LXRandCo, Inc.

Interim Condensed Consolidated Financial Statements

Three-month period ended March 31, 2021 and 2020

LXRandCo, Inc.

Consolidated statements of financial position

(in Canadian dollars)

Unaudited

As at	March 31, 2021 $	December 31, 2020 $
Assets		
Current		
Cash	**4,653,792**	7,289,957
Accounts receivable	**1,628,088**	1,582,153
Sales tax receivable	**437,476**	128,081
Inventory	**4,202,068**	3,691,622
Right of return asset	**16,250**	12,180
Prepaid expenses and deposits	**131,112**	156,897
Income tax receivable	**14,717**	19,834
Total current assets	**11,083,503**	12,880,724
Property and equipment, net	**890,577**	948,056
Intangible assets, net	**39,132**	58,860
	12,013,212	13,887,640
Liabilities and shareholders' equity		
Current		
Refund liabilities	**27,979**	24,020
Accounts payable and accrued liabilities	**3,386,250**	3,367,959
Deferred revenue	**69,393**	93,853
Sales taxes payable	**60,824**	100,995
Current portion of long-term debt *(note 4)*	**250,000**	175,000
Current portion of other liabilities	**155,340**	168,900
Total current liabilities	**3,949,786**	3,930,727
Line of credit *(note 5)*	**1,876,059**	2,796,217
Long-term debt *(note 4)*	**2,688,400**	2,761,912
Other liabilities	**1,042,566**	1,295,903
Total liabilities	**9,556,811**	10,784,759
Shareholders’ equity		
Share capital *(note 6)*	**101,952,732**	101,952,732
Warrants *(note 6)*	**13,511,608**	13,511,608
Contributed surplus	**1,738,589**	1,722,991
Accumulated other comprehensive gain	**691,873**	469,917
Deficit	**(115,438,401)**	(114,554,367)
Total shareholders' equity	**2,456,401**	3,102,881
	12,013,212	13,887,640

See accompanying notes

On behalf of the Board:

Director	Director
By: (Valerie Sorbie)	*By: (Camillo di Prata)*

LXRandCo, Inc.

Consolidated statements of loss and comprehensive loss

(in Canadian dollars)

Unaudited

	For the three-month period ended March 31,	
	2021	2020
	$	$
Net revenue *(notes 7, 10)*	2,602,071	6,097,604
Cost of sales	1,782,053	4,181,254
Gross profit	**820,018**	**1,916,350**
Selling, general and administrative expenses *(note 8)*	1,201,508	3,947,192
Amortization and depreciation expenses	91,800	220,676
Loss from operating activities	**(473,290)**	**(2,251,518)**
Finance costs	180,642	167,057
Foreign exchange loss (gain)	230,102	(1,444,429)
Loss before income taxes	**(884,034)**	**(974,146)**
Income tax expense		
Current	—	—
Net loss	**(884,034)**	**(974,146)**
Other comprehensive gain		
Cumulative translation adjustment	221,956	(1,435,524)
Comprehensive loss	**(662,078)**	(2,409,670)
Loss per share *(note 9)*		
Total basic and fully diluted for the year	(0.02)	(0.04)
Weighted average number of shares outstanding – basic and fully diluted	48,164,270	24,659,794

See accompanying notes

LXRandCo, Inc.

Consolidated statements of changes in shareholders' equity

(in Canadian dollars)

Unaudited

	Share capital	Warrants	Contributed surplus	Cumulative translation adjustment	Deficit	Total shareholders' equity
	$	$	$	$	$	$
Balance as at January 1, 2020	94,854,874	12,940,438	1,655,974	84,572	(106,843,862)	2,691,996
Net loss for the period	—	—	—	—	(974,146)	(974,146)
Stock-based compensation expense *(note 6)*	—	—	17,655	—	—	17,655
Cumulative translation adjustment	—	—	—	(1,435,524)	—	(1,435,524)
Balance as at March 31, 2020	94,854,874	12,940,438	1,673,629	(1,350,952)	(107,818,008)	299,981
Net loss for the period	—	—	—	—	(6,736,359)	(6,736,359)
Stock-based compensation expense *(note 6)*	—	—	49,362	—	—	49,362
Class B common shares issued (note 6)	7,735,080	—	—	—	—	7,735,080
Warrants issued *(note 6)*	—	571,170	—	—	—	571,170
Equity issuance costs (note 6)	(637,222)	—	—	—	—	(637,222)
Cumulative translation adjustment	—	—	—	1,820,869	—	1,820,869
Balance as at December 31, 2020	101,952,732	13,511,608	1,722,991	469,917	(114,554,367)	3,102,881
Net loss for the period	—	—	—	—	**(884,034)**	**(884,034)**
Stock-based compensation expense *(note 6)*	—	—	**15,598**	—	—	**15,598**
Cumulative translation adjustment	—	—	—	**221,956**	—	**221,956**
Balance as at March 31, 2021	**101,952,732**	**13,511,608**	**1,738,589**	**691,873**	**(115,438,401)**	**2,456,401**

See accompanying notes

LXRandCo, Inc.

Consolidated statements of cash flows

(in Canadian dollars)

Unaudited

For the three-month period ended March 31	2021	2020
	$	$
Operating activities		
Net loss from continuing operations	**(884,034)**	(974,146)
Non-cash items:		
Depreciation of property and equipment	**72,072**	173,420
Amortization of intangible assets	**19,728**	47,256
Amortization of deferred financing costs	**7,046**	—
Stock-based compensation	**(200,750)**	440,382
Unrealized foreign exchange loss (gain) on non-monetary assets	**7,261**	(18,892)
	(978,677)	(331,980)
Net change in non-cash working capital balances related to operations	**(628,959)**	177,852
Cash flows used in operating activities	**(1,607,636)**	(154,128)
Investing activities		
Acquisitions of property and equipment	**(14,593)**	(1,337)
Cash flows used in investing activities	**(14,593)**	(1,337)
Financing activities		
Net decrease of line of credit	**(925,716)**	(2,031,918)
Payment of lease liabilities	**(50,549)**	(62,455)
Repayment of long-term debt	**—**	(2,569)
Cash flows used in financing activities	**(976,265)**	(2,096,942)
Effect of exchange rate changes on cash on operating activities	**(37,671)**	146,934
Net decrease in cash	**(2,636,165)**	(2,105,473)
Cash, beginning of period	**7,289,957**	3,498,824
Cash, end of period	**4,653,792**	1,393,351
Supplementary information (as reported in operating activities)		
Corporate tax paid	**—**	—
Interest paid	**59,195**	85,455

See accompanying notes

1. Corporate information, COVID-19 business update and liquidity risk

LXRandCo, Inc. (“LXRandCo” or the “Company”) is a North-American omni-channel retailer of branded pre-owned handbags and accessories. LXRandCo sources and authenticates high-quality pre-owned products and sells them through retail and wholesale operations and e-Commerce operations including its own website and through the websites of several of its retail partners. LXRandCo is incorporated and domiciled in Canada. The Company’s legal registered address is at 100 Adelaide Street West, Toronto, Ontario, M5H 1S3 and its operating head office is located at 7399 Blvd. St-Laurent, Montréal, Québec, Canada, H2R 2W5. The Company also maintains an office in Tokyo, Japan, which houses the product preparation and sourcing teams and serves as a distribution center for North American shipments.

As at March 31, 2021, LXRandCo’s retail operations included 10 stores all of which were located in Canada. On March 31, 2021, due to the coronavirus (“COVID-19”) pandemic and the ensuing government-imposed lockdowns, only four of the Company’s 10 stores were in operation. On January 1, 2020, the Company had 80 stores in operation. In 2020, the adverse effects of the pandemic caused three of the Company’s long-time U.S.-based retail channel partners to file for creditor protection under Chapter 11 of the Bankruptcy Code in the United States, which permanently decreased the Company’s North American store network by 70 stores.

During the three-month period ended March 31, 2021, the Company incurred a net loss of $884,034 (three- month period ended March 31, 2020 – net loss of $974,146) and had negative operating cash flow of $1,607,636 (three- month period ended March 31, 2020 – $154,128). In addition, as at March 31, 2021, the Company had a working capital surplus of $7,133,717 (December 31, 2020 – $8,949,997) and an accumulated deficit of $115,438,401 (December 31, 2020 – $114,554,367).

In 2020, the Company completed a $3,587,500 financing of which $3,000,000, in the form of a three-year term loan, came from the Business Credit Availability Program COVID-19 relief program offered by the Federal Government (the “BCAP Loan”) (see note 4) and $587,500 through a private placement of the Company’s Class B shares. Concurrent with the closing of the BCAP Loan, the Company renewed its $12.5 million line of credit (see note 5) for an additional three-year term until May 25, 2023. At the end of 2020, the Company also completed an additional private placement of Class B shares, which generated gross proceeds of $7,500,000.

The Company believes that it has sufficient funds to pay its ongoing general and administrative expenses, to pursue the operating activities and to meet its liabilities, obligations and existing commitments for the ensuing twelve months as they fall due. The Company’s ability to continue future operations beyond March 31, 2022, however, is dependent on management’s ability to deliver on its business plan, supported by its future cash flow estimate, comprised mainly of assumptions related to e-commerce revenue growth, and to maintain the current and necessary level of financing. If and when required, management will pursue additional sources of financing, and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

The preparation of these financial statements requires management to undertake a number of judgments and estimates about the recognition and measurement of assets, liabilities, revenues, and expenses, which includes relying on the going concern assumption.

These judgments and estimates are based on management's historical experience and other assumptions which the Company believes to be reasonable, acknowledging that the extent to which the impacts of the COVID-19 pandemic affect the judgments and estimates described herein depend on future developments, which are highly uncertain and cannot be predicted. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these consolidated financial statements.

2. Basis of Preparation

(a) Statement of compliance

The Company's unaudited interim condensed consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IFRS"), on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements.

These unaudited interim condensed consolidated financial statements do not include all the information required under IFRS for full annual financial statements, and, therefore, should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the year ended December 31, 2020. The Company's unaudited interim condensed consolidated financial statements and annual consolidated financial statements are available on the SEDAR website at www.sedar.com and on the Company's website at www.lxrco.com.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors (the ''Board'') on May 12, 2021.

(b) Seasonality of the business

The Company's industry is generally seasonal, affecting net sales, cash flow and expenses. While net sales have historically been higher during the fourth quarter, mostly due to the high volume driven by the holiday periods, net sales in the 2021 fiscal year are not expected to follow historical patterns due to the impact of the COVID-19 pandemic.

(c) Operating segments

The Company manages its business on the basis of one reportable operating segment.

3. New Accounting Standards and Interpretations Not Yet Applied

Amendments to IAS 1, Presentation of Financial Statements

On January 23, 2020, the IASB issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, to clarify how to classify debt and other liabilities as current or non-current. The amendments (which affect only the presentation of liabilities in the statement of financial position) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

4. Long-term debt

On May 25, 2020, the Company entered into a non-revolving term loan with a Canadian chartered bank under the Government of Canada's Business Credit Availability Program administered by Business Development Bank of Canada to provide additional liquidity support to Canadian businesses and entrepreneurs facing economic hardship as a result of COVID-19. The BCAP Loan consists of a non-revolving credit facility for a principal amount of $3,000,000.

The BCAP Loan bears interest at the bank's prime rate (2.45% as at March 31, 2021 and as at December 31, 2020) plus an applicable margin of 3.00%. The BCAP Loan shall amortize over a period of 10 years beginning on the first anniversary of the BCAP Loan, with consecutive monthly payments of principal in an amount of $25,000 starting on June 1, 2021. The Company incurred financing costs of $66,394 which were deferred and included in the BCAP loan. The amortization expense of these deferred costs is included in finance costs. The BCAP loan matures on May 25, 2023.

5. Line of credit

On June 14, 2017, the Company entered into a credit agreement with a Canadian chartered bank (the "Line of Credit"). On May 25, 2020, concurrent with the closing of the BCAP Loan, the Company also renewed the Line of Credit for an additional three-year term until May 25, 2023. The Line of Credit consists of a revolving credit facility for an authorized amount of up to $12,500,000, subject to a maximum draw based on a borrowing base formula.

The Line of Credit bears interest at (a) the bank's prime rate (2.45% as at March 31, 2021 and as at December 31, 2020) or U.S. base rate if denominated in U.S. dollars (3.25% as at March 31, 2020 and as at December 31, 2020) plus an applicable margin of 1.00%, or (b) the banker's acceptance rate

(in Canadian dollars)

(0.41% as at March 31, 2021 and 0.46% as at December 31, 2020), plus an applicable margin of 2.50% or (c) LIBOR (0.11% as at March 31, 2021 and 0.15% as at December 31, 2020) plus an applicable margin of 2.50%, at the Company's option.

The Line of Credit requires the Company to regularly offset any excess cash on hand against its outstanding loan balance. While this requirement minimizes the amount of the Company's loan obligations, thus reducing overall financing costs, the Company's reported cash balance (as noted below) is no longer solely indicative of the full extent of the cash resources available to it, thus making a comparison of cash on hand with other periods not relevant.

The Line of Credit is subject to a maximum draw based on a borrowing base formula calculated as a percentage of eligible accounts receivable and eligible inventory as defined in the credit agreement. As at March 31, 2021, the amount drawn from the Line of Credit was $1,924,543 ($2,850,859 as at December 31, 2020) as compared to the Company's total collateral of $2,046,221 ($3,100,247 as at December 31, 2020). Given this, the Company's additional borrowing availability under the Credit Line at the end of March 31, 2021 (i.e. total collateral less the amount drawn) was $121,678, which together with the Company's reported cash on hand, provided available cash resources of $4,775,470.

The Line of Credit requires the Company to meet certain financial covenants which were met as at March 31, 2021.

6. Share capital

a) Issued

An unlimited number of Class B common shares, voting and fully participating, with no par value:

	Number #	Amount $
Balance, December 31, 2020	92,783,155	101,952,732
Balance, March 31, 2021	**92,783,155**	**101,952,732**

On June 4, 2020, concurrent with the closing of the BCAP Loan, and at the request of the Company's lenders, the Company completed a private placement of Class B common shares, whereby the Company issued 4,607,143 Class B common shares at a price of $0.175 per share for gross proceeds of $806,250. The Company incurred $67,987 of share issuance costs that were recorded as a reduction of the related equity proceeds.

On December 23, 2020, the Company completed a private placement of 60,000,000 units with each unit consisting of one Class B share in the capital of the Company and one-quarter of one Class B share purchase warrant in the capital of the Company at a price of $0.125 per unit for gross proceeds of $7,500,000. The Company incurred $569,235 of share issuance costs and recorded fair value of $571,170 related to warrants issued which were recorded as a reduction of the related equity proceeds.

b) Forfeitable founders' shares

Included in the balance of outstanding Class B common shares above are 1,357,656 Class B common shares, which are subject to forfeiture on June 9, 2022, unless the closing price of the Class B common shares exceeds $13.00 (as adjusted for stock split or combinations, stock dividends, reorganizations, or recapitalizations) for any 20 trading days within a 30 day-trading period.

c) Warrants

As at March 31, 2021, a total of 28,879,250 warrants is outstanding.

As at January 1, 2020, 10,861,250 warrants to purchase Class B common shares of the Company were outstanding (the "2017 Warrants"). Each 2017 Warrant became exercisable 30 days after the completion of the 2017 qualifying acquisition (the "LXR Acquisition") on June 9, 2017, to purchase one Class B common share at an exercise price of $11.50 per share. The 2017 Warrants will expire on June 9, 2022 or may expire earlier if the expiry date is accelerated pursuant to the terms of the warrant agreement, including if the closing price of the Company's Class B common shares on the TSX equals or exceeds $24.00. The fair value of the 2017 Warrants was established at $12,940,438 at the LXR Acquisition date.

On December 23, 2020, the closing date of the $7.5 million private placement, 15,000,000 warrants (the "2020 Warrants") to purchase Class B common shares of the Company were issued and are currently outstanding. Each 2020 Warrant is exercisable into one Class B Share at a price of $0.175 per share. The 2020 Warrants are subject to an accelerated expiry if, following the date that is four months and one day after the date of issuance of the units and prior to the expiry date of the 2020 Warrants, the daily volume weighted average trading price of the Class B Shares exceeds $0.35 for ten consecutive trading days. The intrinsic value of the 2020 Warrants was established at $375,000 at closing date of the private placement.

As part of the financing described above, the Company also issued 2,414,400 broker warrants to the lead agent of the private placement, which will expire 24 months from the closing date to purchase 2,414,400 additional units at the unit price of $0.125 (the "Broker Warrants"). The Broker Warrants are exercisable into 2,414,400 Class B common shares and 603,600 2020 Warrants, with each warrant exercisable into one Class B Share at a price of $0.175 per share. The Broker Warrants are subject to an accelerated expiry if, following the date that is four months and one day after the date of issuance of the units and prior to the expiry date of the warrants, the daily volume weighted average trading price of the Class B Shares exceeds $0.35 for ten consecutive trading days. The fair value of the Broker Warrants was established at $181,080 and the intrinsic value of the 603,600 2020 Warrants was established at $15,090 at closing date of the brokered private placement.

(in Canadian dollars)

d) Long-term Incentive Plan (LTIP)

As set forth below, the Company's long-term incentive plan ("LTIP") is an option-based and share-based compensation plan for directors, executive officers, and key employees and consultants, which was approved by the Board in 2017 and approved by the Toronto Stock Exchange (the "TSX") and the Company's shareholders on May 11, 2018.

i. Option-based compensation

Under the Company's stock option plan, the Board is authorized, at its discretion, to issue stock options to its employees, directors, officers, consultants and other service providers.

There were no stock options granted during the three-month period ended March 31, 2021 and 237,500 stock options were granted during the year ended December 31, 2020.

The stock option activity and the weighted average exercise price are summarized as follows:

	March 31, 2021		**December 31, 2020**	
	Number \#	**Weighted average exercise price** $	**Number** \#	**Weighted average exercise price** $
Options beginning of period / year	390,028	1.47	152,528	3.26
Granted	-	-	237,500	0.32
Outstanding, end of period / year	**390,028**	**1.47**	390,028	1.47
Options exercisable at end of period / year	**231,695**	**2.28**	126,986	3.58

(in Canadian dollars)

The following table summarizes information about the outstanding stock options granted by the Company as at March 31, 2021:

		Options outstanding		Options exercisable
	Exercise price	Number of options	Weighted average remaining contractual life	Number of options
	$	#	year	#
	1.68	102,528	5.99	102,528
	6.50	50,000	1.75	50,000
	0.40	137,500	8.99	79,167
	0.20	100,000	9.70	-
Total	**3.26**	**390,028**	**4.96**	**231,695**

The stock-based compensation expense related to stock options of $15,598 (December 31, 2020 – $67,017), is recorded in the consolidated statement of loss and comprehensive loss in selling, general and administrative expenses.

ii. Deferred share unit plan

Deferred share units (“**DSUs**”) are awarded to eligible directors under a deferred share unit plan. Under this plan, each eligible director receives a portion of his or her director compensation in the form of DSUs.

The plan was approved by the Board in 2017 and approved by both the TSX and the Company’s shareholders on May 11, 2018.

Measurement at the grant date
The number of DSUs granted is determined based on the 5-day variable weighted average share price of the Company leading up to the end of the quarter the closest to the DSU grant date.

During the three-month period ended March 31, 2021, the Company granted to directors 464,550 DSUs (1,625,481 as at December 31, 2020) for a total expense of $95,125 (2020 – $246,500) recorded in the consolidated statement of loss and comprehensive loss in selling, general and administrative expenses.

Measurement at the end of the reporting period
The DSUs are re-evaluated to fair value at the end of the reporting period based on the share price of the Company's Class B common shares on the TSX.

As at March 31, 2021, the Company re-evaluated the fair value of the DSUs to be $412,985 ($729,363 as at December 31, 2020) and incurred a gain of $411,503 (2020 – loss of $168,486) for the change in fair value in the consolidated statement of loss and comprehensive loss in selling, general and administrative expenses.

The outstanding DSUs are presented as other liabilities in the consolidated statement of financial position, as the terms of the arrangement provide the Company with the choice of whether to settle the DSUs in cash or by issuing equity instruments and that the Company generally settles in cash.

iii. Performance share units

Performance share units ("PSUs") are awarded to eligible directors under the LTIP. Under this plan, each eligible director receives a payment in the form of the Company's Class B common shares purchased on the open market, cash, or a combination of the Company's Class B common shares purchased on the open market and cash. The number of PSUs granted is determined based on the 5-day variable weighted average share price of the Company's Class B common shares immediately following the determination by the Board or by a committee appointed by the Board that the vesting conditions have been met.

The plan has been approved by the Board in 2017 and approved by both the TSX and the Company's shareholders on May 11, 2018.

Measurement at the grant date
On November 26, 2018, the Company granted 83,333 PSUs, and recognized a compensation expense of $1,880.

Measurement at the end of the reporting period
As at March 31, 2021, there was no PSUs granted and the fair value was nil (nil as at December 31, 2020).

The outstanding PSUs are presented as other liabilities in the consolidated statements of financial position, as the terms of the arrangement provide the Company with the choice of whether to settle the PSUs in cash or by issuing equity instruments and that the Company generally settles in cash.

iv) Cash-Settled Units

On September 25, 2019, to accelerate the necessary strategic changes required within the Company, the Board approved the formation of a two-person "Office of the President" composed of two directors, the Board Chair and the Chair of the Compensation and Nominating Committee (who serves as the Company's interim Chief Executive Officer). In lieu of salary, the Office of the President is compensated with Cash-Settled Units ("CSUs"), which were implemented by the Board as a way to align the long-term interests of the Office of the President (the "CSU Participants") with those of shareholders. On a monthly basis, CSU Participants receive CSUs based on the value of the Company's shares at that time. CSUs become due and payable only after a CSU Participant ceases to either serve as a director, or be employed or retained by the Company.

The plan was approved by the Board in April 2020 with retroactive application to September 25, 2019.

Measurement at the grant date

The number of CSUs granted is determined based on the value of the Company's shares based on the volume-weighted average price of the shares on the TSX for the five trading days immediately preceding monthly settlement.

During the three-month period, the Company granted 930,884 CSUs (59,906 as at December 31, 2020).

Measurement at the end of the reporting period

The CSUs are re-evaluated to fair value at the end of the reporting period based on the closing share price of the Company's Class B common shares on the TSX at that time.

CSUs are presented as other liabilities in the consolidated statement of financial position, as the terms of the CSU plan provides the Company with the choice of either settling the CSU obligations in cash or by issuing equity instruments. As at March 31, 2021, the Company re-evaluated the fair value of the CSUs to be $114,706 (2020 – nil as the revaluation of $444,422 related to the remuneration of the office of the president was included in DSUs plan).

Notes to the interim condensed consolidated financial statements

(in Canadian dollars)

Three-month period ended March 31, 2021 and 2020 Unaudited

7. Revenue

The Company has determined that as an omni-channel retailer of pre-owned goods, it conducts its activities in a single industry segment being the only operating segment it uses to evaluate performance and allocate resources. The operating segment includes sales from the Company's retail and wholesale channels and online through its website and partners websites. The following table disaggregates the Company's revenues through these two primary channels:

For the three-month period ended

	March 31, 2021	**March 31, 2020**
	$	$
Retail and wholesale	**1,029,431**	5,122,012
E-Commerce	**1,572,640**	975,592
	2,602,071	6,097,604

8. Selling, general and administrative expenses

Included in selling, general and administrative expenses are the following expenses:

For the three-month period ended

	March 31, 2021	**March 31, 2020**
	$	$
Wages, salaries and employee benefits	**623,018**	2,011,829
Professional fees	**141,809**	456,549
Stock-based compensation	**(200,751)**	440,382
Bad debt expense	**-**	403,732
Store-related opening and closing costs	**-**	10,485
Reporting issuer costs	**77,723**	52,467
Travel and entertainment	**7,997**	90,860
Advertising and promotion	**249,215**	115,525
Transportation	**130,061**	153,228
Other	**172,436**	212,135
	1,201,508	3,947,192

Notes to the interim condensed consolidated financial statements

(in Canadian dollars)

During the three-month period ended March 31, 2021, the Company recognized COVID-19 related payroll subsidies totaling $154,769 principally under the Federal Government's Canadian Emergency Wage Subsidy program. These subsidies were recorded as a reduction in the associated personnel costs which the Company incurred, and were recognized in selling, general and administrative expenses.

9. Earnings (loss) per share

Basic earnings (loss) per share ("EPS") amounts are calculated by dividing the profit (loss) for the three-month period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period reduced by the forfeitable founder's shares. Diluted EPS amounts are calculated by dividing the profit (loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period reduced by the forfeitable founder's shares plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, unless these would be anti-dilutive. For the three-month periods ended March 31, 2021 and 2020, as a result of the net loss during those periods, the warrants and stock-based awards are anti dilutive.

10. Segment information

The Company has determined that as an omni-channel retailer of pre-owned goods, it conducts its activities in a single industry segment being the only operating segment it uses to evaluate performance and allocate resources. The single operating segment includes all sales channels accessed by the Company's customers, including sales through the Company's retail stores, its wholesale partners and online through its website and partners websites. With respect to geographic areas, the Company's continuing operations are in Canada and the United States.

The following table summarize net revenue held by geography for the three-month period ended:

	March 31, 2021	**March 31, 2020**
	$	$
Canada	**654,111**	809,522
United States	**1,947,960**	5,288,082
	2,602,071	6,097,604

11. Financial risk management

The Company's activities expose it to a variety of financial risks, including risks related to foreign exchange, interest rate, credit, and liquidity.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 75% of the Company's sales in 2021 were in U.S. dollars. In addition, inventory-related purchases are mainly denominated in Japanese yen, and accordingly, the Company is exposed to currency risk. The Company's currency risk is largely limited to currency fluctuations between U.S. dollars and Japanese yen, and to a lesser extent in Euros. The Company is exposed to currency risk through its cash, accounts receivable and accounts payable and accrued liabilities denominated in foreign currencies.

The Company's foreign exchange exposure is as follows:

	March 31, 2021		
	US	**Euros**	**Japanese yen**
	$	€	¥
Cash	121,337	4,026	60,510,483
Accounts receivable	914,421	–	–
Sales tax receivable	–	–	16,862,379
Accounts payable and accrued liabilities	(490,156)	(101,451)	(120,690,956)
	545,602	**(97,425)**	**(43,318,094)**
CA $ equivalent	**684,740**	**(144,253)**	**(492,178)**

	December 31, 2020		
	US	**Euros**	**Japanese yen**
	$	€	¥
Cash	20,509	4,026	2,796,493
Accounts receivable	1,049,085	–	–
Accounts payable and accrued liabilities	(584,117)	(93,672)	(115,946,263)
	485,477	**(89,646)**	**(113,149,770)**
CA $ equivalent	**618,113**	**(139,917)**	**(1,393,179)**

Assuming that all other variables remain constant, a revaluation of these monetary assets and liabilities due to a 5% rise or fall in the Canadian dollar against the U.S. dollar would have resulted in an increase or decrease to net loss in the amount of approximately $34,237. Assuming that all other variables remain constant, a revaluation of these monetary assets and liabilities due to a 5% rise or fall in the Canadian dollar against the Japanese yen would have resulted in an increase or decrease to net loss in the amount of approximately $24,609.

b) Market risk – interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject the Company to cash flow interest rate risk include financial assets and liabilities with variable interest rates. The Company is exposed to cash flow risk on its credit facility and other term loans that bear interest at variable interest rates.

Based on the currently outstanding line of credit and total long-term debt bearing interest at variable rates as at March 31, 2021, if interest rates were to change by 100 basis points, assuming that all other variables had remained the same, finance costs would change by approximately $48,145 over a 12-month horizon.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's liquidity follows a pattern based on the timing of inventory purchases and capital expenditures. The Company is exposed to this risk mainly in respect of its trade and other payables, line of credit, long-term debt and lease commitments.

The Company expects that its trade and other payables will be discharged within 120 days.

Notes to the interim condensed consolidated financial statements

(in Canadian dollars)

The contractual maturities and carrying amounts of financial liabilities are summarized in the following table:

	Maturing in under 1 year $	Maturing in 1 to 5 years $	Total $
Accounts payable and accrued liabilities	3,386,250	–	3,386,250
Line of credit	-	1,924,543	1,924,543
Long-term debt	250,000	2,750,000	3,000,000
Other Liabilities (Lease liabilities)	155,340	514,875	670,215
	3,791,590	**5,189,418**	**8,981,008**

The Company manages its risk of failing to discharge its financial liabilities in a timely manner by factoring its operating requirements and using various financing sources, as needed (see Note 1 – Corporate information, Covid-19 business update and liquidity risk).

d) Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to it. The Company's maximum exposure to credit risk at the reporting date is equal to the carrying value of accounts receivable. Accounts receivable primarily consist of receivables from retail partners and receivables from other companies for sales of wholesale products.

As at March 31, 2021, the allowance for doubtful accounts amounted to $661,636 (December 31, 2020 - $669,897), which represents the amount of trade receivables related to the Company's three bankrupt partners in the United States.

As set forth below, excluding the trade receivables from bankrupt partners, two trade partners accounted for respectively 70% and 9% of outstanding receivables, or an aggregate of 79% of total net trade accounts receivable. As at December 31, 2020, two trade partners accounted for respectively 70%, and 8% of outstanding receivables, or an aggregate of 78% of total trade accounts receivable.

(in Canadian dollars)

Trade accounts receivable at year-end are as follows:

	March 31, 2021	December 31, 2020
	$	$
Current	**1,051,617**	568,668
31 – 60 days	**297,156**	920,318
61 – 90 days	**61,477**	47,386
91 – 120 days	**686,949**	680,289
	2,097,199	2,216,662
Allowance for doubtful accounts	**(661,636)**	(669,897)
	1,435,563	1,546,765

As at March 31, 2021, current and 31-60-day-old receivables together represented 64% of total gross trade accounts receivable (December 31, 2020 – 67%) and 94% of total net trade accounts receivable (December 31, 2020 – 96%). This balance includes the amounts owed by the Company's most significant retail partners and relates to customers that have a good payment history with the Company.