LXR AND CO

ANNUAL INFORMATION FORM

For the year ended December 31, 2020

March 31, 2021

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LXRandCo, Inc.

ANNUAL INFORMATION FORM

INTRODUCTORY INFORMATION / MEANING OF CERTAIN REFERENCES

Unless otherwise noted or the context otherwise indicates, the "Company", "LXRandCo", "us", "we" or "our" refer to LXRandCo, Inc. and its direct and indirect subsidiaries and predecessors or other entities controlled by it or them. Certain terms used in this Annual Information Form (the "**Annual Information Form**") are defined under the Glossary (the "**Glossary**").

Unless otherwise specified or the context otherwise requires, all information provided in this Annual Information Form is given as at December 31, 2020. All references to "$" or "dollars" are to Canadian dollars and references to "U.S.$" or "U.S. dollars" are to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated. Certain totals, subtotals and percentages throughout this Annual Information Form may not reconcile due to rounding.

GLOSSARY

Certain terms used in this Annual Information Form have the following meanings;

"**Audit Committee**" means the audit committee of LXRandCo, as constituted from time to time;

"**BCAP Loan**" means the $3.0 million, three-year term loan term loan dated May 25, 2020 with a Canadian chartered bank under the Government of Canada's Business Credit Availability Program administered by Business Development Bank of Canada;

"**Board**" means LXRandCo's board of directors, as constituted from time to time;

"Broker Warrants" means the Shares and the 2020 Broker Warrants issued by the Company to the placement agents as part of the private placement fee at the time of the December 2020 Financing, which closed on December 23, 2020. There are 2,414,400 such Broker Warrants currently exercisable at a purchase price per unit of $0.125, with each unit comprised of one Share and one-quarter of a 2020 Broker Warrant. Upon exercise the Company will issue an additional 2,414,400 Shares and 603,600 2020 Broker Warrants.

"**CAGR**" refers to compound annual growth rate;

"**Compensation and Nominating Committee**" means the compensation and nominating committee of the Board, as constituted from time to time;

"**COVID-19**" refers to the global coronavirus pandemic as declared by the World Health Organization's in March 2020;

"**Credit Agreement**" means the amended and restated credit agreement dated as at October 18, 2017 among LXR Produits de Luxe International Inc., LXR Canada Inc., LXR Luxe, Inc., Groupe Global LXR Inc., LXR & CO. and LXR&CO UK Limited, as borrowers, the guarantors from time to time party thereto, as guarantors, the lenders from time to time party thereto, as lenders, and a Canadian schedule I bank, as administrative agent, as amended, supplemented or otherwise modified from time to time;

"**Credit Facilities**" means the $12,500,000 revolving credit facility pursuant to the Credit Agreement;

"**Debt Facilities**" means the BCAP Loan and the Credit Facilities;

“**December 2020 Financing**” means the $7.5 million equity private placement, which closed December 23, 2020, of 60,000,000 units, with each unit consisting of one Class B share in the capital of the Company and a one-quarter of one Share purchase warrant in the capital of the Company at a price of $0.125 per unit;

“**Extraordinary Dividend**” means any dividend, together with all other dividends payable in the same calendar year, that has an aggregate absolute dollar value which is greater than $0.25 per share, with the adjustment to the applicable price (as the context may require) being a reduction equal to the amount of the excess;

“**IFRS**” refers to International Financial Reporting Standards;

“**May 2020 Financing**” means the completion of a $3.6 million financing on May 25, 2020, comprised of the BCAP Loan and $0.6 million through an equity private placement of Class B shares at a price of $0.175 per Share;

“Office of the President” refers to the Company’s executive management team, appointed by the Board and comprised of Valerie Sorbie (as Executive Chair) and Camillo di Prata (as interim Chief Executive Officer of the Company), and tasked with managing the day-to-day affairs of the Company;

“SEDAR” means the system for electronic document analysis and retrieval used by public companies and investment funds across Canada and accessible at www.sedar.com**;**

“**Shares**” means the class B common shares of LXRandCo;

“Shareholders” means holders of Shares**;**

“**U.S. Partner Bankruptcies**” refers to the event brought on by the COVID-19 pandemic whereby (a) in May 2020 the Company’s largest wholesale customer, Stage Stores, and (b) in September 2020, three of the Company’s long-standing U.S.-based retail channel partners - Lord & Taylor, Stein-Mart Stores and Century 21 all filed for creditor protection (and subsequent liquidation) under Chapter 11 of the Bankruptcy Code in the United States, which in turn permanently reduced the Company’s U.S. retail store network by 87.5%.

“**TSX**” means the Toronto Stock Exchange;

“**2017 Warrants**” means the Share purchase warrants issued by the Company at the time of the LXRandCo acquisition which closed on June 9, 2017. A total of 10,861,250 such warrants are outstanding. These warrants are publicly-listed on the TSX, are currently exercisable and will expire at 5:00 p.m. Toronto time, on June 9, 2022, or earlier upon redemption or liquidation. The exercise price of the Warrants is $11.50 per Share.

“**2020 Warrants**” means the Share purchase warrants issued by the Company at the time of the December 2020 Financing, which closed on December 23, 2020. A total of 15,000,000 such warrants are outstanding. These warrants are not publicly-listed, will be exercisable on April 24, 2020 and will expire at 5:00 p.m. Toronto time, on December 23, 2022, or earlier upon redemption or liquidation. The exercise price of the Warrants is $0.175 per Share.

“**2020 Broker Warrants**” means the Share purchase warrants issued by the Company to the placement agents as part of the private placement fee at the time of the December 2020 Financing, which closed on December 23, 2020. A total of 603,600 such warrants are outstanding. These warrants are not publicly-listed, will be exercisable on April 24, 2020 and will expire at 5:00 p.m. Toronto time, on December 23, 2022, or earlier upon redemption or liquidation. The exercise price of the Warrants is $0.175 per Share.

“**Warrants**” means the 2017 Warrants, the 2020 Warrants and the 2020 Broker Warrants.

NON-IFRS MEASURES INCLUDING RETAIL INDUSTRY METRICS

In addition to using financial measures prescribed under IFRS, this Annual Information Form makes reference to certain non-IFRS measures including certain retail industry metrics. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should also not be considered in isolation nor used as a substitute for measures of performance prepared in accordance with IFRS. LXRandCo believes that these non-IFRS financial measures provide meaningful supplemental information regarding its underlying performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by LXRandCo in its financial and operational decision making, normalized for non-recurring events. We use non-IFRS measures including "EBITDA", "Adjusted EBITDA", and "gross profit margin".

These non-IFRS retail industry metrics are used to provide investors with supplemental measures of LXRandCo's operating performance and highlight trends in LXRandCo's business that may not otherwise be apparent when relying solely on IFRS measures. LXR&CO also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures, including retail industry metrics, in their evaluation of the 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 further information including definitions and reconciliations of these non-IFRS measures to the most directly comparable reported IFRS measures, please see the "How Management Assesses the Performance of LXRandCo" and "Key Financial and Operating Information" sections of the Company's Management's Discussion and Analysis ("**MD&A**") dated March 31, 2021 for the fiscal year ended December 31, 2020. A copy of the MD&A is available under the Company's profile on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form 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 expected operations, financial results and condition of the Company, expectations regarding market trends, overall market growth rates and the Company's growth rates, the Company's future objectives and strategies to achieve those objectives, including, without limitation, new store openings, store closures, store productivity, margin improvements, expected mix of stores, 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 Annual Information Form, 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, entering into new or expanded retail partnerships in North America, the ability of the Company to continue to expand its wholesale activities, the Company's ability to source products, the Company's competitive position in the luxury resale 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 activity 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: LXRandCo being unable to effectively and efficiently implement its strategic plan; LXRandCo not having sufficient funds to execute its strategic plan; LXRandCo's significant dependence on a limited number of retail partners and LXRandCo being unable to identify new retail partners and enter into agreements with such partners for opening new stores and digital channels, or not successfully opening such new stores in a timely and cost-effective manner; LXRandCo's exposure to the credit risk of its retail and wholesale partners; LXRandCo's being unable to obtain merchandise on a timely basis at competitive costs; LXRandCo's being unable to successfully access products sourced directly from individuals in sufficient quantity and quality on desired terms and in a timely manner; LXRandCo losing the services of members of its senior management team or other key personnel, or it being unable to attract new executives who possess specialized market knowledge and technical skills; LXRandCo being unable to continue as a going concern; LXRandCo being unable to realize its plans to expand its omni-channel network successfully; LXRandCo being unable to manage and grow its e-commerce business; the financial outlook for 2021 not being attained; LXRandCo being unable to continue to grow revenue or meet other financial targets; a failure by LXRandCo to manage its operations at its current size and successfully execute on its growth strategies; LXRandCo being unable to operate profitability and generate positive cash flow in the future; a failure by LXRandCo to make license payments when due, or the inability to extend, renew or continue to rent space in key locations from retail partners; LXRandCo's dependence on the ongoing viability and success of retail and wholesale partners; LXRandCo's ability to access capital, whether on satisfactory terms or at all, to fund its expanding business; LXRandCo's ability to manage operations and respond to changes in its business being restricted by terms of its Credit Facilities or future debt financing; fluctuations in the value of the Canadian dollar in relation to the U.S. dollar, the Japanese Yen and other currencies; consumer confidence and consumer purchases of discretionary items, including pre-owned branded vintage luxury products, being affected by general economic conditions in Canada, the United States and other parts of the world, including lower levels of consumer spending, can affect consumer confidence and consumer purchases of discretionary items, including pre-owned branded vintage luxury products; LXRandCo's being unable to anticipate and respond in a timely manner to changing consumer demands, tastes and fashion trends across multiple brands, product lines, sales channels and geographies; LXRandCo being unable to protect and enhance its brand or a diminishment in the brand appeal of the products that it sells, actions taken by LXRandCo's suppliers that negatively impact its brand image, reputation and financial performance, trade restrictions in the regions LXRandCo operates; the ability of LXRandCo's competitors to compete more effectively than LXRandCo; LXRandCo's limited operating experience and limited brand recognition; material disruptions in or security breaches affecting LXRandCo's information technology systems or e-commerce business; LXRandCo being unable to attract, motivate and retain quality sales staff; unions being able to organize LXRandCo employees, warehouse spaces or distribution centers becoming inoperable; capacity being exceeded or operations being disrupted; risks relating to independent third-party transportation providers; fluctuations in LXRandCo's net revenue and inventory purchases; LXRandCo being unable to reduce operating expenses in a timely manner in response to changes in its business; risks relating to being a public company; LXRandCo's equity compensation plans adversely impacting its financial results; the possibility that a material misstatement of LXRandCo's annual or interim financial statements would not be prevented or detected on a timely basis; LXRandCo being unable to protect its trademarks or other intellectual property rights; risks relating to the laws and regulations that LXRandCo is subject to; risks related to LXRandCo's restatement of previously filed financial statements; litigation risks; taxation risks; difficulties in effecting service of process within Canada upon LXRandCo's directors and executive officers who are non-Canadian residents; insurance risks; payment related risks; risks relating to natural disasters; unusual weather and geo-political events or acts of terrorism; risks relating to the potential impact of global or national health concerns, including the COVID-19 pandemic and its possible impact on LXRandCo's operations, revenue and EBITDA; the impact, if any, on the macro-economic environment in Canada and abroad related to COVID-19; insolvency risks; accounting risks; transfer pricing rules; risks relating to the value of the Shares; volatility in the market price of the shares; dilution resulting from future issuance of Shares; no assurance that an active market for the Shares will exist; no intention to pay any cash dividends on the Shares in the foreseeable future; securities or industry analysts not publishing research or publishing inaccurate or unfavorable research about LXRandCo or its business; Warrants becoming exercisable for Shares; and the Warrants never being in-the-money and expiring worthless. For a further description of these and other factors that could cause actual results to differ materially from the forward-looking statements included in this Annual Information Form, see the risk factors discussed under the heading "Risk Factors" in this Annual Information Form and as described from time to time in the reports and disclosure documents filed by LXRandCo with the Canadian securities regulatory agencies and commissions and available on SEDAR at www.sedar.com. This list of the factors that may impact the forward-looking statements is not exhaustive. These and other factors should be considered carefully and readers should not place undue reliance on the forward-looking statements in this Annual Information Form. 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 Annual Information Form are qualified by these cautionary statements. Unless otherwise indicated, the forward-looking statements contained herein are made as at the date of this Annual Information Form, and except as required by applicable law, LXRandCo 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.

Readers are cautioned that the actual results achieved may vary from the information provided herein and that such variations may be material. Consequently, there are no representations by LXRandCo that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.

Given the impacts of COVID-19 and resulting ongoing uncertainty, there can be no assurances regarding: (a) the length of time our retail store locations will be temporarily closed and the timing of store re-openings; (b) the COVID-19 related impacts on our business, operations and performance, (c) our ability to mitigate such impacts; (d) credit, market, currency, operational, and liquidity risks generally; and (e) other risks inherent to our business and/or factors beyond our control which could have a material adverse effect on the Company.

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

Risks Related to Our Business and Industry

- *Due to the Impact of COVID-19 there is an elevated risk relating to the Company's ability to execute its business plan and growth objectives.*

- *Our future growth and profitability will depend on the effectiveness and efficiency of implementing our forecasts, plans, and strategic initiatives.*

- *Our future growth and profitability will depend on having sufficient funds to execute our strategic initiatives.*

- *We currently have a significant dependence on a limited number of retail partners. Our growth strategies depend in part upon our ability to identify new partners (retail, wholesale, and digital) and enter into agreements with such partners for opening new stores and digital channels, and to then successfully pursue such opportunities in a timely and cost-effective manner.*

- *We are exposed to credit risk of our retail and wholesale partners. A default by any of our retail and wholesale partners could have a material financial effect on the business, financial condition and results of operation of LXRandCo. There can be no assurance, in such a case, that we would be in a position to arrange for alternate or replacement agreements, transactions or business relationships on terms as favorable as LXRandCo's existing agreements, transactions or business relationships, in a timely fashion.*

- *Parties with whom we do business may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to LXRandCo.*

- *We currently have a dependence on a concentrated number of third-party suppliers. Our ability to obtain merchandise on a timely basis at competitive costs could suffer as a result of any deterioration or change in our supplier relationships or events that adversely affect our suppliers or cause disruptions in their businesses.*

- *We currently source a modest amount of our products directly from consumers, primarily in North America. While our strategy is to increase the number of products sourced directly from individuals, there are no assurances that we will be able to successfully access this source of product supply in sufficient quantity and quality on desired terms and in a timely manner.*

- *If we lose the services of members of our senior management team or other key personnel, or are unable to attract new executives who possess specialized market knowledge and technical skills, our ability to compete and to manage our operations effectively could be reduced.*

- *Our plan to expand our digital-led omni-channel network may not be successful.*

- *There can be no assurance that we will successfully manage and grow our e-commerce business, as planned, and any failure to do so could have a negative impact on results from operations.*

- *There are risks related to forward-looking information in this AIF.*

- *We may be unable to continue to grow revenue or meet other financial targets, which could cause the price of our Shares to decline.*

- *Our ability to manage our operations at our current size and successfully execute on our growth strategies are subject to numerous risks and uncertainties, and any failure to do so could have a negative impact on the price of our Shares.*

- *We have no record of profit.*

- *We are subject to risks associated with licensing agreements relating to the renting of retail space from retail partners. Any failure to make these license payments when due, or the inability to extend, renew or continue to rent space in key locations from retail partners, would likely harm our business, profitability and results of operations.*

- *We will require capital to fund our expanding business, which may not be available to us on satisfactory terms or at all. While we plan to use cash on hand, cash from operations and capital available under our Debt Facilities to fund our operations and execute our growth strategies, if these amounts are insufficient, we may not meet our growth expectations or we may require* *additional financing which could adversely affect our financial health, impose covenants that limit our business activities and cause dilution to shareholders.*

- *The terms of our Debt Facilities do, and any additional debt financing may, restrict our current and future operations, which could in turn adversely affect our ability to manage operations and respond to changes in our business.*

- *Fluctuations in the value of the Canadian dollar in relation to the U.S. dollar, the Japanese Yen and other currencies may impact our operating and financial results and may affect the comparability of our results between financial periods.*

- *General economic conditions in Canada, the United States and other parts of the world, including lower levels of consumer spending, can affect consumer confidence and consumer purchases of discretionary items, including pre-owned branded luxury products.*

- *The success of our business depends on our ability to optimize our merchandise offerings by anticipating and responding in a timely manner to changing consumer demands, tastes and fashion trends across multiple brands, product lines, sales channels and geographies. Our inability to anticipate and respond to these changes could have a material adverse effect on our business, financial condition and results of operations.*

- *Our business depends on a strong brand image, both for the LXRandCo brand and the brands of the products we sell. If we are not able to protect and enhance our brand or if the brand appeal of the products that we sell diminishes, our business will be negatively affected.*

- *Our brand image, reputation and financial performance may be negatively impacted by actions taken by our suppliers.*

- *Trade restrictions in the regions we operate could adversely impact our business, financing condition and results of operations.*

- *We operate in a competitive industry and the size and resources of many of our competitors may allow them to compete more effectively than us, which could adversely impact our growth and market share.*

- *A material disruption in or security breach affecting our information technology systems or e-commerce business could significantly affect our business and lead to reduced revenue, reduced growth prospects and reputational damage.*

- *If we are unable to attract, motivate and retain quality sales staff, we may not be able to maintain a consistently high level of customer service and grow or sustain our operations, and as a result, our brand, business and financial results may be negatively affected.*

- *We are dependent on leasing space in one warehouse facility in the United States which is operated by a third-party warehouse services provider, as well as our multi-purpose* Montréal *and Tokyo offices which also serve as distribution centers. If the warehouse space or distribution centers become inoperable, capacity is exceeded or if operations are disrupted, our business, financial condition and operating results could be negatively affected.*

- *We rely upon independent third-party transportation providers for substantially all of our merchandise shipments.*

- *Our net revenue and inventory purchases may fluctuate on a seasonal basis, which could adversely affect our business and financial condition.*

- *A failure to reduce operating expenses in a timely manner in response to changes in our business could adversely affect our results of operations.*

- *We are dependent upon our information technology systems. Our inability to implement or enhance our systems could have an adverse impact on our financial results and operations.*

- *We will incur increased expenses as a result of being a public company and our current resources may not be sufficient to fulfill our public company obligations.*

- *Our equity compensation plans may adversely impact our financial results.*

- *We identified material weaknesses in our financial controls which may indicate that there is a possibility that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis.*

- *We may be unable to protect our trademarks or other intellectual property rights, and may be subject to claims that we, or our suppliers, have infringed upon the trademarks or other intellectual property rights of third-parties.*

- *We are subject to numerous laws and regulations that could adversely affect our business.*

- *We have risks related to our restatement of previously filed financial statements and regulatory investigations or litigation relating to such matters.*

- *There are claims made against us from time to time that could result in litigation and that could distract management from its business activities, resulting in potentially significant liability or damage to the LXRandCo brand.*

- *We may be subject to additional taxes, which could affect our operating results.*

- *Some of our directors and executive officers are resident outside of Canada and as such may render it difficult to effect service of process upon such directors, officers and experts within Canada.*

- *We are subject to insurance-related risks.*

- *We are subject to payment-related risks.*

- *Health epidemics or pandemics, natural disasters, unusual weather and geo-political events or acts of terrorism have and could adversely affect our operations and financial results.*

- *Parties with whom we do business may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to us.*

- *Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our reported financial results or financial condition.*

- *Transfer pricing rules may adversely affect our corporate income tax expense.*

Risks Related to our Shares

- *The market price for our Shares may be volatile and could decline in value.*

- *Holders of Shares may be subject to dilution resulting from future offerings of Shares.*

- *There can be no assurance that an active market for our Shares will exist.*

- *We do not expect to pay any cash dividends for the foreseeable future.*

- *If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us or our business, the Share trading price and volume could decline.*

- *Our warrants are exercisable for Shares, which could increase the number of Shares eligible for future resale in the public market and result in dilution.*

- *There is no guarantee that the warrants will ever be in-the-money, and the warrants may expire worthless.*

MARKET AND INDUSTRY DATA

Unless otherwise stated, market and industry data presented throughout this Annual Information Form was obtained from third-party sources, industry publications and publicly available information, including, but not limited to: Statista, Luxe.digital and Bain & Company, as well as market and other data prepared by us on the basis of our knowledge of the Canadian, U.S. and international markets and economies (including our estimates and assumptions relating to the Canadian, and U.S. markets and economies based on that knowledge). We believe that this market and economic data is accurate and that the estimates and assumptions used to prepare such information are reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data used throughout this Annual Information Form is not guaranteed and we make no representation as to the accuracy of such information. Although we believe it to be reliable, LXRandCo has not independently verified any of the data from third-party sources referred to in this Annual Information Form, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic and other assumptions relied upon by such sources.

TRADEMARKS AND TRADENAMES

This Annual Information Form includes the registered trademarks “LXR & Co” and “LXRandCo” as a Word Mark and as a Logo, and the domain name www.lxrco.com, which are protected under applicable intellectual property laws and are the property of LXR Produits de Luxe International Inc. a fully-owned subsidiary of LXRandCo. Solely for convenience, our trademarks and tradenames referred to in this Annual Information Form may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and tradenames.

CORPORATE STRUCTURE

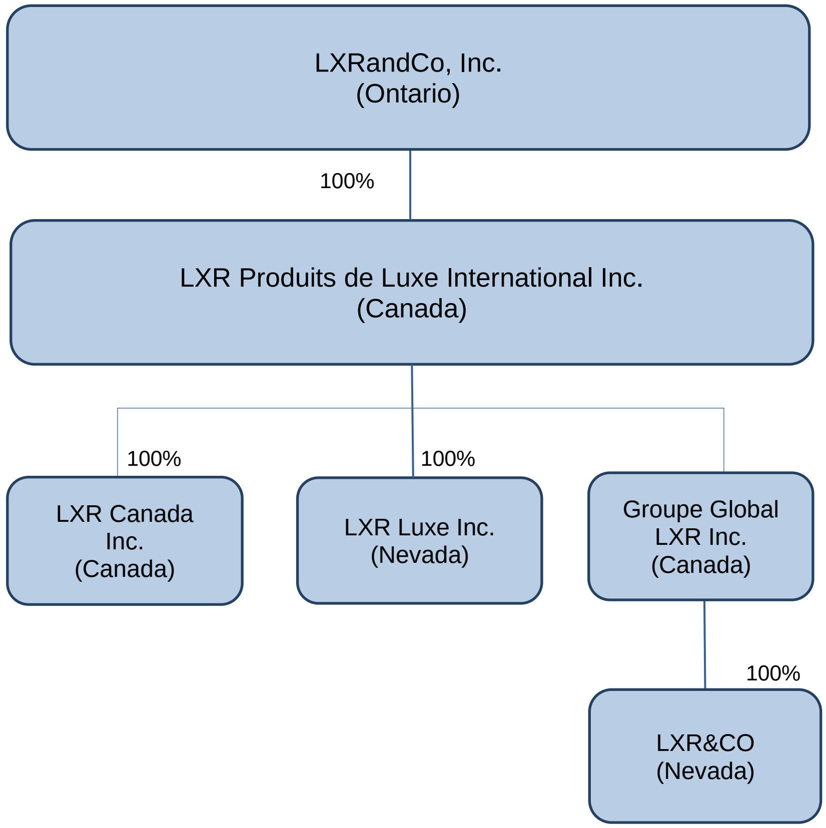
Incorporation and Addresses

LXRandCo was formed on June 9, 2017 by an amalgamation under the Business Corporations Act (Ontario) of Gibraltar Growth Corporation (“Gibraltar Growth”) and LXRandCo, Inc.

Our registered office is located at 100 Adelaide Street West, 28th Floor, Toronto, Ontario M5H 1S3 and our head office is located at 7399 Saint-Laurent Blvd., Montréal, Québec, Canada, H2R 1W7.

Intercorporate Relationships

The following chart identifies the principal legal entities through which we conduct our business, their applicable governing corporate jurisdictions and the percentage of their voting securities which are beneficially owned, or controlled or directed, directly or indirectly by us.



HISTORY OF THE BUSINESS

Founded in Montréal, Canada in 2010, LXRandCo was an early participant in the evolution of the luxury resale industry, established primarily as a wholesaler of pre-owned branded luxury products.

In 2013, we launched our e-commerce business and later that year we opened our first stand-alone retail store located in Beverly Hills, California.

In 2014 and 2015, we expanded our retail activities by transitioning to a more flexible ‘shop-in-shop’ model under which we established stores in partnership with select retailers across North America. At the end of 2015, we operated 15 stores across Canada and the United States.

In 2016, we secured venture capital funding which allowed us to more than double our retail network to 46 stores (with 32 located in the United States, eight in Canada and six in Germany). Total revenue in 2016 was $21.9 million, gross profit margin was 31.6%, and we were profitable on an Adjusted EBITDA basis.

In 2017, in order to meet the growing demand from retail partners for added store locations, we launched our expansion plan and sought additional growth capital. In June 2017, we raised $25.0 million in gross proceeds through a public offering of Shares and became a publicly-traded company listed on the Toronto

Stock Exchange. During the year, we opened 90 stores, nearly tripling our retail network to 131 stores and substantially expanded our presence in Europe. This store expansion, which arose primarily in the second half of the year, placed a significant management burden on our operations and, among other things, led to an adverse impact on our gross margin and a material adverse increase of our expense base, which resulted in a substantial use of cash from operating activities. While our revenue in 2017 grew 69% to $37.1 million, gross profit margin declined to 24.8%, and our Adjusted EBITDA came in at a loss of $5.1 million.

2018

On January 26, 2018, we announced the appointment of Ms. Audrey Lara as Chief Financial Officer of the Company, effective April 1, 2018.

On February 12, 2018, we issued 2,728,500 Shares as part of a public offering on a bought deal basis. The Shares were priced at $5.25 per Share for aggregate gross proceeds of $14.3 million.

On April 12, 2018, with profitability materially lagging behind plan, we refocused our strategy and implemented cost-reduction initiatives to regain our historical gross margin and profitability levels and we announced the appointment of our independent director, Mr. Steven Goldsmith, as President and Chief Executive Office of the Company. As we transitioned away from a founder-led leadership team, we also announced the appointment of Mr. Frederick Manella, co-founder and CEO of LXRandCo, as Vice-Chair of the Board and Chief Development Officer. The appointments became effective on April 12, 2018.

On June 13, 2018, we announced the updating of our strategic plan which included: a refocusing of our merchandising strategy and a re-sizing of the retail network, which led to the closure of our European store network and certain unprofitable store locations in the U.S. and Canada.

On August 14, 2018, we announced our intention to restate our consolidated financial statements as at and for the years ended December 31, 2017 and 2016 and the corresponding management discussion and analysis for the years ended December 2017, 2016, as well as for the three and six month periods ended June 30, 2017. Management determined that a restatement of the originally filed consolidated financial statements was required for the stated periods due to a revision in the nature of the accounting treatment of the LXR Acquisition as well as other identified changes. In addition, the June 30, 2017 second quarter financial results also included specific “going concern” disclosure due to the Company’s challenged liquidity position at that time. As a result of this, we announced that the Board formed a special committee of independent directors (the “Strategic Review Committee”) to initiate a review process and identify and evaluate a broad range of strategic and financing alternatives available to the Company.

On October 24, 2018, we announced that, effective November 22, 2018, Audrey Lara would leave her position as Chief Financial Officer of the Company and that Ms. Nadine Eap would assume the role of interim Chief Financial Officer.

On November 14, 2018, we announced the filing of our amended and restated consolidated financial statements as at and for the years ended December 31, 2017 and 2016 and corresponding management’s discussion and analysis for the years ended December 31, 2017 and 2016, and amended and restated interim condensed and consolidated financial statements for the three and six month periods ended June 30, 2018 and 2017. We also announced that as at September 30, 2018, we had ceased the operations of our European-based subsidiaries, LXR&Co Germany GmbH, LXR&Co UK Limited, and LXRandCo Netherlands B.V. We also provided an update on the strategic review process and announced that the Strategic Review Committee was reviewing and considering any and all available alternatives and that no decisions had been made requiring public disclosure.

Revenue in 2018 was $39.0 million, gross profit margin was 25.0% and Adjusted EBITDA came in at a loss of $12.7 million. At the end of the year, our retail network consisted of 86 stores, down from 131 at the beginning of the year.

2019

On February 25, 2019, we announced a $5.0 million non-brokered private placement to Gibraltar & Company, Inc., Gibraltar Brands, Inc., and Gibraltar Ventures Fund One Limited Partnership, which are insiders or affiliates of insiders of the Company, and Star Orange Enterprise Pte. Ltd. (an affiliate of the Rattha Group), of an aggregate of 12,500,000 Shares at a price of $0.40 per Share. The private placement was made in reliance of the financial hardship exemption in accordance with Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions* and the TSX Company Manual, upon the unanimous recommendation of the Company's Strategic Review Committee which was formed in August 2018 to identify and evaluate a broad range of strategic and financing alternatives for the Company.

On March 4, 2019, we announced the closing of the $5.0 million private placement, which concluded the mandate of the Strategic Review Committee.

On April 1, 2019, we announced the resignation of Mr. Luc Mannella from the Board and as Corporate Secretary of the Company. The resignation became effective the same day.

On May 2, 2019, we announced the resignation of Mr. Fred Mannella from the Board and as an officer of the Company. The resignation became effective the same day.

On May 7, 2019, Fred Manella announced the disposition on May 3, 2019 of his ownership of 2,400,000 Shares under a private transaction at a price of $0.30 per Share representing approximately 8.5% of the outstanding Shares at the time.

On May 14, 2019, we completed our transition from a founder-led Board to one comprised of experienced directors and reduced the size of the Board’s composition from eight directors to six. We also announced that Mr. Stephane Guerin and Ms. Laurie Kien Kotcher would step down from the Board and we announced the appointment of Ms. Valerie Sorbie as Board Chair, and Mr. Eric Graveline, and Mr. Nicolas Topiol as independent directors.

On September 4, 2019, we announced that Ms. Kei Izawa, a co-founder, director and Chief Operating Officer, had left the Company.

On September 25, 2019, we accelerated the pace of change within the Company and announced that Stephen Goldsmith, President and Chief Executive Officer, had left the Company. Mr. Goldsmith was replaced by an “Office of the President”, appointed by the Board and composed of two directors—Valerie Sorbie (as Executive Chair) and Camillo di Prata (as interim Chief Executive Officer of the Company) who immediately implemented a cost reduction plan and accelerated infrastructure investments in our e-commerce activities. The Company also announced the promotion of Nadine Eap from interim Chief Financial Officer to Chief Financial Officer.

Revenue in 2019 was $40.1 million, gross profit margin was 30.9% and Adjusted EBITDA came in at a loss of $4.7 million. Of note, however, revenue in the fourth quarter of 2019 attained a record level $14.4 million, gross profit margin was 32.8% and Adjusted EBITDA came in at a near break-even level of $0.1 million. At the end of the year, our retail network consisted of 80 stores.

2020

In March 2020, we were impacted by the outbreak of the COVID-19 pandemic and we announced the temporary closure of our 80 stores, which along with no wholesale revenue, severely constrained our cash flow and placed the Company under significant financial duress. Despite entering 2019 with renewed momentum and a plan for continued growth, fiscal year 2020 was the most challenging year in our history.

In May 2020, our largest wholesale partner, Stage Stores, filed for bankruptcy. Later in May 2020, we managed to secure emergency funding and entered into the $3.0 million BCAP Loan. Additionally, we also successfully renewed our $12.5 million Credit Facilities for an additional three-year term. Concurrent with the closing of the Debt Facilities, in June 2020 we completed a private placement of Shares at a price of $0.175 per Share for gross proceeds of $806,250.

During the third quarter of 2020, our three long-standing U.S.-based retail channel partners, Lord & Taylor, Stein Mart Stores and Century 21, all filed for bankruptcy, which permanently decreased our retail store network by 70 stores. In September 2020, we announced our shift in strategy to a "digital-first" omni-channel model, whereby our strategic priorities would focus primarily on accelerating the growth of our lxrco.com website and powering third-party e-commerce platforms. As a result of this strategy shift, the Company now operates in two distinct channels—e-commerce and retail, which we define as our stores and wholesale activities.

On December 23, 2020, to fund the transition to our digital-first model, we completed a $7.5 million financing of units consisting of one Share and a one-quarter of one Share purchase warrant at a price of $0.125 per unit.

In 2020, the bankruptcies of Stage Stores, Lord & Taylor, Stein Mart Stores and Century 21 (collectively, the "US Partner Bankruptcies") caused a year-over-year decline in our total net revenue of 66%. Revenue in 2020 was $13.8 million, gross profit margin was 31.3% and our Adjusted EBITDA came in at a loss of $4.3 million. At the end of the year, our retail network consisted of 10 stores, all located in Canada, of which only three were open due to COVID-19 restrictions.

Recent events

On March 31, 2021, due to the COVID-19 pandemic and the ensuing government-imposed lockdowns, only four of the Company's ten retail stores were in operation.

Update on COVID-19 and Impact on Financial Statements

Since the World Health Organization's declaration of COVID-19 as a global pandemic in March 2020, our priorities have been the well-being of our employees, customers and supporting our communities while safeguarding the long-term financial strength of our business. Fiscal 2020 was a tumultuous and defining year for the Company.

- On March 20, 2020, in response to the COVID-19 outbreak and in response to recommendations of various health and government authorities, we announced the temporary closure of 80 stores across North America until April 1, 2020. During this period, we remained open to serve customers through our online site;

- On April 3, 2020, as the COVID-19 outbreak persisted, and in response to recommendations of various health and government authorities, we extended our store closures indefinitely;

- On May 11, 2020, Stage Stores, our largest U.S. wholesale customer, announced it filed for Chapter 11 bankruptcy;

- On May 13, 2020, we concluded that while certain of our U.S. retail partners had begun gradual store re-openings in select markets and with reduced operating hours and staffing levels, we felt it imprudent, given the limited foot traffic within these stores and the potential safety risks for our own employees, to open our stores at that time;

- On August 2, 2020, Lord & Taylor, a U.S. retail partner, announced it filed for Chapter 11 bankruptcy;

- On August 12, 2020, Stein Mart, a U.S. retail partner, announced it filed for Chapter 11 bankruptcy;

- On September 10, 2020, Century 21, a U.S. retail partner, announced it filed for Chapter 11 bankruptcy; and

- On September 3, 2020, we announced our digital-first omni-channel strategy.

As these events unfolded, with little to no revenue, we entered a period of financial duress and took swift action to enhance our short-term liquidity and protect our cash position. These measures included:

- Renegotiating our $12.5 million Credit Facilities for another three-year period, which we completed on May 25, 2020;

- Leveraging all applicable COVID-19 government business support programs, which included applying for all relevant employee wage subsidies; and successfully securing a $3.0 million, BCAP Loan, which we completed on May 25, 2020;

- Delaying capital and discretionary operating expenditures;

- Developing contingency plans including accelerating infrastructure investments related to our e-commerce activities;

- Driving cost reductions by minimizing non-essential operating costs and maintaining ongoing negotiations with suppliers, and vendors for concessions;

- Extending payment terms where possible; and

- Completing a $7.5 million equity financing to fund our new strategic direction, which we completed on December 23, 2020 (see "December 2020 Financing").

OUR BUSINESS

About

At LXRandCo, we believe in giving luxury goods a second life. We have been living and building on this philosophy since our founding in 2010, where we have been providing consumers across North America with authenticated, quality, branded luxury products at affordable prices. We do this with passion, and with great attention to detail, trying not to be all things to all people, but remaining focused on what we know best. Our mission is to extend the lives of luxury handbags and accessories, both new and preloved, by providing aspirational consumers with an affordable, curated and authenticated collection. Our Vision is to execute with the highest of quality and to be recognized as a preeminent digital destination for luxury resale.

Brands and Products

Unlike most market participants in North America, which offer a "head-to-toe" product offering, we offer our consumers a highly-curated and focused assortment centered around pre-owned branded luxury women's handbags, including shoulder bags, tote bags and travel bags, and other complementary accessories, including small leather goods, jewelry and silk scarfs. In 2020, handbags accounted for approximately 88% of our sales on a unit basis. The brands offered by us are synonymous with luxury and include iconic brands and styles made by Louis Vuitton, Gucci, Hermès, Chanel, Prada, and Fendi. The products, which feature unique styling, workmanship and recognizable branding, are paired with a tailored marketing strategy that creates a connection between consumers and a pre-loved product's storied past. We are passionate about incorporating what is in our customers' best interest into every one of our actions. In 2020, our engaged and loyal customer base rated us with an average Net Promoter Score of 74.

On December 31, 2020, we had over 6,500 items available for sale through our omni-channel sales network. We strive to offer competitive pricing for pre-owned luxury goods relative to the manufacturer's suggested retail price ("MSRP") for new primary market goods and comparable pre-owned luxury goods being offered by other companies. Pricing strategy depends on, among other things, the popularity of a given product and brand, scarcity value and the quality and condition of the product. We have a steady source of high-quality goods, the majority of which are supplied by the Asian institutional markets, which in turn are governed by a high standardized rating system. All of our products are authenticated and condition-graded by our internal team of experts based on the following industry accepted ratings criteria:

Condition Rating	Description
S	Mint (pristine)–no flaws to report, may come with original packaging
A	Very Good Condition–no major flaws, possible slight signs of wear (i.e. visible light scratches or marks)
AB	Good Condition–some signs of wear due to regular use or aging
B	Fair Condition–some signs of discoloration, visible wear or scratches and/or marks
BC	Well Used–obvious signs of frequent use, visible wear with more pronounced discolouration, scratches, marks and/or stains
C	Functional–may require repair

Generally, we offer products ranging in condition from "Category Rating A–Very Good Condition" through to "Category Rating B–Fair Condition". In 2020, products with condition ratings in this range represented approximately 98% of products sold. Depending on condition rating and other factors, pricing of pre-owned goods can be discounted on average by 15% to 60% from the MSRP. The average price point range offered by us is typically between $125 and $2,000 per item with some products selling for as high as $20,000. In 2020, LXRandCo's average transaction value was approximately $850.

Product Strategy and Sourcing

Unlike most market participants, who favour a product consignment model, our business model is based on predominantly owning our inventory outright, thus allowing us to maintain maximum control over all aspects of merchandise planning, product sourcing and authentication, product quality and inventory management. This allows us to ensure we can offer consumers the right product, at the right time, at the right price across all channels.

Merchandise Planning

Our merchandising strategy targets consumers, mainly women, of all ages and is designed to appeal to the aspirational lifestyle needs of mainstream consumers through all stages of their lives. To respond to evolving consumer tastes, we maintain a flexible assortment of historically popular items and new emerging luxury products and brands. This strategic mix helps us to maintain customer engagement by delivering both iconic 'must-haves', while generating sales from more recently popular luxury brands and products.

With a focus on the top 20 luxury brands, we alter the product and brand mix based on customer demands and trends in the luxury goods market with a view to creating an ongoing engagement with customers and a connection to the LXRandCo brand as the leading source of pre-owned luxury products. When introducing new products or brands, we purchase initial order quantities that allow us to monitor consumer demand and later follow up with additional orders as required. We analyze sales data on a real-time basis in order to make inventory adjustments and to respond to the latest demand patterns.

Sourcing

We source all pre-owned luxury merchandise from third-party suppliers in Asia, Europe and North America and directly from individuals across North America. Our business model is based on purchasing and owning the merchandise. We believe that our sourcing model provides a competitive advantage that allows us to more cost-effectively secure large quantities of specific merchandise and to better control product quality and assortment. In 2020, approximately 77% of our inventory was sourced from third-party suppliers and 11% directly from customers through our customer buying program.

We have been operating in the Asian market since 2010, and we hold the necessary licenses and registrations to transact with third-party suppliers. We believe that our local presence and understanding of Asian cultures and business practices have allowed us to forge strong relationships with suppliers, some of which engage in business on a ‘by invitation’ only basis.

We maintain strong relationships with a diversified base of third-party suppliers. In 2020, our top five third-party suppliers accounted for approximately 62% of purchases, and the largest third-party supplier represented approximately 16%. All purchases through third-party suppliers are guaranteed with respect to authenticity and represented condition rating. Irrespective of third-party guarantees, we further inspect all purchases to independently verify and confirm authenticity and we offer unconditional 100% customer indemnification and authenticity guarantees on all products we sell to customers.

Our consumer buying program focuses on the efficient acceptance, inspection and purchase of inventory directly from individuals online and in store. We have trained appraisers who are capable of delivering services to our locations remotely. In store offers of purchase can be made while customers wait.

We believe there is an opportunity to increase our customer buying program to further diversify our sourcing and as a way to increase product margins through reduced transport and logistics costs, and import duties, as our e-commerce activities expand.

Product Inspection and Preparation

Our product inspection and preparation process is managed by a team of product specialists and trained appraisers located in Asia and Canada who validate the condition and authenticity of purchased merchandise and prepare merchandise for sale. Each product specialist has a minimum of three years’ experience in management positions in the luxury products industry.

All merchandise is shipped to our facility. Merchandise is initially checked-in and verified against sourcing purchase orders to ensure compliance with order specifications. The merchandise is then inspected, authenticated and given a condition rating based on stringent Asian market ratings, and price is established for re-sale, see “Brands and Products”. Goods that are shipped from Asia to other geographies may incur import duties in varying amounts depending on the country of destination, and any such amounts are factored into our pricing. Authentication is confirmed based on the judgement and expertise of our trained appraisers. Any products that cannot be authenticated with certainty are returned to their original sources of supply. Product details, including any wear and tear, are identified, photographed and recorded. All details are entered into our proprietary database at which point product details and specifications are re-confirmed.

Products are shipped via common carrier either to our Montréal office or our warehouse facility located in Cranbury, New Jersey, which is managed under contract by a third-party services provider.

Products we source directly from customers through our online channel are shipped by the seller to our Montréal office or the New Jersey warehouse facility for subsequent re-distribution. Merchandise that we source directly from store customers is shipped to Montréal if it doesn’t sell within three weeks in store. In either case, product details are entered into our proprietary database to maintain proper inventory control.

Omni-channel Sales Network

Our digital-first omni-channel sales network is comprised of our e-commerce channel and our retail channel, which includes our network consisting of ‘shop-in-shops’ stores and wholesale operations primarily in the United States.

E-Commerce

Our e-commerce business was launched in 2013. We currently operate a Canadian website as well as a dedicated U.S website which accommodates customers who want to sell their products to us. See “Product Strategy and Sourcing – Sourcing”.

At the end of 2020, we had over 260,000 online subscribers, and our e-commerce channel contributed approximately 32% of total net revenue, compared to 9.3% of total 2019 net revenue.

In early 2020, we migrated e-commerce operations to the Shopify platform. This transition allowed us to centralize our efforts, increase operational efficiency and enable faster growth on a scalable platform while improving the customer experience throughout the digital customer journey, a critical element of our omni-channel strategy. We also expanded our digital partnerships supplying partner e-commerce platforms with a ‘drop ship’ service from our warehouse facilities directly to their customers. Also in 2020, we seized the opportunity to expand digital operations through the addition of a new e-commerce team, including an e-commerce director, and email marketing, content creation, social media management, creative direction and customer experience leads.

Retail

With three U.S. retail partners having declared bankruptcy during the year, at the end of 2020, we had one retail partner, with ten stores in Canada, three of which were operating due to COVID-19 restrictions. As at December 31, 2020, this retail partner represented approximately 12% of total net revenue in 2020. The retail channel generated 53.6% of total net revenue in 2020, compared to 71.4% of total 2019 net revenue.

As part of our ‘shop-in-shop’ model with his partner, we have entered into a licensing agreement for leased space within their store, which includes a variable rent arrangement (a license fee) set as a fixed percentage of revenue. We are responsible for ongoing store operating costs including staffing, the supply of LXRandCo branded signage, packaging and marketing materials, as well as funding display cases and fixtures. We own the product inventory sold in the stores, and provide a training program to educate our client advisors in the storied history of luxury products and brands as well as instill a focus on delivering a knowledgeable personalized shopping experience.

Our wholesale operations address opportunities with department store retail partners that prefer to control merchandising decisions and thus purchase inventory outright from us and sell products through their own retail network or websites under their own banner. Wholesale contracts generally stipulate quantity and assortment of merchandise and price based on a fixed margin to us. Under such arrangements, we have minimal to no inventory carrying risk, and the wholesale client is responsible for all capital and operating costs relating to the sale of the products. While our wholesale relationships are unbranded, some partners are choosing to communicate to their customers in store and online that the pre-owned products sourced from us are “authenticated by LXRandCo”. The wholesale channel generated revenue 14.6% of total net revenue in 2020, compared 19.3% of total 2019 net revenue.

Marketing

We focus marketing resources on relationship building activities designed to cultivate, maintain and expand our customer base. We have a robust customer database which allows for targeted segmentation, direct marketing and personalized interaction with our customers.

We rely on our e-commerce business as the driver of our omnichannel strategy, accelerating all complementary activities in retail, as well as the leveraging of our social media platforms such as Instagram, Pinterest, Facebook and TikTok. This allows us to not only communicate with our retail and online customers, but also to interact and drive customer and influencer engagement by encouraging user-generated photos, videos, art and other content for use on www.lxrco.com.

Information Systems

We have strategically invested in an information technology infrastructure in order to pursue growth opportunities and manage operations on an efficient basis, including asset management software to manage and streamline inventory production, *merchandising*, sales, logistics and reporting.

We use Office 365 as a software productivity tool within the Company and as a means of ensuring collaboration across functional groups. In 2017, we implemented a new point-of-sale (POS) system, a customer relationship management (CRM) system and a customer loyalty program to continue to support our omni-channel capabilities and drive more sales.

The first e-commerce website was launched in 2013. The site was upgraded in 2015, 2016 and 2017 with a self-scalable version with new features such as multiple currencies and auto-managed inventory to enlarge our product offering and accommodate higher traffic. In 2020, we migrated e-commerce operations to the Shopify platform.

Talent Management

As at December 31, 2020, our total employee headcount was 42. We hire additional part-time employees for customer support services, stores and product inspection and preparation functions during periods of high activity to manage peak periods.

Committed and Engaged Team

The Office of the President is composed of Valerie Sorbie, Board Chair and Camillo di Prata, Compensation and Nominating Committee Chair and interim Chief Executive Officer. In addition to The Office of the President, our management team is composed of four professionals who have expertise in retailing, luxury products, finance marketing and operations.

Offices and Facilities

Our head offices are located in Montréal, Québec. The Montréal office serves as our headquarters and for retail and e-commerce support services. Our office in Tokyo, Japan houses the Asian sourcing and product preparation teams and also serves as a distribution center where merchandise is received and subsequently shipped to the Montréal office and/or our warehouse facility in Cranbury, New Jersey. We lease space in the New Jersey warehouse facility on an as required basis from a third-party warehousing services provider. The New Jersey warehouse facility services our U.S.-based retail network, wholesale and e-commerce operations.

Intellectual Property

We have a right of ownership to all necessary intellectual property needed to operate the business in its actual form. Our major trademarks include “LXR & Co.”, which has been registered in the United States, “LXRandCo”, which is the subject of a pending trademark application (formalities completed) in Canada, and the domain name www.lxrco.com. We intend to continue to strategically register trademarks and domain names that we use today and those we will develop in the future. We are not currently aware of any claims of infringement or challenges to our right to use any of our marks in Canada, in the United States or elsewhere.

Growth Strategy

Throughout 2020, where possible through the pandemic, we invested with the goal of rapidly transforming our business model to a digital-led omni-channel one. Among other things, we successfully grew our e-commerce net revenue and we improved and expanded our e-commerce operations with a stronger team of experienced professionals and revamped platforms. Our strategy for 2021 will center around our digital-led omni-channel model.

E-commerce

It is our intention in 2021 to further accelerate the pace of growth of our e-commerce business both through our web and mobile channels and through the platforms of our third-party channels. Selectively, this may also entail further analyzing and following our consumers' changing needs and possibly expanding into new streams of revenue that may include, but are not limited to, a highly focused selection of new product offerings (outside our core handbag and accessories lines) through third-party consignment arrangements, and the potential of offering subscription-based handbag rental alternatives for consumers valuing variety and flexibility over the purchase option, and lower flexible access points for enjoying luxury.

In addition to the above, we will continue driving incremental business through our retail partners' e-commerce platforms and that of third-party marketplaces alike.

Retail

Where possible, over time, we may consider further expanding the number of 'experience center' type stores in our retail network by establishing a presence in limited key markets that complement our e-commerce activities. In addition, we are pursuing new growth initiatives for our wholesale operations with partners who have remained agile and strong during COVID-19.

Pursue Attractive Acquisition and Strategic Partnership Opportunities

Where appropriate, we may pursue acquisitions that complement our strategic initiatives. In the near term, we will prioritize opportunities that augment our e-commerce capability and diversify our sources of supply. In the longer term, we may consider adding new product categories to our product offering and/or alternative and complementary distribution channels through selective acquisitions and/or strategic partnerships.

CORPORATE RESPONSIBILITY – ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

Governance

Each of our stakeholders is critical to our business – shareholders, customers, employees, suppliers and our communities at large. We continue to be committed, to the best of our ability, to running our business in an environmentally-friendly manner as well as being socially and economically responsible. Reporting to the Office of the President, our COO and Head of E-commerce lead the formulation and implementation of our sustainability strategy. The Office of the President is responsible for representing all ESG matters including workforce diversity and well-being to the Board of Directors.

With employees located across North America and Asia, we take diversity and inclusion very seriously. We are proud to have a diverse team and are pleased this far with the levels of diversity and engagement in our workforce from the perspectives of gender, visible minorities, sexual orientation, religious affiliation and those with disabilities. As two examples demonstrate, our senior leadership team is comprised of 83% who identify as female and 33% visible minorities, and our IT team is comprised of 60% visible minorities.

An integral part of our culture is that we empower our employees to think creatively, encourage them to place our consumers at the forefront of everything we do, act environmentally responsibly and to share their ideas to make our Company the best it can be.

Environmental

Sustainability is an evolving priority and at the heart of our business model.

- Product—by adopting a circular resale model, we feel we are contributing to minimizing waste to our planet. By increasing the longevity of each preowned piece, we extend their useful lives far beyond what a 'fast fashion' product would. Not only is this good for the planet, but we believe it sets the right example of reinforcing quality over quantity, ignoring the pressure of owning "the next best thing" and investing wisely in products that people can nurture for generations. In Canada and the United States, we have also joined forces with authentic product repair specialists to further extend product lives and keep products recirculating.

- Operations—we are in the early days of better understanding the impact of sustainable business practices on our own business operations as well as those of our suppliers. In partnership with a specialist platform, it is our intention to embark on an operational study to measure our carbon footprint and to explore how to offset this through carbon credits so that we be carbon neutral by the time products arrive at our customers' door.

Social

We continue our work to support local communities through our commitment to helping women. In Canada, we are partnered with The Nanny Network, which offers in home childcare resources for mothers with cancer as well as support tools to help children cope with their mother's illness. In the United States, we will be partnering with Dress for Success (2021) which empowers women to achieve economic independence by providing a network of support, professional attire and the development tools to help women thrive in work and in life. We donate a percentage of our sales to these organizations, encourage employees to donate and also match their donations.

OUR INDUSTRY

Overview

The personal luxury goods industry is broadly made up of the (a) primary luxury market, which sells new goods, and includes the luxury products categories of beauty, apparel, watches and jewelry, and accessories, which includes leather goods and shoes (the "Primary Luxury Market"); and (b) the resale luxury market, which includes the sale of preowned, authentic luxury items that at some point originated in the Primary Luxury Market ("the "Resale Luxury Market").

In 2018, the size of Primary Luxury Market in the Americas, was estimated at US$95 billion[1], representing approximately 31% of the global market. The preowned market for personal luxury goods, or the Resale Luxury Market, was estimated at US $6.5 billion[2], or 25 % of the global market. Estimated to be growing nearly 4 times faster than the Primary Luxury market[3], in 2018, the Resale Luxury Market as a percentage of the Resale Luxury Market and Primary Luxury Market combined, was approximately 8.0%.

While the Resale Luxury Market rarely competes directly with the Primary Market, a sizable and growing primary market is important to the resale industry as it represents a steady source of product supply

1 Bain & Company – Luxury Goods Worldwide Market Study, Fall-Winter 2018 (2018 Bain & Company Study) destined eventually for resale and provides valuable MSRP reference points from which to price preowned goods.

LXRandCo operates in the Resale Luxury Market, with a focus on the preowned luxury leather goods and accessories market. Active in this segment since 2010, we believe we are well-positioned to continue to provide women of all ages an environmentally-responsible alternative of purchasing authenticated branded luxury products either *directly*, through our web and mobile sites, our retail 'shop-in-shop' experience centers, or *indirectly*, through the e-commerce and other retail platforms of our key channel partners.

Competitive Landscape

The Resale Luxury Market is comprised of a diverse group of market participants, which include privately-held and publicly-traded companies, selling versus rental business models, and both online or offline retailers, such as large marketplaces, local consignment and vintage stores and other venues or marketplaces. Market participants generally compete on the basis of several key factors including: the attractiveness and quality of their products and brands; the product to value relationship as compared to both the competition's product offering and in relation to the Primary Luxury Market; their ability to consistently source unique quality products; the effectiveness of their sales networks; authenticity guarantees; customer service; and on their relative market positioning within the growing market for pre-owned products.

In addition to the above, we believe that we successfully compete on the basis of the following additional differentiating factors:

- In a market characterized by wide breadth and limited depth, our tailored merchandising strategy provides consumers with a highly focused product assortment of leather goods and accessories, which is curated in both the number of brands and breadth of products offered;

- In a market dominated by consignment models, our sourcing model which is based on our predominantly owning the merchandise we offer for resale, as opposed to offering products that have been temporarily consigned by sellers, allows us greater control over authentication, quality and merchandising strategy; and

- Our supply chain, which along with our funding model, allows us the flexibility to source merchandise at scale, thereby allowing us to offer our channel partners with a tailored product offering at the quantities they seek.

We believe that the increased social acceptance of buying preowned products, particularly with the younger generations of emerging consumers, who represent over 47% of global preowned luxury goods purchases[2], and the growing affinity of consumers to want to extend product lifecycles will bode well for the favorable growth prospects anticipated for the Resale Luxury Market in the years ahead.

RISK FACTORS

The following specific factors could materially adversely affect us and should be considered when deciding whether to make an investment in LXRandCo and the Shares. The risks and uncertainties, described in this Annual Information Form and the information incorporated by reference herein are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows and consequently the price of the Shares could be materially and adversely affected. In all these

2 Luxe.digital – Luxury Resale : A secondhand Strategy for Brands
3 Bain & Company – Luxury Goods Worldwide Market Study, Fall-Winter 2018 – represents percentage of Gen X and Y consumers

cases, the trading price of the Shares could decline, and prospective investors could lose all or part of their investment.

Risks Related to Our Business and Industry

Due to the Impact of COVID-19 there is an elevated risk about the Company's ability to execute its business plan and growth objectives.

The COVID-19 outbreak is having a significant impact on global economic activity. The measures imposed by public authorities worldwide, including in Canada and the United States, to slow the transmission of the virus have resulted in the closure of non-essential services and businesses in certain jurisdictions, among other consequences. The measures put in place by various North American public and health authorities have resulted in the forced temporary closure of most of LXRandCo's stores. Furthermore, the COVID-19 emergency has caused a significant disruption in everyday life including negatively affecting consumer sentiment in the Company's principal markets.

The Company believes the ongoing effects of COVID-19 on its operations, particularly in a prolonged scenario, will have a material negative impact on its financial results and liquidity. COVID-19 has and is expected to continue to have, a significant impact on the Company's financial condition and operations, which, if required, may adversely affect LXRandCo's ability to obtain acceptable financing to fund its operations. The current and uncertain future impact of COVID-19, including its effect on the ability or propensity of people to shop for personal luxury products, is expected to continue to materially impact the Company's results, operations, outlook, plans, goals, growth, reputation, cash flow, liquidity and share price. As the COVID-19 situation evolves, LXRandCo may continue to be impacted by factors beyond its control, including without limitation, forced store closures, potential supply disruptions and other unforeseen circumstances.

LXRandCo's audited financial statements as at and for the year ended December 31, 2020 were prepared on the assumption that the Company would continue as a going concern. LXRandCo's continuation as a "going concern" is dependent upon, among other things, its ability to increase its liquidity if required, and the conclusion regarding its ability to continue as a going concern could materially limit the Company's ability to raise additional funds through the issuance of new debt or equity securities or otherwise. There can be no assurance, however, that LXRandCo will be able to complete such financing, raise sufficient additional capital or that other factors will improve enough to offset operating losses. The elevated risk related to the Company's ability to continue as a going concern may affect the price of the Shares and the grade of LXRandCo's credit rating, may impact the Company's relationship with third-parties with whom it does business, including its customers, vendors, lenders and employees, may impact the Company's ability to raise additional capital and may impact the Company's ability to comply with covenants in its debt agreements. LXRandCo's ability to continue as a going concern over the next twelve months will depend upon a series of factors, including the Company's ability to reopen its stores, increase sales and reduce selling, general and administrative expenses, the underlying financial health and viability of its retail partners, the general economic conditions and consumer sentiment, and LXRandCo's ability to mitigate any possible sustained negative effects of COVID-19 on consumer confidence and buying patterns.

LXRandCo's future growth and profitability will depend on the effectiveness and efficiency of implementing its forecasts, plans, and strategic initiatives.

The Company's future growth and profitability will be dependent in part on the effectiveness and efficiency of implementing the Company's forecasts, plans, and strategic initiatives. There can be no assurance that the Company's forecasts and plans will be successfully attained, or that the strategic initiatives will result in enhanced financial results.

LXRandCo's future growth and profitability will depend on having sufficient funds to execute its strategic initiatives.

The Company's ability to grow is contingent upon the Company successfully carrying out the various components of its strategic initiatives and/or its ability to obtain additional sources of capital to finance operations in the future, if and as required. To the extent additional capital is required, there is no assurance that additional capital will be available on acceptable terms, if at all. Similarly, the Company's revenue from sales is not currently sufficient to fund its operations. LXRandCo's inability to carry out its strategic initiatives or obtain sufficient additional capital may have a material adverse effect on the business, results of operations and/or financial condition. If additional financing is raised through the issuance of equity or convertible debt securities, the interests of the Company's shareholders may be diluted.

LXRandCo currently has a significant dependence on a limited number of retail partners. LXRandCo's growth strategies depend in part upon its ability to identify new partners (retail, wholesale, and digital) and enter into agreements with such partners for opening new stores and digital channels, and to then successfully pursue such opportunities in a timely and cost-effective manner.

At the end of 2020, LXRandCo had one retail partner in Canada as a direct result of the U.S. Partner Bankruptcies. A significant reduction in commitments to renew existing agreements or reduce the number of LXRandCo stores by LXRandCo's retail partners could have a material adverse effect on LXRandCo's prospects, business, financial condition and results of operations, if not offset by new retail partners (physical and digital) or an increase in business from other existing retail partners. Also, with respect to agreements or contracts with retail partners, the number of stores to be opened and the timing of such openings is generally not included in the agreement or contract. The number of store openings and the timing of such openings is usually based on an understanding between LXRandCo and the retail partner, which may be uncertain and subject to change given the current COVID-19 pandemic. A significant reduction in commitments by retail partners to open stores or a decision to delay the launch of such stores could have a material adverse effect on LXRandCo's prospects, business, financial condition and results of operations, if not offset by new retail partners or an increase in business from other existing retail partners.

Part of LXRandCo's growth strategy depends on continuing to expand its retail network. In order to do so, LXRandCo must identify and enter into agreements with retail partners to allow for the opening of new stores and digital channels. LXRandCo's current expansion plans are only estimates, and the actual number of stores LXRandCo opens, the timeline on which LXRandCo does so and the actual number of suitable locations for its new stores could differ significantly from LXRandCo's estimates. There can be no assurance that LXRandCo will be able to identify new retail partners and successfully negotiate agreements with such partners for new store openings. LXRandCo's inability to do so could negatively affect LXRandCo's growth strategy and financial results.

LXRandCo is exposed to credit risk of its retail and wholesale partners. A default by any of LXRandCo's retail and wholesale partners could have a material financial effect on the business, financial condition and results of operation of LXRandCo. There can be no assurance, in such a case, that LXRandCo would be in a position to arrange for alternate or replacement agreements, transactions or business relationships on terms as favorable as LXRandCo's existing agreements, transactions or business relationships, in a timely fashion.

LXRandCo currently depends on a limited number of retail and wholesale partners, each accounting for a significant portion of LXRandCo's revenues. A default by any one of LXRandCo's retail or wholesale partners could have a material adverse effect on LXRandCo's business, financial condition and results of operations. Current economic, industry and market conditions could result in increased risks to LXRandCo associated with the potential financial distress or insolvency of such partners. If any of LXRandCo's partners were to become subject to bankruptcy, receivership or similar proceedings, its rights and benefits in relation to its agreements, transactions and business relationships could be terminated, modified in a manner adverse to LXRandCo, or otherwise impaired. LXRandCo cannot make any assurances that it would, in such a case, be in a position to arrange for alternate or replacement agreements, transactions or business relationships on terms as favorable as LXRandCo's existing agreements, transactions or business relationships, in a timely fashion, if at all. Any inability on LXRandCo's part to do so could have a material adverse effect on its business, financial condition and results of operations.

Parties with whom LXRandCo does business may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to LXRandCo.

LXRandCo is party to contracts, transactions and business relationships with various third-parties, notably retail partners and suppliers. If any of these third-parties were to become subject to bankruptcy, receivership or similar proceedings, LXRandCo's rights and benefits in relation to its contracts, transactions and business relationships with such third-parties could be terminated, modified in a manner adverse to LXRandCo or otherwise impaired. LXRandCo cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as its existing contracts, transactions or business relationships, if at all. Any inability on LXRandCo's part to do so could have a material adverse effect on its business and results of operations.

LXRandCo currently has a dependence on a concentrated number of third-party suppliers. LXRandCo's ability to obtain merchandise on a timely basis at competitive costs could suffer as a result of any deterioration or change in LXRandCo's supplier relationships or events that adversely affect its suppliers or cause disruptions in their businesses.

LXRandCo purchases products primarily from third-party suppliers in Asia, as well as directly from consumers. LXRandCo's third-party suppliers are affected by, among other things, the availability of products for resale, increases in labour costs, labour disputes and disruptions, regulatory changes, political or economic instability, natural disasters, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade and the continued lingering effects of the COVID-19 outbreak in their local markets. These factors are beyond the control of LXRandCo, may adversely affect LXRandCo's suppliers or cause disruptions to their businesses and may impact LXRandCo's ability to source products on acceptable terms.

LXRandCo maintains strong relationships with a diversified base of third-party suppliers. Any of LXRandCo's suppliers could discontinue their relationship with LXRandCo, or cease to provide products on a satisfactory basis for a variety of reasons beyond LXRandCo's control.

The benefits LXRandCo currently receives from its supplier relationships could be adversely affected if its suppliers:

- choose to cease their relationship with LXRandCo;
- raise the prices they charge LXRandCo;
- change pricing terms to require LXRandCo to pay earlier or upfront resulting from, among other things, changes in the credit relationships some of LXRandCo's suppliers have with their various lending institutions;
- sell competitive merchandise to LXRandCo's competitors with similar or better pricing;
- choose to compete directly or indirectly with LXRandCo in certain or all geographic markets, and as a result, stop selling products to LXRandCo, reduce product availability or sell products to LXRandCo on less favourable terms; or
- lengthen their lead times.

LXRandCo currently sources a modest amount of its products directly from consumers, primarily in North America. While the strategy of LXRandCo is to increase the number of products sourced directly from individuals, there are no assurances that LXRandCo will be able to successfully access this source of product supply in sufficient quantity and quality on desired terms and in a timely manner.

The market for the sourcing of inventory directly from consumers is highly competitive and difficult to scale in a timely manner. There can be no assurance that LXRandCo will be able to source desired products from any of its direct consumer channels located across its retail network and online in sufficient quantities on acceptable terms, or at all, in the future, especially if LXRandCo needs significantly greater amounts of inventory in connection with the growth of its business. This is particularly true after the US Partner Bankruptcies, whereby the LXRandCo retail network has been drastically reduced. LXRandCo may need to develop relationships with new suppliers (such as e-commerce competitors with excess inventory), as its current direct to consumer channels may be unable to continue to supply LXRandCo with needed quantities. LXRandCo may not be able to obtain the same favourable terms and depth of merchandise from these new suppliers. If LXRandCo is unable to scale its sourcing and obtain suitable merchandise in sufficient quantities at acceptable prices with adequate delivery times from its direct to consumer channels, it may adversely affect LXRandCo's business, its ability to increase gross margins over time and results of operations.

If LXRandCo loses the services of members of its senior management team or other key personnel, or is unable to attract new executives who possess specialized market knowledge and technical skills, LXRandCo's ability to compete and to manage its operations effectively could be reduced.

LXRandCo's senior management team includes the Office of the President, composed of Valerie Sorbie, Chair, and Camillo di Prata, interim CEO, as well as a core group of officers who include experts in matters of finance, procurement, e-commerce and marketing, and store and wholesale operations. The loss of the technical knowledge, management expertise and knowledge of LXRandCo's operations of one or more members of the LXRandCo management team could result in a diversion of management resources, as the remaining members of management would need to cover the duties of any executives who leave LXRandCo and would need to spend time usually reserved for managing LXRandCo's business to recruit, hire and train new members of management.

The loss of some or all of LXRandCo's management team or other key personnel, or its inability to successfully recruit new executives, could negatively affect LXRandCo's ability to develop and pursue its growth strategy, which could in turn adversely affect its business and financial condition. Any departure of key personnel could also be viewed in a negative light by investors and analysts, which could adversely impact the Share price.

Additionally, the market for key personnel in the industry in which LXRandCo competes is highly competitive. As a result, LXRandCo may not be able to attract and retain key personnel with the skills and expertise necessary to manage its business and pursue its growth strategy.

LXRandCo's plan to expand our digital-led omni-channel network may not be successful.

The e-commerce market opportunity for LXRandCo's products is characterized by many competitors, some of whom are better capitalized. There is no guarantee that LXRandCo's plan to expand its digital-first omni-channel strategy will be successful. Notwithstanding management's estimate of LXRandCo's current digital expansion potential, in order to expand LXRandCo's e-commerce business, management would have to secure new digital partnerships and expand its existing e-commerce customer base in a timely and cost-effective manner. In order to continue to grow its e-commerce business, management would need to effectively implement search engine optimization strategies and customer retention and fund marketing initiatives. The failure of the LXRandCo to successfully execute its expansion strategy could adversely affect LXRandCo's business, financial condition and results of operations.

There can be no assurance that LXRandCo will successfully manage and grow its e-commerce business, as planned, and any failure to do so could have a negative impact on results from operations.

The usability and customer experience provided by LXRandCo's web and mobile shopping platform is important to the success and growth of its e-commerce business and to LXRandCo's ability to provide products through its digital-first omni-channel strategy. LXRandCo primarily competes with e-commerce retailers of pre-owned branded luxury products, which are mostly based in North America. Many of LXRandCo's competitors already have established e-commerce businesses that are substantially larger and more developed than LXRandCo's. In addition, e-commerce is a rapidly evolving channel and many of LXRandCo's competitors update their e-commerce business on an ongoing basis to match consumer preferences, including servicing them through mobile platforms. Any extended software disruption of LXRandCo's e-commerce business or the failure of LXRandCo to provide an attractive, effective, reliable and user-friendly e-commerce business that offers a wide assortment of merchandise with rapid delivery options and that continually meets the changing expectations of online customers could place LXRandCo at a competitive disadvantage, result in the loss of sales or harm its reputation with customers, and could have a material adverse effect on its business and results of operations.

The growth of LXRandCo's e-commerce business is also dependent on its ability to successfully offer international shipping of its merchandise, fulfill customer orders in a timely manner and successfully manage the costs, difficulties and competitive pressures associated with international shipping. Although LXRandCo believes that there are synergies in operating an omni-channel sales network, other risks specific to LXRandCo's e-commerce business include acquiring online customers in a cost-efficient manner, difficulty in recreating the in-store experience through direct channels and liability for online content. If LXRandCo is unable to expand or update its e-commerce business commensurately with that of its competitors, introduce and manage international shipping, provide a competitive customer experience in order fulfillment and successfully respond to the risks inherent to e-commerce, LXRandCo's financial results and the growth of its e-Commerce business may be negatively affected.

There are risks related to forward-looking information in this Annual Information Form.

The forward-looking information included in this Annual Information Form relating to, among other things, LXRandCo's future results, performance, achievements, prospects, intentions, opportunities or the markets in which LXRandCo operates, is based on opinions, assumptions and estimates made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that it believes are appropriate and reasonable in the circumstances. See "Management's Discussion and Analysis of LXRandCo – Financial Outlook". However, there can be no assurance that such estimates and assumptions will prove to be correct. Actual results in the future may vary significantly from the historical and estimated results and those variations may be material. LXRandCo makes no representation that its actual results in the future will be the same, in whole or in part, as those included in this Annual Information Form. See "Caution Regarding Forward-Looking Statements".

LXRandCo may be unable to continue to grow revenue or meet other financial targets, which could cause the price of Shares to decline.

LXRandCo's success depends, in large part, upon its ability to achieve revenue and other financial targets for its retail network, wholesale operations and e-commerce activities. Various factors affect sales levels, including, among other things, competition, consumer trends and preferences, the general economic and retail environment, LXRandCo's ability to efficiently source and distribute products, brand innovation and changes in its merchandising mix, the timing of release of new merchandise and promotional events, the success of marketing programs, prior period sales levels, inventory shrinkage, the timing and amount of markdowns, weather conditions and store closures or other adverse changes with respect to its retail partners or the location of LXRandCo stores within its retail partner department stores, and including but not limited to the lingering effects in 2021 of the COVID-19 outbreak. These factors may cause its sales results to differ materially from prior periods and from expectations. Past sales and other financial results are no indication of future results, and there can be no assurances that LXRandCo's sales levels will not decrease in the future. LXRandCo has made and intends to continue to make significant capital investments to strengthen its omni-channel model, through an increase in digital operations, effective digital marketing focusing on brand and product innovation and optimizing store layout, merchandise and product offerings and presentation. Failure to continue to strengthen its omni-channel or failure to meet other financial targets or expectations could adversely affect LXRandCo's revenue and the price of Shares could decline.

LXRandCo's ability to manage its operations at its current size and successfully execute on its growth strategies is subject to numerous risks and uncertainties, and any failure to do so could have a negative impact on the price of the Shares.

The success of LXRandCo's growth strategies is dependent on, among other things, its ability to grow its e-commerce business, diversify its sourcing channels, expand its retail network, leverage its competitive advantages and increase its brand awareness internationally, as well as factors which are beyond LXRandCo's control, including general economic conditions and consumer confidence in future economic conditions. If LXRandCo fails to execute any one or more of these initiatives or fails to fully realize the benefits expected to result from these initiatives, LXRandCo's results of operations and its ability to remain competitive could be materially adversely impacted, and the price of Shares could decline. LXRandCo's results to date are not an indication of future results, and there can be no assurance that these initiatives will generate increased revenue or improve operating margins even if LXRandCo is to successfully implement its growth strategies.

While LXRandCo has grown since 2010, which is particularly true for the period prior to the adverse effects of COVID-19 on its operations in 2020, LXRandCo expects its growth to bring new challenges and complexities that LXRandCo has not faced before. Among other difficulties that LXRandCo may encounter, future growth may place a strain on its existing infrastructure, including distribution facilities, information technology systems, financial controls, real estate requirements, sourcing channels and employee base and may make it more difficult for LXRandCo to adequately forecast expenditures. LXRandCo's budgeting may become more complex, and LXRandCo may also place increased burdens on its suppliers, as LXRandCo will likely increase the size of its product orders. The increased demands that LXRandCo's growth plans will place on its infrastructure and its management team may cause LXRandCo to operate its business less efficiently, which could cause deterioration in its performance. Product delivery times could lengthen as a result of the strains that growth may place on its existing resources and LXRandCo's growth may make it difficult for LXRandCo to respond quickly to changing trends, consumer preferences and other factors. This could result in excess or deficient inventory, greater markdowns and decreased revenue. LXRandCo cannot anticipate all of the demands that its expanding operations may impose on its business, and its failure to appropriately address these demands could have an adverse effect on LXRandCo.

In addition, LXRandCo believes that an important contributor to its success has been its corporate culture, which it believes fosters innovation, teamwork, passion for the LXRandCo brand and the products and brands it sells and personalized customer service. As LXRandCo continues to grow, LXRandCo must effectively integrate, develop and motivate an increasing number of new employees, possibly across several geographic locations. As a result, LXRandCo may find it difficult to maintain its corporate culture, which could limit its ability to innovate and operate effectively. Any failure to preserve its culture could also negatively affect LXRandCo's ability to retain and recruit personnel, continue to perform at current levels or execute on its growth strategies.

LXRandCo has no record of profit.

The Company has incurred significant losses from operations to date, and there can be no assurance that its future business activities will be profitable. The Company has experienced negative operational cash flow to date. We incurred losses from operations of $10.4 million for the year ended December 31, 2019, and $7.7 million for the year ended December 31, 2020. LXRandCo's ability to operate profitably and generate positive cash flow in the future will be affected by a variety of factors, including its ability to carry out the various components of its strategic plan.

LXRandCo is subject to risks associated with licensing agreements relating to the renting of retail space from retail partners. Any failure to make these license payments when due, or the inability to extend, renew or continue to rent space in key locations from retail partners, would likely harm LXRandCo's business, profitability and results of operations.

For its stores, LXRandCo enters into licensing agreements with department store partners for leased space within their store. Such agreements include a variable rent component (a license fee) set as a fixed percentage of store net revenue, an agreement on the size of the space to be occupied within the store and contract duration (which is typically three years with automatic renewal options on mutually acceptable terms). Accordingly, LXRandCo is subject to several of the risks associated with licensing agreements relating to the renting of retail space from retail partners, including adverse demographic and competitive changes affecting the location of the partner's store, changes in the location of the LXRandCo space within the store, and changes in availability of and contractual terms for retail space, including the fixed percentage of the variable rent arrangement. In addition, there can be no assurance that LXRandCo will be able to extend, renew or continue to licensing arrangements with its existing retail partners, or identify and secure alternative suitable locations within partner stores.

The success of any store depends substantially upon its location, and specific to LXRandCo, the placement and location of the store-within-store in its retail partner's location. There can be no assurance that LXRandCo's current retail partner locations will continue to be desirable in the future, that LXRandCo's placement within the stores will be desirable or that LXRandCo will be able to secure new desirable locations from existing or any new retail partners in the future on favourable terms or at all. LXRandCo's store locations, customer conversion and sales may be adversely affected by, among other things, social and economic conditions in a particular area, competition from nearby retailers selling similar merchandise, changes in co-tenants that negatively impact the desirability of LXRandCo's store locations, the placement or relocation of LXRandCo's store-within-store in the retail partner location, changing lifestyle choices of consumers in a particular market and the closing or decline in popularity of other businesses located near LXRandCo retail partner store locations or near the LXRandCo store-within-store space inside the retail partner location. Changes in areas around LXRandCo's retail partner store locations or around the store within-store placement within the store that result in reductions in customer foot traffic or otherwise render the locations unfavourable could cause LXRandCo's revenue to be less than expected. If LXRandCo cannot obtain desirable locations at reasonable costs, LXRandCo's cost structure will increase and LXRandCo's revenue will be adversely affected.

LXRandCo will require capital to fund its expanding business, which may not be available to LXRandCo on satisfactory terms or at all. While LXRandCo plans to use cash on hand, cash from operations and capital available under its Debt Facilities to fund its operations and execute its growth strategies, if these amounts are insufficient, LXRandCo may not meet its growth expectations or LXRandCo may require additional financing which could adversely affect its financial health, impose covenants that limit its business activities and cause dilution to the Company's shareholders.

LXRandCo's growth strategy includes, among other initiatives, expanding its e-commerce business and retail activities, investing in its brand, hiring additional talent, and upgrading its information technology systems and other infrastructure. LXRandCo's growth plans are not guaranteed to be successful and the implementation of these plans may not result in expected increases to LXRandCo's net revenue. To support its expanding business and execute on its growth strategies in future, LXRandCo will require capital.

LXRandCo primarily depends on cash, and capital available under its Debt Facilities to fund its business and growth plans. If LXRandCo's business does not generate sufficient cash flow from operations to fund its activities, and sufficient funds are not otherwise available to LXRandCo, including from its Debt Facilities, or otherwise, LXRandCo may need additional equity or debt financing. If such financing is not available to LXRandCo, or is not available on satisfactory terms, LXRandCo's ability to operate and expand its business or respond to competitive pressures would be curtailed, LXRandCo may need to delay, limit or eliminate expansion plans, operations or other elements of its growth strategies, and LXRandCo may not be able to take advantage of business opportunities. Further, even if LXRandCo is able to expand operations, there can be no assurance that it will generate significant revenues or achieve profitability or generate sufficient cash flow from operations to fund future growth strategies.

The issuance of any equity financing may have a dilutive effect on the interests of the Company's shareholders. The number of Shares that the Company is authorized to issue is unlimited. The Company may, in its sole discretion, subject to applicable laws and the rules of the TSX, issue additional Shares from time to time (including pursuant to any equity-based compensation plans), and the interests of its shareholders may be diluted as a result.

The terms of LXRandCo's Debt Facilities do, and any additional debt financing may, restrict LXRandCo's current and future operations, which could in turn adversely affect its ability to manage operations and respond to changes in its business.

LXRandCo is currently indebted under the Debt Facilities and LXRandCo may incur additional indebtedness under the Credit Facilities or otherwise in the future. LXRandCo is exposed to changes in interest rates on its cash and cash equivalents, bank indebtedness and long-term debt. Debt issued at variable rates exposes LXRandCo to cash flow interest rate risk. Debt issued at fixed rates exposes LXRandCo to fair value interest rate risk. LXRandCo's borrowings, current and future, will require interest payments and will need to be repaid or refinanced, which could require it to divert funds identified for other purposes to debt service and could create additional cash demands or impair its liquidity position and add financial risk. Diverting funds identified for other purposes for debt service may adversely affect LXRandCo's business and growth prospects. If LXRandCo cannot generate sufficient cash flow from operations to service its debt, LXRandCo may need to refinance its debt, dispose of assets, reduce or delay expenditures or issue equity to obtain necessary funds. LXRandCo does not know whether it would be able to take any of these actions on a timely basis, on terms satisfactory to it, or at all.

The Credit Agreement and the BCAP Loan contains restrictive covenants which affect, among other things, the manner in which LXRandCo may structure or operate its business. A failure by LXRandCo to comply with its contractual obligations (including restrictive covenants), or to pay its indebtedness and fixed costs under its current or future financing arrangements could result in a variety of material adverse consequences, including the acceleration of indebtedness and the exercise of remedies by creditors. Such defaults could trigger additional defaults under other agreements. In such a situation, LXRandCo may not be able to repay the accelerated indebtedness, fulfill its obligations under certain contracts or otherwise cover its fixed costs, and its future financial condition would be materially adversely affected. In the event that any covenants are breached, there can be no assurance that LXRandCo will obtain waivers from its creditors. However, as at December 31, 2020 all financial covenants were met.

LXRandCo's degree of leverage could have a material adverse effect on its business and results of operations, including: limiting its ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; restricting its flexibility and discretion to operate its business; limiting its ability to declare dividends on its securities; having to dedicate a portion of its cash flows from operations to the payment of interest on existing indebtedness and not having such cash flows available for other purposes; exposing its business to debt capital market risks, including interest rate risk and refinancing risk at maturity; exposing it to increased interest expense on borrowings at variable rates; limiting its ability to adjust to changing market conditions; placing it at a competitive disadvantage compared to its competitors that have less debt; making it vulnerable in a downturn in general economic conditions; and making it unable to make expenditures that are important to its growth strategies.

Fluctuations in the value of the Canadian dollar in relation to the U.S. dollar, the Japanese Yen and other currencies may impact LXRandCo's operating and financial results and may affect the comparability of LXRandCo's results between financial periods.

LXRandCo is exposed to market risks attributable to fluctuations in foreign currency exchange rates, which are primarily changes in the value of the Canadian dollar versus the U.S. dollar, and Japanese Yen. Exchange rate fluctuations could have an adverse effect on its operating and financial results.

The majority of LXRandCo's revenues are derived in U.S. dollars while the majority of LXRandCo's cost of goods sold is denominated in Japanese Yen. In the future, LXRandCo expects to continue to derive a significant portion of its revenue in U.S. dollars and incur a significant portion of its cost of goods sold and operating costs in U.S. dollars and Japanese Yen. Consequently, changes in exchange rates between the Canadian dollar in relation to the U.S. dollar and the Japanese Yen may have a significant, and potentially adverse, effect on LXRandCo's results of operations.

General economic conditions in Canada, the United States and other parts of the world, including lower levels of consumer spending, can affect consumer confidence and consumer purchases of discretionary items, including pre-owned branded luxury products.

Consumer purchases of discretionary retail items and specialty retail products, which include pre-owned branded luxury goods and accessories, may be adversely affected by economic conditions, which may affect employment levels, salary and wage levels, the availability of consumer credit, inflation, currency rates, interest rates, tax rates, fuel prices and consumer confidence with respect to current and future economic conditions. Consumer purchases may decline during recessionary periods or at other times when unemployment is higher or disposable income is lower. These risks may be exacerbated for retailers such as LXRandCo, which focuses significantly on selling discretionary pre-owned luxury products. Consumer willingness to make discretionary purchases may decline, may stall or may be slow to increase due to national and regional economic conditions in Canada and the United States.

LXRandCo's financial performance is particularly susceptible to economic and other conditions in regions where LXRandCo has revenue, primarily the United States. With the continued presence of the COVID-19 outbreak, there remains considerable uncertainty and volatility in the Canadian and U.S. economies. Further or future slowdowns or disruptions in these economies could adversely affect mall and shopping destination traffic and new mall and retail development, which could materially and adversely affect LXRandCo and LXRandCo's growth plans. LXRandCo may not be able to maintain its recent rate of growth in e-commerce net revenue if there is a decline in consumer spending overall. In addition, a deterioration of economic conditions and future recessionary periods may impact the other risks faced by LXRandCo's business, including certain risks that LXRandCo may encounter as LXRandCo attempts to execute its growth strategy.

The success of LXRandCo's business depends on its ability to optimize its merchandise offerings by anticipating and responding in a timely manner to changing consumer demands, tastes and fashion trends across multiple brands, product lines, sales channels and geographies. LXRandCo's inability to anticipate and respond to these changes could have a material adverse effect on its business, financial condition and results of operations.

LXRandCo targets consumers of all ages, primarily women. This demographic, is subject to shifting fashion and seasonal trends, as well as changing customer tastes and demands. Accordingly, LXRandCo's success is dependent on its ability to anticipate and forecast changes in fashion trends and consumer preferences and continuously manage and develop its collection of brands and products to respond to these changing consumer trends.

LXRandCo purchases products from third-party suppliers and directly from consumers. There can be no assurance that LXRandCo will be able to continue to successfully carry out its demand-driven merchandise planning, and sourcing and inventory strategies to make available online the appropriate assortment of merchandise or to appropriately stock its stores. To the extent that LXRandCo's planning differs from its customers' purchasing preferences, LXRandCo may be faced with excess products or inventories for some merchandise and/or shortages or missed opportunities for others. Although LXRandCo has historically exercised a disciplined mark-down strategy, excess inventories could compromise LXRandCo's ability to continue to do so and could result in lower gross profit margins due to greater than anticipated discounts and markdowns that might be necessary to reduce inventory levels. Low inventory levels can adversely affect LXRandCo's ability to meet customer demand, which may lead to lost revenue and diminished brand loyalty. Any sustained failure to anticipate, identify and respond to emerging trends in consumer preferences could have a material adverse effect on LXRandCo's business, financial condition and results of operations.

LXRandCo's business depends on a strong brand image, both for the LXRandCo brand and the brands of the products it sells. If LXRandCo is not able to protect and enhance its brand or if the brand appeal of the products that it sells diminishes, LXRandCo's business will be negatively affected.

LXRandCo believes that its brand image and brand awareness has contributed to the success of its business and that maintaining and enhancing its brand image and increasing brand awareness in new markets where LXRandCo has limited brand recognition is important to maintaining and expanding its customer base, especially in the validation of authenticity guarantees. Maintaining and enhancing its brand image and increasing brand awareness may require LXRandCo to make investments in areas such as merchandising, store development, employee training, packaging, public relations and marketing, and may result in other costs associated with opening new stores and expanding its e-commerce business. These investments may be substantial and may not ultimately be successful.

LXRandCo sells pre-owned luxury products and the brand appeal of such products is an important consideration in the purchasing decisions of LXRandCo's customers. If the brand appeal of any such products diminishes, LXRandCo may not be able to sell such products in a timely manner or at previously anticipated prices which may negatively affect LXRandCo's results from operation, and through association, LXRandCo's own brand.

LXRandCo's brand image and reputation may be impacted by actions taken by its employees, the employees of its retail partners, the characteristics of its merchandise (including characteristics that may result in returns), marketing activities and negative commentary or reviews. Widespread use and access to social media campaigns and viral messaging or imagery could significantly broaden the scope and impact of any such negative events or circumstances. Because consumers value readily available information about retailers and their products, they may act on information conveyed through social media without further investigation and without regard to its accuracy. The harm to the LXRandCo brand may be immediate without affording LXRandCo an opportunity for redress or correction, and there can be no assurances that LXRandCo will respond in an appropriate or timely manner.

LXRandCo's brand image, reputation and financial performance may be negatively impacted by actions taken by its suppliers.

The actions and business practices of LXRandCo's suppliers may negatively impact the LXRandCo brand. LXRandCo primarily sources its merchandise from third-party suppliers in Asia, and to a lesser extent, directly from consumers. While all third-party suppliers provide product authenticity guarantees, and while LXRandCo employs a rigorous internal authentication process, any failure by LXRandCo or by LXRandCo's suppliers to maintain customer service levels, merchandise quality and integrity, labour practices generally accepted in North America, or ethical and socially responsible operations, could significantly adversely affect LXRandCo's brand image, reputation and financial results.

LXRandCo has also occasionally received, and may in the future continue to receive, merchandise that fails to comply with LXRandCo's specifications or that fails to conform to LXRandCo's quality control standards or authenticity standards. Under these circumstances, unless LXRandCo is able to obtain replacement products in a timely manner, LXRandCo risks the loss of revenue resulting from the decision not to sell such merchandise and related increased administrative and shipping. Additionally, if the unacceptability of any merchandise is not discovered until after it is purchased or costs viewed by LXRandCo's customers or members of the public, LXRandCo's customers or members of the public could form unfavourable opinions of its merchandise, LXRandCo's merchandise could be returned, LXRandCo's results of operations could suffer and LXRandCo's reputation and brand could be harmed.

Trade restrictions in the regions where LXRandCo operates could adversely impact LXRandCo's business, financing condition and results of operations.

Most of LXRandCo's pre-owned luxury products are currently sourced from Asia and sold in Canada and the United States. Trade restrictions, including tariffs, quotas, sanctions, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to LXRandCo or may require LXRandCo to modify its supply chain organization or other current business practices, any of which could harm LXRandCo's business, financial condition and results of operations. In addition, LXRandCo's products are sold internationally and any actions resulting in or leading to the imposition of new or additional quotas, duties, tariffs, or other restrictions or regulations, relating to the import of such goods could increase the cost or reduce the supply of products available to LXRandCo for sale in particular markets, which could harm LXRandCo's business, financial condition and results of operations.

LXRandCo operates in a competitive industry and the size and resources of many of its competitors may allow them to compete more effectively than LXRandCo, which could adversely impact LXRandCo's growth and market share.

LXRandCo competes in a highly competitive industry, primarily against e-commerce retailers of pre-owned branded luxury products, some of which also operate modest, but growing retail store networks, and to a very limited extent, LXRandCo competes with original manufacturers and retailers of new branded luxury handbags and accessories.

Many of LXRandCo's competitors are larger and better capitalized and have greater brand recognition and access to greater financial, marketing and other resources. Several of these competitors are publicly-traded with access to the capital markets to enable them to finance their continued growth. Therefore, these competitors may be able to devote greater resources to the marketing and sale of their products, generate greater brand recognition or adopt more aggressive pricing policies than LXRandCo can. As a result, LXRandCo may lose market share, which could reduce its revenue and adversely affect its results of operations.

LXRandCo does not possess exclusive rights to some elements that comprise its store-within-store business model and merchandise offerings. In addition, LXRandCo's merchandise is sourced from third-parties on a non-exclusive basis. Competitors may seek to emulate facets of LXRandCo's business strategy, 'shop-in-shops' retail model or merchandise offerings, which could result in a reduction of any competitive advantage that LXRandCo might possess. As a result, LXRandCo's current and future competitors, especially those with greater financial, marketing or other resources, may be able to duplicate or improve upon some or all of the elements of the omni-channel sales network and sourcing strategy that LXRandCo believes are important in differentiating its product offering and its customers' shopping experience. If LXRandCo's competitors were to duplicate or improve upon some or all of the elements of their distribution network, sourcing or product offerings, LXRandCo's competitive position and business could suffer. LXRandCo cannot assure that it will continue to be able to compete successfully against existing or future competitors.

A material disruption in or security breach affecting LXRandCo's information technology systems or e-commerce business could significantly affect its business and lead to reduced revenue, reduced growth prospects and reputational damage.

LXRandCo relies extensively on its computer systems to track inventory and customer data, manage its supply chain, record and process transactions, collect and summarize data and manage its e-commerce business. A disruption to LXRandCo's e-commerce business could result in material adverse reduction in its e-commerce revenue, increase costs, diminish growth prospects, expose it to litigation, decrease customer confidence and damage its brand.

While LXRandCo's systems are designed to operate without interruption and LXRandCo has not experienced any business interruptions to-date, LXRandCo may in the future experience interruptions to the availability of its computer systems from time to time. The failure of its computer systems to operate effectively, keep pace with growing capacity requirements, smoothly transition to upgraded or replacement systems or integrate with new systems could adversely affect LXRandCo's business. In addition, LXRandCo's computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attacks, denial-of-service attacks, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by LXRandCo's employees. If LXRandCo's computer systems are damaged or cease to function properly, LXRandCo may have to make a significant investment to fix or replace them, and it may suffer loss of critical data, compromise to the integrity or confidentiality of customer and employee information in its systems or networks, disruption to the systems or networks of third-parties on which it relies, and interruptions or delays in its operations. A lack of relevant and reliable information that enables management to effectively manage its business could preclude LXRandCo from optimizing its overall performance. Any significant loss of data or failure to maintain reliable data could have a material adverse effect on its business and results of operations. A material interruption to any of LXRandCo's computer systems could adversely affect its business or results of operations and reputation.

Experienced computer programmers and hackers, or even internal users, may be able to penetrate or create systems disruptions or cause shutdowns to LXRandCo's network security or that of third-party companies with which LXRandCo has contracted to provide services. LXRandCo generally collects and stores customer information for marketing purposes and any compromise of customer information could subject it to customer or government litigation and harm its reputation, which could in turn adversely affect its business and growth. Moreover, LXRandCo could incur significant expenses or disruptions to its operations in connection with system failures or data breaches. An increasing number of websites, including several large internet companies, have recently disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on portions of their sites. Because the techniques used to obtain unauthorized access, disable or degrade services or sabotage systems change frequently and often are not recognized until launched against a target, LXRandCo may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, sophisticated hardware and operating system software and applications that LXRandCo buys or licenses from third-parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the security and operation of the systems. The costs to LXRandCo to eliminate or alleviate security problems, viruses and bugs could be significant, and efforts to address these problems could result in interruptions, delays or cessation of services that may impede LXRandCo's sales, distribution or other critical functions.

In addition, many jurisdictions in which LXRandCo operates have adopted breach of privacy and data security laws or regulations that require notification to consumers if the security of their personal information is breached, among other requirements. Governmental focus on data security may lead to additional legislative action, and the increased emphasis on information security may lead customers to request that LXRandCo take additional measures to enhance security or restrict the manner in which LXRandCo collects and uses customer information to gather insights into customer behaviour and develop its marketing programs. As a result, LXRandCo may have to modify its business systems and practices with the goal of further improving data security, which could result in increased expenditures and operating complexity. Any compromise of its security or accidental loss or theft of customer data in LXRandCo's possession could result in a violation of applicable privacy and other laws, significant legal and financial exposure and damage to LXRandCo's reputation, which could in turn adversely impact its business and results of operations.

If LXRandCo is unable to attract, motivate and retain quality sales staff, LXRandCo may not be able to maintain a consistently high level of customer service and grow or sustain its operations, and as a result, LXRandCo's brand, business and financial results may be negatively affected.

LXRandCo's business is dependent on its ability to attract, motivate and retain a sufficient number of store employees, including store managers and sales associates, who understand and appreciate LXRandCo's customers, brand and culture, are able to adequately and effectively represent LXRandCo's culture and who can establish trust and credibility with LXRandCo's customers. Many of these employees are in entry level positions that require training. There is also a high level of competition for experienced, qualified personnel in the retail industry and LXRandCo competes for personnel with a variety of companies looking to hire for retail positions. LXRandCo's growth plans may strain its ability to staff its new stores, particularly at the store manager level, which could have an adverse effect on LXRandCo's ability to maintain a cohesive and consistently strong team, which in turn could have an adverse impact on its business. If LXRandCo is unable to attract, train and retain store personnel capable of consistently providing exceptional customer service, as demonstrated by their enthusiasm for LXRandCo's culture and brand, understanding of LXRandCo's customers and knowledge of the merchandise LXRandCo offers, its ability to open new stores may be impaired, the performance of existing and new stores could be materially adversely affected and LXRandCo's brand image and ability to continue to implement its growth strategies may be negatively impacted.

LXRandCo is dependent on leasing space in one warehouse facility in the United States which is operated by a third-party warehouse services provider, as well as LXRandCo's multi-purpose Montréal and Tokyo offices which also serve as distribution centers. If the warehouse space or distribution centers become inoperable, capacity is exceeded or if operations are disrupted, LXRandCo's business, financial condition and operating results could be negatively affected.

LXRandCo depends on the orderly operation of its receiving and distribution process, adherence to shipping schedules, effective management of distribution centres and sufficiently planned capacity. Although LXRandCo believes that its receiving and distribution processes are efficient, and it has appropriate contingency plans, unforeseen disruptions in operations due to the COVID-19 pandemic, fire, severe weather conditions, natural disasters, or other catastrophic events, electronic or power interruptions, failure of software and hardware or other system failures, labour disagreements or other shipping problems may result in delays in the delivery of merchandise to its stores and e-commerce customers. Additionally, although LXRandCo believes that the capacity of its leased warehouse space and distribution centers meets it current needs, LXRandCo expects it will need to expand its receiving and distribution capacity in the future. Planning for expansion of its distribution capacity to meet future needs is currently underway. Any failure to expand its distribution capacity in a timely manner to keep pace with its growth could have an adverse effect on LXRandCo's business.

Although LXRandCo maintains property insurance, commercial general liability insurance, electronic data processing equipment breakdown insurance and Canada-wide business interruption insurance, it cannot provide any assurance that its insurance coverage will adequately protect it from the adverse effects that could result due to significant disruptions to LXRandCo's distribution system, such as the long-term loss of customers or an erosion of its brand, or that insurance proceeds will be paid to it in a timely manner. In addition, LXRandCo's distribution capacity is dependent on the timely performance of services by third-parties, including the shipping of products to and from a warehouse facility and distribution centers as well as to and from retail stores. If LXRandCo encounters problems with its distribution system, its ability to meet customer expectations, manage inventory, complete sales and achieve objectives for operating efficiencies could be harmed.

LXRandCo relies upon independent third-party transportation providers for substantially all of its merchandise shipments.

LXRandCo currently relies upon independent third-party transportation providers for substantially all of its merchandise shipments, including shipments to its distribution facility and centres, all of its stores and its e-commerce customers. LXRandCo's use of outside delivery services for shipments is subject to risks, including disruptions due to the COVID-19 pandemic, increases in fuel prices, which would increase its shipping costs (freight and delivery), labour disruptions, inclement weather and shipment delays. If LXRandCo changes transportation providers, it could face logistical difficulties that could adversely impact deliveries and LXRandCo may incur costs and expend resources in connection with such change. Moreover, LXRandCo may not be able to obtain terms as favorable as those received from the independent third-party transportation providers it currently uses, which may also result in increased costs.

Failure of LXRandCo's third-party transportation providers to deliver its merchandise in a timely manner may negatively impact LXRandCo's ability to optimize merchandise offerings, customer service levels, brand reputation and profitability.

LXRandCo's net revenue and inventory purchases may fluctuate on a seasonal basis, which could adversely affect LXRandCo's business and financial condition.

LXRandCo's business in 2020 reflects a different seasonality than previous years, with a higher proportion of net revenue generated in the first quarter of the year. This is primarily due to exceptional circumstances, brought upon by COVID-19, which significantly decreased net revenue in the second quarter amidst the start of the pandemic, and in fourth quarter of the year, following the U.S. Partner Bankruptcies and public health store closure protocols across Canada and the United States. This seasonality in cash flows and expenses may impact the comparability of LXRandCo's results of operations and could adversely affect its business and financial condition. Seasonal or cyclical variations in LXRandCo's business may harm its results of operations in the future.

LXRandCo's quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things: the timing of new store openings; net revenue and profits contributed by new stores; changes in product mix; and the timing of new advertising and new brand or product introductions. As a result, LXRandCo believes that comparisons of its operating results between different quarters within a single fiscal year are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance.

Any future seasonal or quarterly fluctuations in LXRandCo's results of operations may not match the expectations of market analysts and investors. Disappointing quarterly results could cause the price of Shares to decline. Seasonal or quarterly factors in LXRandCo's business and results of operations may also make it more difficult for market analysts and investors to assess the longer-term profitability and strength of its business at any particular point, which could lead to increased volatility in the price of Shares. Increased volatility could cause the price of Shares to suffer in comparison to less volatile investments.

A failure to reduce operating expenses in a timely manner in response to changes in LXRandCo's business could adversely affect its results of operations.

LXRandCo's business and results of operations are sensitive to a number of factors, both within and outside its control. In the event of a sustained reduction in revenue, brought about by among other things a renewed prolonged COVID-19 outbreak, it may be necessary to implement an expense reduction plan. The successful implementation of an expense reduction plan, if and when deemed advisable by management, depends on many factors, including LXRandCo's ability to identify the need for such a plan in a timely manner, to effectively implement such plan, as well as certain factors which are beyond its control, including economic conditions, labour market conditions, ability to maintain its management team, and any one of these factors or other unforeseen factors could have a material adverse effect on LXRandCo's ability to implement any targeted cost savings to stabilize its results of operations.

LXRandCo is dependent upon its information technology systems. LXRandCo's inability to implement or enhance its systems could have an adverse impact on its financial results and operations.

The day-to-day operation of LXRandCo's e-commerce business and growth strategy is highly dependent on information technology systems, including those of certain third-party suppliers managing its web and mobile platforms. An inability to maintain or enhance its existing information technology systems or obtain and implement on a timely and cost efficient basis new systems to accommodate additional customer growth, including by way of implementing enterprise resource planning systems, could have an adverse impact on LXRandCo's ability to acquire new customers and retain existing ones, generate revenue growth and manage operating expenses, all of which may have a material adverse effect on LXRandCo's business, prospects, results of operations and financial condition.

LXRandCo incurs increased expenses as a result of being a public company and its current resources may not be sufficient to fulfill its public company obligations.

LXRandCo will incur significant legal, accounting, insurance and other expenses as a result of being a public company, which may negatively impact its performance and could cause its results of operations and financial condition to suffer. Compliance with applicable securities laws in Canada and the rules of the TSX will likely substantially increase LXRandCo's expenses, including its legal and accounting costs, and make some activities more time-consuming and costly. The reporting obligations as a public company may place a strain on its financial and management systems, processes and controls, as well as on its personnel.

LXRandCo also expects these laws, rules and regulations to make it more expensive for it to obtain director and officer liability insurance, and LXRandCo may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for LXRandCo to attract and retain qualified persons to serve on LXRandCo's board of directors or as officers. As a result of the foregoing, LXRandCo expects a substantial increase in legal, accounting, insurance and certain other expenses in the future, which will negatively impact its financial performance and could cause its results of operations and financial condition to suffer.

LXRandCo is responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because LXRandCo is a public company, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may result in a decline in the price of Shares and harm its ability to raise capital in the future.

If management is unable to certify the effectiveness of LXRandCo's internal controls or if material weaknesses in its internal controls continue to be identified, LXRandCo could be subject to regulatory scrutiny and a loss of public confidence, which could harm its business and cause a decline in the price of Shares. In addition, if LXRandCo does not maintain adequate financial and management personnel, processes and controls, it may not be able to accurately report its financial performance on a timely basis, which could cause a decline in the price of Shares and harm its ability to raise capital. Failure to accurately report LXRandCo's financial performance on a timely basis could also jeopardize its listing on the TSX or any other stock exchanges on which Shares may be listed. Delisting of the Shares on any exchange would reduce the liquidity of the market for Shares, which would reduce the price of, and increase the volatility of the price of, Shares.

LXRandCo does not expect that its disclosure controls and procedures and its internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, and not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If LXRandCo cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely effected, which could also cause investors to lose confidence in its reported financial information, and which in turn could result in a reduction in the trading price of Shares.

LXRandCo identified material weaknesses in its financial controls which may indicate that there is a possibility that a material misstatement of its annual or interim financial statements would not be prevented or detected on a timely basis.

In connection with the preparation of its consolidated financial statements for the year ended December 31, 2020 and for the year ended December 31, 2019, management identified material weaknesses in their internal controls over financial reporting. A material weakness of an issuer is defined as a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of its annual or interim financial statements would not be prevented or detected on a timely basis.

The material weakness pertained to the design and operation of its internal controls which includes lack of integration of the Company's information technology systems, lack of access restrictions, lack of segregation of duties, limitation capabilities of the Company's accounting software and consolidation process that involves manual processes and difficulties to retain sufficient internal accounting personnel to prepare and oversee financial statements reporting in accordance with IFRS.

Although LXRandCo is working on remedying the above-mentioned weaknesses as quickly as possible, it cannot at this time estimate how long it will take, and the initiatives may not prove to be successful in remedying the material weaknesses. If the remedial measures are insufficient to address these material weaknesses or if further significant deficiencies or material weaknesses in internal controls over financial reporting are discovered or occur in the future, management's ability to evaluate the financial reporting may be adversely affected. This would affect certifications, when required, regarding the effectiveness of our internal controls over financial reporting required by National Instrument 52-109 – Certification of Disclosure *in Issuers' Annual and Interim filings* in our annual and interim filings. In addition, if the Company is not able to successfully remedy the material weaknesses, and if as a result LXRandCo is unable to produce accurate and timely financial statements or is required to restate its financial results, LXRandCo's stock price may be adversely affected.

LXRandCo's equity compensation plans may adversely impact its financial results.

LXRandCo adopted long-term incentive plans that include stock options, performance share units, restricted share units and deferred share units, which may also be settled in cash. Under applicable accounting standards, LXRandCo could be required to record a liability and a related expense in its financial statements for potential future cash settlement of equity compensation awards. The recording of this liability could have an adverse impact on and create volatility in its financial results and, in turn, could adversely impact the trading price of Shares.

LXRandCo may be unable to protect its trademarks or other intellectual property rights, and may be subject to claims that LXRandCo, or its suppliers, have infringed upon the trademarks or other intellectual property rights of third-parties.

LXRandCo believes that its trademarks are integral to its retail network and e-commerce business and important to the success in building its brand image and customer loyalty. LXRandCo relies on trademark registrations and common law trademark and copyright to protect the distinctiveness of its brand and has taken steps to register those trademarks that LXRandCo believes are important to its business in Canada and the United States. These trademarks include "LXRandCo" and the related logo which are the subject of pending applications in Canada and there can be no assurance that registrations will ultimately be issued to LXRandCo. Also, LXRandCo has not sought to register its trademarks in other foreign countries but may seek to do so in the future. However, international protection of LXRandCo's brand image and the use of these marks may be unavailable or could be limited. In some cases, there may be trademark owners who have prior rights to similar marks. LXRandCo is not aware of any infringement upon or challenges to its right to use any of its brand names or trademarks in Canada and the United States. Nevertheless, LXRandCo cannot assure that its registrations will prevent imitation of its name, or exclusive brands, or the infringement of its other intellectual property rights by others within North America or elsewhere. Imitation of the LXRandCo brand in a manner that projects lesser quality or carries a negative connotation of brand image could have an adverse effect on LXRandCo's business, financial condition and results of operations. Similarly, use of or negative publicity or events associated with LXRandCo's brand or trademarks in jurisdictions where its intellectual property rights are not protected may negatively affect its image and reputation in North America or elsewhere. If LXRandCo fails to enforce or maintain any of its intellectual property rights, it may be unable to capitalize on its efforts to maintain and, in new markets, increase brand equity.

Litigation may be necessary to protect and enforce LXRandCo's trademarks and other intellectual property rights, or to defend against claims brought by third-parties. Although LXRandCo is not aware of any current claims, its marketing materials may, or in the future may, be claimed to violate intellectual property rights of third-parties. LXRandCo also purchases certain finished merchandise that may be subject to design copyrights, design patents or otherwise may incorporate protected intellectual property and LXRandCo does not independently investigate whether its suppliers legally hold the intellectual property rights to the merchandise it sells to LXRandCo.

Although LXRandCo cannot currently estimate the likely outcome of any intellectual property-related claims or lawsuits, any such litigation or claims brought by or against it could result in substantial costs and diversion of resources, which could have an adverse effect on LXRandCo's business, financial condition and results of operations. If disputes arise in the future, LXRandCo may not be able to successfully resolve these types of conflicts to its satisfaction.

LXRandCo is subject to numerous laws and regulations that could adversely affect its business.

LXRandCo is subject to numerous laws and regulations, including labour and employment, consumer protection, human rights, advertising, privacy, environmental, customs, taxes and other laws that regulate retailers generally or govern the importation, labeling, promotion, distribution and sale of merchandise and the operation of stores and other facilities in each of the jurisdictions in which LXRandCo's merchandise is distributed and sold. Although LXRandCo has implemented procedures designed to ensure compliance with applicable laws and regulations, if management, employees, suppliers, manufacturers or others fail to comply with any of these laws or regulations for any reason, LXRandCo could become subject to enforcement actions or the imposition of significant penalties or claims, or suffer reputational harm, any of which could adversely affect its business. Additionally, although LXRandCo undertakes to monitor applicable laws, it is possible that changes may be implemented or new laws or regulations may be introduced without its knowledge, creating a greater risk of non-compliance. The adoption of new laws or regulations or requirements for public companies or changes in the interpretation of existing laws or regulations may result in increased compliance costs and could make the ordinary conduct of LXRandCo's business more expensive or require it to change the way it does business.

Risks related to LXRandCo's restatement of previously filed financial statements and regulatory investigations or litigation relating to such matters.

On November 14, 2018, the Company filed its amended and restated consolidated financial statements for the years ended December 31, 2017 and 2016 and corresponding management discussion and analysis for the years ended December 2017 and 2016, as well as its amended and restated interim condensed and consolidated financial statements for the three- and six-month periods ended June 30, 2018 and 2017.

As a result of the restatement described above, the Company may become subject to the following significant risks, each of which could have a material adverse effect on the Company's business, financial condition and results of operations:

- The Company may become subject to investigations or inquiries by applicable securities regulators. The period of time necessary to resolve such investigations or inquiries, if any, or to adequately respond to requests for information is uncertain, and these matters could require significant additional attention and resources that could otherwise be devoted to the operation of the Company's business. At this time, the Company cannot predict what, if any, regulatory or other action may result. If applicable securities regulators determine that a violation of securities laws has occurred, the Company or its officers and directors could be subject to civil or criminal penalties or other remedies.

- There can be no assurance that other regulatory agencies in Canada will not make inquiries about, or commence investigations into, matters relating to the events and practices described above.

- The Company's insurance coverage may not cover its total liabilities in connection with any litigation relating to the events and practices described above. In addition, the Company has indemnity obligations (including for legal expenses) for former and current directors, officers and employees. If the coverage under the Company's insurance policies is not available for all of these matters, the Company may have to self-fund the indemnification amounts owed to such directors and officers.

- The Company may also be subject to claims from shareholders or lenders. Any such claims, if they are determined by a court or arbitrator to be well founded, may materially affect the Company's operating results.

There are claims made against LXRandCo from time to time that could result in litigation and that could distract management from its business activities, resulting in potentially significant liability or damage to the LXRandCo brand.

As a growing company with expanding operations, LXRandCo increasingly faces the risk of litigation and other claims against it. Litigation and other claims may arise in the ordinary course of business and include employee and customer claims, commercial disputes, retail partner/landlord-tenant disputes, intellectual property issues, product-oriented allegations and personal injury claims. These claims can raise complex factual and legal issues that are subject to risks and uncertainties and could require a significant time investment from management. Litigation and other claims against LXRandCo could result in unexpected expenses and liabilities, which could materially adversely affect its operations and reputation.

Although LXRandCo maintains commercial general liability insurance to mitigate potential claims, LXRandCo cannot be certain that its coverage will be adequate for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.

LXRandCo may be subject to additional taxes, which could affect its operating results.

LXRandCo may be subject to assessments for additional taxes, including sales taxes, which could reduce its operating results. In accordance with current law, LXRandCo pays, collects and/or remits taxes in those jurisdictions where LXRandCo maintains a physical presence. In computing its tax obligations in these jurisdictions, LXRandCo is required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which LXRandCo has not received rulings from the applicable governing authorities.

While LXRandCo believes that it has appropriately accounted for all taxes based on its interpretation of applicable laws, it is possible that some taxing jurisdictions may attempt to assess additional taxes and penalties on LXRandCo if the applicable authorities do not agree with LXRandCo's positions. A successful challenge by a tax authority, through asserting either an error in LXRandCo's calculation or a change in the application of law or an interpretation of the law that differs from LXRandCo's own, could adversely affect the results of operations.

Some of LXRandCo's directors and executive officers are resident outside of Canada and as such may render it difficult to effect service of process upon such directors, officers and experts within Canada.

Some of the Company's directors and executive officers named herein are resident outside of Canada, and a majority of their assets may be located outside of Canada. As a result, it may be difficult for investors to effect service of process within Canada upon those directors or executive officers who are not residents of Canada, or to realize in foreign jurisdictions upon judgments obtained in Canada.

LXRandCo is subject to insurance-related risks.

LXRandCo maintains director and officer insurance, liability insurance, marine cargo insurance, workers compensation insurance, business interruption insurance, personal injury insurance, accounts receivable insurance and property insurance. LXRandCo's insurance coverage includes deductibles, premiums, self-insured retentions, limits of liability and similar provisions. However, there is no guarantee that LXRandCo's insurance coverage will be sufficient, or that insurance proceeds will be paid in a timely manner to LXRandCo. In addition, there are types of losses LXRandCo may incur but against which LXRandCo cannot be insured or which it believes are not economically reasonable to insure, such as losses due to acts of war or certain natural disasters. If LXRandCo incurs these losses and they are material, LXRandCo's business, operating results and financial condition may be adversely affected. Also, certain material events may result in sizable losses for the insurance industry and may materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, LXRandCo may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

LXRandCo is subject to payment-related risks.

LXRandCo accepts payments using a variety of methods, including credit cards, debit cards and gift cards. For existing and future payment methods LXRandCo offers to its customers, LXRandCo may become subject to additional regulations and compliance requirements, as well as fraud. For certain payment methods, including credit and debit cards, LXRandCo pays interchange and other fees, which may increase over time, raising its operating costs and lowering profitability. LXRandCo relies on third-party service providers for payment processing services, including the processing of credit and debit cards. LXRandCo's business may be negatively affected if these third-party service providers become unwilling or unable to provide these services to it. LXRandCo is also subject to payment card association operating rules, including data security rules, certification requirements and rules governing electronic funds transfers. If LXRandCo fails to comply with these rules or requirements, or if its data security systems are breached or compromised, LXRandCo may be liable for card issuing banks' costs, subject to fines and higher transaction fees and/or lose its ability to accept credit and debit card payments from its customers, process electronic funds transfers or facilitate other types of payments. As a result, LXRandCo's business and operating results could be adversely affected.

Health epidemics or pandemics, natural disasters, unusual weather and geo-political events or acts of terrorism have affected and could adversely affect LXRandCo's operations and financial results.

Extreme weather conditions in the areas in which LXRandCo's retail network is located could adversely affect its business. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for LXRandCo's customers to travel to its stores and/or the stores of wholesale channel partners and thereby reduce LXRandCo's revenue and profitability.

In addition, health epidemics or pandemics such as a prolongation of the COVID-19 outbreak, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy or cause the closure of one or more of LXRandCo's retail partner department stores or LXRandCo's offices, thereby disrupting its business operations.

Furthermore, unstable political conditions or civil unrest, including terrorist activities, military and domestic disturbances and conflicts, may disrupt commerce, LXRandCo's supply chain operations, international trade or result in political or economic instability, which could have a material adverse effect on LXRandCo's business and results of operations.

Parties with whom LXRandCo does business may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to LXRandCo.

LXRandCo is party to contracts, transactions and business relationships with various third-parties, notably retail partners and suppliers. If any of these third-parties were to become subject to bankruptcy, receivership or similar proceedings, LXRandCo's rights and benefits in relation to its contracts, transactions and business relationships with such third-parties could be terminated, modified in a manner adverse to LXRandCo or otherwise impaired. LXRandCo cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as its existing contracts, transactions or business relationships, if at all. Any inability on LXRandCo's part to do so could have a material adverse effect on its business and results of operations.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect LXRandCo's reported financial results or financial condition.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to LXRandCo's business, including, among other things, revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation, or changes in underlying assumptions, estimates or judgments, could significantly change LXRandCo's reported financial performance or financial condition in accordance with generally accepted accounting principles.

Transfer pricing rules may adversely affect our corporate income tax expense.

Most of the jurisdictions in which we conduct business have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's length pricing principles. Contemporaneous documentation must exist to support this pricing. The tax authorities in these jurisdictions could challenge the arm's lengthiness of our related party transfer pricing policies and as a consequence the tax treatment of corresponding expenses and income. International transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgement. If any of these tax authorities were successful in challenging our transfer pricing policies, we may be liable for additional corporate income tax, and penalties and interest related thereto, which may have a significant impact on our results of operations and future cash flow.

Risks Related to our Shares

The market price for Shares may be volatile and could decline in value.

The market price of Shares could be subject to significant fluctuations. Some of the factors that may cause the market price of Shares to fluctuate include:

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in operating results or in the expectations of market analysts;
- adverse market reactions to any indebtedness LXRandCo may incur or securities LXRandCo may issue in the future;
- short sales, hedging and other derivative transactions in Shares;
- litigation or regulatory action against LXRandCo;

- investors' general perception of LXRandCo and the public's reaction to LXRandCo's press releases, LXRandCo's other public announcements and LXRandCo's filings with Canadian securities regulators, including its financial statements;

- publication of research reports or news stories about LXRandCo, its competitors or its industry;

- positive or negative recommendations or withdrawal of research coverage by securities analysts;

- changes in general political, economic, industry and market conditions and trends;

- sales of Shares by existing shareholders;

- recruitment or departure of key personnel;

- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving LXRandCo or its competitors; and

- the other risk factors described in this section of this Annual Information Form.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses to LXRandCo. As well, certain institutional investors may base their investment decisions on consideration of LXRandCo's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria, may result in limited or no investment in Shares by those institutions, which could materially adversely affect the trading price of Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, LXRandCo's operations and the trading price of Shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of Shares. These fluctuations could materially reduce the price of Shares regardless of LXRandCo's operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If LXRandCo were involved in any similar litigation, LXRandCo could incur substantial costs, its management's attention and resources could be diverted and it could harm LXRandCo's business, operating results and financial condition.

Holders of Shares may be subject to dilution resulting from future offerings of Shares

LXRandCo may raise additional funds in the future by issuing Shares or securities convertible into, or exercisable or exchangeable for, Shares, including share purchase warrants to purchase Shares such as those currently outstanding. Holders of Shares will have no pre-emptive rights in connection with such further issues. The Board of Directors has the discretion to determine if an issuance of Shares or securities convertible into, or exercisable or exchangeable for, Shares is warranted, the price at which such issuance is effected and the other terms of issue of such securities. In addition, additional Shares may be issued by LXRandCo in connection with the exercise of options or other convertible or exercisable securities. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Shares.

There can be no assurance that an active market for the Shares will exist

There can be no assurance that an active market for the Shares will exist. Holders of Shares may be unable to sell their investments on satisfactory terms. As a result of any risk factor discussed herein, the market price of the Shares at any given point in time may not accurately reflect the long-term value of LXRandCO. Furthermore, responding to these risk factors could result in substantial costs and divert management's attention and resources. Substantial and potentially permanent declines in the value of the Shares may result and adversely affect the liquidity of the market for the Shares.

Other factors unrelated to the performance of the LXRandCO that may have an effect on the price and liquidity of the Shares include: extent of analyst coverage; lessening in trading volume and general market interest in the Shares; the size of LXRandCo's public float; and any event resulting in a delisting of the Shares.

LXRandCo does not expect to pay any cash dividends for the foreseeable future.

LXRandCo currently expects to retain all available funds and future earnings, if any, for use in the operation and growth of its business and does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board, subject to compliance with applicable laws and any contractual provisions, including under the Credit Agreement governing LXRandCo's Credit Facilities and other agreements for indebtedness. Any restrictions or limitations on LXRandCo's ability to pay dividends will depend upon, among other factors, LXRandCo's results of operations, financial condition, earnings, capital requirements and other factors that the Board deems relevant.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about LXRandCo or its business, the Share trading price and volume could decline.

While there is presently no research coverage on the Shares today, the trading market for Shares will depend in part on the research and reports that securities or industry analysts publish about LXRandCo or its business in future. If no securities or industry analysts commence covering LXRandCo, the trading price for Shares would be negatively impacted. If LXRandCo obtains securities or industry analyst coverage and if one or more of the analysts who cover LXRandCo downgrade Shares or publish inaccurate or unfavorable research about LXRandCo's business, LXRandCo's trading price may decline. If one or more of these analysts cease coverage of LXRandCo or fail to publish reports on LXRandCo regularly, demand for Shares could decrease, which could cause the Share trading price and volume to decline.

Warrants are exercisable for Shares, which could increase the number of Shares eligible for future resale in the public market and result in dilution.

As at the date hereof the following warrants were outstanding:

After the LXRandCo acquisition, which closed on June 9, 2017, a total of 10,861,250 warrants were outstanding – the 2017 Warrants. The 2017 Warrants are currently exercisable and will expire at 5:00 p.m. Toronto time, on June 9, 2022, or earlier upon redemption or liquidation. The exercise price of the 2017 Warrants is $11.50 per Share, or approximately $124.9 million in the aggregate for all Shares underlying the 2017 Warrants.

Following the Company's Private Placement which closed on December 23, 2020, a total of 15,603,600 new warrants were outstanding – the 2020 Warrants. The 2020 Warrants are currently exercisable and will expire December 23, 2022, or earlier upon, redemption or liquidation. The exercise price of the 2020 Warrants is $0.175 per Share, or approximately $2.6 million in the aggregate for all Shares underlying the 2020 Warrants.

Following the Company's Private Placement which closed on December 23, 2020, a total of 2,414,400 Broker Warrants were also issued to the Company's Agent for the transaction. Each Broker Warrant allows the holder to purchase a unit at a price of $0.125 per unit, with each unit comprised of one Class B Share and one-quarter of a warrant – the 2020 Broker Warrants. The Broker Warrants are currently exercisable and will expire December 23, 2022, or earlier upon redemption or liquidation. The exercise price of these Broker Warrants is $0.125, or $0.3 million in the aggregate for all Shares. As each Broker Warrant includes one-quarter of a warrant, should all Broker Warrants be exercised, 603,600 new Warrants would be outstanding. These 2020 Broker Warrants will become exercisable once the Broker Warrants are exercised, and will expire December 23, 2022, or earlier upon redemption or liquidation. The exercise price of these 2020 Broker Warrants is $0.175, or $0.1M in the aggregate for all Shares.

The extent to which all Warrants described above are exercised will result in material dilution to the holders of Shares and increase the number of Shares eligible for resale in the public market. Sales of substantial numbers of such Shares in the public market or the fact that such Warrants may be exercised could adversely affect the market price of the Shares

There is no guarantee that the Warrants will ever be in-the-money, and the Warrants may expire worthless.

There is no guarantee that the Warrants will ever be in-the-money prior to their expiration or accelerated expiration, and as such, the Warrants may expire worthless.

DIVIDEND POLICY

We have not declared nor paid any cash dividends on our Shares since the date of our incorporation. it is our intention to retain our earnings, if any, to finance the growth and development of our business and we do not expect to pay dividends or to make any other distributions in the near future.

DESCRIPTION OF CAPITAL STRUCTURE

Overview

Our authorized capital consists of an unlimited number of class A restricted voting shares ("**Class A Shares**"), which are "restricted securities" within the meaning of such term under applicable Canadian securities laws, and an unlimited number of Shares, each without nominal or par value. Although the Company is authorized to issue Class A Shares, it will not issue any such shares in future.

As at the date hereof, the following securities were issued and outstanding: (a) 92,783,155 Shares, (b) 25,861,250 Warrants and (c) upon exercise, 2,414,400 Broker Warrants, which in turn can be exercised into an additional 2,414,400 Shares and 603,600 2020 Broker Warrants. The following provides a brief summary of certain rights, privileges, restrictions and conditions attaching to the Shares and Warrants of the Company.

Shares

As at the date hereof, there were 92,783,155 issued and outstanding Shares, and an additional 2,414,400 Shares issuable upon exercise of the Broker Warrants. Holders of Shares are entitled to receive notice of and to attend any meeting of shareholders of the Company, and to one vote per Share at any such meetings, to receive dividends if, as and when declared by the Board, and to receive on a *pro rata* basis the remaining property and assets of the Company upon its dissolution or winding-up.

Warrants

As at the date hereof, there were a total of 28,879,250 Warrants issued and outstanding as follows:

- 2017 Warrants—10,861,250 share purchase warrants with an exercise price of $11.50 per Share expiring on June 9, 2022, or earlier upon redemption or liquidation;

- 2020 Warrants—15,000,000 share purchase warrants with an exercise price of $0.175 per Share expiring on December 23, 2022, or earlier upon redemption or liquidation;

- Broker Warrants—2,414,400 share purchase warrants with an exercise price of $0.125 per Share expiring on December 23, 2022, or earlier upon redemption or liquidation; and

- 2020 Broker Warrants—upon exercise of the Broker Warrants, an additional 603,600 share purchase warrants with an exercise price of $0.175 per Share expiring on December 23, 2022, or earlier upon redemption or liquidation.

The agreement governing the 2017 Warrants, among other things, provides that the exercise price and number of Shares issuable on exercise of the warrants may be adjusted in certain circumstances, including in the event of a stock dividend, Extraordinary Dividend or a recapitalization, reorganization, merger or consolidation. The warrants will not, however, be adjusted for issuances of shares at a price below their exercise price. The Company may accelerate the expiry date of the outstanding warrants by providing 30 days' notice if, and only if, the closing price of the Shares equals or exceeds $24.00 per Share (as adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations and recapitalizations) for any 20 trading days within a 30-trading day period, in which case the expiry date shall be the date which is 30 days following the date on which such notice is provided.

The agreement governing the 2020 Warrants and the 2020 Broker Warrants, among other things, provides that the exercise price and number of Shares issuable on exercise of the warrants may be adjusted in certain circumstances, including in the event of a stock dividend, Extraordinary Dividend or a recapitalization, reorganization, merger or consolidation. The warrants will not, however, be adjusted for issuances of shares at a price below their exercise price. The Company may accelerate the expiry date of the outstanding warrants if after April 23, 2021, but on or prior to the Expiry Date, the daily volume weighted average price of the Shares is greater than $0.35 for any 10 consecutive trading days on the TSX (or if the Shares are not listed on the Exchange or if the Shares are not listed on the Exchange, on such other stock exchange on which such Shares are listed as may be selected by the directors of the Company, or, if the Shares are not listed on any stock exchange, then on the over-the-counter market as may be selected for such purpose by the directors of the Corporation) (an "Acceleration Event"), then the Company shall be entitled (but not obligated) to accelerate the expiry of this warrant to the date that is not less than sixty (60) days following the issue of a press release announcing the Acceleration Event (the "Accelerated Expiry Date").

Warrant holders do not have the rights or privileges of holders of Shares nor any voting rights until they exercise their Warrants and receive corresponding shares. After the issuance of corresponding shares upon exercise of the Warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

Warrants may be exercised only for a whole number of Shares. No fractional shares will be issued upon exercise of the Warrants. If, upon exercise of the Warrants, a holder would be entitled to receive a fractional interest in a share, the Company will, upon exercise, round down to the nearest whole number of shares to be issued to the Warrant holder.

PRIOR SALES

Other than the 2020 Warrants and the 2020 Broker Warrants, as at December 31, 2020, there were no unlisted or unquoted securities on a market place issued by us since January 1, 2020.

Date of Issuance	Type of Security	Number of Shares Issued or Issuable upon conversion or exchange	Issuance / Exercise Price per Security
March 24, 2020………………….	Options	137,500	0.40
December 10, 2020……………..	Options	100,000	0.20

TRADING PRICE AND VOLUME

Our Shares are listed and posted for trading on the TSX under the trading symbol “LXR”. The following table sets out the price range (monthly high and low prices) and monthly trading volumes of our Shares for the period beginning on January 1, 2020 to December 31, 2020:

		Price range		
Year	**Month**	**High**	**Low**	**Volume**
2020	January	$ 0.38	$ 0.21	538,900
	February	$ 0.52	$ 0.36	329,000
	March	$ 0.40	$ 0.23	274,200
	April	$ 0.25	$ 0.15	115,900
	May	$ 0.32	$ 0.17	328,000
	June	$ 0.28	$ 0.20	172,500
	July	$ 0.31	$ 0.23	70,400
	August	$ 0.28	$ 0.20	146,400
	September	$ 0.25	$ 0.20	30,000
	October	$ 0.21	$ 0.15	352,300
	November	$ 0.18	$ 0.13	125,400
	December	$ 0.25	$ 0.25	4,344,200

The 2017 Warrants are listed and posted for trading on the TSX under the trading symbol “LXR.WT”. The following table sets out the price range (monthly high and low prices) and monthly trading volumes of the 2017 Warrants for the period beginning on January 1, 2020 to December 31, 2020.

		Price range		
Year	**Month**	**High**	**Low**	**Volume**
2020	January	$ 0.01	$ 0.01	0
	February	$ 0.01	$ 0.01	0
	March	$ 0.01	$ 0.01	10,000
	April	$ 0.01	$ 0.01	4,000
	May	$ 0.01	$ 0.01	42,000
	June	$ 0.01	$ 0.01	2,000
	July	$ 0.01	$ 0.01	12,000
	August	$ 0.01	$ 0.01	0
	September	$ 0.01	$ 0.01	0
	October	$ 0.01	$ 0.01	0
	November	$ 0.01	$ 0.01	124,000
	December	$ 0.01	$ 0.01	48,500

The 2020 Warrants and 2020 Broker Warrants are not listed for trading and have no published quote.

DIRECTORS AND OFFICERS

Directors and Executive Officers

The Board consists of six directors. The directors are elected by shareholders at each annual meeting of our shareholders, and all directors hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and will be eligible for re-election or re-appointment. The nominees for election by shareholders as directors will be determined by the Compensation and Nominating Committee in accordance with the provisions of applicable corporate law and the charter of the Compensation and Nominating Committee.

In September 2019, the Board created the Office of the President, which was tasked with managing the day-to-day affairs of the Company after the departure of the former Chief Executive Officer. The Office of the President is comprised of two of our directors, Valerie Sorbie (as Executive Chair) and Camillo di Prata (as Interim Chief Executive Officer of the Company).

The following table sets out the names and place of residence of our directors and executive officers as at December 31, 2020, their roles with LXRandCo, and their respective start dates, their principal occupations during the last five years and the number and percentage of Shares held by them as at the date hereof.

Name and place of residence(5)	Office held with LXRandCo	Director and/or Executive Officer since	Present principal occupation and positions held(1)	Share Ownership(2) (% of voting rights)
Camillo di Prata(4)................ Toronto, Ontario, Canada	Director and Interim Chief Executive Officer(6)(8)	June 11, 2015	Founder & CEO, Gibraltar & Company, Inc. (2013 to present); and Managing Partner, Gibraltar Ventures Fund One Limited Partnership (2014 to present).	25,891,929(2) Shares (27.91%)
Valerie Sorbie ... Toronto, Ontario, Canada	Executive Chair(8)	May 10, 2019	Managing Director, Gibraltar & Company, Inc.; Venture Partner, Gibraltar Ventures Fund One Limited Partnership (2016 to present); and Chief Administrative Officer, BMO Capital Markets (2010 to 2014).	2,613,413 Shares (2.82%)
Nadine Eap........ Montréal, Québec, Canada	Chief Financial Officer(7)	November 22, 2018	Chief Financial Officer, LXRandCo (2018 to Present); and Finance Manager, Aimia Inc. (2014 to 2018).	Nil
Joseph Mimran(5)........... Toronto, Ontario, Canada	Director	June 11, 2015	Chair, Gibraltar & Company, Inc. (2015 to present); Chair, Gibraltar Ventures Fund One Limited Partnership (2015 to present); and Founder and Creative Director, Joe Fresh|Loblaws (2006-2015).	Nil

Name and place of residence[5]	Office held with LXRandCo	Director and/or Executive Officer since	Present principal occupation and positions held[1]	Share Ownership[2] (% of voting rights)
Javier San Juan[3][4] .... Mexico City, Mexico	Director	June 11, 2015	President & CEO L'Oréal Latin American Region (2016 to present); CEO, L'Oréal Mexico & Hispanic American Region (2014-2016); and President & CEO, L'Oréal Canada (2006-2014).	1,200,000 Shares (1.29%)
Eric Graveline[3][4] ..... Las Vegas, Nevada, USA	Director	May 10, 2019	Managing Director, DEK Investments LLC, (2007 to present)	4,257,153 Shares (4.59%)
Nicolas Topiol[3] Hallandale Beach, Florida, USA	Director	May 10, 2019	Chief Executive Officer, Christian Lacroix SNC (2005 to present)	85,714 Shares (0.09%)

Notes:

(1) Each of the persons has held these positions for at least five years other than as described above.

(2) Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at the date of this Annual Information Form, based upon information furnished to the Company by individual directors. In respect of Mr. di Prata, 18,838,786 Shares are held through Gibraltar & Company, Inc. together with its affiliates, a company which he controls; and 7,053,143 Shares are held by him personally.

(3) Member of the Audit Committee. Javier San Juan is also Chair of the Audit Committee.

(4) Member of the Compensation and Nominating Committee.

(5) Joseph Mimran and Camillo di Prata are considered non-independent directors. As former officers and directors of Gibraltar Growth, Joseph Mimran and Camillo di Prata are not considered independent for the purposes of National Instrument 58-101.

(6) On September 25, 2020, Mr. di Prata was appointed Interim Chief Executive Officer.

(7) On September 25, 2019, Nadine Eap, Interim Chief Financial Officer was promoted to Chief Financial Officer.

(8) Members of the Office of the President.

Ownership

As at December 31, 2020, the directors and executive officers of LXRandCo, as a group listed in the table above, beneficially own, or control or direct, directly or indirectly, 34,047,929 Shares, representing approximately 36.7% of the number of outstanding Shares of the Company.

Cease Trade Orders

To the knowledge of LXRandCo, no director or executive officer of the Company (nor any personal holding company of any of such individuals) is, as at the date of this Annual Information Form, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including LXRandCo), that: (i) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the individual was acting in the capacity as a director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the individual ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that individual was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of LXRandCo, no director or executive officer of the Company (nor any personal holding company of any of such individuals): (i) is, as at the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, a director or executive officer of any company (including LXRandCo) that, while that individual was acting in that capacity, or within a year of that individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the knowledge of LXRandCo, no director or executive officer of the Company (nor any personal holding company of any of such individuals) has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable holder of Shares in deciding whether to vote for the proposed director.

Audit Committee

The Audit Committee consists of Javier San Juan (Chair), Eric Graveline and Nicolas Topiol, each of whom is and must at all times be financially literate within the meaning of National Instrument 52-110. Each member of the Audit Committee is also independent within the meaning of National Instrument NI 52-110. The relevant education and experience of each member of the Audit Committee is summarized below:

Name	Relevant education and work experience
Javier San Juan (Chair)	Javier holds a Bachelor's Degree in Law and a Bachelor's Degree in Economics from the University ICADE in Spain, as well as a post-graduate diploma from the HEC in Paris. Since 2016, Javier San Juan is President & CEO of L'Oréal's Latin American Region. He has been a part of the L'Oréal Group for over 25 years with prior positions including CEO, L'Oréal Mexico & Hispanic American Region (2014-2016) and President & CEO, L'Oréal Canada (2006-2014). Prior to his joining the L'Oréal Group, Javier was a senior finance executive for the pharmaceutical group Sandoz (now a part of Novartis).
Eric Graveline	Eric Graveline holds a Bachelor of Commerce from McGill University.He is currently Founder and Managing Director of DEK Investments LLC. Prior to starting his own investment firm, Eric worked for over 20 years as an investment banker for Salomon Brothers, BMO Nesbitt Burns and Citigroup. Prior to leaving Citigroup in 2007, Eric managed the bank's North American Derivatives Solutions Group out of New York City.

Nicolas Topiol	Nicolas Topiol holds a Master's Degree in Business Administration from the Wharton School of the University of Pennsylvania.Nicolas Topiol joined the Falic Family Group of Companies in 2002 and currently serves as the Chief Executive Officer of Christian Lacroix SNC, a haute couture, fashion and lifestyle company. During his tenure as CEO of Christian Lacroix, Nicolas negotiated and structured its acquisition from LVMH and subsequently lead it to profitability for the first time since its inception in 1987. Prior to this he was General Manager and a Board member of both Hard Candy, LLC and Urban Decay Cosmetics, LLC, two worldwide fashion forward cosmetics companies based in Southern California. Prior to this he was a senior finance executive for Societe Generale and Apax Partners.

The Board has adopted a written charter for the Audit Committee, which among other things, sets out the Audit Committee's responsibility in reviewing and approving our financial statements; reviewing our public disclosure documents; reporting on such reviews to the Board; and overseeing the work by and reviewing the independence of the external auditors. The text of the Charter of the Audit Committee is attached as Appendix A to this Annual Information Form

The members of the Audit Committee are appointed annually by the Board, and each member of the Audit Committee will serve at the request of the Board until the member resigns, is removed, or ceases to be a member of the Board.

All audit and non-audit services to be provided by the Company's external auditor will be required to be pre-approved by the Audit Committee. It is expected that on an annual basis, the Company's Audit Committee will pre-approve a budget for certain specific non-audit services such as assistance with tax returns.

External Auditor Service Fees

On May 3, 2019 the Company changed its independent external auditor and the Board of Directors appointed PricewaterhouseCoopers LLP, as successor auditor to Ernst and Young LLP.

The following table sets out, by category, the fees billed by PricewaterhouseCoopers LLP during the fiscal years 2020 and 2019.

Year	Audit fees(1)	Audit-related fees(2)	Tax fees(3)	All other fees(4)
2020	$289,000	Nil	$52,630	Nil
2019	$50,000	Nil	$19,948	Nil

The following table sets out, by category, the fees billed by Ernst & Young LLP during fiscal year 2019.

Year	Audit fees(1)	Audit-related fees(2)	Tax fees(3)	All other fees(4)
2019	$147,000	$13,650	$90,205	Nil

Notes:

(1) "Audit fees" refers to all fees incurred with respect to audit services, being the professional services rendered by the Company's independent auditors for the audit of the consolidated annual financial statements.

(2) "Audit-related fees" refers to the aggregate fees billed for assurance and related services by the Company's independent auditors that are reasonably related to the performance of the audit or review of its consolidated financial statements and are not reported under "Audit fees".

(3) "Tax fees" refers to the aggregate fees billed for professional services rendered by the Company's independent auditors for tax compliance services, customs and international trade compliance.

(4) "All other fees" refers to the aggregate fees billed for professional services rendered by the Company's independent auditors, other than "Audit fees", "Audit-related fees" and "Tax fees", consisting primarily of financial advisory services rendered during the course of a given year.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, the Company and its subsidiaries may become involved in various legal, administrative, regulatory and other proceedings, actions, claims and inquiries relating to our business. We are not aware of any litigation outstanding, threatened or pending as at the date hereof by or against the Company or its subsidiaries which would be material to an investor of Shares. See further discussion under "Risk Factors".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set out below or described elsewhere in this Annual Information Form, none of the directors or executive officers of LXRandCo, or any person or company that is expected to beneficially own, or control or direct more than 10% of any class or series of shares of LXRandCo, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any past transaction within the three years before the date of the Annual Information Form, or any proposed transaction, that has materially affected or would materially affect LXRandCo or any of its expected subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Shares is TSX Trust Company at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the only material contracts of the Company that are in effect (other than certain agreements entered into in the ordinary course of business):

(b) the Forfeiture and Transfer Restrictions Agreement and Undertaking, as amended, restated or otherwise modified; and

(c) the Warrant Agreement, as amended or supplemented (Described under "DESCRIPTION OF CAPITAL STRUCTURE - Warrants").

The summaries below describe the material attributes of each of the material contracts and are subject to, and qualified in their entirety by reference to, the relevant material contract, copies of which have been filed with the Canadian securities regulatory authorities and are available on SEDAR, at www.sedar.com, under our profile. Investors are encouraged to read the full text of such material agreements.

Forfeiture Conditions and Transfer Restrictions Agreement and Undertaking

On June 9, 2017, John M. Cassaday, Michael MacMilan, Joseph M. Natale, Earl Rotman and James Haggarty (collectively, the "**Founders**") entered into an amended and restated forfeiture conditions and transfer restrictions agreement and undertaking with CIBC World Markets Inc., TD Securities Inc. and Cantor Fitzgerald & Co, as joint book-runners (collectively, the "**Joint Book-Runners**"), on their behalf and on behalf of the underwriting syndicate from the initial public offering of Gibraltar Growth, and the TSX, which agreement amended and restated the forfeiture conditions and transfer restrictions agreement entered into on October 2, 2015.

As per this agreement, the Founders cannot (A) sell or transfer their Founders' Shares (as defined in the agreement) until the earlier of: (i) one year following the completion the Qualifying Acquisition; and (ii) the closing share price of the Shares equalling or exceeding $12.00 per Share (as adjusted for stock splits or combinations, any type of dividend, reorganizations and recapitalizations) for any 20-trading days within a 30-trading day period at any time following the closing of a Qualifying Acquisition, subject to applicable securities laws, TSX rules (which may include TSX escrow restrictions); and (B) transfer any of its Shares until the date that is 30 days after the closing of the Qualifying Acquisition without the prior consent of the Company, the Joint Book-Runners and the TSX.

As per this agreement, 25% of the Founders' Shares held by each Founder will be subject to forfeiture on the fifth anniversary of a Qualifying Acquisition unless the closing share price of the Shares exceeds $13.00 (as adjusted for stock splits or combinations, any type of dividend, reorganizations and recapitalizations) for any 20-trading days within a 30-trading day period at any time following the closing of a Qualifying Acquisition. In addition, the Founders' Shares subject to forfeiture will be subject to additional transfer restrictions until the $13.00 closing Class B Share price condition is satisfied, at which point they will, if applicable, become subject to the same ongoing restrictions applicable to the other Founders' Shares at that time (which may include TSX escrow restrictions).

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP have been auditors since May 3, 2019. As of this date, they have confirmed their independence within the meaning of the Code of Ethics of the Ordre des comptables professionnels agréés du Québec.

PricewaterhouseCoopers LLP are the auditors of Gibraltar Ventures Fund One Limited Partnership, which is an affiliate of Gibraltar & Company, Inc.

PricewaterhouseCoopers LLP were the auditors of Gibraltar Growth since incorporation up to the LXR Acquisition date.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our Company's securities and securities authorized for issuance under equity compensation plans, will be contained in the Company's management information circular for the 2020 annual meeting of Shareholders. Additional financial information is provided in the Company's audited annual consolidated financial statements and management's discussion and analysis of our financial condition and results of operations for our most recently completed fiscal year ended December 31, 2020. Such documentation, as well as additional information relating to the Company, may be found under the Company's profile on SEDAR at www.sedar.com.

APPENDIX A – AUDIT COMMITTEE CHARTER

Section 1 PURPOSE

The audit committee (the "**Audit Committee**") is a committee of the board of directors (the "**Board**") of LXRandCo, Inc. (the "**Corporation**"). The primary function of the Audit Committee is to assist the directors of the Corporation in fulfilling their applicable roles by:

a) recommending to the Board the appointment and compensation of the Corporation's external auditor;

b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;

c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Corporation by the Corporation's external auditor;

d) satisfying themselves that adequate procedures are in place for the review of the Corporation's public disclosure of financial information, other than those described in g) below, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;

e) establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

f) reviewing and approving any proposed hiring of current or former partner or employee of the current and former auditor of the Corporation; and

g) reviewing and approving the annual and interim financial statements, related Management Discussion and Analysis ("**MD&A**") and other financial information provided by the Corporation to any governmental body or the public.

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Corporation's internal policies, procedures and controls, as these are the responsibility of management, and in certain cases, the external auditor.

Section 2 LIMITATIONS ON AUDIT COMMITTEE'S DUTIES

In contributing to the Audit Committee's discharge of its duties under this Charter, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended to be, or may be construed as, imposing on any members of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor, (iv) financial statements of the Corporation represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

Section 3 COMPOSITION AND MEETINGS

The Audit Committee should be comprised of not less than three directors as determined by the Board, all of whom shall be independent within the meaning of National Instrument 52-110 – Audit Committees ("**52-110**") of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. A majority of the members of the Audit Committee must be resident Canadians. All members of the Audit Committee should have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices. At least one member of the Audit Committee should have accounting or related financial management expertise and be considered a financial expert. Each member should be "financially literate" within the meaning of 52-110. The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant.

The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair of the Audit Committee (the "**Chair**") is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

In addition, the Audit Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which the Corporation's securities are listed or traded.

The Audit Committee should meet at least four times annually, or more frequently as circumstances require. The Audit Committee should meet within forty-five (45) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and the external auditor of the Corporation, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Audit Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the Corporation's interim financial statements.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine, provided that a majority thereof are resident Canadians.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon 48 hours' notice to each of its members. The notice period may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the

Chief Executive Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Audit Committee call a meeting.

This Charter is subject in all respects to the Corporation's articles of incorporation and by-laws from time to time.

Section 4 ROLE

As part of its function in assisting the Board in fulfilling its oversight role (and without limiting the generality of the Audit Committee's role), the Audit Committee should:

1) Determine any desired agenda items;

2) Review and recommend to the Board changes to this Charter, as considered appropriate from time to time;

3) Review the public disclosure regarding the Audit Committee required by 52-110;

4) Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional;

5) Summarize in the Corporation's annual information form the Audit Committee's composition and activities, as required; and

6) Submit the minutes of all meetings of the Audit Committee to the Board upon request.

Documents / Reports Review

7) Review and recommend to the Board for approval the Corporation's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of the Corporation provided to the public or any governmental body as the Audit Committee or the Board require.

8) Review other financial information provided to any governmental body or the public as they see fit.

9) Review, recommend and approve any of the Corporation's press releases that contain financial information.

10) Seek to satisfy itself and ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and related MD&A and periodically assess the adequacy of those procedures.

External Auditor

11) Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor.

12) Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of the Corporation's financial condition, financial performance and cash flow.

13) Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Audit Committee, and not management.

14) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.

15) Review and discuss, on an annual basis, with the external auditor all significant relationships it has with the Corporation to determine the external auditor's independence.

16) Pre-approve all non-audit services (or delegate such pre-approval, as the Audit Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.

17) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.

18) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

19) Communicate directly with the external auditor and arrange for the external auditor to be available to the Audit Committee and the full Board as needed.

20) Review and approve any proposed hiring by the Corporation of current or former partners or employees of the current (and any former) external auditor of the Corporation.

Audit Process

21) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Audit Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

22) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

23) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.

24) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Audit Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

Financial Reporting Processes

25) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit.

26) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its

accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.

27) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.

28) Review with management and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto.

29) Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

30) If considered appropriate, establish separate systems of reporting to the Audit Committee by each of management and the external auditor.

31) Periodically consider the need for an internal audit function, if not present.

Risk Management

32) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

General

33) With prior Board approval, the Audit Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors.

34) Respond to requests by the Board with respect to the functions and activities that the Board requests the Audit Committee to perform.

35) Periodically review this Charter and, if the Audit Committee deems appropriate, recommend to the Board changes to this Charter.

36) Review the public disclosure regarding the Audit Committee required from time to time by applicable Canadian securities laws, including:

    a. the Charter of the Audit Committee;

    b. the composition of the Audit Committee;

    c. the relevant education and experience of each member of the Audit Committee;

    d. the external auditor services and fees; and

    e. such other matters as the Corporation is required to disclose concerning the Audit Committee.

37) Review in advance, and approve, the hiring and appointment of the Corporation's senior financial executives by the Corporation, if any.

38) Perform any other activities as the Audit Committee deems necessary or appropriate including ensuring all regulatory documents are compiled to meet Committee reporting obligations under 52-110.

Section 5 AUDIT COMMITTEE COMPLAINT PROCEDURES

Submitting a Complaint

39) Anyone may submit a complaint regarding conduct by the Corporation or its employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair should oversee treatment of such complaints.

Procedures

40) The Chair will be responsible for the receipt and administration of employee complaints.

41) In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint confidentially.

Investigation

42) The Chair should review and investigate the complaint. Corrective action will be taken when and as warranted in the Chair's discretion.

Confidentiality

43) The identity of the complainant and the details of the investigation should be kept confidential throughout the investigatory process.

Records and Report

44) The Chair should maintain a log of complaints, tracking their receipt, investigation, findings and resolution, and should prepare a summary report for the Audit Committee.

45) The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Corporation's securityholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Corporation or other liability whatsoever.