and are continuously refined to ensure that LXRandCo offers an attractive value proposition to its targeted demographic, with the right product, at the right time, at the right price and across all channels. LXRandCo's continued success will depend on, among other factors, its ability to properly assess demand in its targeted markets and to continue to implement a disciplined merchandise planning strategy that allows it to maintain optimal inventory levels, product assortment and pricing.

Sourcing and Authentification

LXRandCo sources its merchandise primarily from third party suppliers in Japan and to a lesser extent other suppliers including consumers. LXRandCo contracts and maintains direct relationships with a diversified base of independent third party suppliers which provide the Company with the flexibility to source specific high quality vintage luxury products at competitive costs in significant quantities. It is management's intention to increase the amount of product it sources directly from consumers in order to improve margins while still maintaining the benefits of better inventory control achieved through purchases from third party suppliers. Significant disruptions in LXRandCo's current and planned sources of product supply could affect LXRandCo's ability to address market demand and achieve future revenue growth targets and store productivity objectives. LXRandCo will continue to diversify its sourcing alternatives by increasing the proportion it buys directly from consumers through LXRandCo's retail network and through its web channel at www.lxrco.com.

In addition to authentication guarantees provided to it by suppliers, LXRandCo maintains a rigorous internal authentication process whereby all products sourced from suppliers and customers are inspected by highly trained teams of product experts. Any loss of trust in the authenticity of LXRandCo's products could adversely affect LXRandCo's business and financial results. LXRandCo will continue to maintain uncompromising standards in product authentication in order to provide an authenticity guarantee on all product sales.

Retail Network Expansion

LXRandCo has been rapidly expanding its retail network across the United States and internationally, and will continue to do so. LXRandCo's ability to successfully expand its retail network will depend on numerous factors, including its ability to minimize closures of existing stores, secure new retail partners and expand existing partnerships in targeted geographies, execute on the rapid expansion of store openings and generate the anticipated financial performance for LXRandCo and its retail partners. Management anticipates leveraging the success of its current retail partner relationships into new store openings and developing new retail partner relationships through outbound business development efforts and introductions made through its board of directors.

Retail Network Productivity and Scalability

LXRandCo's "shop-in-shop" store model is designed to be productive and rapidly scalable. LXRandCo believes that its store productivity depends on, among other factors, being present in department stores that target a demographic that has a potential affinity for pre-owned vintage luxury products, obtaining choice space and placement within the department stores, its ability to offer an attractive value proposition to its consumers, and creating an exceptional buying experience for its customers. LXRandCo will continue to manage its sourcing and merchandising functions to be in a position to offer attractive value to its customers. In addition, LXRandCo will continue to invest in the training of its sales associates and the presentation of its stores so as to emphasize and reinforce LXRandCo's brand values.

e-Commerce Growth

LXRandCo's launched its e-Commerce offering in 2013, and management believes there is an opportunity to meaningfully grow its e-Commerce business. LXRandCo plans to leverage business intelligence and behaviour data to further enhance its understanding of customer preferences and buying behaviour. This includes optimizing its online operations to enhance personalization, which LXRandCo believes will drive higher conversion rates and increased customer loyalty. Management also believes there is a synergistic relationship between its retail network channel and www.lxrco.com, with the success of each benefiting the other through increased brand awareness and affinity. As LXRandCo expands its retail network across North America and internationally, management believes that its e-Commerce business will benefit from the increased awareness of the LXRandCo brand resulting from the larger and more expansive retail network.

Consumer Trends

Demand for vintage luxury handbags and accessories is subject to shifts in consumer trends, preferences and consumer spending, and LXRandCo's revenue and operating results depend, in part, on its ability to respond to such changes in a timely manner. Management believes that LXRandCo's diversified brand and product mix provides LXRandCo with the flexibility to optimize its offering as needed to address changes in consumer demand and market trends. In addition, the iconic nature of the brands offered by LXRandCo also provide a more stable source of demand over time that is less susceptible to be affected by short term fashion trends. LXRandCo's revenue is also affected by, discretionary spending by consumers, which is affected by many factors that are beyond LXRandCo's control, including, but not limited to, general economic conditions, consumer disposable income levels, consumer confidence levels, consumer debt, the cost of basic necessities and other goods and the effects of weather or natural disasters.

Seasonality

LXRandCo's business has not demonstrated significant seasonality to date, with only a slightly higher proportion of net revenue generated during the second half of the year. The days leading up to Valentine's Day and Mother's Day in the first and second quarter of the year, respectively, are important sales generating periods as well as the Christmas holiday season in the fourth quarter of the year.

Based on the net revenue generated by the 12 stores open for a full year in 2016, the quarterly share of annual net revenue for the year was as follows:

First fiscal quarter	24%
Second fiscal quarter	24%
Third fiscal quarter	22%
Fourth fiscal quarter	30%
Yearly total	100%

While LXRandCo's business has not demonstrated significant seasonality to date, seasonal or cyclical variations in the Company's business may become more pronounced over time as its retail network expands. Most store openings typically occur in the fall season which could lead to more pronounced variations in LXRandCo's results in years with significant new store additions.

Competition

LXRandCo operates in the pre-owned branded vintage luxury accessories industry in North America and internationally, primarily in Europe. LXRandCo competes on the basis of several factors that include its mix of products and brands, its offering of more affordable price points for new branded luxury products, its ability to source specific products more consistently and with greater depth, its omni-channel sales network capabilities, its guarantee of authenticity, its retail partner relationships, its focus on providing exceptional customer service and its market positioning within a growing demographic for its products. Management believes the industry is evolving to benefit players like LXRandCo that can leverage synergistic omni-channel capabilities.

Foreign Exchange

LXRandCo reports in Canadian dollars. The majority of LXRandCo's net revenue is derived in U.S. dollars while the vast majority of its cost of goods sold is denominated in Japanese Yen. In addition, LXRandCo's growth plans include retail network expansion in Europe. Future fluctuations in the exchange rate of the Canadian dollar versus the U.S. dollar, and the Canadian dollar versus the Euro, the British Pound and the Japanese Yen could materially affect LXRandCo's gross profit margins and operating results. At present, LXRandCo is not using any hedging strategies in a material way to mitigate risks associated with forecasted Japanese Yen merchandise purchases sold in Canada, the United States and internationally.

How Management Assesses the Performance of LXRandCo

In assessing the performance of LXRandCo's business, management considers a variety of financial and operating measures that affect its operating results. LXRandCo conducts its activities in a single industry segment as an omni-channel retailer. The single operating segment includes all sales channels accessed by LXRandCo's customers, including sales through LXRandCo's retail network consisting of retail shop-in-shop stores (the "Retail Stores") and hybrid shop-in-shop stores (the "Hybrid Stores"), wholesale clients and online through its website.

Net Revenue

Net revenue primarily reflects the sale of merchandise, net of discounts, rebates, estimated returns and sales taxes. Net revenue from Retail Stores, including revenue from pop-up stores, is recognized at the point of sale, when the merchandise is delivered to the customer. Net revenue from e-Commerce sales is recognized when merchandise is delivered to the customer. Net revenue from Hybrid Stores and wholesale operations is recognized in accordance with the specific terms of the contract with the Hybrid Store retail partner or wholesale client, but is generally recognized upon shipment of the merchandise by LXRandCo.

Gross Profit

Gross profit reflects net revenue less cost of sales. Cost of sales includes product purchase cost, production costs, in-bound logistics costs and duties. Cost of sales also includes retail partner licensing costs and sales commission. LXRandCo's cost of sales may include different items compared to that of other retailers. Gross profit as a percentage of net revenue (gross profit margin) is impacted by the components of cost of sales.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses consist of selling expenses that are generally variable with net revenue, and general and administrative operating expenses that are primarily fixed. Management expects the variable component of SG&A expenses to increase as it continues to expand its retail store network, grow its e-Commerce business, increase brand awareness and invest in its infrastructure. LXRandCo's SG&A expenses may include different expenses compared to other retailers.

Net Loss

Net loss reflects gross profit less SG&A expenses and amortization and depreciation expenses to arrive at results from operating activities. It then further reflects the deduction of finance costs, debt extinguishment costs, foreign exchange loss (gain), convertible redeemable preferred share dividends, non-recurring gain on loss of control of a subsidiary, non-recurring gain from a step business combination, excess of fair value over net assets acquired, non-recurring acquisition costs and gain on expiration of warrants to arrive at loss before income taxes from which income tax expense is deducted to arrive at net loss.

Adjusted Net Loss

Adjusted Net Loss is a non-IFRS measure that management believes is a useful measure of LXRandCo's performance, as it provides a more relevant picture of results by excluding the effects of expenses that are not reflective of underlying business performance, and other non-cash or non-recurring expenses. Management uses Adjusted Net Loss to facilitate a comparison of its performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting LXRandCo's business. Management defines Adjusted Net Loss as net loss adjusted for the impact of certain items, including non-cash items such as debt extinguishment costs, foreign exchange loss (gain), convertible redeemable preferred shares dividends, non-recurring gain on loss of control of a subsidiary, non-recurring gain from a step business combination, excess of fair value over net assets acquired, non-recurring acquisition costs, gain on expiration of warrants and stock-based compensation which management considers to be not representative of LXRandCo's ongoing operating performance, net of related tax effects.

EBITDA

EBITDA is a non-IFRS measure that management defines as net loss before amortization and depreciation expenses, finance costs and income tax expense.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS measure that management believes is a useful measure of operating performance in that it excludes the effects of financing and investing activities from operating results by removing the effects of amortization and depreciation expense, finance costs, expenses that are not reflective of underlying business performance, and other non-cash or non-recurring expenses. Management uses Adjusted EBITDA to facilitate a comparison of its operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting LXRandCo's business. Management defines Adjusted EBITDA as net income (loss) before amortization and depreciation expenses, finance costs and income tax expense, adjusted for the impact of certain items, including debt extinguishment costs, foreign exchange loss (gain), convertible redeemable preferred share dividends, non-recurring gain on loss of control of a subsidiary, non-recurring gain from step business combination, excess of fair value over net assets acquired, non-recurring acquisition costs, gain on expiration of warrants and stock-based compensation which management considers to be not representative of LXRandCo's ongoing operating performance. Because Adjusted EBITDA excludes non-cash items, management believes that it is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges.

Selected Consolidated Financial Information

The following table summaries LXRandCo's recent results for the periods indicated:

	For the Three-Months Ended September 30,		For the Nine-Months Ended September 30,	
Consolidated statements of loss and comprehensive loss:	**2017**	**2016**	**2017**	**2016**
Net revenue	**$8,793,081**	**$4,823,124**	**$22,113,766**	**$12,804,951**
Cost of sales	5,933,099	3,386,181	15,411,125	8,841,214
Gross profit	**2,859,982**	**1,436,943**	**6,702,641**	**3,963,737**
Selling, general and administrative expenses	3,956,358	1,324,725	8,912,153	4,052,629
Amortization and depreciation expenses	74,255	38,910	230,642	168,594
Results from operating activities	**(1,170,631)**	**73,308**	**(2,440,154)**	**(257,486)**
Finance costs	73,288	188,221	740,081	589,362
Debt extinguishment costs	—	—	612,939	—
Foreign exchange loss	96,908	53,880	93,633	33
Convertible redeemable preferred share dividends	—	—	61,308	—
Non-recurring gain on loss of control of a subsidiary	—	—	—	(363,948)
Non-recurring gain from a step business combination	—	—	(2,070,422)	—
Excess of fair value over net assets acquired	—	—	14,765,080	—
Non-recurring acquisition costs	40,000	—	814,785	—
Gain on expiration of warrants	—	—	(3,195,459)	—
Loss before income taxes	**(1,380,827)**	**(168,793)**	**(14,262,099)**	**(482,932)**
Income tax expense (recovery)				
Current	(97,050)	(37,937)	(8,472)	(210,119)
Deferred	20,263	(22,482)	(177,224)	163,754
	(76,787)	**(60,419)**	**(185,696)**	**(46,365)**
Net loss for the period	(1,304,040)	(108,374)	(14,076,404)	(436,567)
Other comprehensive loss				
Cumulative translation adjustment	12,748	7,901	45,011	77,023
Comprehensive loss for the period	**(1,316,788)**	**(116,275)**	**(14,121,414)**	**(513,590)**

Percentage of net revenue:	For the Three-Months Ended September 30, 2017	2016	For the Nine-Months Ended September 30, 2017	2016
Net revenue	**100%**	**100%**	**100%**	**100%**
Cost of sales	67%	70%	70%	69%
Gross Profit	**32.5%**	**29.8%**	**30.3%**	**31.0%**
Selling, general and administrative expenses	45.0%	27.5%	40.3%	31.6%
Amortization and depreciation expenses	1%	1%	1%	1%
Results from operating activities	**(13%)**	**2%**	**(11%)**	**(2%)**
Finance costs	1%	4%	3%	5%
Debt extinguishment costs	—	—	3%	—
Foreign exchange loss	1%	1%	0%	0%
Convertible redeemable preferred share dividends	—	—	0%	—
Non-recurring gain on loss of control of a subsidiary	—	—	—	(3%)
Non-recurring gain from a step business combination	—	—	(9%)	—
Excess of fair value over net assets acquired	—	—	67%	—
Non-recurring acquisition costs	0%	—	4%	—
Gain on expiration of warrants	—	—	(14%)	—
Loss before income taxes	**(16%)**	**(3%)**	**(64%)**	**(4%)**
Income tax expense (recovery)				
Current	(1%)	(1%)	(0%)	(2%)
Deferred	0%	(0%)	(1%)	1%
	(1%)	(1%)	(1%)	(0%)
Net loss	**(15%)**	**(2%)**	**(64%)**	**(3%)**
Other comprehensive loss				
Cumulative translation adjustment	0%	0%	0%	1%
Comprehensive loss	**(15%)**	**(2%)**	**(64%)**	**(4%)**

The following table provides a reconciliation of net loss to Adjusted Net Loss for the periods indicated:

Reconciliation of net loss to Adjusted Net income (loss):	For the Three-Months Ended September 30, 2017	2016	For the Nine-Months Ended September 30, 2017	2016
Net loss	**$(1,304,040)**	**$(108,374)**	**$(14,076,403)**	**$(436,567)**
Adjustments to net loss:				
Debt extinguishment costs	—	—	612,939	—
Foreign exchange loss (gain)	96,908	53,880	93,633	33
Convertible redeemable preferred share dividends	—	—	61,308	—
Non-recurring gain on loss of control of a subsidiary	—	—	—	(363,948)
Non-recurring gain from a step business combination	—	—	(2,070,422)	—
Excess of fair value over net assets acquired	—	—	14,765,080	—
Non-recurring acquisition costs	40,000	—	814,785	—
Gain on expiration of warrants	—	—	(3,195,459)	—
Stock-based compensation expense	263,731	—	500,356	—
Adjusted net loss	**(903,400)**	**(54,494)**	**(2,494,182)**	**(800,483)**

The following table provides a reconciliation of net loss to EBITDA and Adjusted EBITDA for the periods indicated:

	For the Three-Months Ended September 30,		For the Nine-Months Ended September 30,	
Reconciliation of net loss to EBITDA and Adjusted EBITDA:	**2017**	**2016**	**2017**	**2016**
Net loss	**$(1,304,040)**	**$(108,374)**	**$(14,076,403)**	**$(436,567)**
Amortization and depreciation expense	74,255	38,910	230,642	168,594
Finance Costs	73,288	188,221	740,081	589,362
Income tax expense	(76,787)	(60,419)	(185,696)	(46,365)
EBITDA	**(1,233,284)**	**58,338**	**(13,291,377)**	**275,024**
Adjustments to EBITDA:				
Debt extinguishment costs	—	—	612,939	—
Foreign exchange loss	96,908	53,880	93,633	33
Convertible redeemable preferred share dividends	—	—	61,308	—
Non-recurring gain on loss of control of a subsidiary	—	—	—	(363,948)
Non-recurring gain from a step business combination	—	—	(2,070,422)	—
Excess of fair value over net assets acquired	—	—	14,765,080	—
Non-recurring acquistion costs	40,000	—	814,785	—
Gain on expiration of warrants	—	—	(3,195,459)	—
Stock-based compensation expense	263,731	—	500,356	—
Adjusted EBITDA	**(832,644)**	**112,218**	**(1,709,156)**	**(88,892)**
Adjusted EBITDA Margin	**(9%)**	**2%**	**(8%)**	**(1%)**

The following table provides selected retail network data for the periods indicated:

	For the Three-Months Ended September 30,		For the Nine-Months Ended September 30,	
Selected retail network data:	**2017**	**2016**	**2017**	**2016**
Number of stores, beginning of period	61	22	46	15
Store openings	25	8	43	15
Store closures	0	1	3	1
Number of stores, end of period	**86**	**29**	**86**	**29**

Results of Operations

Analysis of Results for the Three-Month Period ended September 30, 2017 Compared to the Three-Month Period ended September 30, 2016

The following section provides an overview of LXRandCo's financial performance during the three-month period ended September 30, 2017 compared to the three-month period ended September 30, 2016.

Net Revenue

Net revenue increased by 82% to $8.8 million in the three-month period ended September 30, 2017 from $4.8 million in the three-month period ended September 30, 2016. E-Commerce revenue as a percentage of net revenue was 4.1% in the three-month period ended September 30, 2017 compared to 3.5% in the three-month period ended September 30, 2016 (e-Commerce figures for the 2016 period are presented pro forma the re-acquisition of Groupe Global, see *"Non-Recurring Gain from a Step Business Combination"*). The increase in net revenue was primarily attributable to the increase in sales from LXRandCo operating 57 more stores by the end of the three-month period ended September 30, 2017 compared to the number of stores at the end of the three-month period ended September

30, 2016. LXRandCo's retail network consisted of 86 stores as at September 30, 2017 compared to a retail network of 29 stores as at September 30, 2016. Store openings in the three-month period ended September 30, 2017 consisted of 25 Retail Stores. The increase in net revenue was also due to another quarter of revenue growth from existing wholesale customers, as well as an increase in e-Commerce revenue.

During the quarter, net revenue from Canada, the United States, the United Kingdom and Europe was 17%, 65%, 1% and 16%, respectively. In the United States, the Company's largest market, net revenue increased 69% from the prior period as LXRandCo continued to open new stores and add new retail channel partners. During the quarter, European operations showed good growth with net revenue from the region rivaling that of Canada which is our largest market after the United States.

Gross Profit

Gross profit increased by 99% to $2.9 million in the three-month period ended September 30, 2017 from $1.4 million in the three-month period ended September 30, 2016. The change was primarily attributable to the increase in net revenue.

Gross profit margin was 32.5% of net revenue in the three-month period ended September 30, 2017, compared to 29.8% of net revenue in the three-month period ended September 30, 2016. The increase in gross profit margin was primarily due to the Company adopting an improved pricing methodology as well as an overall more profitable product mix in the quarter. This was partially off-set by certain one-time wholesale sales made at lower margins in the quarter as well as a lower US dollar exchange rate against the CAD dollar. The increase in gross profit margin was also favourably impacted by a one-time write-off deferred revenue from a prior period as well as an accounting adjustment to better reflect the cost of the inventory being carried in the Company's books and financial statements.

SG&A Expenses

SG&A expenses were $4.0 million in the three-month period ended September 30, 2017, compared to $1.3 million in the three-month period ended September 30, 2016. Of the $4.0 million of SG&A expenses incurred during the quarter, approximately $0.9 million or 23% was related to activities such as non-recurring branding costs ($0.1 million) and store-related opening and closing costs ($0.8 million).

SG&A expenses were 45.0% of net revenue in the three-month period ended September 30, 2017, compared to 27.5% of net revenue in the three-month period ended September 30, 2016. The increase was due to several factors including higher store staffing expenses resulting from the rapid expansion of LXRandCo's retail network, increased headcount expenses relating to the growth in head office and other support personnel, increased travel, training and other start-up expenses related to the opening of several new stores in the period and non-recurring branding costs. SG&A also grew due to the additional costs incurred as a result of being a public reporting issuer. Such costs include increased professional fees, directors' fees and exchange and public filings costs that the Company had not experienced previously.

The number of employees grew by 105 in the three-month period ended September 30, 2017 to 328 as at September 30, 2017 compared to an increase of 37 employees in the three-month period ended September 30, 2016 to 174 as at September 30, 2016.

Finance Costs

Finance costs were $0.1 million in the three-month period ended September 30, 2017, compared to $0.2 million in the three-month period ended September 30, 2016. The decrease is primarily due to the reimbursement of outstanding long term debts in the second quarter of 2017.

Non-cash Expenses

Foreign Exchange Loss

Foreign exchange loss was $0.1 million in the three-month period ended September 30, 2017, compared to $0.1 million in the three-month period ended September 30, 2016.

Non-Recurring Acquisition Costs

Non-recurring acquisition costs were $0.04 million in the three-month period ended September 30, 2017, compared to nil in the three-month period ended September 30, 2016. This increase represents one-time costs associated with the Company becoming a publicly-listed reporting issuer as a result of the LXR Acquisition.

Income Tax Expense

Income tax recovery was $0.1 million in the three-month period ended September 30, 2017, compared to $0.1 million in the three-month period ended September 30, 2016.

Net Loss

Net loss was $1.3 million in the three-month period ended September 30, 2017, compared to a net loss of $0.1 million in the three-month period ended September 30, 2016. The increase in net loss was driven by the factors discussed above, primarily higher SG&A expenses in the period as a result of the retail expansion.

Adjusted Net Loss

Adjusted net loss was $0.9 million in the three-month period ended September 30, 2017, compared to adjusted net loss of $0.1 million in the three-month period ended September 30, 2016. This increase was the result of the factors discussed above, primarily higher SG&A expenses.

Adjusted EBITDA

Adjusted EBITDA was $(0.8) million in the three-month period ended September 30, 2017, compared to $0.1 million in the three-month period ended September 30, 2016. This decrease was primarily due to the factors discussed above. Adjusted EBITDA Margin was (9.5)% of net revenue in the three-month period ended September 30, 2017, compared to 2.3% of net revenue in the three-month period ended September 30, 2016. This decrease was primarily due to the factors discussed above.

Adjusted EBITDA includes approximately $0.9 million of SG&A expenses incurred in the quarter related to activities such as non-recurring branding costs ($0.1 million) and store-related opening costs ($0.8 million).

Analysis of Results for Nine-Month Period Ended September 30, 2017 Compared to Nine-Month Period Ended September 30, 2016

The following section provides an overview of LXRandCo's financial performance during the nine-month period ended September 30, 2017 compared to nine-month period ended September 30, 2016.

Net Revenue

Net revenue increased by 72.7% to $22.1 million the nine-month period ended September 30, 2017 from $12.8 million in the nine-month period ended September 30, 2016. E-commerce revenue as a percent of net revenue was 5.7% in the nine-month period ended September 30, 2017 compared to 3.9% for the nine-month period ended September 30, 2016 (e-Commerce figures for the 2016 period are presented pro forma the re-acquisition of Groupe Global, see *"Non-Recurring Gain from a Step Business Combination"*).

The increase in net revenue was primarily attributable to the increase in sales from LXRandCo operating 57 more stores by the end of the nine-month period ended September 30, 2017 compared to the number of stores at the end of the nine-month period ended September 30, 2016. LXRandCo's retail network consisted of 86 stores as at September 30, 2017 compared to a retail network of 29 stores as at September 30, 2016. Store openings in the nine-month period ended September 30, 2017 consisted of 43 retail stores, and there were three retail store closures. The increase in net revenue was also due to the growth from existing wholesale customers, as well as an increase in e-Commerce revenue.

During the period, net revenue from Canada, the United States, the United Kingdom and Europe was 20%, 66%, 1% and 14%, respectively. In the United States, the Company's largest market, net revenue increased 50% from the prior period as LXRandCo continued to open new stores and add new retail channel partners. While the Canadian market was still our second largest market after the United States, European operations showed good growth in the period.

Gross Profit

Gross profit increased by 69% to $6.7 million in the nine-month period ended September 30, 2017 from $4.0 million in the nine-month period ended September 30, 2016. The change was primarily attributable to the increase in net revenue.

Gross profit margin was 30.3% of net revenue in the nine-month period ended September 30, 2017, compared to 31.0% of net revenue in the nine-month period ended September 30, 2016. The decrease in gross profit margin was primarily due to a lower US dollar exchange rate against the CAD dollar. This unfavourable impact from foreign exchange was partially offset by an improved pricing methodology adopted by the Company starting in the third quarter of 2017. The decrease in gross profit margin was also offset by a one-time write-off of deferred revenue from a prior period as well as an accounting adjustment to better reflect the cost of the inventory being carried in the company's books and records.

SG&A Expenses

SG&A expenses were $8.9 million in the nine-month period ended September 30, 2017, compared to $4.1 million in the nine-month period ended September 30, 2016. Of the $8.9 million of SG&A expenses incurred during the period, approximately $1.0 million or 11% of it was related to non-recurring branding costs ($0.1 million) and store-related opening and closing costs ($0.9 million).

SG&A expenses were 40.3% of net revenue in the nine-month period ended September 30, 2017, compared to 31.6% of net revenue in the nine-month period ended September 30, 2016. The increase was due to several factors including higher store staffing expenses resulting from the rapid expansion of LXRandCo's retail network, increased headcount expenses relating to the growth in head office and other support personnel, increased travel, training and other start-up expenses related to the opening of several new stores in the period and non-recurring branding costs. SG&A also grew due to the additional costs incurred as a result of being a public reporting issuer. Such costs include increased professional fees, directors' fees and exchange and public filings costs that the Company had not experienced previously.

The number of employees grew by 153 in the nine-month period ended September 30, 2017 to 328, compared to an increase of 54 in the nine-month period ended September 30, 2016 to 174.

Finance Costs

Finance costs were $0.7 million in the nine-month period ended September 30, 2017, compared to $0.6 million in the nine-month period ended September 30, 2016. The increase was primarily due to a higher usage of credit facilities to finance trade receivables and inventory growth offset by a lower effective interest rate.

Debt Extinguishment Costs

Debt extinguishment costs were $0.6 million in the nine-month period ended September 30, 2017 compared to nil in the nine-month period ended September 30, 2016. These costs resulted from the Company's decision to prepay its subordinated debt upon the completion of the LXR Acquisition as well as from the write-off of deferred financing fees upon the paydown of the Company's former credit facilities.

Non-cash Expenses

Foreign Exchange Loss

Foreign exchange loss was $0.1 million in the nine-month period ended September 30, 2017, compared to nil in the nine-month period ended September 30, 2016.

Convertible Redeemable Preferred Share Dividends

Convertible redeemable preferred share dividends were $0.1 million in the nine-month period ended September 30, 2017, compared to nil in the nine-month period ended September 30, 2016.

Non-Recurring Gain on Loss of Control of a Subsidiary

Non-recurring gain on loss of control of a subsiary was nil in the nine-month period ended September 30, 2017, compared to $0.4 million in the nine-month period ended September 30, 2016 due to the gain related to the derecognition of the disposed interest in Groupe Global LXR Inc.

Non-Recurring Gain from a Step Business Combination

Non-recurring gain from a step business combination was $2.1 million in the nine-month period ended September 30, 2017, compared to nil in the nine-month period ended September 30, 2016. The Company recognized a gain resulting from the increase in fair value of its existing ownership of Groupe Global LXR Inc. following the repurchase of the interest in Groupe Global LXR Inc. that it did not own.

Excess of Fair Value Over Net Assets Acquired

The excess of fair value over net assets acquired associated with the LXR Acquisition was $14.8 million in the nine-month period ended September 30, 2017, compared to nil in the nine-month period ended September 30, 2016.While Gibraltar Growth was the legal acquirer of LXR International, LXR International was identified as the acquirer for accounting purposes and the transaction is accounted for under IFRS 2, Share-based Payments. Under IFRS 2, this amount represents the difference between the fair value of the shares deemed to have been issued by LXR International to effect the LXR Acquisition and the fair value of Gibraltar Growth's identifiable net assets at the time of the LXR Acquisition. This difference is characterized as a service received by LXR International and under IFRS 2, was recorded through profit and loss.

Non-Recurring Acquisition Costs

Non-recurring acquisition costs were $0.8 million in the nine-month period ended September 30, 2017, compared to nil in the nine-month period ended September 30, 2016. This increase represents non-recurring costs associated with the Company becoming a publicly-listed reporting issuer as a result of the LXR Acquisition.

Gain on Expiration of Warrants

The gain on expiration of warrants was $3.2 million in the nine-month period ended September 30, 2017, compared to nil in the nine-month period ended September 30, 2016. The Company recognized a gain resulting from the reduction of a liability associated with the issuance and partial exercise of warrants to purchase preferred shares.

Income Tax Expense

Income tax recovery was $0.2 million in the nine-month period ended September 30, 2017, compared to essentially nil in the nine-month period ended September 30, 2016.

Net Loss

Net loss was $14.1 million in the nine-month period ended September 30, 2017, compared to a net loss of $0.4 million in the nine-month period ended September 30, 2016. The increase in net loss was driven by the factors discussed above, and in particular, the excess of fair value of net assets acquired and non-recurring acquisition costs, partially offset by the non-recurring gain from a step business combination and the gain on expiration of warrants.

Adjusted Net Loss

Adjusted Net Loss was $2.5 million in the nine-month period ended September 30, 2017, compared to a loss of $0.8 million in the nine-month period ended September 30, 2016. This increase in Adjusted Net Loss was the result of the factors discussed above, primarily a decrease in gross profit margin and higher SG&A.

Adjusted EBITDA

Adjusted EBITDA was $(1.7) million in the nine-month period ended September 30, 2017, compared to $(0.1) million in the nine-month period ended September 30, 2016. This decrease was primarily due to the factors discussed above. Adjusted EBITDA Margin was (7.7)% of net revenue in the nine-month period ended September 30, 2017, compared to (0.7)% of net revenue in the nine-month period ended September 30, 2016. This decrease was primarily due to the factors discussed above.

Adjusted EBITDA includes approximately $1.0 million of SG&A expenses incurred in the period related to non-recurring branding costs ($0.1 million) and store-related opening and closing costs ($0.9 million).

Selected Quarterly Financial Information

The following table summarizes the results of LXRandCo for the most recently completed quarters for which financial statements have been prepared since the Company has been a reporting issuer. This unaudited quarterly information, other than Adjusted EBITDA and Adjusted Net Loss, has been prepared in accordance with IFRS. Due to the rapid growth in the business and seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the year. As LXRandCo has only publicly filed three quarters of financial results, other than as stated elsewhere in this MD&A, it is not possible to discern any trends from the quarterly financial information that is available.

	For the Quarter Ended					
	2017			**2016**		
Consolidated statements of loss and comprehensive loss:	**Q3**	**Q2***	**Q1**	**Q3**	**Q2**	**Q1**
Net revenue	$8,793,081	$7,174,723	$6,145,962	$4,823,124	$4,136,951	$3,844,876
Gross profit	2,859,982	2,038,151	1,804,508	1,436,943	1,275,672	1,251,122
Results from operating activities	(1,170,631)	(846,053)	(423,469)	73,308	(294,937)	(35,857)
Loss before income taxes	(1,380,827)	(17,234,724)	4,353,453	(168,793)	(171,328)	(142,811)
Net loss	(1,304,040)	(17,123,069)	4,352,333	(108,374)	(171,480)	(156,713)
Net income (loss) per share						
Basic	(0.10)	(2.61)	0.94	(0.01)	(0.04)	(0.03)
Fully diluted	(0.10)	(2.61)	0.96	(0.01)	(0.04)	(0.03)
Adjusted Net Loss	**(903,400)**	**(856,889)**	**(732,265)**	**(54,494)**	**(528,835)**	**(217,154)**
Adjusted EBITDA	**(832,644)**	**(586,928)**	**(289,582)**	**112,218**	**(237,788)**	**36,678**

*For Q2-2017, loss before income taxes relects a working capital purchase price adjustment. See “Completion of LXR Acquisition” section.

Liquidity and Capital Resources

Overview

LXRandCo’s primary uses of funds are for operating expenses, working capital requirements, capital expenditures and debt service requirements. Management believes that its cash on hand and cash generated from operations, together with amounts available under its credit facility, will be sufficient to meet its future operating expenses, working capital requirements, capital expenditures and future debt service requirements. Management also believes that its capital structure provides the financial flexibility required to allow it to pursue its future growth strategies. LXRandCo’s ability, however, to fund operating expenses, working capital requirements, capital expenditures and future debt service requirements will depend on, among other things, its future operating performance, which will be affected by general economic, financial and other factors, including factors beyond its control. See “Factors Affecting Results from Operations” and “Risk Factors” sections in this MD&A for additional information. LXRandCo also reviews acquisition opportunities in the normal course of business and may make select acquisitions to implement its business strategy when suitable opportunities arise. Management expects that the funding for any such acquisitions would come from cash balances, cash flow from operating activities and/or its credit facility.

Working Capital

Working capital includes cash, accounts receivable, sales tax receivable, inventory, prepaid expenses and deposits, drawn amounts under its credit facility, accounts payable and accrued liabilities, income taxes payable, current portion of long-term debt and preferred shares.

LXRandCo’s need for working capital occurs at different points in the year, with peak requirements preceding Valentine’s Day in February, Mother’s Day in May and the December holiday season. In addition, since most store openings typically occur in the fall season, working capital requirements leading up to and and that period will be more pronounced as LXRandCo rapidly expands its retail network.

Historically, LXRandCo’s main sources of liquidity have been from cash on hand, cash generated from operating activities and borrowings under its existing and previous revolving credit facilities. As at September 30, 2017, LXRandCo’s working capital was $19.4 million.

The Company will fund its working capital requirements and future growth, including new store openings, through a combination of cash on hand, cash generated from operations and funds availabe from its credit facility.

Credit Facilities and Other Indebtedness

The following summarizes the indebtedness incurred by LXRandCo as at September 30, 2017. This summary should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and notes thereto for the three-month and nine-month periods ended September 30, 2017 and the audited consolidated financial statements and notes thereto of LXR International for the year ended December 31, 2016.

Credit Facilities

On June 14, 2017, the Company entered into a new credit agreement with a Canadian chartered bank (the “Credit Facility”). The Credit Facility consists of a revolving credit facility for an authorized amount of $25,000,000, subject to a maximum draw based on a borrowing base calculated as a percentage of eligible accounts receivable and eligible inventory as defined in the credit agreement.

The Credit Facility bears interest at (a) the bank’s prime rate (3.2% as at September 30, 2017) or U.S. base rate if denominated in U.S. dollars (4.25% as at September 30, 2017) plus an applicable margin of 0.50%, (b) the banker’s acceptance rate (1.23% as at September 30, 2017), plus an applicable margin of 2.00% or LIBOR (1.22% as at September 30, 2017) plus an applicable margin of 2.00%, at the Company’s option. A commitment fee of 0.25% of the unused portion of the Credit Facility is also due. The Credit Facility matures on June 14, 2019. As at September 30, 2017, the Company has drawn $4,750,189 on the available balance.

The Credit Facility can be used to enter into foreign exchange contracts for a maximum amount of $1,000,000, secured by forward exchange contracts entered into by the Company. The Credit Facility can also be used to issue letters of credit for a maximum amount of $2,000,000.

The Credit Facility is collateralized by substantially all assets of the Company and its subsidiaries. The Credit Facility requires the Company to meet certain financial covenants, which were all met as at September 30, 2017.

Prior to entering into the Credit Facility, the Company had other facilities available to it including a revolving term loan facility for an authorized amount of US$6,000,000, subject to a maximum based on a borrowing base calculated as a percentage of eligible accounts receivable and eligible inventory, and a term capital expenditure loan facility with a maximum available amount of US$350,000 to finance the acquisition of eligible equipment.

Other Indebtedness

Term Loans with Business Development Bank of Canada ("BDC")

On August 15, 2013, the Company, through its wholly-owned subsidiary LXR Canada Inc., obtained financing of $1,500,000 from BDC in the form of an unsecured debt maturing on August 15, 2018, bearing interest at an annual rate of 8.75%. Upon maturity, the Company was required to pay a bonus payment of 1.2% of the Company's consolidated value as defined in a formula in the agreement. Under the terms of the agreement, the Company was also required to pay a monthly royalty of 0.30% of consolidated annual sales.

On June 9, 2017, concurrent with the closing of the LXR Acquisition, the Company repaid the outstanding balance of the subordinated debt, including bonus payment and royalty described above, for a total amount of $2,383,106.

Term Loans with Investissement Québec ("IQ")

The Company, through its wholly-owned subsidiary, LXR Canada Inc., entered into the following term loans with IQ:

(a) Term loan of $300,000 bearing interest at the bank's prime rate (3.2% as at September 30, 2017 and December 31, 2016) plus an applicable margin of 3%. The loan is repayable by forty-eight monthly principal payments of $6,250 with a 12-month moratorium from June 1, 2015 to May 31, 2016. The loan matures on November 30, 2017. As at September 30, 2017, the long-term debt obligation under this loan amounted to $18,750 (December 31, 2016 – $68,750).

(b) Term loan of $600,000 bearing interest at the bank's prime rate (3.2% as at September 30, 2017 and December 31, 2016) plus an applicable margin of 3%. The loan is repayable by sixty monthly principal payments of $10,000 with a 12-month moratorium from June 1, 2015 to May 31, 2016. The loan matures on April 30, 2019. As at September 30, 2017, the long-term debt obligation under this loan amounted to $210,000 (December 31, 2016 – $290,000).

(c) Term loan of $225,000 bearing interest at the bank's prime rate (3.2% as at September 30, 2017 and December 31, 2016) plus an applicable margin of 2.15%. The loan serves to finance investment tax credits receivable for 2014 and 2015, thus is repayable upon their respective receipt. The loan matures in December 2017. As at September 30, 2017, the long-term debt obligation under this loan was $11,194 (December 31, 2016 – $11,194).

These term loans require that certain financial covenants be maintained by LXR Canada Inc., which were not all met for the year ended December 31, 2016. On May 9, 2017, the Company obtained confirmation from IQ waiving its rights, arising from the breach of the covenants as at December 31, 2016, to demand repayment for a period of more than one year from the financial position date.

Cash Flows

The following table summarizes LXRandCo's cash flows for the periods indicated:

	For the Three-Months Ended September 30,		For the Nine-Months Ended September 30,	
Cash Flow Data:	**2017**	**2016**	**2017**	**2016**
Cash flows used in operating activities	(6,531,052)	(590,963)	(13,637,679)	(3,723,603)
Cash used in investing activities	(482,265)	(109,303)	18,827,657	(248,485)
Cash provided by (used in) financing activities	4,716,965	(151,453)	(2,125,370)	3,283,131
Effect of exchange rate changes on cash and cash equivalents	(12,748)	(7,901)	(45,011)	(77,023)
Increase (decrease) in cash during the period	(2,309,100)	(859,620)	3,019,597	(765,980)
Cash, beginning of period	**6,267,663**	**1,003,498**	**938,966**	**909,858**
Cash, end of period	3,958,563	143,878	3,958,563	143,878

Analysis of Cash Flows for the Three-Month Period Ended September 30, 2017 Compared to the Three-Month Period Ended September 30, 2016

For the three-month period ended September 30, 2017, cash used in operating activities was $6.5 million, compared to $0.6 million for the three-month period ended September 30, 2016, a net increase of $5.9 million. This decrease was primarily attributable to the rapid expansion of LXRandCo's retail network, which resulted in a net loss in the period and increased working capital requirements in the form of higher accounts receivable and inventory which were offset partially by higher accounts payable.

For the three-month period ended September 30, 2017, cash used in investing activities was $0.5 million as compared to cash used in investing activities of $0.1 million for the three-month period ended September 30, 2016, a net decrease of $0.4 million. This decrease was primarily due to increased investments in intangible and capital assets in the period.

For the three-month period ended September 30, 2017, cash provided by financing activities was $4.7 million compared to cash used by financing activities of $0.2 million for the three-month period ended September 30, 2016, a net increase of $4.9 million. This increase was primarily attributable to a higher usage of the Company's credit facilities.

For the three-month period ended September 30, 2017, the net decrease in cash was $2.3 million, compared to a net decrease in cash of $0.9 million for the three-month period ended September 30, 2016, which resulted in an ending cash balance on September 30, 2017 of $4.0 million compared to $0.1 million on September 30, 2016.

Analysis of Cash Flows for the Nine-Month Period Ended September 30, 2017 Compared to the Nine-Month Period Ended September 30, 2016

For the nine-month period ended September 30, 2017, cash used in operating activities was $13.6 million, compared to $3.7 million for the nine-month period ended September 30, 2016, an increase of $9.9 million. This increase was primarily attributable to the rapid expansion of LXRandCo's retail network, which resulted in a net loss in the period and in increased working capital requirements in the form of higher accounts receivable and inventory.

For the nine-month period ended September 30, 2017, cash provided by investing activities was $18.8 million as compared to cash used in investing activities of $0.2 million for the nine-month period ended September 30, 2016, a net increase of $19.0 million. This increase was primarily due to the cash acquired in the context of the LXR Acquisition, partially off-set by increases in intangible and capital assets in the period.

For the nine-month period ended September 30, 2017, cash flows used in financing activities was $2.1 million compared to cash provided by financing activities of $3.3 million for the nine-month period ended September 30, 2016, a net decrease of $5.4 million. This decrease was primarily attributable to the repayment of the Company's previous credit facilities offset by a higher usage of the Company's new credit facility, repayment of long-term debt and the redemption of preferred shares, offset by proceeds from a preferred share financing undertaken in the three-months ended September 30, 2016.

For the nine-month period ended September 30, 2017, the net increase in cash was $3.0 million, compared to a net decrease in cash of $0.8 million for the nine-month period ended September 30, 2016, which resulted in an ending cash balance on September 30, 2017 of $4.0 million compared to $0.1 million on September 30, 2016.

Contractual Obligations

The following table summarizes LXRandCo's contractual maturities and carrying amounts of financial liabilities as at September 30, 2017:

	Maturing in under 1 Year	**Maturing in 1 to 5 Years**	**Total**
Contractual Obligations:			
Credit facility	—	4,750,189	4,750,189
Accounts payable and accrued liabilities	2,880,849	—	2,880,849
Other liabilities	—	78,000	78,000
Long-term debt	140,547	134,851	275,398
Total Contractual Obligations	**3,021,397**	**4,963,040**	**7,984,436**

Off-Balance Sheet Arrangements, Commitments and Contingencies

The following table summarizes LXRandCo's off-balance sheet arrangements and commitments as at September 30, 2017:

	2017	2018	2019	Total
Off-balance Sheet Arrangements and Commitments:				
Operating leases	$162,066	$238,386	$242,836	$643,288

The amounts above include remaining rental commitments to a company controlled by Fred Mannella, Chief Executive Officer, and Kei Izawa, Chief Operating Officer in the amounts of $36,000, $148,320 and $152,770 for 2017 through 2019, respectively.

These leases have varying terms and renewal rights. In many cases, rent expense is based on a percentage of sales obtained by LXRandCo in the leased premises. Contingent (sales-based) rentals are recognized in income or loss in the period in which they are incurred. For the three-month period ended September 30, 2017, LXRandCo has recognized in loss contingent rent amounting to $1,312,826 compared to $859,836 for the three-month period ended September 30, 2016, and $3,590,118 for the Nine-Month Period ended September 30, 2017 compared to $2,308,906 for the Nine-Month Period ended September 30, 2016.

As previously disclosed in April 2017, an informal claim was received by the Company totaling approximately $1.1 million related to a terminated financing arrangement for the services of a financial advisor in the search of private equity capital. On October 31, 2017, a formal claim was made against the Company. Management continues to believe that the claim is without merit, intends to defend itself vigorously, and therefore, no provision has been recorded in the condensed interim consolidated financial statements.

Related Party Transactions

In the normal course of its operations, LXRandCo enters into transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties. Transactions and balances between related parties were as follows for the periods indicated:

	For the Three-Months Ended September 30,		For the Nince-Months Ended September 30,	
	2017	2016	2017	2016
Transactions with a commonly controlled company:				
Rent paid to a company controlled by Fred Mannella and Kei Izawa	$36,609	$36,000	$97,917	$76,920

Critical Accounting Estimates and Judgements

The preparation of unaudited condensed interim consolidated financial statements in conformity with IFRS requires LXRandCo to make judgments, apart from those involving estimation, in applying accounting policies that affect the recognition and measurement of assets, liabilities, revenues, and expenses. Actual results may differ from the judgments made by LXRandCo.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting polices and key sources of estimation of uncertainty were the same as those applied and described in note 4 of LXR International's audited consolidated financial statements for the year ended December 31, 2016. Information about judgments that have the most significant effect on recognition and measurement of assets, liabilities, revenues, and expenses are discussed below:

LXR Acquisition

As part of assessing whether LXR International is the acquirer for accounting purposes and that the LXR Acquisition is outside the scope of IFRS 3 but is accounted for as an equity-settled share-based payment transaction in accordance with IFRS 2, significant judgment is required in evaluating the legal characteristics of the transaction. In applying its judgment, LXRandCo relies primarily on the legal characteristics of the outstanding and issued equity instruments as well as the substance of the contractual arrangement.

The fair value evaluation of the shares deemed to have been issued by LXR International for the ownership interest in the combined entity is based on assumptions and estimates that may have a significant impact on the amount resulting from the difference in the fair value of the shares deemed to have been issued by LXR International and the fair value of Gibraltar Growth's identifiable net assets, which is recorded through profit and loss as a service received by LXR International. In accordance with the terms of the Purchase Agreement, the working capital adjustments were finalized during the three-month period ended on September 30, 2017. This resulted in an adjusted transaction value of $73 million and a reduction of shares issued by 98,365. The Company recorded this purchase price adjustment retrospectively.

Income Taxes

LXRandCo may be subject to audits related to tax risks, and uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and income tax expense already recorded.

LXRandCo establishes provisions if required, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the entity and the responsible tax authority, which may arise on a wide variety of issues.

LXRandCo recognizes deferred income tax assets for unused tax losses and deductible temporary differences only to the extent that, in management's opinion, it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. A valuation allowance is recorded on tax deductible temporary differences and unused operating losses as at December 31, 2016, and September 30, 2017.

Compound Financial Instrument and Embedded Derivatives

As part of assessing whether an instrument is a compound financial instrument (including convertible redeemable preferred shares and subordinated debt with bonus and royalty payments) and contains an embedded derivative, significant judgment is required in evaluating whether the host contract is more akin to debt or equity and whether the host contract is clearly and closely related to the underlying derivative. In applying its judgment, LXRandCo relies primarily on the economic characteristics and risks of the instrument as well as the substance of the contractual arrangement.

The fair value evaluation of the embedded financial derivative liability is based on numerous assumptions and estimates that may have a significant impact on the amount recognized as a financial derivative liability. In addition, the fair value evaluation of the bonus and royalty payment obligation is based on numerous assumptions and estimates that may have a significant impact on the amount recognized as a financial liability.

Stock-based compensation expense requires the use of estimates in the Black-Scholes option pricing model. The classification of stock options as an equity-settled or cash-settled plan is influenced by judgment in determining the expected settlement of the option.

Significant New Accounting Standards Not Yet Adopted

IFRS 9, "Financial Instruments" ("IFRS 9") partially replaces the requirements of IAS 39, "Financial Instruments: Recognition and Measurement". This standard is the first step in the project to replace IAS 39. The IASB intends to expand IFRS 9 to add new requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting to become a complete replacement of IAS 39. These changes are applicable for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of adopting this standard on the consolidated financial statements and related note disclosures.

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") replaces IAS 11, "Construction Contracts", and IAS 18, "Revenue", as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. This standard also requires enhanced disclosures. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of adopting this standard on the Company's consolidated financial statements and related note disclosures.

IFRS 16, "Leases" ("IFRS 16") replaces IAS 17, "Leases". This standard provides a single model for leases abolishing the current distinction between finance and operating leases, with most leases being recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low value assets. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company is currently assessing the impact of adopting this standard on its consolidated financial statements and related note disclosures.

Risk Factors

LXRandCo is subject to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit and liquidity risk. LXRandCo's overall risk management program and business practices seek to minimize any potential adverse effects on its consolidated financial performance. The forgoing risk factors are only a summary of certain risk factors and are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing under the headings "Risk Factors"and "Management's Discussion and Analysis of LXR – Risk Factors" in the Final Prospectus and the risk factors and as described from time to time in the reports and disclosure documents filed by the Company with the Canadian securities regulatory agencies and commissions.

Changes in Accounting Policies

LXRandCo adopted IFRS as of January 1, 2014. The accounting estimates and assumptions underlying the preparation of the financial statements in accordance with IFRS are detailed in the notes of the audited financial statements of LXRandCo filed with the Canadian securities regulatory authoritiess.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.