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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS OF  
GIBRALTAR GROWTH CORPORATION  
TO BE HELD ON JUNE 9, 2017**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**with respect to the proposed**

**QUALIFYING ACQUISITION**

**of**

**GIBRALTAR GROWTH CORPORATION**

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| <p><b>THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS<br/>VOTE <u>FOR</u> THE ORDINARY RESOLUTION TO APPROVE THE QUALIFYING ACQUISITION</b></p> |
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**May 12, 2017**



May 12, 2017

Dear Shareholder,

It is my pleasure to extend to you, on behalf of the board of directors (the “**Board**”) of Gibraltar Growth Corporation (“**Gibraltar Growth**”), an invitation to attend a special meeting (the “**Meeting**”) of shareholders (“the “**Shareholders**”) to be held at the offices of Goodmans LLP located at Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, Ontario on June 9, 2017 at 9:00 a.m. (Toronto time). All capitalized terms not herein defined have the meanings ascribed to them in the “Glossary of Terms” in the accompanying management information circular (the “**Circular**”).

At the Meeting, you will be asked to consider and vote upon an ordinary resolution (the “**Qualifying Acquisition Resolution**”) approving the qualifying acquisition of Gibraltar Growth, being the acquisition of all the issued and outstanding shares of LXR Produits de Luxe Internationale Inc. (“**LXR**”) (the “**LXR Acquisition**”). The LXR Acquisition is expected to close (the “**Closing**”) in June 2017 and will constitute Gibraltar Growth’s qualifying acquisition under Part X of the TSX Company Manual.

On April 13, 2017, Gibraltar Growth entered into a share purchase agreement (the “**Purchase Agreement**”) with Frederick Mannella, Kei Izawa, Gibraltar & Company, Inc. (“**Gibraltar & Company**”), Gibraltar Ventures Fund One Limited Partnership (“**Gibraltar Ventures**”), and certain other private investors (collectively, the “**Vendors**”) which provides for the acquisition by Gibraltar Growth of all the issued and outstanding shares of LXR for an aggregate purchase price of \$82.5 million (the “**Purchase Price**”), subject to adjustments and payable in accordance with the terms of the Purchase Agreement.

LXR is a rapidly growing, international omni-channel retailer of branded vintage luxury handbags and accessories. LXR sources and authenticates high quality pre-owned products and sells them through: a retail network of stores located in major department stores in Canada, the United States and Europe; wholesale operations primarily in the United States; and its own e-Commerce website, [www.lxrc.com](http://www.lxrc.com). LXR offers pre-owned products from iconic luxury brands such as Hermès, Louis Vuitton, Gucci and Chanel, among others, at attractive prices and seeks to appeal to the aspirational lifestyle needs of women of all ages. At the end of 2016, LXR had five retail partners, and LXR’s retail network consisted of 46 stores with eight located in Canada, 32 in the United States and six in Germany. LXR’s headquarters are located in Montréal, Québec, and it has an office in Tokyo, Japan. As at December 31, 2016, LXR had 175 employees.

Gibraltar Growth believes that the LXR Acquisition meets Gibraltar Growth’s objectives outlined at the time of the IPO in October 2015. LXR is well-positioned in the large and fast-growing pre-owned vintage luxury goods market. Gibraltar Growth and LXR believe that the size of the pre-owned vintage segment is anchored by the substantial size of the global primary market for luxury personal goods. Gibraltar Growth and LXR also believe that the growth prospects and attractiveness of the pre-owned vintage luxury market are favourable given the greater affordability and accessibility of pre-owned luxury goods, the increased social acceptance of ‘re-use’ and affinity of consumers to extend product lifecycles.

Following the Closing, LXR will continue to be led by its founders Fred Mannella and Kei Izawa, along with its current management team. Assuming redemption levels of 50% and 100%, Fred Mannella and Kei Izawa will collectively own 22.9% and 34.8% of the resulting company, respectively. Following the Closing, it is Gibraltar Growth’s intention to rename itself LXRandCo, Inc.

Gibraltar Growth will have ongoing involvement with LXR through its engagement on the Board. Cam di Prata, current Co-Chief Executive Officer and director of Gibraltar Growth, will assume the role of Executive Chairman and will continue as a director of the resulting company. Joe Mimran, current Chairman, Co-Chief Executive Officer and director of Gibraltar Growth, will continue as a director of the resulting company and will lead the Company’s International Expansion Committee, a board committee focused on executing LXR’s five-year growth plan. In addition to Fred Mannella and Kei Izawa, the other board members will include Javier San Juan, current Vice-Chairman and

Director of Gibraltar Growth, Steven Goldsmith, Chief Executive Officer and President, Brookstone Inc., and Luc Mannella, Managing Partner, Mannella, Gauthier, Tamaro and Associates. It is expected that up to an additional two independent directors will be added following the Closing. Jeremy Stepak, Gibraltar Growth's current Chief Financial Officer and Corporate Secretary, will act as Chief Financial Officer of the resulting company on an interim basis.

In connection with the LXR Acquisition, Gibraltar Growth has received commitments for a \$25.0 million private placement (the "**Private Placement**") of 2,500,000 Class B Shares at \$10.00 per Class B Share. Gibraltar Opportunity, Inc. (the "**Sponsor**"), and certain business associates of Gibraltar & Company, will subscribe for 300,800 Class B Shares at \$10.00 per Class B Share as part of the Private Placement, for gross proceeds of over \$3.0 million.

For a full description of the terms of the LXR Acquisition and details regarding Gibraltar Growth's business following Closing, Shareholders are encouraged to review Gibraltar Growth's final long form prospectus dated May 12, 2017 attached hereto as Appendix B (the "**Prospectus**"). The Prospectus was filed with the securities regulatory authorities of each of the provinces and territories of Canada on May 12, 2017 and is also available under Gibraltar Growth's profile at [www.sedar.com](http://www.sedar.com).

Pursuant to our articles of amendment, holders of Class A Restricted Voting Shares are entitled to elect to redeem all or a portion of their Class A Restricted Voting Shares, whether they vote for or against, or do not vote on the Qualifying Acquisition Resolution, provided that they deposit their shares for redemption prior to the second business day before the Meeting.

Effective immediately prior to Closing, all Class A Restricted Voting Shares validly deposited for redemption shall be redeemed for the Class A Qualifying Acquisition Redemption Price per Class A Restricted Voting Share redeemed, payable in cash. Upon payment in cash of the Class A Qualifying Acquisition Redemption Price, the holders of the Class A Restricted Voting Shares so redeemed will have no further rights in respect of the Class A Restricted Voting Shares. Notwithstanding any of the foregoing, no registered or beneficial holder of Class A Restricted Voting Shares (other than CDS) that, together with any Affiliate thereof or any person acting jointly or in concert therewith, shall be entitled to require Gibraltar Growth to redeem Class A Restricted Voting Shares in excess of an aggregate of 15% of the Class A Restricted Voting Shares issued and outstanding. Any Class A Restricted Voting Shares not required to be so redeemed will be automatically converted immediately following Closing into Class B Shares on the basis of one Class B Share for each Class A Restricted Voting Share converted. For illustrative purposes, as of the date hereof, the estimated Class A Qualifying Acquisition Redemption Price is approximately \$10.05 per Class A Restricted Voting Share. Holders of Class B Shares and holders of Warrants do not have redemption rights with respect to their Class B Shares and Warrants, respectively. See "General Information Respecting the Meeting – Redemption Rights" in the Circular.

The Vendors include Gibraltar & Company, the parent company of the Sponsor, which owns approximately 8.1% of LXR, Gibraltar Ventures, a venture capital fund managed by Gibraltar & Company, which owns approximately 11.0% of LXR, and an officer of Gibraltar & Company, who owns 0.2% of LXR. Due to the involvement of Gibraltar & Company, Gibraltar Ventures and the officer of Gibraltar & Company in the LXR Acquisition, the TSX has required that (a) the LXR Acquisition be approved by the Board on the recommendation of the directors who are unrelated to the LXR Acquisition, and (b) that the value of LXR be established in an independent report. In addition, the TSX requires that the LXR Acquisition be approved by a majority of the votes cast by Shareholders, other than the Sponsor and its Affiliates (the "**Disinterested Shareholders**").

A committee of independent directors of Gibraltar Growth, consisting of James Haggarty (Chair), John Cassaday and Joe Natale (the "**Special Committee**"), was established by the board of directors of Gibraltar Growth for the purpose of considering the LXR Acquisition. The Special Committee has recommended to the directors that they approve the LXR Acquisition and recommend that Shareholders vote in favour of the LXR Acquisition at the Meeting. In considering the LXR Acquisition, the Special Committee retained Blair Franklin Capital Partners Inc. as an independent valuator (the "**Valuator**") to provide a valuation of LXR. As contained in the Valuation Report, the Valuator concluded that, as of April 13, 2017, the fair market value of LXR was in the range of \$60.0 million to \$85.0 million.

We are providing the Circular and accompanying form of proxy to our Shareholders in connection with the solicitation of proxies to be voted at the Meeting, and at any adjournments or postponements thereof. Whether or not you plan to attend the Meeting, we urge you to read the Circular and the Prospectus carefully. Please pay particular attention to the section entitled "Risk Factors" in the Prospectus. If you are in doubt as to how to deal with these documents or the matters they describe, please consult your investment dealer, broker, bank manager, lawyer or other professional advisor.

Based on the Valuation Report and further discussions with the Valuator, the recommendation of the Special Committee, and further discussion with Gibraltar Growth's management, external financial advisors and legal advisors, **the Board has unanimously approved the LXR Acquisition and unanimously recommends that our Shareholders vote FOR the Qualifying Acquisition Resolution.**

To become effective, the Qualifying Acquisition Resolution will require approval by a majority of the votes cast by Disinterested Shareholders, present in person or represented by proxy at the Meeting, voting together as if the Class A Restricted Voting Shares and Class B Shares were a single class of shares. The Sponsor and its Affiliates hold 2,131,749 Class B Shares (representing 15.7% of the issued and outstanding Shares), which Shares shall be excluded for the purpose of approving the Qualifying Acquisition Resolution.

**If the requisite approval is obtained for the Qualifying Acquisition Resolution and all other conditions of Closing are satisfied, it is anticipated that the LXR Acquisition will be completed in June 2017.**

Each of our Founders, other than the Sponsor, who collectively hold 31.8% of the issued and outstanding Class B Shares and 7.3% of the voting interests entitled to vote on the LXR Acquisition, have agreed to vote their Class B Shares and any Class A Restricted Voting Shares they may own in favour of the Qualifying Acquisition Resolution.

Your vote is important regardless of the number of Shares you own. All Shareholders are encouraged to take the time to complete, sign, date and return the accompanying form of proxy in accordance with the instructions set out therein and in the accompanying Circular so that your Shares can be voted at the Meeting in accordance with your instructions. If you are a non-registered Shareholder and hold your Shares through a broker, custodian, nominee or other intermediary, please follow their instructions.

On behalf of Gibraltar Growth and the Board, I would like to thank you for your continued support.

Yours very truly,

*Joseph Mimran* (signed)

**Chairman, Co-Chief Executive Officer and Director  
GIBRALTAR GROWTH CORPORATION**

*Camillo di Prata* (signed)

**Co-Chief Executive Officer and Director  
GIBRALTAR GROWTH CORPORATION**



## NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN THAT** a special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of class A restricted voting shares (the “**Class A Restricted Voting Shares**”) and class B shares (the “**Class B Shares**” and, together with the Class A Restricted Voting Shares, the “**Shares**”) of Gibraltar Growth Corporation (“**Gibraltar Growth**”) will be held at the offices of Goodmans LLP located at Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, Ontario on June 9, 2017 at 9:00 a.m. (Toronto time) for the following purposes:

- (a) to consider and vote upon, with or without variation, an ordinary resolution (the “**Qualifying Acquisition Resolution**”), the full text of which is set forth in Appendix A to the accompanying management information circular (the “**Circular**”) approving (i) the acquisition by Gibraltar Growth of all the issued and outstanding shares of LXR Produits de Luxe Internationale Inc. (“**LXR**”) (the “**LXR Acquisition**”), and (ii) in accordance with Subsections 501(c), 604(a)(i) and 611(c) of the TSX Company Manual, the issuance or reservation for issuance of up to 11,750,000 Class B Shares, which number (A) would result in the value of consideration received by insiders or other related parties of Gibraltar Growth under the LXR Acquisition to exceed 10% of the market capitalization of Gibraltar Growth, (B) will materially affect control of Gibraltar Growth, and (C) exceeds 25% of the aggregate issued and outstanding Class A Restricted Voting Shares and Class B Shares, taken together, which are currently outstanding, on a non-diluted basis, including: (1) up to 8,057,463 Class B Shares to the Vendors under the LXR Acquisition, excluding Gibraltar & Company, Inc. (“**Gibraltar & Company**”), Gibraltar Ventures Fund One Limited Partnership (“**Gibraltar Ventures**”) and an officer of Gibraltar & Company (the “**Related Parties**”), in partial payment of the purchase price for the LXR Acquisition; (2) up to 942,537 Class B Shares to the Related Parties, in partial payment of the purchase price for the LXR Acquisition; (3) 113,850 Class B Shares to Gibraltar Opportunity, Inc. (the “**Sponsor**”), Gibraltar Growth’s sponsor, under a private placement financing (the “**Private Placement**”); and (4) an additional 2,636,150 Class B Shares under the Private Placement, all as more particularly described in the Circular; and
- (b) to transact any such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

This notice is accompanied by the Circular and a form of proxy. Reference is made to the Circular for the details relating to the matters to be discussed at the Meeting. The full text of the Qualifying Acquisition Resolution is set forth in Appendix A to the Circular. All capitalized terms not herein defined have the meanings ascribed to them in the “Glossary of Terms” in the Circular.

The Board has fixed the close of business on April 13, 2017 as the record date for determining Shareholders who are entitled to receive notice of the Meeting and any adjournments or postponements thereof and to attend and vote at the Meeting. No Shareholders becoming Shareholders of record after that time will be entitled to vote at the Meeting, or any adjournments or postponements thereof. Each Shareholder of record as of the close of business on April 13, 2017 is entitled to cast one vote for each Share held in connection with the Qualifying Acquisition Resolution and any other matter that may properly be brought before the Meeting or any adjournment or postponement thereof.

Pursuant to the articles of amendment of Gibraltar Growth, holders of Class A Restricted Voting Shares have the right to redeem all or a portion of their Class A Restricted Voting Shares, whether they vote for or against, or do not vote on the Qualifying Acquisition Resolution, provided that they deposit their Class A Restricted Voting Shares for redemption prior to the second business day before the Meeting. Holders of Class A Restricted Voting Shares whose Class A Restricted Voting Shares are held through an intermediary may have earlier deadlines for depositing their Class A Restricted Voting Shares for redemption. If the deadline for depositing such shares held through an intermediary is not met by a holder of Class A Restricted Voting Shares, such holder’s Class A Restricted Voting Shares may not be eligible for redemption.

Subject to applicable law, effective immediately prior to the closing of the LXR Acquisition (the “**Closing**”), all Class A Restricted Voting Shares validly deposited for redemption shall be redeemed for the Class A Qualifying Acquisition Redemption Price (as defined in the Circular) per Class A Restricted Voting Share redeemed, payable in cash. Upon payment of the Class A Qualifying Acquisition Redemption Price, the holders of the Class A Restricted Voting Shares so redeemed will have no further rights in respect of the Class A Restricted Voting Shares. Notwithstanding any of the foregoing, no registered or beneficial holder of Class A Restricted Voting Shares (other than CDS Clearing and Depository Services Inc. (“**CDS**”)) that, together with any Affiliate thereof or any person acting jointly or in concert therewith, shall be entitled to require Gibraltar Growth to redeem Class A Restricted Voting Shares in excess of an aggregate of 15% of the Class A Restricted Voting Shares issued and outstanding. Any Class A Restricted Voting Shares not required to be so redeemed will be automatically converted immediately following Closing into Class B Shares on the basis of one Class B Share for each Class A Restricted Voting Share converted. For illustrative purposes, as of the date hereof, the estimated Class A Qualifying Acquisition Redemption Price is approximately \$10.05 per Class A Restricted Voting Share. Holders of Class B Shares and holders of Warrants do not have redemption rights with respect to their Class B Shares and Warrants, respectively. See the section entitled “General Information Respecting the Meeting – Redemption Rights” in the Circular for the procedures to be followed if you wish to redeem your Class A Restricted Voting Shares for the Class A Qualifying Acquisition Redemption Price.

**It is important that your Shares be represented and voted, whether by proxy or by attending the Meeting.**

If you are a registered Shareholder, whether or not you intend to attend the Meeting, you are requested to complete, sign, date and return the enclosed form of proxy to TSX Trust Company, Gibraltar Growth’s transfer agent, at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1. Proxies must be received by no later than 9:00 a.m. (Toronto time) on June 7, 2017 or, in the event that the Meeting is adjourned or postponed to a later date, prior to 9:00 a.m. (Toronto time) on the second business day preceding the date to which the Meeting is adjourned or postponed. The time limit for the deposit of proxies may be waived by the Board at its discretion and without notice.

Most Shareholders do not hold their Shares in their own name. Such Shares may be beneficially owned by you but registered either: (a) in the name of an intermediary such as a bank, trust company, securities dealer, or broker, or the trustee or administrator of a self-administered RRSP, RRIF, RESP, TFSA (as each such term is defined in the Circular), or similar plan, or (b) in the name of a clearing agency (such as CDS) or its nominee, of which the intermediary is a participant. If your Shares are shown in an account statement provided to you by your intermediary, in most cases, your Shares will not be registered in your name in the records of Gibraltar Growth. Only proxies deposited by registered Shareholders can be recognized and acted upon at the Meeting. As a result, if you hold your Shares through a broker or other intermediary, you are urged to complete the applicable voting instruction form and follow the voting instructions provided by your broker or other intermediary.

If you have any questions that are not answered by the accompanying Circular or should you require additional information, please contact TSX Trust Company, Gibraltar Growth’s transfer agent, or your professional advisor. For any updated information relating to the Meeting, or other information relating to Gibraltar Growth, please refer to the public filings available under Gibraltar Growth’s profile at [www.sedar.com](http://www.sedar.com).

**DATED** at the City of Toronto, Ontario, this 12<sup>th</sup> day of May, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS**

*Joseph Mimran* (signed)

**Chairman, Co-Chief Executive Officer and Director**

**GIBRALTAR GROWTH CORPORATION**

*Camillo di Prata* (signed)

**Co-Chief Executive Officer and Director**

**GIBRALTAR GROWTH CORPORATION**

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**GIBRALTAR GROWTH CORPORATION**  
**MANAGEMENT INFORMATION CIRCULAR**

**INTRODUCTION**

**This Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Gibraltar Growth. The accompanying form of proxy is for use at the Meeting and at any adjournment or postponement thereof and for the purposes set forth in the accompanying Notice of Meeting. All capitalized terms used in this Circular but not otherwise defined herein shall have the meanings set forth under “Glossary of Terms”. Information in this Circular is given as at May 12, 2017, unless otherwise indicated.**

No person has been authorized to give information or to make any representations in connection with the LXR Acquisition or any other matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representations should not be relied upon as having been authorized by any of Gibraltar Growth or LXR as being accurate.

All summaries of, and references to, the Purchase Agreement in this Circular are qualified in their entirety by reference to the complete text of the Purchase Agreement which is available at [www.sedar.com](http://www.sedar.com). You are urged to carefully read this Circular and the Prospectus.

This Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Shareholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own legal, tax, financial, or other professional advisors as to the relevant legal, tax, financial or other matters in connection with this Circular and the LXR Acquisition.

**NOTICE TO SHAREHOLDERS NOT RESIDENT IN CANADA**

Gibraltar Growth is a corporation existing under the Corporations Act. The solicitation of proxies and the transactions contemplated in this Circular involve securities of a Canadian reporting issuer and are being effected in accordance with applicable Canadian corporate and securities laws.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be adversely affected by the fact that Gibraltar Growth exists under the laws of Ontario and that all or substantially all of its assets and those of its officers and directors are, or may be, located in Canada, and that some or all of the experts named in the Circular are resident outside the United States. As a result, it may be difficult for Shareholders to effect service of process within the United States upon such persons or to enforce against them judgments of courts of the United States predicated upon civil liabilities under United States federal securities laws or the securities or “blue sky” laws of any state within the United States. Shareholders in the United States should not assume that Canadian courts (or the courts of any other country): (a) would enforce judgments of United States courts obtained in actions against Gibraltar Growth or its directors, officers and experts predicated upon the civil liability provisions of United States federal securities laws or the securities or “blue sky” laws of any state within the United States; or (b) would enforce, in original actions, liabilities against Gibraltar Growth or its directors, officers and experts predicated upon United States federal securities laws or any state securities or “blue sky” laws.

**THE LXR ACQUISITION HAS NOT BEEN APPROVED OR DISAPPROVED BY ANY SECURITIES REGULATORY AUTHORITY NOR HAS ANY SECURITIES REGULATORY AUTHORITY PASSED UPON THE FAIRNESS OR MERITS OF THE LXR ACQUISITION OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS CIRCULAR OR ANY DOCUMENT ACCOMPANYING OR INCORPORATED BY REFERENCE INTO THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE LXR ACQUISITION RELATES TO THE SECURITIES OF AN ONTARIO CORPORATION AND IS SUBJECT TO DISCLOSURE REQUIREMENTS OF CANADA WHICH ARE DIFFERENT FROM THOSE OF THE UNITED STATES.**

**Shareholders who are U.S. persons should be aware that the transactions contemplated herein may have tax consequences both in Canada and in the United States. Certain information concerning the Canadian federal income tax consequences of the LXR Acquisition for certain holders of Shares who are not residents of Canada is set forth herein in the section entitled “Certain Canadian Federal Income Tax Considerations – Holders not Resident in Canada”. However, the tax consequences to U.S. persons, including U.S. tax consequences, are not described fully herein. Shareholders are urged to consult their own tax advisers to determine the particular tax consequences to them of the LXR Acquisition.**

#### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this Circular 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 completion and proposed terms of, and matters relating to, the LXR Acquisition, including any required regulatory and Shareholder approvals, and the expected timing related thereto, the expected operations, financial results and condition of the Company following the LXR Acquisition, expectations regarding market trends, overall market growth rates and the Company’s growth rates, Gibraltar Growth’s future objectives and strategies to achieve those objectives, including, without limitation, new store openings, store productivity, margin improvements, e-Commerce revenue growth and future acquisitions, the expected benefits of the LXR Acquisition to, and resulting treatment of, Shareholders and holders of the Warrants, the anticipated effects of the LXR Acquisition and the satisfaction of the conditions to consummate the LXR Acquisition, the implementation of corporate governance practices, 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 Circular, Gibraltar Growth has made certain assumptions with respect to, among other things, the anticipated approval of the LXR Acquisition by the Shareholders, the number of Class A Restricted Voting Shares that will be subject to redemption in connection therewith, the anticipated receipt of any required regulatory approvals and consents (including the approval of the TSX), the expectation that no event, change or other circumstance will occur that could give rise to the termination of the Purchase Agreement, the expenses and timing of Closing, that the Company is capable of meeting and will meet its future objectives and strategies, that the Company’s future projects and plans are achievable and will proceed as anticipated, as well as assumptions concerning general economic and market growth rates, currency exchange and interest rates and competitive intensity.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include, but are not limited to: conflicts of interest arising in determining whether the LXR Acquisition is appropriate, the satisfaction of conditions precedent and required approvals to the LXR Acquisition, the termination of the LXR Acquisition, Gibraltar Growth delaying or amending the implementation of all or part of the LXR Acquisition or proceeding with the LXR Acquisition even if certain consents and approvals are not obtained on a timely basis, the requirement to pay certain costs related to the LXR Acquisition that must be paid even if the LXR Acquisition is not completed, the inability of Gibraltar Growth to adequately recover from the Vendors for any breach of the representations, warranties and covenants of the Vendors under the Purchase Agreement, Gibraltar Growth being required to take write-downs or write-offs, restructuring and impairment or other charges subsequent to the Closing, Gibraltar Growth’s securities not being approved for listing on the TSX following the Closing, or if

approved, Gibraltar Growth being unable to comply with the continued listing standards of the TSX, the benefits of the LXR Acquisition not meeting the expectations of investors or securities analysts, Warrants becoming exercisable for Class B Shares, the Warrants never being in-the-money and expiring worthless, the loss of key personnel negatively impacting the operations and profitability of the post-combination business, and the risk that Gibraltar Growth will be unable to continue as a going concern and consummate a qualifying acquisition. 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 Circular, see the risk factors discussed under the heading “Risk Factors” in the Prospectus and as described from time to time in the reports and disclosure documents filed by Gibraltar Growth with the Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the forward-looking statements in this Circular. 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 Circular are qualified by these cautionary statements. Unless otherwise indicated, the forward-looking statements contained herein are made as of the date of this Circular, and except as required by applicable law, neither Gibraltar Growth, nor LXR undertakes 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 will vary from the information provided herein and that such variations may be material. Consequently, there are no representations by Gibraltar Growth and/or LXR that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.**

#### **CURRENCY PRESENTATION**

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars, and all references to “\$” are to Canadian dollars, references to “US\$” are to United States dollars, references to “€” are to Euros and references to “¥” are to Japanese Yen.

#### **NON-IFRS MEASURES**

Adjusted EBITDA, revenue per square foot and inventory turnover are not measures recognized under international financial reporting standards (“IFRS”) and do not have a standardized meaning prescribed by IFRS. It is therefore unlikely that such measures are comparable to similar measures presented by other companies. These measures should also not be considered in isolation nor used as a substitute for measures of performance prepared in accordance with IFRS. Gibraltar Growth believes that these non-IFRS financial measures provide meaningful supplemental information regarding LXR’s underlying performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by LXR in its financial and operational decision making. Gibraltar Growth also believes that providing such information to securities analysts, investors and other interested parties who frequently use non-IFRS measures in the evaluation of issuers will allow them to better compare LXR’s performance against others in the retailing industry. Please see “Non-IFRS Measures” in the Prospectus for a detailed description of these measures and a reconciliation of the measure to the nearest IFRS measure, as applicable.

#### **INFORMATION CONCERNING LXR**

Certain information in this Circular pertaining to LXR and its business, including but not limited to, the information pertaining to LXR in the Prospectus has been provided by LXR. Although Gibraltar Growth has no knowledge that would indicate that any of such information is untrue or incomplete, there can be no assurance as to the accuracy or completeness thereof. The failure by LXR to disclose events that may have occurred may affect the completeness or accuracy of such information.

## SUMMARY

*This summary is qualified in its entirety by the more detailed information appearing elsewhere in the Notice of Meeting and this Circular, including the appendices which are incorporated into and form part of this Circular. In particular, Shareholders should review the disclosure contained in the Prospectus in addition to the disclosure in this Circular. Capitalized terms in this summary are defined in the “Glossary of Terms” contained in this Circular.*

### **The Meeting and Record Date**

The Meeting is scheduled to be held at the offices of Goodmans LLP located at Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, Ontario on June 9, 2017 at 9:00 a.m. (Toronto time). The Board has fixed the close of business on April 13, 2017 as the record date for determining Shareholders who are entitled to receive notice of the Meeting and any adjournments or postponements thereof and to attend and vote at the Meeting.

### **Purpose of the Meeting**

The purpose of the Meeting will be (i) to consider and vote upon, with or without variation, the Qualifying Acquisition Resolution, the full text of which is set forth in Appendix A to this Circular, and (ii) to transact any such other business as may properly be brought before the Meeting or any adjournment(s) or postponement(s) thereof.

### **The LXR Acquisition**

#### ***Recommendation of the Special Committee***

A committee of independent directors of Gibraltar Growth, consisting of James Haggarty (Chair), John Cassaday and Joe Natale (the “**Special Committee**”), was established by the board of directors of Gibraltar Growth for the purpose of considering the LXR Acquisition. The Special Committee has recommended to the directors that they approve the LXR Acquisition and recommend that Shareholders vote in favour of the LXR Acquisition at the Meeting. In considering the LXR Acquisition, the Special Committee retained Blair Franklin Capital Partners Inc. as an independent valuator (the “**Valuator**”) to provide a valuation of LXR (the “**Valuation Report**”). As contained in the Valuation Report, the Valuator concluded that, as of April 13, 2017, the fair market value of LXR was in the range of \$60.0 million to \$85.0 million. See “The LXR Acquisition – Valuation”. The Valuation Report should be read in its entirety and is included as Appendix C to this Circular.

#### ***Recommendation of the Board***

Based on the Valuation Report, the recommendation of the Special Committee, and further discussion with Gibraltar Growth’s management, external financial advisors and legal advisors, the Board, after careful consideration, unanimously concluded that the LXR Acquisition is in the best interests of Gibraltar Growth and its Shareholders. **Accordingly, the Board unanimously approved the LXR Acquisition and unanimously recommends that Shareholders vote FOR the Qualifying Acquisition Resolution.**

#### ***Reasons for the Recommendation***

The Board has identified a number of factors as being most relevant to its recommendation to Shareholders to vote **FOR** the Qualifying Acquisition Resolution that will implement the LXR Acquisition, including the following:

- the preliminary valuation of the Valuator, which included a valuation range for LXR of \$60.0 million to \$85.0 million;
- the terms and pricing of the Private Placement (including the valuation reflected thereby);
- management’s view and analysis that the LXR Acquisition was in the best interests of Gibraltar Growth;
- the terms of the Purchase Agreement and related agreements;
- that as of April 12, 2017, Gibraltar Growth has entered into binding Support Agreements with Disinterested Shareholders representing over 52% of the aggregate Class A Restricted Voting Shares and Class B Shares outstanding (calculated on a disinterested basis);

- the business and prospects of LXR in the context of a qualifying acquisition;
- the due diligence conducted on LXR;
- the acquisition strategy disclosed by Gibraltar Growth in its IPO and the expectations of Gibraltar Growth's stakeholders regarding the qualifying acquisition;
- that the LXR Acquisition must be approved by the TSX and a majority of the Disinterested Shareholders; and
- that the holders of Class A Restricted Voting Shares may redeem their shares for the Class A Qualifying Acquisition Redemption Price.

In addition, the Board identified the following positive factors in evaluating the LXR Acquisition:

- the attractive industry dynamics in which LXR operates;
- LXR's unique omni-channel business model;
- LXR's well-established sourcing and authentication model;
- LXR's strong history of financial performance and growth;
- that LXR's store-within-store model is rapidly scalable;
- LXR's opportunity to significantly expand its retail network;
- LXR's opportunity to scale its e-Commerce activities;
- LXR's opportunity to improve operating margins through the diversification of product supply;
- LXR's experienced, motivated and entrepreneurial management team; and
- that Gibraltar Growth can use its expertise and network to add value to LXR.

See "The LXR Acquisition – Reasons for the Recommendation".

### **Related Party Interests**

The Vendors include Gibraltar & Company, the parent company of the Sponsor, which owns approximately 8.1% of LXR, Gibraltar Ventures, a venture capital fund managed by Gibraltar & Company, which owns approximately 11.0% of LXR, and an officer of Gibraltar & Company, who owns 0.2% of LXR on a fully-diluted basis. As a result of these relationships, the acquisition of shares of LXR from these Vendors and the subscription of 103,500 Class B Shares by the Sponsor pursuant to the Gibraltar New Subscription (the "**Related Party Transactions**") constitute "related party transactions" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") and, subject to an exemption being available, would be subject to the minority approval and formal valuation requirements set out in MI 61-101 (the "**MI 61-101 Requirements**"). The Related Party Transactions would be exempt from the MI 61-101 Requirements if neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Related Party Transactions exceeds 25% of Gibraltar Growth's "market capitalization" (the "**Transaction Size Exemptions**"). Under MI 61-101, an issuer's "market capitalization" is calculated based on the outstanding "equity securities" of the issuer. As the Class A Restricted Voting Shares do not have a residual right to share in the assets of Gibraltar Growth on a liquidation or winding-up, the Class A Restricted Voting Shares do not constitute "equity securities" for purposes of determining the "market capitalization" of Gibraltar Growth and therefore, subject to exemptive relief being obtained, Gibraltar Growth's market capitalization as determined under MI 61-101 would be calculated only on the basis of the outstanding Class B Shares.

Gibraltar Growth was granted a decision by the Ontario Securities Commission, as principal regulator, on April 21, 2017 exempting the LXR Acquisition from the MI 61-101 Requirements provided that the LXR Acquisition would qualify for the Transaction Size Exemptions if the Class A Restricted Voting Shares represented all of the outstanding equity securities of Gibraltar Growth for the purposes of calculating Gibraltar Growth's market capitalization under MI 61-101. On the basis of the Class A Restricted Voting Shares representing all of the outstanding equity securities of Gibraltar Growth, the fair market value of the LXR Acquisition and the fair market

value of the consideration for the LXR Acquisition, in each case and insofar as it involves interested parties, represents approximately 16% of Gibraltar Growth's market capitalization.

Due to the involvement of Gibraltar & Company, Gibraltar Ventures and the officer of Gibraltar & Company in the LXR Acquisition, the TSX has required that (a) the LXR Acquisition be approved by the Board on the recommendation of the directors who are unrelated to the LXR Acquisition, and (b) that the value of LXR be established in an independent report. In addition, the TSX requires that the LXR Acquisition be approved by a majority of the Disinterested Shareholders. The Sponsor currently owns 15.7% of the issued and outstanding Shares. Gibraltar & Company, which is the parent of the Sponsor, does not directly own any shares of Gibraltar Growth. Gibraltar Ventures and the officer of Gibraltar & Company do not own any shares of Gibraltar Growth. It is anticipated that upon completion of the LXR Acquisition and based on assumed redemption levels of 50% and 100%, the Sponsor and Gibraltar & Company will, in the aggregate, own 15.9% or 21.6% of the issued and outstanding shares of Gibraltar Growth, respectively.<sup>1</sup>

The members of the Special Committee and the Board were aware of these differing interests and considered them, among other matters, in evaluating and negotiating the transaction documents and in recommending to Shareholders that they vote for the Qualifying Acquisition Resolution.

See "Interest of Certain Persons or Companies in Matters to be Acted Upon".

### **Shareholder Approval**

To become effective, the Qualifying Acquisition Resolution will require approval by a majority of the votes cast by Disinterested Shareholders, present in person or represented by proxy at the Meeting, voting together as if the Class A Restricted Voting Shares and Class B Shares were a single class of shares. The Sponsor and its Affiliates hold 2,131,749 Class B Shares (representing 15.7% of the issued and outstanding Shares), which Shares shall be excluded for the purpose of approving the Qualifying Acquisition Resolution.

See "Shareholder and Regulatory Approvals".

### **Prospectus**

On May 12, 2017, Gibraltar Growth filed the Prospectus, which contains detailed disclosure on the LXR Acquisition and on each of LXR and Gibraltar Growth following Closing, including the risk factors relating to the LXR Acquisition and to Gibraltar Growth's business following Closing. A copy of the Prospectus is attached hereto as Appendix B. In evaluating the proposals set forth in this Circular, you should carefully read this Circular, including the Prospectus, and especially consider the factors discussed in the section entitled "Risk Factors" in the Prospectus.

### **Parties to the LXR Acquisition**

#### ***Gibraltar Growth***

Gibraltar Growth was organized for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, amalgamation, share exchange, asset acquisition, share purchase, reorganization or any other similar business combination involving Gibraltar Growth that will qualify as its "qualifying acquisition". Gibraltar Growth received \$100.0 million of proceeds from its IPO which was completed on October 2, 2015 and an additional \$4.5 million from the partial exercise of the Over-Allotment Option. The total proceeds of \$104.5 million were placed in an escrow account with TSX Trust Company immediately following the IPO and will be released upon consummation of the qualifying acquisition in accordance with the terms and conditions of the Escrow Agreement. The currently issued and outstanding Class A Restricted Voting Shares and Warrants are listed and

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<sup>1</sup> Reflects 2,131,749 Class B Shares currently owned by the Sponsor plus 103,500 Class B Shares acquired pursuant to the Gibraltar New Subscription plus 10,350 Class B Shares received pursuant to the Commitment Fee, net of 170,455 Class B Shares forfeited pursuant to the terms of the Commitment Fee. In addition, this assumes the addition of 612,835 Class B Shares received by Gibraltar & Company as part of the Equity Consideration and 167,141 Class B Shares representing Gibraltar & Company's share of the Equity Consideration received by Gibraltar Ventures.

posted for trading on the TSX under the symbols “GBG.A” and “GBG.WT”, respectively. Following the Closing, it is Gibraltar Growth’s intention to rename itself as LXRandCo, Inc. It is a condition of Closing that the Class B Shares and the Warrants be listed on the Toronto Stock Exchange. Gibraltar Growth has reserved the symbols “LXR” and “LXR.WT” for the Class B Shares and Warrants, respectively.

## **LXR**

LXR is a rapidly growing, international omni-channel retailer of branded vintage luxury handbags and accessories. LXR sources and authenticates high quality pre-owned products and sells them through: a retail network of stores located in major department stores in Canada, the United States and Europe; wholesale operations primarily in the United States; and LXR’s own e-Commerce website, [www.lxrco.com](http://www.lxrco.com). LXR offers pre-owned products from iconic luxury brands such as Hermès, Louis Vuitton, Gucci and Chanel, among others, at attractive prices and seeks to appeal to the aspirational lifestyle needs of women of all ages. At the end of 2016, LXR had five retail partners, and LXR’s retail network consisted of 46 stores with eight located in Canada, 32 in the United States and six in Germany. LXR’s headquarters are located in Montréal, Québec, and LXR has an office in Tokyo, Japan. As at December 31, 2016, LXR had 175 employees.

For information regarding each of LXR and Gibraltar Growth following Closing (including *pro forma* consolidated financial information of LXR), see the Prospectus.

## **Timing of Completion of the LXR Acquisition**

If the Meeting is held as scheduled and is not adjourned and the required approvals of the Shareholders and all other conditions to Closing are satisfied or waived, Gibraltar Growth expects Closing to be completed in June 2017.

## **Redemption Rights**

Pursuant to the articles of amendment of Gibraltar Growth, holders of Class A Restricted Voting Shares have the right to redeem all or a portion of their Class A Restricted Voting Shares, whether they vote for or against, or do not vote on the Qualifying Acquisition Resolution, provided that they deposit their Class A Restricted Voting Shares for redemption prior to the Redemption Election Deadline. **Holders of Class A Restricted Voting Shares whose Class A Restricted Voting Shares are held through an intermediary may have earlier deadlines for depositing their Class A Restricted Voting Shares for redemption. If the deadline for depositing such shares held through an intermediary is not met by a holder of Class A Restricted Voting Shares, such holder’s Class A Restricted Voting Shares may not be eligible for redemption.**

Subject to applicable law, effective immediately prior to Closing, all Class A Restricted Voting Shares validly deposited for redemption shall be redeemed for the Class A Qualifying Acquisition Redemption Price per Class A Restricted Voting Share redeemed, payable in cash. Upon payment in cash of the Class A Qualifying Acquisition Redemption Price, the holders of the Class A Restricted Voting Shares so redeemed will have no further rights in respect of the Class A Restricted Voting Shares. Notwithstanding any of the foregoing, no registered or beneficial holder of Class A Restricted Voting Shares (other than CDS) that, together with any Affiliate thereof or any person acting jointly or in concert therewith, shall be entitled to require Gibraltar Growth to redeem Class A Restricted Voting Shares in excess of an aggregate of 15% of the Class A Restricted Voting Shares issued and outstanding. Any Class A Restricted Voting Shares not required to be so redeemed will be automatically converted immediately following Closing into Class B Shares on the basis of one Class B Share for each Class A Restricted Voting Share converted. For illustrative purposes, as of the date hereof, the estimated Class A Qualifying Acquisition Redemption Price is approximately \$10.05 per Class A Restricted Voting Share. Holders of Class B Shares and holders of Warrants do not have redemption rights with respect to their Class B Shares and Warrants, respectively.

See the section entitled “General Information Respecting the Meeting – Redemption Rights” for the procedures to be followed if you wish to redeem your Class A Restricted Voting Shares for the Class A Qualifying Acquisition Redemption Price.

**Certain Canadian Federal Income Tax Considerations**

For certain Canadian federal income tax considerations relating to the LXR Acquisition, see the section entitled “Certain Canadian Federal Income Tax Considerations” in the Circular.



## GENERAL INFORMATION RESPECTING THE MEETING

### The Meeting and Record Date

The Meeting is scheduled to be held at the offices of Goodmans LLP located at Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, Ontario on June 9, 2017 at 9:00 a.m. (Toronto time). The Board has fixed the close of business on April 13, 2017 as the record date (the “**Record Date**”) for determining Shareholders who are entitled to receive notice of the Meeting and any adjournments or postponements thereof and to attend and vote at the Meeting.

### Purpose of the Meeting

The purpose of the Meeting will be (i) to consider and vote upon, with or without variation, the Qualifying Acquisition Resolution, the full text of which is set forth in Appendix A to this Circular, and (ii) to transact any such other business as may properly be brought before the Meeting or any adjournment(s) or postponement(s) thereof.

Other than the Qualifying Acquisition Resolution, management knows of no matters to come before the Meeting. However, if any other matters shall properly come before the Meeting, it is the intention of the persons named in the form of proxy to vote on such matters in accordance with their best judgment.

### Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies **by or on behalf of the management of Gibraltar Growth** for use at the Meeting, including any adjournment(s) or postponement(s) thereof, for the purposes set forth in the accompanying Notice of Meeting.

It is expected that the solicitation of proxies will be primarily by mail, but proxies may also be solicited by employees or agents of Gibraltar Growth, personally, in writing, by email, or by telephone without special compensation. Gibraltar Growth will bear the cost in respect of the solicitation of proxies for the Meeting and will bear the legal, printing and other costs associated with the preparation of the Circular.

**This Circular solicits proxies voting FOR the Qualifying Acquisition Resolution.**

### Quorum

A quorum for the Meeting shall be the quorum required by Gibraltar Growth’s by-laws, being two Shareholders entitled to vote at such meeting, whether present in person or represented by proxy, irrespective of the number of Shares held by such persons.

Each Shareholder is entitled to one vote per Share held on all matters to come before the Meeting, including the Qualifying Acquisition Resolution.

### Registered Shareholders

If you are a registered Shareholder, you may vote in person at the Meeting or you may appoint another person to represent you as a proxyholder to vote your Shares at the Meeting. Other than CDS, Gibraltar Growth has no registered Shareholders as the Shares are held through the non-certificated inventory system of CDS. As a result, Shareholders should refer to the information below under “General Information Respecting the Meeting – Non-Registered Shareholders” for details as to how to vote their Shares.

### *Appointment of Proxies*

The persons named in the enclosed form of proxy are representatives of management of Gibraltar Growth and are directors and/or officers of Gibraltar Growth. **A Shareholder has the right to appoint a person other than the persons designated in the enclosed form of proxy to attend and act on behalf of such Shareholder at the Meeting. To exercise this right, a Shareholder may either insert such other person’s name in the blank space provided on the enclosed form of proxy, or complete another appropriate form of proxy. Such other person need not be a Shareholder.**

To be valid, a proxy must be signed by the Shareholder or the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney. Proxies must be received by the Transfer Agent at 200 University Avenue, Suite 300, Toronto, Ontario M5H 4H1. Proxies must be received by no later than 9:00 a.m. (Toronto time) on June 7, 2017 or, in the event that the Meeting is adjourned or postponed to a later date, prior to 9:00 a.m. (Toronto time) on the second business day preceding the date to which the Meeting is adjourned or postponed. Failure to properly complete or deposit a proxy may result in its invalidation. The time limit for the deposit of proxies may be waived by the Board at its discretion without notice.

#### *Voting of Proxies*

The representatives of the management of Gibraltar Growth designated in the enclosed form of proxy will vote the Shares for or against in accordance with the instructions of the Shareholder as indicated on the applicable form of proxy and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly. **In the absence of any instructions on the form of proxy, such Shares will be voted FOR the Qualifying Acquisition Resolution.**

**The enclosed form of proxy confers discretionary authority upon the representatives of the management of Gibraltar Growth designated in the form of proxy with respect to amendments or variations of matters identified in the accompanying Notice of Meeting and with respect to other matters, which may properly come before the Meeting. As of the date of this Circular, management of Gibraltar Growth knows of no such amendments, variations or other matters. If any matters which are not now known should properly come before the Meeting, the accompanying form of proxy will be voted on such matters in accordance with the best judgment of the person voting it.**

The execution or exercise of a proxy does not constitute an election by a Shareholder to redeem all or a portion of such holder's Class A Restricted Voting Shares. See "General Information Respecting the Meeting – Redemption Rights".

#### *Revocation of Proxies*

A Shareholder who has given a proxy may revoke the proxy by:

- (a) completing and signing a proxy bearing a later date and depositing it with the Transfer Agent as described above;
- (b) depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing: (i) at the registered office of Gibraltar Growth at any time up to and including the date which is two business days preceding the day of the Meeting, or any adjournment or postponement of the Meeting, at which the proxy is to be used, or (ii) with the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment or postponement of the Meeting; or
- (c) in any other manner permitted by law.

A Non-Registered Shareholder should contact the intermediary through which he, she or it holds Shares in order to obtain instructions regarding the procedures for the revocation of any voting instructions that he, she or it has provided to his, her or its intermediary.

#### **Non-Registered Shareholders**

Only registered Shareholders, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Shares beneficially owned by a holder (a "**Non-Registered Shareholder**") are registered either (i) in the name of an intermediary that the Non-Registered Shareholder deals with in respect of the Shares. Intermediaries include banks, trust companies, securities dealers, or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, and similar plans; or (ii) in the name of a depositary (such as CDS).

In accordance with Canadian securities laws, Gibraltar Growth has distributed copies of the Notice of Meeting, this Circular and the form of proxy (in this section, the "**Meeting Materials**") to CDS and intermediaries for onward distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Typically, intermediaries will use a service company such as Broadridge Financial Solutions, Inc. to forward the Meeting Materials to Non-Registered Shareholders.

Non-Registered Shareholders who have not waived the right to receive Meeting Materials will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Non-Registered Shareholders to direct the voting of the shares they beneficially own. Non-Registered Shareholders should follow the procedures set out below, depending on which type of form they receive.

#### *Voting Instruction Form*

In most cases, a Non-Registered Shareholder will receive, as part of the Meeting Materials, a voting instruction form (a “**VIF**”). If the Non-Registered Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Shareholder’s behalf), the VIF should be completed, signed, and returned in accordance with the directions on the form. VIFs sent by Broadridge Financial Solutions, Inc. permit the completion of the VIF by telephone, fax, or through the Internet at [www.proxyvote.com](http://www.proxyvote.com). If a Non-Registered Shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Shareholder’s behalf), the Non-Registered Shareholder must complete, sign, and return the VIF in accordance with the directions provided and a form of proxy giving the right to attend and vote will be forwarded to the Non-Registered Shareholder.

#### *Form of Proxy*

Less frequently, a Non-Registered Shareholder will receive, as part of the Meeting Materials, a form of proxy that has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise uncompleted. If the Non-Registered Shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Shareholder’s behalf), the Non-Registered Shareholder must complete the form of proxy and deposit it with the Transfer Agent as described above. If a Non-Registered Shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Shareholder’s behalf), the Non-Registered Shareholder must strike out the names of the persons named in the form of proxy and insert the Non-Registered Shareholder’s (or such other person’s) name in the blank space provided.

**Non-Registered Shareholders should follow the instructions on the forms they receive and contact their intermediaries promptly if they need assistance.**

#### **Redemption Rights**

Pursuant to the articles of amendment of Gibraltar Growth, holders of Class A Restricted Voting Shares have the right to redeem all or a portion of their Class A Restricted Voting Shares, whether they vote for or against, or do not vote on the Qualifying Acquisition Resolution, provided that they deposit their Class A Restricted Voting Shares for redemption prior to 5:00 pm (Toronto time) on June 6, 2017 (the “**Redemption Election Deadline**”). **Holders of Class A Restricted Voting Shares whose Class A Restricted Voting Shares are held through an intermediary may have earlier deadlines for depositing their Class A Restricted Voting Shares for redemption. If the deadline for depositing such shares held through an intermediary is not met by a holder of Class A Restricted Voting Shares, such holder’s Class A Restricted Voting Shares may not be eligible for redemption.**

Subject to applicable law, effective immediately prior to Closing, all Class A Restricted Voting Shares validly deposited for redemption shall be redeemed for the Class A Qualifying Acquisition Redemption Price per Class A Restricted Voting Share redeemed, payable in cash. Upon payment in cash of the Class A Qualifying Acquisition Redemption Price, the holders of the Class A Restricted Voting Shares so redeemed will have no further rights in respect of the Class A Restricted Voting Shares. Any Class A Restricted Voting Shares not required to be so redeemed will be automatically converted immediately following Closing into Class B Shares on the basis of one Class B Share for each Class A Restricted Voting Share converted. For illustrative purposes, as of the date hereof, the estimated Class A Qualifying Acquisition Redemption Price is approximately \$10.05 per Class A Restricted Voting Share. Holders of Class B Shares and holders of Warrants do not have redemption rights with respect to their Class B Shares and Warrants, respectively.

Notwithstanding any of the foregoing, no registered or beneficial holder of Class A Restricted Voting Shares (other than CDS) that, together with any Affiliate thereof or any person acting jointly or in concert therewith, shall be entitled to require Gibraltar Growth to redeem Class A Restricted Voting Shares in excess of an aggregate of 15% of the Class A Restricted Voting Shares issued and outstanding (the “**Redemption Limitation**”). By its election to redeem, each registered holder of Class A Restricted Voting Shares (other than CDS) and each beneficial holder of Class A Restricted Voting Shares will be required to represent or will be deemed to have represented to Gibraltar Growth that, together with any Affiliate of such holder and any other person with whom such holder is acting jointly or in concert, such holder is not redeeming Class A Restricted Voting Shares in excess of the Redemption Limitation.

Shareholders who redeem their Class A Restricted Voting Shares are still entitled to vote such shares at the Meeting.

#### *Process for Redemption by Non-Registered Holders of Class A Restricted Voting Shares*

A non-registered holder of Class A Restricted Voting Shares who desires to exercise its redemption rights in connection with the LXR Acquisition must do so by causing a participant (a “**CDS Participant**”) in the depository, trading, clearing and settlement systems administered by CDS to deliver to CDS (at its office in the City of Toronto) on behalf of the owner, a written notice (the “**Redemption Notice**”) of the owner’s intention to redeem Class A Restricted Voting Shares in connection with the LXR Acquisition. A non-registered holder of Class A Restricted Voting Shares who desires to redeem Class A Restricted Voting Shares should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the notice date described above so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the Transfer Agent in advance of the required time. The form of Redemption Notice will be available from a CDS Participant or the Transfer Agent.

By causing a CDS Participant to deliver to CDS a notice of the owner’s intention to redeem Class A Restricted Voting Shares, an owner shall be deemed to have irrevocably surrendered his, her, or its Class A Restricted Voting Shares for redemption and appointed such CDS Participant to act as his, her, or its exclusive settlement agent with respect to the exercise of the redemption right and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner’s intent to redeem which CDS determines to be incomplete, not in proper form, or not duly executed shall for all purposes be void and of no effect and the redemption right to which it relates shall be considered for all purposes not to have been exercised. A failure by a CDS Participant to exercise redemption rights or to give effect to the settlement thereof in accordance with the owner’s instructions will not give rise to any obligations or liability on the part of Gibraltar Growth to the CDS Participant or to the owner.

**If the deadline for depositing Class A Restricted Voting Shares held through an intermediary is not met by a holder of Class A Restricted Voting Shares, such holder’s Class A Restricted Voting Shares may not be eligible for redemption. Such deadline may be earlier than the Redemption Election Deadline.**

## **THE LXR ACQUISITION**

### **Background on Gibraltar Growth**

On October 2, 2015, Gibraltar Growth completed its initial public offering of 10,000,000 Class A Restricted Voting Units, with each Class A Restricted Voting Unit consisting of one Class A Restricted Voting Share and one Warrant. Each Warrant entitles the holder to purchase one Class B Share at a price of \$11.50 during the period commencing 30 days after the closing date of a qualifying acquisition and ending five years thereafter. The Class A Restricted Voting Units sold in the IPO were sold at an offering price of \$10.00 per Class A Restricted Voting Unit, for gross proceeds of \$100 million. On October 29, 2015, the underwriters for the IPO partially exercised their over-allotment option (the “**Over-Allotment Option**”) to purchase an additional 450,000 Class A Restricted Voting Units, at a price of \$10.00 per Class A Restricted Voting Unit, for additional gross proceeds of \$4.5 million.

Gibraltar Growth was incorporated on June 11, 2015 and the Sponsor purchased one Class B Share for proceeds of \$10.00 on that date. Prior to the closing of the IPO, the Founders, including certain directors and certain advisory board members purchased a total of 2,984,374 Class B Shares for \$25,000 at a price of \$0.008 per Class B Share

(the “**Founders’ Shares**”). Concurrent with the closing of the IPO, on October 2, 2015, the Founders purchased 400,000 Class B Units. The Class B Units were sold at an offering price of \$10.00 for a total of \$4,000,000. Further, on October 29, 2015, the Founders purchased an additional 11,250 Class B Units in connection with the partial exercise of the Over-Allotment Option at an offering price of \$10.00 for a total of \$1,181,240. Each Class B Unit consisted of one Class B Share and one Warrant. Each Warrant entitles the holder to purchase one Class B Share at a price of \$11.50 during the period commencing on the closing date of a qualifying acquisition and ending five years thereafter.

Due to the partial exercise of the Over-Allotment Option, and as a requirement pursuant to the IPO and a related forfeiture agreement, the Founders forfeited an aggregate of 269,062 Founders’ Shares. As a result, following the partial exercise of the Over-Allotment Option and corresponding forfeiture of the Founders’ Shares, the Founders held a total of 2,715,313 Class B Shares and 411,250 Class B Units.

On October 2, 2015, the Class A Restricted Voting Units commenced trading on the TSX under the symbol “GBG.UN”. Effective November 10, 2015, the Class A Restricted Voting Units separated into Class A Restricted Voting Shares and Warrants, each of which commenced trading on the TSX under the symbols “GBG.A” and “GBG.WT”, respectively. The Class A Restricted Voting Units were delisted following this separation.

Following the IPO Closing, a total of 10,450,000 Class A Restricted Voting Units had been issued and an aggregate of \$104.5 million from the sale of the Class A Restricted Voting Units and Class B Units were transferred to the Escrow Agent and subsequently invested in permitted investments. Subject to applicable law, as further described herein, none of the funds held in the escrow account will be released from the escrow account until the earliest of: (i) the closing of Gibraltar Growth’s qualifying acquisition, (ii) a redemption of Class A Restricted Voting Shares (on the closing of a qualifying acquisition or on an extension of the Permitted Timeline, or an automatic redemption of Class A Restricted Voting Shares), (iii) Gibraltar Growth’s wind-up, and (iv) the requirement of Gibraltar Growth to pay taxes on the interest or certain other amounts earned on the escrow funds and for payment of certain expenses. For greater certainty, none of the proceeds received from the sale of Class B Shares are held in escrow, and all such funds have been and will be used to fund Gibraltar Growth’s general ongoing expenses.

### **Background to the LXR Acquisition**

Following the IPO, Gibraltar Growth immediately began its search for companies to acquire as part of its qualifying acquisition. During the course of this search process, Gibraltar Growth engaged in discussions and/or assessed and evaluated over 35 opportunities as possibilities for its qualifying acquisition. The following is a summary of the background to the LXR Acquisition.

Gibraltar Growth’s involvement with LXR began in February 2016 through an introduction made by a director of Gibraltar & Company. The following is a chronology of the history of events leading up to the LXR Acquisition:

- In June 2016, Gibraltar & Company, the parent of the Sponsor, led a financing round for LXR of approximately \$3.6 million at which time Gibraltar Ventures, a private equity fund managed by an operating subsidiary of Gibraltar & Company, invested in LXR and Groupe Global, LXR’s e-Commerce subsidiary.
- In June 2016, LXR ceded control of Groupe Global to Gibraltar Ventures to allow LXR to focus on the expansion of its retail network while allowing Gibraltar Ventures to concentrate its efforts on accelerating Groupe Global’s growth, which included providing capital and e-Commerce talent and expertise.
- Cam di Prata, Chief Executive Officer of Gibraltar & Company and the current Co-Chief Executive Officer and a director of Gibraltar Growth, joined the LXR and Groupe Global boards of directors in June 2016.
- During the second half of 2016, Gibraltar & Company actively assisted LXR management with the recruitment of senior executives and with targeted business development initiatives that materially accelerated the roll-out of LXR’s retail network.
- LXR’s net revenue increased 43% in 2016 compared to that in 2015, and LXR’s retail network increased to 46 stores at the end of 2016 from 15 stores at the end of 2015.

- In late 2016, LXR and Groupe Global agreed on the necessity of servicing customers across an integrated omni-channel platform and agreed to re-merge their activities.
- In January 2017, LXR and Groupe Global executed a letter of intent for the acquisition by LXR of the 67.8% interest in Groupe Global not owned by it.
- In January 2017, Gibraltar & Company invested \$1.0 million in LXR through the exercise of warrants previously granted as part of an extension to the financing undertaken in June 2016.
- In February 2017, following LXR's strong financial results in 2016 and based on LXR's prospects for continued strong growth, the parties agreed to explore the merits of an acquisition of LXR by Gibraltar Growth to better position LXR to accelerate its growth and realize on its international growth strategy.
- Between February and April 2017, Gibraltar Growth conducted a thorough due diligence review of LXR which encompassed, among other things, reviews of legal, financial and other documents and information, which were made available to Gibraltar Growth and its advisors on a confidential basis.
- In March 2017, Gibraltar Growth retained Canaccord Genuity Group Inc. as placement agent and commitments for the Private Placement were secured.
- On March 30, 2017, Gibraltar Growth formed the Special Committee, a committee of directors who are independent of Gibraltar & Company, to review the LXR Acquisition.
- On April 3, 2017, the Special Committee retained the Valuator to provide the Valuation Report.
- In early April 2017, Gibraltar Growth secured the support of Disinterested Shareholders, who held approximately 52% of the outstanding Class A Restricted Voting Shares and Class B Shares (calculated on a disinterested basis), for the LXR Acquisition pursuant to Support Agreements.
- On April 13, 2017, with the recommendation of the Special Committee, the Board approved the LXR Acquisition, and LXR and Gibraltar Growth executed the Purchase Agreement, along with its associated legal documentation.

### **Special Committee Process**

On March 30, 2017, the Special Committee, consisting of James Haggarty (Chair), John Cassaday and Joe Natale, was established by the Board for the purpose of considering the LXR Acquisition. In considering the LXR Acquisition, the Special Committee retained the Valuator to provide a valuation of LXR.

Between March 30, 2017 and April 13, 2017, the Special Committee held four formal telephonic meetings. The Valuator participated in three of these meetings. Management of Gibraltar Growth participated in a portion of all of these meetings, and Goodmans LLP, legal advisors to Gibraltar Growth, also participated in three of the meetings. Each meeting included at least one *in camera* session. In addition to these formal meetings, the members of the Special Committee had informal access to Gibraltar Growth management, LXR management and the advisors.

The Valuator presented a preliminary valuation, which included a valuation range for LXR of \$60.0 million to \$85.0 million, to the Special Committee at a meeting held on April 12, 2017. The Valuation Report reaffirmed the preliminary valuation as at April 13, 2017.

### **Valuation**

The Valuator was retained by the Special Committee pursuant to an engagement letter dated April 3, 2017 (the "**Engagement Letter**") to prepare and deliver the Valuation Report to the Special Committee. Pursuant to the Engagement Letter, the Valuator was paid a fixed fee equal to \$225,000 for delivery of the Valuation Report, the payment of which was not contingent upon conclusions in the Valuation Report, or upon the completion of the LXR Acquisition. In addition, the Valuator was entitled to be reimbursed for its reasonable out-of-pocket expenses and was indemnified by Gibraltar Growth in respect of certain matters relating to its engagement.

As contained in the Valuation Report, the Valuator concluded that, as of April 13, 2017, the fair market value of LXR was in the range of \$60.0 million to \$85.0 million. The Valuation Report was provided to the Special Committee as one factor in its consideration of the LXR Acquisition and was not, and is not, a recommendation by

the Valuator as to any action that the Special Committee, the Board, any Shareholder or any other person should take in connection with the LXR Acquisition. Under the terms of the Engagement Letter, the Valuation Report may not be used for any other purpose without the Valuator's prior consent or be relied upon by any other person, including any Shareholder. The Valuation Report was provided for the use of the Special Committee and should not be construed as a recommendation to invest in, or divest of, any securities of LXR or Gibraltar Growth. The Valuation Report is subject to the scope, assumptions, limitations and restrictions and qualifications contained therein and must be considered in its entirety by the reader as selecting and relying on only specific portions of the analyses or factors considered, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation Report. In particular, the preparation of a valuation is a complex process and it is not appropriate to extract partial analyses or make summary descriptions. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The Valuation Report should be read in its entirety and is included as Appendix C to this Circular.

### **Recommendation of the Special Committee**

The Special Committee unanimously determined that the LXR Acquisition was in the best interests of Gibraltar Growth, taking into account the interests of all stakeholders, and recommended that the Board approve the LXR Acquisition and recommend that Shareholders vote in favour of the LXR Acquisition at the Meeting. The conclusions and recommendations of the Special Committee were reached after considering the following, among other factors (including certain of those items listed under "– Reasons for the Recommendation"):

- the preliminary valuation of the Valuator, which included a valuation range for LXR of \$60.0 million to \$85.0 million;
- the terms and pricing of the Private Placement (including the valuation reflected thereby);
- management's view and analysis that the LXR Acquisition was in the best interests of Gibraltar Growth;
- the terms of the Purchase Agreement and related agreements;
- that as of April 12, 2017, Gibraltar Growth has entered into binding Support Agreements with Disinterested Shareholders representing over 52% of the aggregate Class A Restricted Voting Shares and Class B Shares outstanding (calculated on a disinterested basis);
- the business and prospects of LXR in the context of a qualifying acquisition;
- the due diligence conducted on LXR;
- the acquisition strategy disclosed by Gibraltar Growth in its IPO and the expectations of Gibraltar Growth's stakeholders regarding the qualifying acquisition;
- that the LXR Acquisition must be approved by the TSX and a majority of the Disinterested Shareholders; and
- that the holders of Class A Restricted Voting Shares may redeem their shares for the Class A Qualifying Acquisition Redemption Price.

**The above discussion of the information and factors considered and evaluated by the Special Committee is not intended to be exhaustive of all factors considered and evaluated by the Special Committee. The conclusions and recommendations of the Special Committee were made after considering the totality of such information and factors, including the risk factors discussed in the section entitled "Risk Factors" in the Prospectus.**

### **Recommendation of the Board**

Based on the Valuation Report and further discussions with the Valuator, the recommendation of the Special Committee, and further discussions with Gibraltar Growth's management, external financial advisors and legal advisors, the Board, after careful consideration, unanimously concluded that the LXR Acquisition is in the best interests of Gibraltar Growth and its Shareholders. **Accordingly, the Board unanimously approved the LXR**

**Acquisition and unanimously recommends that Shareholders vote FOR the Qualifying Acquisition Resolution.**

### **Reasons for the Recommendation**

The Board, with the benefit of advice from financial and legal advisors, reviewed and considered a significant amount of information and considered a number of factors relating to the LXR Acquisition. The Board identified a number of factors in connection with its evaluation of the LXR Acquisition. In light of the complexity of those factors, the Board, as a whole, has not considered it practicable to, nor has it attempted to, quantify or otherwise assign relative weights to the specific factors it took into account in reaching its decision. Individual directors may have given different weight to different factors. In Gibraltar Growth's IPO prospectus, Gibraltar Growth identified the following general criteria and guidelines that it believed would be important in evaluating prospective qualifying acquisition targets:

- **Attractive industry dynamics.** Gibraltar Growth intended to focus on opportunities that it believed would perform well over the medium to long term. Gibraltar Growth targeted companies in growing consumer-facing industries that it believed were well-positioned to benefit from evolving demographic trends and technological advancements.
- **A growing business with franchise value.** Gibraltar Growth intended to focus on companies with a market leading, growing or niche position in their respective segments. Gibraltar Growth sought businesses that it believed possess a discernible competitive advantage when compared to their peers, preferably in the form of a highly differentiated brand(s) or intellectual property that through Gibraltar Growth's efforts could be leveraged into new product lines, extended into new markets, accelerated through online channels and/or licensed to third parties.
- **An experienced, motivated and agile management team.** Gibraltar Growth was interested in opportunities that come with entrepreneurial, motivated management teams with proven track records for delivering both revenue and cash flow growth. Specifically, Gibraltar Growth sought teams that respond proactively to changing competitive dynamics. Gibraltar Growth ensured they have a meaningful personal stake in the success of the business, aligned with all Shareholders.
- **A growing business that generates free cash flow.** Gibraltar Growth sought companies with a strong franchise value in industries exhibiting good organic growth potential that it believed, over time, can generate ample free-cash-flow to fund future growth and expansion, and when appropriate, allows it to return excess capital to Shareholders.
- **An ability for Gibraltar Growth to use its expertise to add value.** Gibraltar Growth sought companies in which its network, experience and expertise can be leveraged to further accelerate growth and momentum.
- **Opportunity for operating margin improvements.** Gibraltar Growth sought opportunities that it believed can benefit from its experience as operators and where specific actions can be identified that could result in steady, measurable operating margin improvements.
- **Opportunity for technology improvements.** Gibraltar Growth sought acquisition candidates that have potential which it believes will lead to significantly improve their growth and operating performance through the adoption of technology.
- **Growth potential through mergers and acquisitions.** Gibraltar Growth views a qualifying acquisition as a platform company from which to further build. Gibraltar Growth valued companies that it believed can accelerate their growth even further through acquisitions.
- **Flexibility for unique transaction structures.** Gibraltar Growth was open to structuring unique transactions that allow it access to proprietary opportunities, which may include: partnerships, joint ventures, and corporate carve-outs.

In considering the LXR Acquisition, the Board concluded that LXR substantially met the above criteria. In particular, the Board considered the following positive factors:



- **Attractive industry dynamics in which LXR operates.** LXR operates in the pre-owned vintage luxury personal goods segment of the global luxury personal goods market, the size of which is anchored by the substantial and growing size of the primary market for luxury personal goods. Also, the growth prospects and attractiveness of the pre-owned vintage luxury market are favourable given the greater affordability and accessibility of pre-owned luxury goods, the increased social acceptance of ‘re-use’ and affinity of consumers to extend product lifecycles.
- **LXR’s unique omni-channel business model.** LXR is a rapidly growing, international omni-channel retailer of branded vintage luxury handbags and accessories. LXR’s omni-channel sales network includes: a retail network consisting of LXR-branded store-within-stores established in partnership with major department store retailers in Canada, the United States and Europe; wholesale operations primarily in the United States; and an e-Commerce channel. LXR operates as an integrated omni-channel business and its sales channels are synergistic and complementary in simultaneously driving foot traffic at retail stores, increasing subscriber additions online, augmenting LXR brand awareness and generating sales.
- **LXR’s well-established sourcing and authentication model.** LXR maintains control over all aspects of merchandising, product sourcing, product preparation and inventory management, which allows it to offer its customers a curated and deep assortment of branded pre-owned vintage luxury products at attractive price points throughout its omni-channel network. Unlike most of its competitors who favour a product consignment model, LXR’s model is based on purchasing its merchandise, which allows it to cost effectively secure large quantities of targeted merchandise and to better control quality and product assortment across its channels. LXR guarantees the authenticity of all the products it sells.
- **LXR’s strong history of financial performance and growth.** Since 2014, LXR’s net revenue has grown from \$12.9 million to \$21.9 million in 2016, representing a CAGR of 30.1%, and Adjusted EBITDA grew from \$0.3 million to \$0.8 million, representing a CAGR of 77.4%.
- **LXR store-within-store model is rapidly scalable.** LXR’s unique store-within-store retail model has been successfully deployed in major department stores in Canada, the United States and Europe. LXR’s Retail Stores and Hybrid Stores are designed to be rapidly scalable and productive on a revenue per square foot basis and generate high inventory turnover.
- **LXR’s opportunity to significantly expand its retail network.** LXR plans to continue to rapidly grow its retail network across North America, particularly in the United States, and internationally. LXR believes it has the opportunity to expand its retail network to over 200 stores across North America and internationally by the end of 2018.
- **LXR’s opportunity to scale its e-Commerce activities.** In 2016, LXR’s e-Commerce revenue represented approximately 5%<sup>2</sup> of total net revenue. LXR believes there is an opportunity to grow e-Commerce revenue to approximately 20% of total net revenue in 2021.
- **LXR’s opportunity to improve operating margins through the diversification of product supply.** In 2016, LXR sourced 87% of its products from third party suppliers in Japan and 13% from other sources, including 4% from its consumer buying program. It is LXR’s intention to increase the amount of product it sources directly from consumers in order to improve margins while still maintaining the benefits of better inventory control achieved through purchases from third party suppliers.
- **LXR has an experienced, motivated and entrepreneurial management team.** Led by Fred Mannella, Founder and Chief Executive Officer, and Kei Izawa, Co-Founder and Chief Operating Officer, LXR has grown into a leading international omni-channel retailer of pre-owned vintage luxury handbags and accessories. LXR’s executive management team is composed of eight professionals who have expertise in retailing, luxury products marketing and operational leadership. At Closing, and

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<sup>2</sup> Based on the full year 2016 revenue of Groupe Global, LXR’s e-Commerce subsidiary, divided by the pro-forma revenue of LXR had Groupe Global been wholly-owned by LXR for all of 2016. On January 1, 2017, LXR re-acquired the interest it did not own of Groupe Global. See “Management’s Discussion and Analysis of LXR – Subsequent Events” in the Prospectus.

assuming redemption levels of 50% and 100%, Fred Mannella and Kei Izawa will collectively own 22.9% and 34.8% of the Company, respectively.

- **LXR provides an opportunity for Gibraltar Growth to use its expertise and network to add value.** Gibraltar Growth will continue to leverage its experience and expertise and that of its network of relationships in consumer products, branding and retailing, and mergers and acquisitions to accelerate the Company's growth. In addition, upon completion of the LXR Acquisition, Cam di Prata, current Co-Chief Executive Officer and director of Gibraltar Growth, will assume the role of Executive Chair and will continue as a director of the Company. Joe Mimran, current Chairman, Co-Chief Executive Officer and director of Gibraltar Growth, will continue as a director of the Company and chair of the International Development Committee of the Board.

The Board also considered a number of potential risks and other factors resulting from the LXR Acquisition and the Purchase Agreements, including:

- **Risks of Non-completion.** The risk to Gibraltar Growth of the LXR Acquisition not being completed, including the costs to Gibraltar Growth incurred in pursuing the LXR Acquisition and the risk associated with the temporary diversion of Gibraltar Growth management's attention away from searching for other qualifying acquisition targets.
- **Conditions.** The conditions to the parties' obligations to complete the LXR Acquisition and the right of the Vendors to terminate the Purchase Agreement under certain circumstances.
- **Redemptions of Class A Restricted Voting Shares.** Gibraltar Growth considered the impact of a varying degree of redemptions of Class A Restricted Voting Shares on the Company following Closing.

**The above discussion of the information and factors considered and evaluated by the Board is not intended to be exhaustive of all factors considered and evaluated by the Board. The conclusions and recommendations of the Board were made after considering the totality of such information and factors, including the risk factors discussed in the section entitled "Risk Factors" in the Prospectus.**

#### **LXR Acquisition Fair Market Value Threshold**

The rules of the TSX governing special purpose acquisition corporations require that the business or assets acquired in a qualifying acquisition have a fair market value equal to at least 80% of the funds held in the escrow account (excluding the deferred underwriting commissions and taxes payable on the income earned on the escrow account) (the "**Fair Market Value Test**"). As of the date of the execution of the Purchase Agreement, the balance of the funds in Gibraltar Growth's escrow account was approximately \$105.2 million and 80% thereof was approximately \$81.1 million (excluding approximately \$3.9 million of deferred underwriting commissions and taxes payable on the amounts earned). In determining whether the aggregate transaction value represents the fair market value of the businesses and assets being acquired, the Board considered the factors described above, including the Special Committee recommendation, the Private Placement and the preliminary valuation of the Valuator. Following its discussions, the Board determined that the aggregate transaction value exceeded 80% of the funds then held in Gibraltar Growth's escrow account (excluding the deferred underwriting commissions and taxes payable on the income earned on the escrow account), and the Board concluded that the LXR Acquisition satisfied the Fair Market Value Test. In light of the financial background and experience of the members of Gibraltar Growth's management team and the Board, the Board believes that the members of Gibraltar Growth's management team and the Board are qualified to determine whether the LXR Acquisition meets the Fair Market Value Test.

#### **Related Party Interests**

The Vendors include Gibraltar & Company, the parent company of the Sponsor, which owns approximately 8.1% of LXR, Gibraltar Ventures, a venture capital fund managed by Gibraltar & Company, which owns approximately 11.0% of LXR, and an officer of Gibraltar & Company, who owns 0.2% of LXR on a fully-diluted basis. As a result of these relationships, the acquisition of shares of LXR from these Vendors and the subscription of 103,500 Class B Shares by the Sponsor pursuant to the Gibraltar New Subscription (the "**Related Party Transactions**") constitute "related party transactions" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") and, subject to an exemption being available, would be subject to the minority approval and formal valuation requirements set out in MI 61-101 (the "**MI 61-101 Requirements**"). The Related

Party Transactions would be exempt from the MI 61-101 Requirements if neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Related Party Transactions exceeds 25% of Gibraltar Growth's "market capitalization" (the "**Transaction Size Exemptions**"). Under MI 61-101, an issuer's "market capitalization" is calculated based on the outstanding "equity securities" of the issuer. As the Class A Restricted Voting Shares do not have a residual right to share in the assets of Gibraltar Growth on a liquidation or winding-up, the Class A Restricted Voting Shares do not constitute "equity securities" for purposes of determining the "market capitalization" of Gibraltar Growth and therefore, subject to exemptive relief being obtained, Gibraltar Growth's market capitalization as determined under MI 61-101 would be calculated only on the basis of the outstanding Class B Shares.

Gibraltar Growth was granted a decision by the Ontario Securities Commission, as principal regulator, on April 21, 2017 exempting the LXR Acquisition from the MI 61-101 Requirements provided that the LXR Acquisition would qualify for the Transaction Size Exemptions if the Class A Restricted Voting Shares represented all of the outstanding equity securities of Gibraltar Growth for the purposes of calculating Gibraltar Growth's market capitalization under MI 61-101. On the basis of the Class A Restricted Voting Shares representing all of the outstanding equity securities of Gibraltar Growth, the fair market value of the LXR Acquisition and the fair market value of the consideration for the LXR Acquisition, in each case and insofar as it involves interested parties, represents approximately 16% of Gibraltar Growth's market capitalization.

Due to the involvement of Gibraltar & Company, Gibraltar Ventures and the officer of Gibraltar & Company in the LXR Acquisition, the TSX has required that (a) the LXR Acquisition be approved by the Board on the recommendation of the directors who are unrelated to the LXR Acquisition, and (b) that the value of LXR be established in an independent report. In addition, the TSX requires that the LXR Acquisition be approved by a majority of the Disinterested Shareholders. The Sponsor currently owns 15.7% of the issued and outstanding Shares. Gibraltar & Company, which is the parent of the Sponsor, does not directly own any shares of Gibraltar Growth. Gibraltar Ventures and the officer of Gibraltar & Company do not own any shares of Gibraltar Growth. It is anticipated that upon completion of the LXR Acquisition and based on assumed redemption levels of 50% and 100%, the Sponsor and Gibraltar & Company will, in the aggregate, own 15.9% or 21.6% of the issued and outstanding shares of Gibraltar Growth, respectively.<sup>3</sup>

The members of the Special Committee and the Board were aware of these differing interests and considered them, among other matters, in evaluating and negotiating the transaction documents and in recommending to Shareholders that they vote for the Qualifying Acquisition Resolution.

See "Interest of Certain Persons or Companies In Matters to be Acted Upon".

### **Timing of Completion of the LXR Acquisition**

Subject to obtaining certain approvals and the satisfaction of certain conditions, it is anticipated that the LXR Acquisition will be completed in June 2017.

## **SHAREHOLDER AND REGULATORY APPROVALS**

To become effective, the Qualifying Acquisition Resolution will require approval by a majority of the votes cast by Disinterested Shareholders, present in person or represented by proxy at the Meeting, voting together as if the Class A Restricted Voting Shares and Class B Shares were a single class of shares. The Sponsor and its Affiliates hold 2,131,749 Class B Shares (representing 15.7% of the issued and outstanding Shares), which Shares shall be excluded for the purpose of approving the Qualifying Acquisition Resolution.

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<sup>3</sup> Reflects 2,131,749 Class B Shares currently owned by the Sponsor plus 103,500 Class B Shares acquired pursuant to the Gibraltar New Subscription plus 10,350 Class B Shares received pursuant to the Commitment Fee, net of 170,455 Class B Shares forfeited pursuant to the terms of the Commitment Fee. In addition, this assumes the addition of 612,835 Class B Shares received by Gibraltar & Company as part of the Equity Consideration and 167,141 Class B Shares representing Gibraltar & Company's share of the Equity Consideration received by Gibraltar Ventures.

Closing is subject to the approval of the TSX of the LXR Acquisition as Gibraltar Growth's "qualifying acquisition". Gibraltar Growth has applied to list up to 35,437,813 Class B Shares on the TSX after Closing (representing approximately 261.02% of the Shares which are outstanding), as detailed in the table below. As part of the application process, Gibraltar Growth is required to provide evidence that it is able to meet the original listing requirements of the TSX. The application has not yet been approved by the TSX.

**Class B Shares for which Gibraltar Growth is  
Applying for Listing on the TSX (#)**

|   |                   |
|---|-------------------|
| Class A Restricted Voting Shares <sup>(1)</sup> .....   | 10,450,000        |
| Class B Shares to be reserved for issuance upon the<br>exercise of the Warrants .....   | 10,861,250        |
| Existing Class B Shares held by the Founders <sup>(2)</sup> .....   | 2,876,563         |
| Class B Shares to be Issued to the Vendors on<br>Closing Pursuant to the Purchase Agreements <sup>(3)</sup> .....   | 6,813,967         |
| Class B Shares to be reserved for issuance to the<br>Vendors pursuant to LXR's employee stock option<br>plan .....  | 293,380           |
| Class B Shares to be reserved for issuance to the<br>Vendors pursuant to the Purchase Agreement upon<br>any adjustment to the Purchase Price following<br>Closing ..... | 1,392,653         |
| Class B Shares issuable pursuant to the Private<br>Placement (including the Commitment Fee) .....   | 2,750,000         |
| <b>Total</b>  | <b>35,437,813</b> |

**Notes:**

- (1) Assumes no Class A Restricted Voting Shares are redeemed.
- (2) Takes into account the forfeiture of 250,000 Class B Shares as the Commitment Fee.
- (3) Up to an additional 500,000 Class B Shares may be issued to the Management Vendors depending on the level of redemptions.

**CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations under the Tax Act, as of the date hereof, generally applicable to an investor who beneficially owns Class A Restricted Voting Shares and, for purposes of the Tax Act, holds such shares and will hold Class B Shares acquired on the automatic conversion of Class A Restricted Voting Shares in connection with the LXR Acquisition as capital property and who deals at arm's length and is not affiliated with Gibraltar Growth (a "**Holder**"). A Class A Restricted Voting Share or Class B Share (as applicable) will generally be considered to be capital property to a Holder unless: (i) the Holder holds the Share in the course of carrying on a business of buying and selling securities; or (ii) the Holder has acquired the Share in a transaction or transactions considered to be an adventure in the nature of trade. This summary does not apply to any of the Founders, the Vendors or any member of Gibraltar Growth's management.

This summary does not apply to a Holder: (i) that is a "financial institution" for purposes of the mark-to-market rules in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) that reports its "Canadian tax results" within the meaning of the Tax Act in a currency other than Canadian currency; (iv) an interest in which is a "tax shelter investment" for purposes of the Tax Act; (v) that has entered or will enter into a "derivative forward agreement" as defined in the Tax Act with respect to any of its Shares; or (vi) that would receive dividends on the Class B Shares under or as part of a "dividend rental arrangement" as defined in the Tax Act. Such Holders should consult their own tax advisors.

This summary does not address the possible application of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act to a Holder that: (i) is a corporation resident in Canada; and (ii) is (or does not deal at arm's length for

purposes of the Tax Act with a corporation resident in Canada that is), or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of a Class B Share, controlled by a non-resident corporation for purposes of such rules. Such Holders should consult their own tax advisors with respect to the possible application of these rules.

This summary is based on facts set out in this Circular, the current provisions of the Tax Act in force as of the date hereof, an understanding of the current administrative policies and assessing practices of the CRA made publicly available prior to the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”). No assurances can be given that the Proposed Amendments will be enacted or will be enacted as proposed. Other than the Proposed Amendments, this summary does not take into account or anticipate any changes in law or the administrative policies or assessing practices of the CRA, whether by judicial, legislative, governmental or administrative decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder and no representations with respect to the income tax consequences to any particular holder are made. This summary is not exhaustive of all Canadian federal income tax considerations and does not describe the income tax considerations relating to the Warrants. Accordingly, Holders are urged to consult their own tax advisors with respect to their own particular circumstances.**

#### **Holders Resident in Canada**

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for purposes of the Tax Act and any applicable income tax treaty or convention (a “**Resident Holder**”). A Resident Holder whose Class A Restricted Voting Shares or Class B Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have such Shares and every other “Canadian security” (as defined in the Tax Act) owned by such Resident Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Resident Holders are urged to consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.

#### ***Acquisition of Class B Shares on the Automatic Conversion***

The automatic conversion of Class A Restricted Voting Shares into Class B Shares will be deemed not to constitute a disposition of property for purposes of the Tax Act and, accordingly, will not give rise to a capital gain or capital loss.

The cost to a Resident Holder of Class B Shares received on the conversion of Class A Restricted Voting Shares will be deemed to be equal to the Resident Holder’s adjusted cost base of the converted Class A Restricted Voting Shares immediately before the conversion. For the purpose of computing the adjusted cost base to a Resident Holder of each Class B Share acquired on the conversion of a Class A Restricted Voting Share, the cost of such Class B Share must be averaged with the adjusted cost base to such Resident Holder of all other Class B Shares (if any) held by the Resident Holder as capital property immediately before the conversion.

#### ***Redemptions***

If a Resident Holder elects to have all or a portion of its Class A Restricted Voting Shares redeemed pursuant to an election made under this Circular, such Holder will be deemed to have received a dividend equal to the amount, if any, paid by Gibraltar Growth in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. The tax consequences to a Resident Holder as a result of being deemed to have received a dividend on such redemption generally will be the same as set out under “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Holding and Disposing of Class B Shares – Dividends” below. The amount of any deemed dividend will not be included in computing the Resident Holder’s proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. The tax consequences to a Resident Holder that realizes a capital gain or capital loss on such redemption generally will be the same as set out under “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Holding and Disposing of Class B Shares – Disposition of Class B Shares” below. In the case of a corporate

Resident Holder, it is possible that in certain circumstances all or part of any such deemed dividend may be treated as proceeds of disposition and not as a dividend. See “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Holding and Disposing of Class B Shares– Dividends” below.

### ***Holding and Disposing of Class B Shares***

#### ***Dividends***

A Resident Holder will be required to include in computing its income for a taxation year dividends received or deemed to be received on the Class B Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations. Taxable dividends received from a taxable Canadian corporation which are designated by such corporation as “eligible dividends” will be subject to an enhanced gross-up and dividend tax credit regime in accordance with the rules in the Tax Act. Following the LXR Acquisition, there may be limitations on the ability of Gibraltar Growth to designate dividends as eligible dividends.

In the case of a Resident Holder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year will generally be deductible in computing its taxable income for that taxation year. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations are urged to consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a “private corporation” or a “subject corporation”, each as defined in the Tax Act, will generally be liable to pay a refundable tax under Part IV of the Tax Act on dividends received on the Class B Shares to the extent such dividends are deductible in computing the Resident Holder’s taxable income for the year. A “subject corporation” is generally a corporation (other than a private corporation) controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts).

#### ***Disposition of Class B Shares***

Upon a disposition or deemed disposition of a Class B Share (other than a disposition of a Class B Share to Gibraltar Growth in circumstances other than a purchase by Gibraltar Growth in the open market in the manner in which shares are normally purchased by a member of the public in the open market), a Resident Holder will realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the Resident Holder’s proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Resident Holder of the particular Class B Share immediately before the disposition or deemed disposition.

A Resident Holder will be required to include in computing its income for the taxation year of disposition one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in such taxation year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder will be required to deduct one-half of the amount of any capital loss realized in a particular taxation year (an “**allowable capital loss**”) against taxable capital gains realized in the taxation year. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such taxation years, to the extent and under the circumstances specified in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of a Class B Share by a Resident Holder that is a corporation may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such share (or on a share for which such share is substituted or exchanged) to the extent and under the circumstances specified in the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

A Resident Holder that is throughout the relevant taxation year a “Canadian controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax on its “aggregate investment income” (as defined in the Tax Act) for the year, including taxable capital gains.

### ***Alternative Minimum Tax***

In general terms, a Resident Holder who is an individual (other than certain trusts) that receives or is deemed to have received taxable dividends on the Class B Shares or on a redemption of a Class A Restricted Share, or who realizes a capital gain on the disposition or deemed disposition of a Class B Share, may be liable for alternative minimum tax under the Tax Act. Resident Holders that are individuals are urged to consult their own tax advisors in this regard.

### **Holders not Resident in Canada**

This portion of the summary generally applies to a Holder who, at all relevant times: (i) is not, and is not deemed to be, resident in Canada for purposes of the Tax Act or any applicable income tax treaty or convention; and (ii) does not and will not use or hold, and is not and will not be deemed to hold, any of its Shares in connection with carrying on a business in Canada for purposes of the Tax Act (a “**Non-Resident Holder**”). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere. Such Holders are urged to consult their own tax advisors having regard to their own circumstances.

### ***Acquisition of Class B Shares on the Automatic Conversion***

The tax consequences to a Non-Resident Holder as a result of the automatic conversion of its Class A Restricted Voting Shares into Class B Shares generally will be the same as set out under “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Acquisition of Class B Shares on the Automatic Conversion” above.

### ***Redemptions***

If a Non-Resident Holder elects to have all or a portion of its Class A Restricted Voting Shares redeemed pursuant to an election made under this Circular, such Holder will be deemed to have received a dividend equal to the amount, if any, paid by Gibraltar Growth in excess of the paid-up capital (as determined for purposes of the Tax Act) of such shares at such time. The tax consequences to a Non-Resident Holder as a result of being deemed to have received a dividend on such redemption generally will be the same as set out under “Certain Canadian Federal Income Tax Considerations – Holders not Resident in Canada – Holding and Disposing of Class B Shares – Dividends” below. The amount of any deemed dividend will not be included in computing the Non-Resident Holder’s proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such shares. The tax consequences to a Non-Resident Holder that realizes a capital gain or capital loss on such redemption generally will be the same as set out under “Certain Canadian Federal Income Tax Considerations – Holders not Resident in Canada – Holding and Disposing of Class B Shares – Disposition of Class B Shares” below.

### ***Holding and Disposing of Class B Shares***

#### ***Dividends***

Under the Tax Act, dividends on Class B Shares paid or credited or deemed to be paid or credited to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident. For example, where a Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the Canada-United States Income Tax Convention (1980), as amended, and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax is generally reduced to 15% of the amount of such dividend.

#### ***Disposition of Class B Shares***

Upon a disposition or deemed disposition of a Class B Share (other than a disposition of a Class B Share to Gibraltar Growth in circumstances other than a purchase by Gibraltar Growth in the open market in the manner in which shares are normally purchased by a member of the public in the open market), a Non-Resident Holder will realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the Non-Resident Holder’s proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Non-Resident Holder of the particular Class B Share immediately before the disposition or deemed disposition.

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition of Class B Shares, unless such shares constitute “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

As long as the Class B Shares are then listed on a designated stock exchange for purposes of the Tax Act (which currently includes the TSX), such shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless (a) at any time during the 60-month period immediately preceding the disposition or deemed disposition of the Class B Shares: (i) 25% or more of the issued shares of any class or series of the share capital of Gibraltar Growth were owned by, or belonged to, one or any combination of (x) the Non-Resident Holder, (y) persons with whom the Non-Resident Holder did not deal at arm’s length (within the meaning of the Tax Act), and (z) partnerships in which the Non-Resident Holder or a person referred to in (y) holds a membership interest directly or indirectly through one or more partnerships, and (ii) more than 50% of the fair market value of the Class B Shares was derived directly or indirectly from one or any combination of: (A) real or immovable property situated in Canada, (B) “Canadian resource property” (as defined in the Tax Act), (C) “timber resource property” (as defined in the Tax Act), and (D) options in respect of, or interests in, or for civil law rights in, property described in any of (A) through (C) above, whether or not such property exists; or (b) such shares are deemed under the Tax Act to be taxable Canadian property.

If the Class B Shares are taxable Canadian property to a Non-Resident Holder, any capital gain realized on the disposition or deemed disposition of such shares may not be subject to Canadian federal income tax pursuant to the terms of an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident. Non-Resident Holders whose Class B Shares are taxable Canadian property should consult their own tax advisors.

### **Eligibility for Investment**

Upon Closing, the Class B Shares will be qualified investments for a trust governed by a registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”), deferred profit sharing plan, registered education savings plan (“RESP”), registered disability savings plan (“RDSP”) or tax-free savings account (“TFSA”) (collectively, “Plans”), provided that the Class B Shares are then listed on a designated stock exchange in Canada for purposes of the Tax Act (which currently includes the TSX).

Notwithstanding the foregoing, the holder of a TFSA or the annuitant under an RRSP or RRIF will be subject to a penalty tax in respect of Class B Shares held in the TFSA, RRSP or RRIF, if such shares are “prohibited investments” for the TFSA, RRSP or RRIF. The Class B Shares will generally be prohibited investments for a TFSA, RRSP or RRIF if the holder of the TFSA or the annuitant under the RRSP or RRIF does not deal at arm’s length with Gibraltar Growth for purposes of the Tax Act, or the holder or annuitant has a “significant interest” (as defined in subsection 207.01(4) the Tax Act) in Gibraltar Growth. If certain Proposed Amendments announced on March 22, 2017 are enacted as proposed, the prohibited investment rules will extend to trusts governed by RESPs and RDSPs. Holders who intend to hold Class B Shares in a Plan are urged to consult their own tax advisors as to whether the Class B Shares will be prohibited investments in their particular circumstances.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

Each registered Shareholder at the close of business on the Record Date is entitled to one vote at the Meeting or at any adjournment thereof, either in person or by proxy.

Gibraltar Growth is authorized to issue an unlimited number of Class A Restricted Voting Shares and an unlimited number of Class B Shares, each without nominal or par value. The Class A Restricted Voting Shares may be “restricted securities” within the meaning of such term under applicable Canadian securities laws. As of the Record Date, Gibraltar Growth had 10,450,000 Class A Restricted Voting Shares, 3,126,563 Class B Shares, and 10,861,250 Warrants issued and outstanding. The Class A Restricted Voting Shares and Class B Shares represent 77.0% and 23.0% of the outstanding Shares, respectively.

As of the date hereof, the only persons who, to the knowledge of Gibraltar Growth, its Board or executive officers, beneficially own, or control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of the voting securities of Gibraltar Growth are as follows:



| Name                                 | Number of Class A Restricted Voting Shares | Percentage of Class A Restricted Voting Shares (%) | Number of Class B Shares | Percentage of Class B Shares (%) |
|--------------------------------------|--|--|--------------------------|----------------------------------|
| The Sponsor                          | —  | —  | 2,131,749                | 68.2                             |
| Polar Asset Management Partners Inc. | 1,500,000                                  | 14.4   | —                        | —                                |
| AQR Capital Management, LLC          | 1,400,000                                  | 13.4   | —                        | —                                |

The Founders hold 3,126,563 Class B Shares in aggregate, which represents 100% of the issued and outstanding Class B Shares. Each of the Founders has agreed to vote their Class B Shares and any Class A Restricted Voting Shares purchased pursuant to or following the IPO in favour of the Qualifying Acquisition Resolution. The Shares held by the Sponsor will not be counted in determining whether Shareholders have approved the Qualifying Acquisition Resolution.

Following Closing, it is expected that there will be approximately 22,890,530 Class B Shares issued and outstanding (assuming that: (i) no Class A Restricted Voting Shares are redeemed; (ii) no Warrants are exercised; (iii) an aggregate of approximately 6,813,967 Class B Shares are issued to the Vendors, on Closing, as partial consideration for the LXR Acquisition; (iv) an aggregate of 2,750,000 Class B Shares are issued pursuant to the Private Placement (including the Commitment Fee); (v) not including up to an additional approximately 293,380 Class B Shares that could be issued in the event that all LXR optionholders exercise their outstanding options; and (vi) not including any Class B Shares that may become issuable in connection with an adjustment to the Purchase Price following Closing in accordance with the Purchase Agreement.

On Closing, Gibraltar & Company and the Sponsor will enter into a voting support agreement (the “**Voting Support Agreement**”) with the Management Vendors. Pursuant to the terms of the Voting Support Agreement, for a period of 12 months from Closing, the Management Vendors shall be appointed as voting trustees in respect of all Class B Shares which are at any time and from time to time owned or acquired, directly or indirectly, by them in the future (the “**Subject Shares**”) by each of Gibraltar & Company and the Sponsor. Until termination of the Voting Support Agreement, the Management Vendors shall, in respect of the Subject Shares, exclusively possess and be entitled, in their sole discretion, to exercise all the rights of voting appertaining to the Subject Shares and all rights in connection with the initiation, taking part in and consenting to any action as shareholders of the Company.

To the knowledge of Gibraltar Growth, assuming redemption levels of 50% and 100%, respectively, following Closing, the only persons who will beneficially own, or control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of the voting securities of the Company are as follows:

| Name   | Number of Class B Shares <sup>(1)</sup> | Percentage of Class B Shares <sup>(1)</sup> |
|--|---|---|
| The Sponsor and Gibraltar & Company <sup>(2)</sup> | 2,855,121                               | 15.9% or 21.6%                              |
| Fred Mannella <sup>(3)</sup>                       | 3,686,949 or 4,135,862                  | 20.5% or 31.3%                              |
| Kei Izawa <sup>(3)</sup>                           | 419,573 or 470,659                      | 2.3% or 3.6%                                |

**Notes:**

- (1) Based on redemption levels of 50% and 100%, respectively. Calculations do not include up to an additional, 1,392,653 Class B Shares are issuable to the Vendors pursuant to the Purchase Agreement upon any adjustment to the Purchase Price following Closing.
- (2) Reflects 2,131,749 outstanding Class B Shares plus 103,500 Class B Shares acquired pursuant to the Gibraltar New Subscription plus 10,350 Class B Shares received pursuant to the Commitment Fee, net of 170,455 Class B Shares forfeited pursuant to the terms of the Commitment Fee. In addition, this assumes the addition of 612,835 Class B Shares received by Gibraltar & Company and 167,141 Class B Shares representing Gibraltar & Company’s share of the Equity Consideration received by Gibraltar Ventures.
- (3) Pursuant to the terms of the proposed Voting Support Agreement, in addition to the Class B Shares noted above, the Fred Mannella and Kei Izawa exclusively possess and are entitled, in their sole discretion, to exercise all the rights of voting appertaining to 2,855,121 Class B Shares (being the Subject Shares) and all rights in connection with the initiation, taking part in and consenting to any action as Shareholders of the Company.

## **IF THE LXR ACQUISITION IS NOT COMPLETED**

### **Permitted Timeline**

In the event the LXR Acquisition is not completed, Gibraltar Growth will have until July 2, 2017 (21 months from the IPO Closing) to consummate a qualifying acquisition (the “**Permitted Timeline**”). If Gibraltar Growth believes that it needs an extension of the Permitted Timeline to successfully execute a qualifying acquisition, it can hold a meeting of the holders of Class A Restricted Voting Shares and seek approval of an extension of the Permitted Timeline to no later than October 2, 2018 (36 months from the IPO Closing) from the holders of the Class A Restricted Voting Shares by ordinary resolution. TSX approval of any extension to the Permitted Timeline may also be required. In connection with such a meeting, prior to the second business day before such meeting, holders of Class A Restricted Voting Shares would be permitted to deposit all or a portion of their Class A Restricted Voting Shares for redemption, subject to the extension of the Permitted Timeline being approved at the meeting and implemented, and applicable law. Upon the extension of the Permitted Timeline, Gibraltar Growth would be required to redeem such Class A Restricted Voting Shares so deposited at an amount per share, payable in cash, equal to the *pro rata* portion of: (i) the escrowed funds available in the escrow account at the time of the meeting in respect of the extension, including any interest or other amounts earned thereon, less (ii) an amount equal to the total of (a) any applicable taxes payable by Gibraltar Growth on such interest and other amounts earned in the escrow account, (b) any taxes of Gibraltar Growth (including under Part VI.1 of the Tax Act) arising in connection with the redemption of the Class A Restricted Voting Shares, and (c) actual and expected expenses directly related to the redemption. For greater certainty, such amount will not be reduced by the deferred underwriting commissions per Class A Restricted Voting Share held in the escrow account. Holders of Class A Restricted Voting Shares will be given not less than 21 days’ notice of any such meeting and of the redemption deadline.

### **Automatic Redemption of Class A Restricted Voting Shares if No Qualifying Acquisition**

If Gibraltar Growth is unable to consummate a qualifying acquisition within the Permitted Timeline (and any extensions thereto in accordance with the process described above under “If the LXR Acquisition is Not Completed – Permitted Timeline”), Gibraltar Growth will be required to redeem, as promptly as reasonably possible, on an automatic redemption date specified by it (such date to be within 10 days following the last day of the Permitted Timeline), each of the outstanding Class A Restricted Voting Shares. Such redemption will completely extinguish the rights of holders of Class A Restricted Voting Shares as Shareholders (including the right to receive further liquidation distributions, if any), subject to applicable law. At such time, the Warrants will expire; holders of Warrants will receive nothing upon a liquidation with respect to such Warrants and the Warrants will be worthless.

The Founders will not be entitled to redeem their Class B Shares (including their Founders’ Shares) in connection with a qualifying acquisition or entitled to access the escrow account upon a Winding-Up. The Founders (including the Sponsor) will, however, be entitled to redeem any Class A Restricted Voting Shares they may have acquired or will acquire.

The underwriters of the IPO will have no right to their deferred underwriting commission held in the escrow account in connection with a Winding-Up.

## **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Other than as disclosed elsewhere in this Circular and below, Gibraltar Growth is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer of Gibraltar Growth at any time since the commencement of Gibraltar Growth’s most recently completed financial year or of any associate or Affiliate of any such directors and executive officers, in respect of any matter to be acted on at the Meeting.

In considering the recommendation of the Board to vote for the proposals presented at the Meeting, Shareholders should be aware that (i) the directors and executive officers of Gibraltar Growth may have interests in the LXR Acquisition that are different from, or in addition to, the interests of Shareholders generally, and (ii) the Vendors include Gibraltar & Company, the parent company of the Sponsor, which owns approximately 8.1% of LXR, Gibraltar Ventures, a venture capital fund managed by Gibraltar & Company, which owns approximately 11.0% of LXR, and an officer of Gibraltar & Company, who owns 0.2% of LXR. Due to the involvement of Gibraltar &

Company, Gibraltar Ventures and the officer of Gibraltar & Company in the LXR Acquisition, the TSX has required that (a) the LXR Acquisition be approved by the Board on the recommendation of the directors who are unrelated to the LXR Acquisition, and (b) that the value of LXR be established in an independent report. In addition, the TSX requires that the LXR Acquisition be approved by a majority of the votes cast by Disinterested Shareholders.

The members of the Board were aware of these differing interests and considered them, among other matters, in evaluating and negotiating the transaction agreements and in recommending to Shareholders that they vote in favor of the proposals presented at the Meeting. See “The LXR Acquisition – Related Party Interests”, “Conflicts of Interest” and “Risk Factors” in the Prospectus for further information.

## Ownership of Shares

The names of the directors and executive officers of Gibraltar Growth, the positions held by them and the designation, percentage of class and number of outstanding securities of Gibraltar Growth beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them and, where known after reasonable enquiry, by their respective associates are as follows:

| Name<br>Position <sup>(1)</sup>  | Founders'<br>Shares | Number of<br>Warrants | Total Class<br>B Shares | Percentage of<br>Outstanding<br>Class B<br>Shares | Percentage of<br>Outstanding<br>Shares |
|--|---------------------|-----------------------|-------------------------|---|--|
| <b>Joseph Mimran</b><br>Chairman, Co-Chief Executive Officer<br>and Director ..... | —                   | —                     | —                       | —   | —                                      |
| <b>Camillo di Prata</b><br>Co-Chief Executive Officer and Director....             | —                   | —                     | —                       | —   | —                                      |
| <b>Javier San Juan</b><br>Vice-Chairman and Director .....                         | —                   | —                     | —                       | —   | —                                      |
| <b>Jeremy Stepak</b><br>Chief Financial Officer and Corporate<br>Secretary .....   | —                   | —                     | —                       | —   | —                                      |
| <b>John M. Cassaday</b><br>Director .....  | 211,362             | 32,012                | 243,374                 | 7.8%  | 1.8%                                   |
| <b>James Haggarty</b><br>Director .....  | 18,514              | 2,804                 | 21,318                  | 0.7%  | 0.2%                                   |
| <b>Earl Rotman</b><br>Director .....   | 211,362             | 32,012                | 243,374                 | 7.8%  | 1.8%                                   |
| <b>Som Seif</b><br>Director .....  | —                   | —                     | —                       | —   | —                                      |
| <b>Joseph M. Natale</b><br>Director .....  | 211,362             | 32,012                | 243,374                 | 7.8%  | 1.8%                                   |

### Notes:

- (1) On Closing, Frederick Mannella will succeed Mr. Mimran, who will continue to serve as a director of the Company, and Mr. di Prata, who will become the Company's Executive Chair, as Chief Executive Officer and will also be appointed as a director, Kei Izawa will be appointed Chief Operating Officer and as a director, Steven Goldsmith and Luc Mannella will join the Board, Javier San Juan will continue to serve as a director, and Jeremy Stepak will continue as the Company's Chief Financial Officer on an interim basis. See “Directors and Executive Officers” in the Prospectus.

The directors and officers of Gibraltar Growth hold an aggregate of 751,440 Class B Shares, representing approximately 24.0% of the Class B Shares and approximately 5.5% of the Shares. The directors and officers do not have access to, and cannot benefit from, any proceeds held in the escrow account in respect of their Class B Shares, and as such, do not have any redemption rights with respect to the Class B Shares. In addition, the directors and officers are not entitled to access to the escrow account in respect of their Class B Shares upon a Winding-Up. As a

result, the personal and financial interests of the directors and officers may not align with the interests of other Shareholders.

On the IPO Closing, the Founders entered into the Forfeiture and Transfer Restrictions Agreement and Undertaking, pursuant to which each Founder agreed to certain forfeiture and transfer restrictions in respect of their Founders' Shares, Class B Shares, and Warrants. Pursuant to the Forfeiture and Transfer Restrictions Agreement and Undertaking, each of the Founders agreed not to transfer any of his, her, or its (i) Founders' Shares until the earlier of: (a) one year following completion of a qualifying acquisition, and (b) the closing share price of the Class B Shares equaling or exceeding \$12.00 per Class B 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 at any time following the closing of a qualifying acquisition, subject to applicable securities laws, TSX rules and applicable escrow requirements, and (ii) not to transfer any of his, her, or its Class B Shares or Warrants (which were underlying the Class B Units) until a date that is 30 days after the closing of a qualifying acquisition, in each case except for transfers required due to the structuring of the qualifying acquisition, in which case such restriction would apply to the securities received in connection with the qualifying acquisition. Class A Restricted Voting Shares held by the Founders are not subject to the restrictions set out in the Forfeiture and Transfer Restrictions Agreement and Undertaking.

In addition to the transfer restrictions set out above, and pursuant to the Forfeiture and Transfer Restrictions Agreement and Undertaking, the Founders agreed that 25% of the Founders' Shares held by each of the Founders would be subject to forfeiture by the Founders on the fifth anniversary of Gibraltar Growth's qualifying acquisition unless the closing share price of the Class B Shares exceeded \$13.00 (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 at any time following the closing of a qualifying acquisition. The Founders' Forfeiture Shares are subject to additional transfer restrictions until the foregoing \$13.00 closing Class B Share price forfeiture condition is satisfied, at which point they will, as applicable, become subject to the same ongoing restrictions applicable to the other Founders' Shares at that time (which may include escrow restrictions applicable to the Founders' Shares and any other restrictions mandated by the TSX or described herein). The Founders' Forfeiture Shares cannot be transferred until fulfillment of the foregoing conditions and subject to all of the restrictions applicable to the other Founders' Shares.

In connection with the Closing, the Founders will modify the terms of the Forfeiture and Transfer Restrictions Agreement and Undertaking as follows: to make an additional 25% of the Founders' Shares held by each the Founders, or 5% of the aggregate Class B Shares and Class A Restricted Voting Shares issued and outstanding immediately following the conclusion of the IPO over-allotment period, subject to forfeiture by the Founders on the fifth anniversary of the qualifying acquisition unless the closing share price of the Class B Shares exceeds \$15.00 (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 at any time following the closing of the LXR Acquisition. In the event of a change of control of Gibraltar Growth following the LXR Acquisition, the restrictions on transfer on the Founders' Shares will terminate.

As a result of this amendment, (i) the Founders will voluntarily double the proportion of their at risk Founders' Shares from 25% to 50%; and (ii) 50% of which will be subject to a hurdle price of \$13.00 per Class B Share and the remaining 50% of which will be subject to a hurdle price of \$15.00 per Class B Share, with such price hurdles being adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations and recapitalizations.

### **Indemnification and Insurance**

Gibraltar Growth maintains a director and officer insurance program to limit Gibraltar Growth's exposure to claims against, and to protect, its directors and officers. In addition, Gibraltar Growth has entered into indemnification agreements with each of its directors and officers. The indemnification agreements generally require that Gibraltar Growth indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to Gibraltar Growth as directors and officers, provided that the indemnitees acted honestly and in good faith and in a manner the indemnitees reasonably believed to be in, or not opposed to, Gibraltar Growth's best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that his or her conduct was unlawful. The

indemnification agreements also provide for the advancement of defence expenses to the indemnitees by Gibraltar Growth. Statutory indemnification rights also apply. The escrowed proceeds are not accessible to cover any of the foregoing indemnities.

#### **AUDITORS, TRANSFER AGENT, WARRANT AGENT AND ESCROW AGENT**

Gibraltar Growth's auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants having an address at 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2. Such firm is independent of Gibraltar Growth within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario).

The independent auditors of LXR are Ernst & Young LLP, 800 René-Lévesque Blvd. West, Suite 1900, Montreal, Québec H3B 1X9. Ernst & Young LLP have advised the Company that they are independent with respect to the Company within the meaning of the Code of Ethics of the Ordre des comptables professionnels agréés du Québec.

TSX Trust Company, at its principal offices in Toronto, Ontario, is the transfer agent and registrar for Gibraltar Growth's Class A Restricted Voting Shares and is the Warrant Agent for Gibraltar Growth's Warrants under the Warrant Agreement. Following Closing, TSX Trust Company will be the transfer agent and registrar for the Gibraltar Growth's Class B Shares.

TSX Trust Company, at its principal offices in Toronto, Ontario, is the Escrow Agent.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed elsewhere in this Circular, no informed person of Gibraltar Growth, nor any associate or Affiliate of any informed person, has any material interest, direct or indirect, in any transaction since the commencement of Gibraltar Growth's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Gibraltar Growth.

#### **OTHER BUSINESS**

Management knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters shall properly come before the Meeting, it is the intention of the persons named in the form of proxy to vote on such matters in accordance with their best judgment.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Any amendment to the Prospectus that, prior to the Redemption Election Deadline, is filed with the Ontario Securities Commission and other securities regulatory authorities in Canada, shall be deemed to be incorporated by reference in this Circular. Copies of any such amendment may be obtained on request without charge upon request to Gibraltar Growth at 130 Adelaide Street West, Suite 1700, Toronto, Ontario, M5H 3P5, or by accessing the disclosure documents available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

Any statement contained in this Circular or the Prospectus, or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded, for purposes of this Circular and the Prospectus, to the extent that a statement contained in this Circular or the Prospectus or in any subsequently filed amendment to the Prospectus (or part thereof) that also is, or is deemed to be, attached to or incorporated by reference in this Circular modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Circular or the Prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

### **ADDITIONAL INFORMATION**

Additional information relating to Gibraltar Growth can be found under Gibraltar Growth's profile at [www.sedar.com](http://www.sedar.com). Financial information is provided in Gibraltar Growth's audited financial statements as at and for the period ended December 31, 2016, and management's discussion and analysis related thereto, which can be found under Gibraltar Growth's profile at [www.sedar.com](http://www.sedar.com). Copies of Gibraltar Growth's financial statements and management's discussion and analysis may be obtained, without charge, upon request to Gibraltar Growth at 130 Adelaide Street West, Suite 1700, Toronto, Ontario, M5H 3P5.

## GLOSSARY OF TERMS

*In this Circular, the following capitalized terms shall have the following meanings, in addition to other terms defined elsewhere in this Circular.*

“**Affiliate**” means, when describing a relationship between two persons, that either one of them is under the direct or indirect control of the other, or each of them is directly or indirectly controlled by the same person;

“**allowable capital loss**” has the meaning set out in “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Holding and Disposing of Class B Shares – Disposition of Class B Shares”;

“**Board**” means Gibraltar Growth’s board of directors, as constituted from time to time;

“**business day**” means a day, other than a Saturday, Sunday or statutory or civic holiday in Ontario, when banks are generally open for the transaction of business in Toronto, Ontario;

“**Cash Consideration**” means up to a maximum of \$5.0 million to the Management Vendors as partial consideration to the Vendors for the Purchase Price in accordance with the Purchase Agreement;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CDS Participant**” has the meaning set out in “General Information Respecting the Meeting – Redemption Rights – Process for Redemption by Non-Registered Holders of Class A Restricted Voting Shares”;

“**Circular**” means this management information circular dated effective May 12, 2017, together with all appendices hereto, distributed by Gibraltar Growth in connection with the Meeting;

“**Class A Qualifying Acquisition Redemption Price**” means an amount per share equal to the *pro rata* portion of: (i) the escrowed funds available in Gibraltar Growth’s escrow account, including interest and other amounts earned thereon, less (ii) an amount equal to the total of (A) applicable taxes payable by Gibraltar Growth on such interest and other amounts earned in Gibraltar Growth’s escrow account and (B) actual and expected direct expenses related to the redemption, each as reasonably determined by Gibraltar Growth, as at the effective date of the redemption; for greater certainty, such amount will not be reduced by the amount of any tax of Gibraltar Growth under Part VI.1 of the Tax Act or the deferred underwriting commissions per Class A Restricted Voting Share held in escrow;

“**Class A Restricted Voting Shares**” means the Class A restricted voting shares in the capital of Gibraltar Growth, which are “restricted securities” within the meaning of such term under applicable Canadian securities laws, and each a “**Class A Restricted Voting Share**”;

“**Class A Restricted Voting Units**” means the Class A restricted voting units distributed to the public by Gibraltar Growth at an offering price of \$10.00 per Class A Restricted Voting Unit under a prospectus dated September 25, 2015, each comprised of one Class A Restricted Voting Share and one Warrant, and each a “**Class A Restricted Voting Unit**”;

“**Class B Shares**” means the Class B shares in the capital of Gibraltar Growth, and each a “**Class B Share**”;

“**Class B Units**” means the Class B units sold to the Founders simultaneously with the public offering of Class A Restricted Voting Units, at an offering price of \$10.00 per Class B Unit, each comprised of one Class B Share and one Warrant, and each a “**Class B Unit**”;

“**Closing**” means the closing of the LXR Acquisition;

“**Commitment Fee**” has the meaning set out under the heading “The LXR Acquisition – Overview” in the Prospectus;

“**Company**” means Gibraltar Growth after giving effect to the LXR Acquisition;

**“Corporations Act”** means the *Business Corporations Act* (Ontario), as it may be amended from time to time;

**“CRA”** means the Canada Revenue Agency;

**“Disinterested Shareholders”** means all of the Shareholders of Gibraltar Growth, other than the Sponsor and its Affiliates;

**“Engagement Letter”** has the meaning set out under the heading “The LXR Acquisition – Valuation”;

**“Equity Consideration”** means the Class B Shares of Gibraltar Growth to be issued or reserved for issuance at \$10.00 per Class B Share as partial consideration to the Vendors for the Purchase Price in accordance with the Purchase Agreement;

**“Escrow Agent”** means TSX Trust Company;

**“Escrow Agreement”** means the escrow agreement dated October 2, 2015, between the Corporation, the Escrow Agent, and CIBC World Markets Inc. and TD Securities Inc. as joint book-runners of the IPO;

**“Executive Chair”** means the Executive Chair of the Board;

**“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;

**“Forfeiture and Transfer Restrictions Agreement and Undertaking”** means the forfeiture and transfer restrictions agreement and undertaking dated October 2, 2015, entered into by the Founders in favour of Gibraltar Growth, CIBC World Markets Inc. and TD Securities Inc. as joint book-runners of the IPO and the TSX;

**“Founders”** means the Sponsor, John M. Cassaday, Michael MacMillan, Joseph M. Natale, Earl Rotman and James Haggarty as the collective holders of the Founders’ Shares;

**“Founders’ Forfeiture Shares”** means the 25% of the Founders’ Shares held by each of the Founders, or 5% of the shares issued and outstanding, which are subject to forfeiture by the Founders on the fifth anniversary of the qualifying acquisition unless the closing share price of the Class B Shares exceeds \$13.00 (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 at any time following the closing of the qualifying acquisition, as the terms of such Founders’ Forfeiture Shares are proposed to be amended as outlined under the heading “Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer” in the Prospectus;

**“Founders’ Shares”** means the 2,715,313 Class B Shares issued to the Founders in connection with the closing of the IPO and for greater certainty does not include the Class B Shares forming part of the Class B Units purchased by the Founders;

**“Gibraltar & Company”** means Gibraltar & Company, Inc.;

**“Gibraltar Growth”** means Gibraltar Growth Corporation;

**“Gibraltar New Subscription”** means the private placement of up to 300,800 Class B Shares, issued at a purchase price of \$10.00 per Class B Share, for aggregate proceeds of over \$3.0 million subscribed for by the Sponsor and certain business associates of Gibraltar & Company, which is to close concurrently with Closing and forms part of the Private Placement;

**“Gibraltar Ventures”** means Gibraltar Ventures Fund One Limited Partnership, a venture capital fund under the management of Gibraltar & Company;

**“Groupe Global”** means Groupe Global LXR, Inc., LXR’s e-Commerce subsidiary;



**“Holder”** has the meaning set out in “Certain Canadian Federal Income Tax Considerations”;

**“IFRS”** means the International Financial Reporting Standards as adopted by the International Accounting Standards Board;

**“IPO”** means Gibraltar Growth’s initial public offering of 10,450,000 Class A Restricted Voting Units (including 450,000 Class A Restricted Voting Units issued upon exercise of the Over-Allotment Option) offered to the public under Gibraltar Growth’s final long form prospectus dated September 25, 2015;

**“IPO Closing”** means the closing of the IPO;

**“LXR”** means LXR Produits de Luxe Internationale Inc.;

**“LXR Acquisition”** means the acquisition of LXR;

**“Management Vendors”** means Frederick Mannella and Kei Izawa;

**“Meeting”** means the special meeting of Shareholders to be held at the offices of Goodmans LLP located at Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, Ontario on June 9, 2017 at 9:00 a.m. (Toronto time);

**“Meeting Materials”** means, collectively, the Notice of Meeting, this Circular, and the enclosed form of proxy;

**“MI 61-101”** means Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions;

**“MI 61-101 Requirements”** has the meaning set out under the heading “The LXR Acquisition – Related Party Interests”;

**“Non-Registered Shareholder”** has the meaning set out in “General Information Respecting the Meeting – Non-Registered Shareholders”;

**“Non-Resident Holder”** has the meaning set out in “Certain Canadian Federal Income Tax Considerations – Holders not Resident in Canada”;

**“Notice of Meeting”** means the notice of special meeting of Shareholders accompanying this Circular;

**“Over-Allotment Option”** has the meaning set out in “The LXR Acquisition – Background on Gibraltar Growth”;

**“Permitted Timeline”** means the allowable time period within which Gibraltar Growth must consummate its qualifying acquisition, being 21 months from the closing of the IPO, as it may be extended as described in Gibraltar Growth’s final long form prospectus dated September 25, 2015;

**“person”** means any individual, partnership, association, body corporate, trust, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

**“Plans”** has the meaning set out in “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

**“Private Placement”** means the equity financing involving the issuance of 2,500,000 Class B Shares, at a purchase price of \$10.00 per Class B Share, for gross proceeds of \$25.0 million. See “The LXR Acquisition” in the Prospectus;

**“Proposed Amendments”** has the meaning set out in “Certain Canadian Federal Income Tax Considerations”;

**“Prospectus”** means Gibraltar Growth’s final non-offering long form prospectus dated May 12, 2017 which is attached to this Circular as Appendix B;

**“Purchase Agreement”** means the share purchase agreement dated April 13, 2017 among Gibraltar Growth and the Vendors relating to the LXR Acquisition, as may be amended, supplemented or otherwise modified from time to time;

**“Purchase Price”** means the purchase price of \$82.5 million, subject to adjustments and payable to the Vendors in accordance with the terms of the Purchase Agreement;

**“Qualifying Acquisition Resolution”** means the ordinary resolution of the Shareholders approving the LXR Acquisition set forth in Appendix A;

**“RDSP”** has the meaning set out in “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

**“Record Date”** means the record date to determine the entitlement of Shareholders to receive notice of, and to vote at, the Meeting or any adjournment or postponement thereof, being the close of business (Toronto time) on April 13, 2017;

**“Redemption Election Deadline”** has the meaning set out under the heading “General Information Respecting the Meeting – Redemption Rights”;

**“Redemption Limitation”** has the meaning set out under the heading “General Information Respecting the Meeting – Redemption Rights”;

**“Redemption Notice”** has the meaning set out in “General Information Respecting the Meeting – Redemption Rights”;

**“Related Party Transactions”** has the meaning set out under the heading “The LXR Acquisition – Related Party Interests”;

**“Resident Holder”** has the meaning set out in “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada”;

**“RESP”** has the meaning set out in “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

**“RRIF”** has the meaning set out in “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

**“RRSP”** has the meaning set out in “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval, accessible at [www.sedar.com](http://www.sedar.com);

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

**“Shares”** means, together, the Class A Restricted Voting Shares and the Class B Shares;

**“Sponsor”** means Gibraltar Opportunity, Inc.;

**“Subject Shares”** has the meaning set out under the heading “Voting Securities and Principal Holders of Voting Securities”;

**“Support Agreements”** means the binding support agreements Gibraltar Growth has entered into with Disinterested Shareholders that beneficially own or exercise discretion or control over Class A Restricted Voting Shares and Class B Shares representing over 52% of the aggregate Class A Restricted Voting Shares and Class B Shares outstanding (calculated on a disinterested basis).

“**Tax Act**” means the *Income Tax Act* (Canada) including the regulations promulgated thereunder, as amended;

“**taxable capital gain**” has the meaning set out in “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Holding and Disposing of Class B Shares – Disposition of Class B Shares”;

“**TFSA**” has the meaning set out in “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

“**Transaction Size Exemptions**” has the meaning set out under the heading “The LXR Acquisition – Related Party Interests”;

“**Transfer Agent**” means TSX Trust Company;

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

“**Valuation Report**” means the valuation report dated April 13, 2017 of the Valuator;

“**Valuator**” means Blair Franklin Capital Partners Inc.;

“**Vendors**” means Frederick Mannella, Kei Izawa, Gibraltar & Company, Gibraltar Ventures, and other private investors as set out in the Purchase Agreement;

“**VIF**” means a voting instruction form;

“**Voting Support Agreement**” means the Voting Support Agreement to be entered into on Closing between Frederick Mannella, Kei Izawa, Gibraltar & Company and the Sponsor;

“**Warrant Agreement**” means the warrant agency agreement between Gibraltar Growth and TSX Trust Company, as warrant agent, dated October 2, 2015, as it may be amended from time to time;

“**Warrants**” means the share purchase warrants of Gibraltar Growth issued under the Warrant Agreement which entitle the holder thereof to purchase one Class A Restricted Voting Share at an exercise price of \$11.50, and each a “Warrant” and

“**Winding-Up**” means the liquidation and cessation of the business of Gibraltar Growth, upon which Gibraltar Growth shall be permitted to use up to a maximum of \$50,000 of any interest and other amounts earned from the proceeds in the escrow account to pay actual and expected costs and expenses in connection with applications to cease to be a reporting issuer and winding-up and dissolution expenses, as determined by Gibraltar Growth.

## **APPROVAL OF THE BOARD OF DIRECTORS**

The contents and the sending of the Notice of Meeting and this Circular have been approved by the Board.

**DATED** effective May 12, 2017

*Joseph Mimran* (signed)

**Chairman, Co-Chief Executive Officer and Director**  
**GIBRALTAR GROWTH CORPORATION**

*Camillo di Prata* (signed)

**Co-Chief Executive Officer and Director**  
**GIBRALTAR GROWTH CORPORATION**

## **CONSENT**

To: The Special Committee of the Board of Directors of Gibraltar Growth Corporation

We refer to the Valuation Report dated April 13, 2017, which we prepared for the Special Committee with respect to the independent valuation of LXR. We consent to the filing of the Valuation Report with applicable securities regulatory authorities and the inclusion of a summary of the Valuation Report in this Circular and the inclusion of the Valuation Report as an Appendix in this Circular. We also consent to being named in the Circular.

Blair Franklin Capital Partners Inc.

*Blair Franklin Capital Partners Inc.* (signed)

Toronto, Ontario

May 12, 2017

## APPENDIX A

### QUALIFYING ACQUISITION RESOLUTION

#### BE IT RESOLVED THAT:

1. The following matters are hereby approved: (a) the qualifying acquisition of Gibraltar Growth Corporation (“**Gibraltar Growth**”) as described in the accompanying management information circular dated May12, 2017 (the “**Circular**”), being the acquisition of all the issued and outstanding shares of LXR Produits de Luxe Internationale Inc. (the “**LXR Acquisition**”), substantially in accordance with the terms and conditions of the share purchase agreement dated April 13, 2017 among Gibraltar Growth and Frederick Mannella, Kei Izawa, Gibraltar & Company, Inc. (“**Gibraltar & Company**”), Gibraltar Ventures Fund One Limited Partnership (“**Gibraltar Ventures**”), and certain other private investors (collectively, the “**Vendors**”), and (b) in accordance with Subsections 501(c), 604(a)(i) and 611(c) of the Toronto Stock Exchange (the “**TSX**”) Company Manual, the issuance or reservation for issuance of up to 11,750,000 class B shares (each, a “**Class B Share**”) of Gibraltar Growth, which number (i) would result in the value of consideration received by insiders or other related parties of Gibraltar Growth under the LXR Acquisition to exceed 10% of the market capitalization of Gibraltar Growth, (ii) will materially affect control of Gibraltar Growth, and (iii) exceeds 25% of the aggregate issued and outstanding class A restricted voting shares (each, a “**Class A Restricted Voting Share**”) and Class B Shares, taken together, which are currently outstanding, on a non-diluted basis, including: (A) up to 8,057,463 Class B Shares to the Vendors, excluding Gibraltar & Company, Gibraltar Ventures and an officer of Gibraltar & Company (the “**Related Parties**”), in partial payment of the purchase price for the LXR Acquisition; (B) up to 942,537 Class B Shares to the Related Parties, in partial payment of the purchase price for the LXR Acquisition; (C) 113,850 Class B Shares to Gibraltar Opportunity, Inc., Gibraltar Growth’s sponsor, under a private placement financing (the “**Private Placement**”); and (D) an additional 2,636,150 Class B Shares under the Private Placement, all as more particularly described in the Circular.
2. Any one officer or any one director of Gibraltar Growth is hereby authorized and directed to take all such further actions, to execute and deliver such further agreements, instruments, and documents in writing, and to do all such other acts and things as in his or her opinion may be necessary and/or desirable in the name and on behalf of Gibraltar Growth and under its corporate seal or otherwise to give effect to the foregoing resolutions, which opinion shall be conclusively evidenced by the taking of such further actions, the execution and delivery of such further agreements, instruments, and documents and the doing of such other acts and things.
3. The directors of Gibraltar Growth may revoke these resolutions without further approval of the shareholders of Gibraltar Growth at any time prior to the LXR Acquisition becoming effective in the event that they determine not to proceed with the LXR Acquisition.

**APPENDIX B**

**PROSPECTUS**

**(See attached)**

*This prospectus does not constitute a public offering of securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

## PROSPECTUS

Non-Offering Prospectus

May 12, 2017



No securities are being offered pursuant to this prospectus. This prospectus is being filed by Gibraltar Growth Corporation (“**Gibraltar Growth**”) which is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario. Gibraltar Growth was organized for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, amalgamation, share exchange, asset acquisition, share purchase, reorganization or any other similar business combination involving Gibraltar Growth that will qualify as its “qualifying acquisition”. Gibraltar Growth received \$100.0 million of proceeds from its initial public offering which was completed on October 2, 2015 and an additional \$4.5 million from the partial exercise of the underwriters’ over-allotment option. The total proceeds of \$104.5 million were placed in an escrow account with TSX Trust Company immediately following the initial public offering and will be released upon consummation of the qualifying acquisition in accordance with the terms and conditions of the Escrow Agreement. All capitalized terms not herein defined have the meanings ascribed to them in the “Glossary of Terms”.

On April 13, 2017, Gibraltar Growth entered into a share purchase agreement (the “**Purchase Agreement**”) with Frédéric Mannella, Kei Izawa, Gibraltar & Company, Inc. (“**Gibraltar & Company**”), Gibraltar Ventures Fund One Limited Partnership (“**Gibraltar Ventures**”), and certain other private investors (collectively, the “**Vendors**”) which provides for the acquisition by Gibraltar Growth of all the issued and outstanding shares of LXR Produits de Luxe Internationale Inc. (“**LXR**”) (the “**LXR Acquisition**”) for an aggregate purchase price of \$82.5 million (the “**Purchase Price**”), subject to adjustments and payable in accordance with the terms of the Purchase Agreement. As a result of the LXR Acquisition, LXR will become a wholly-owned subsidiary of Gibraltar Growth. Pursuant to the Purchase Agreement, Gibraltar Growth will effectively assume indebtedness (net of cash on hand) of LXR (including the redemption and cancellation of certain outstanding preferred shares of LXR), which totals approximately \$6.4 million as at December 31, 2016 (including certain accrued contingencies as of the date of this prospectus), and based on this amount of net indebtedness, will issue to the Vendors and reserve for optionholders an aggregate 7,607,347 Class B Shares of Gibraltar Growth at \$10.00 per Class B Share (the “**Equity Consideration**”) at the closing of the LXR Acquisition (the “**Closing**”). The actual number of Class B Shares to be issued and reserved for issuance is subject to adjustments, including for the actual amount of net indebtedness at Closing as well as customary working capital adjustments. In addition, based on the number of Class A Restricted Voting Shares redeemed, in lieu of up to 500,000 Class B Shares, Gibraltar Growth will instead pay up to a maximum of \$5.0 million to Frédéric Mannella and Kei Izawa in cash (the “**Cash Consideration**”) at the Closing. See “The LXR Acquisition”.

At Closing, Gibraltar Growth will have access to the net cash (if any) remaining from the proceeds of its IPO less any amounts used to settle redemptions of Class A Restricted Voting Shares and to the net proceeds from a \$25.0 million private placement of 2,500,000 Class B Shares at \$10.00 per Class B Share (the “**Private Placement**”) effected in connection with the LXR Acquisition. Gibraltar Growth’s Sponsor, and certain business associates of Gibraltar & Company, will subscribe for up to 300,800 Class B Shares at \$10.00 per Class B Share as part of the Private Placement, for gross proceeds of over \$3.0 million (the “**Gibraltar New Subscription**”). The LXR Acquisition constitutes Gibraltar Growth’s qualifying acquisition under Part X of the TSX Company Manual. See “The LXR Acquisition”.



LXR is a rapidly growing, international omni-channel retailer of branded vintage luxury handbags and accessories. LXR sources and authenticates high quality pre-owned products and sells them through: a retail network of stores located in major department stores in Canada, the United States and Europe; wholesale operations primarily in the United States; and its own e-Commerce website, [www.lxrco.com](http://www.lxrco.com). LXR offers pre-owned products from iconic luxury brands such as Hermès, Louis Vuitton, Gucci and Chanel, among others, at attractive prices and seeks to appeal to the aspirational lifestyle needs of women of all ages. At the end of 2016, LXR had five retail partners, and LXR's retail network consisted of 46 stores with eight located in Canada, 32 in the United States and six in the Germany. LXR's headquarters are located in Montréal, Québec, and it has an office in Tokyo, Japan. As at December 31, 2016, LXR had 175 employees.

This prospectus is being filed in accordance with section 1028 of the TSX Company Manual in connection with the completion of Gibraltar Growth's qualifying acquisition. Unless otherwise indicated, this prospectus has been prepared assuming that the LXR Acquisition has been completed. Following the Closing, it is Gibraltar Growth's intention to rename itself as LXRandCo, Inc.

The currently issued and outstanding Class A Restricted Voting Shares and Warrants are listed and posted for trading on the TSX under the symbols "GBG.A" and "GBG.WT", respectively. Holders of Class A Restricted Voting Shares can elect to redeem all or a portion of their Class A Restricted Voting Shares, whether they vote for or against, or do not vote on the qualifying acquisition, provided that they deposit their shares for redemption prior to the Redemption Election Deadline. Any Class A Restricted Voting Shares not required to be so redeemed will be automatically converted immediately following the Closing into Class B Shares on the basis of one Class B Share for each Class A Restricted Voting Share converted. It is a condition of Closing that the Class B Shares and the Warrants be listed on the Toronto Stock Exchange. Gibraltar Growth has reserved the symbols "LXR" and "LXR.WT" for the Class B Shares and Warrants, respectively.

**Shareholders should be aware that there are various known and unknown risk factors in connection with the LXR Acquisition. Shareholders should carefully consider the risks identified in this prospectus under the heading "Caution Regarding Forward-Looking Statements" and "Risk Factors" before deciding whether or not to approve the LXR Acquisition.**

**No underwriters have been involved in the preparation of this prospectus or performed any review or independent due diligence of the contents of this prospectus.**

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## GLOSSARY OF TERMS

“**Affiliate**” means, when describing a relationship between two persons, that either one of them is under the direct or indirect control of the other, or each of them is directly or indirectly controlled by the same person;

“**allowable capital loss**” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of Securities”;

“**Audit Committee**” means the audit committee of Gibraltar Growth, as constituted from time to time;

“**Board**” means Gibraltar Growth’s board of directors, as constituted from time to time;

“**business day**” means a day, other than a Saturday, Sunday or statutory or civic holiday in Ontario, when banks are generally open for the transaction of business in Toronto, Ontario;

“**CAGR**” means compound annual growth rate;

“**Cash Consideration**” means up to a maximum of \$5.0 million to the Management Vendors as partial consideration to the Vendors for the Purchase Price in accordance with the Purchase Agreement;

“**CDS Participant**” has the meaning set out under the heading “The LXR Acquisition – Shareholder Approval – Redemption Rights”;

“**Charter of the Audit Committee**” has the meaning set out under the heading “Audit Committee”;

“**Class A Qualifying Acquisition Redemption Price**” means an amount per share equal to the *pro rata* portion of: (a) the escrowed funds available in Gibraltar Growth’s escrow account, including interest and other amounts earned thereon, less (b) an amount equal to the total of (i) applicable taxes payable by Gibraltar Growth on such interest and other amounts earned in Gibraltar Growth’s escrow account; and (ii) actual and expected direct expenses related to the redemption, each as reasonably determined by Gibraltar Growth, as at the effective date of the redemption; for greater certainty, such amount will not be reduced by the amount of any tax of Gibraltar Growth under Part VI.1 of the Tax Act or the deferred underwriting commissions per Class A Restricted Voting Share held in escrow;

“**Class A Restricted Voting Shares**” means the Class A restricted voting shares in the capital of Gibraltar Growth, which are “restricted securities” within the meaning of such term under applicable Canadian securities laws, and each a “**Class A Restricted Voting Share**”;

“**Class A Restricted Voting Units**” means the Class A restricted voting units distributed to the public by Gibraltar Growth at an offering price of \$10.00 per Class A Restricted Voting Unit under a prospectus dated September 25, 2015, each comprised of one Class A Restricted Voting Share and one Warrant, and each a “**Class A Restricted Voting Unit**”;

“**Class B Shares**” means the Class B shares in the capital of Gibraltar Growth, and each a “**Class B Share**”;

“**Class B Units**” means the Class B units sold to the Founders simultaneously with the public offering of Class A Restricted Voting Units, at an offering price of \$10.00 per Class B Unit, each comprised of one Class B Share and one Warrant, and each a “**Class B Unit**”;

“**Closing**” means the closing of the LXR Acquisition;

“**Code of Business Conduct and Ethics**” means the code of business conduct and ethics of the Company, to be adopted following Closing;

“**Commitment Fee**” has the meaning set out under the heading “The LXR Acquisition – Overview”;

“**Company**” means Gibraltar Growth after giving effect to the LXR Acquisition;

**“Compensation and Nominating Committee”** means the compensation and nominating committee of the Board, to be formed on Closing;

**“Corporations Act”** means the *Business Corporations Act* (Ontario), as it may be amended from time to time;

**“CRA”** means the Canada Revenue Agency;

**“Credit Agreement”** means the credit agreement dated January 15, 2016 between LXR and Sterling, as amended by an amending agreement dated April 12, 2017;

**“Credit Facilities”** has the meaning set out under the heading “Management’s Discussion and Analysis of LXR – Liquidity and Capital Resources – Credit Facilities and Other Indebtedness – Credit Facilities”;

**“Disinterested Shareholders”** means all of the shareholders of Gibraltar Growth, other than the Sponsor and its Affiliates;

**“DSU”** means a deferred share unit;

**“Equity Consideration”** means the Class B Shares of Gibraltar Growth to be issued or reserved for issuance at \$10.00 per Class B Share as partial consideration to the Vendors for the Purchase Price in accordance with the Purchase Agreement;

**“Escrow Agent”** means TSX Trust Company;

**“Escrow Agreement”** means the escrow agreement dated October 2, 2015, between the Corporation, TSX Trust Company, as escrow agent, and CIBC World Markets Inc. and TD Securities Inc. as joint book-runners of the IPO;

**“Escrowed Management Consideration”** means the Cash Consideration, if any, and the Management Vendors’ share of the Equity Consideration;

**“ESOP”** means LXR’s employee stock option plan;

**“Executive Chair”** means the Executive Chair of the Board;

**“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;

**“Fashionphile”** means Fashionphile, LLC;

**“Forfeiture and Transfer Restrictions Agreement and Undertaking”** means the forfeiture and transfer restrictions agreement and undertaking dated October 2, 2015, entered into by the Founders in favour of Gibraltar Growth, CIBC World Markets Inc. and TD Securities Inc. as joint book-runners of the IPO and the TSX;

**“Founders”** means the Sponsor, John M. Cassaday, Michael MacMillan, Joseph M. Natale, Earl Rotman and James Haggarty as the collective holders of the Founders’ Shares;

**“Founders’ Forfeiture Shares”** means the 25% of the Founders’ Shares held by each of the Founders, or 5% of the shares issued and outstanding, which are subject to forfeiture by the Founders on the fifth anniversary of the qualifying acquisition unless the closing share price of the Class B Shares exceeds \$13.00 (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 at any time following the closing of the qualifying acquisition. The Founders’ Forfeiture Shares cannot be transferred until fulfillment of the foregoing conditions and are subject to all of the restrictions applicable to the other Founders’ Shares, as the terms of such Founders’ Forfeiture Shares are proposed to be amended as outlined under the heading “Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer”;

**“Founders’ Shares”** means the 2,715,313 Class B Shares issued to the Founders in connection with the closing of the IPO and for greater certainty does not include the Class B Shares forming part of the Class B Units purchased by the Founders;

**“GHI”** means Global Hospitality Investments;

**“Gibraltar & Company”** means Gibraltar & Company, Inc.;

**“Gibraltar Growth”** means Gibraltar Growth Corporation;

**“Gibraltar Growth Financial Statements”** means the audited financial statements of Gibraltar Growth as at December 31, 2016 and 2015 and for the year-ended December 31, 2016 and the period from inception on June 11, 2015 to December 31, 2015, together with the notes thereto and the auditors’ report thereon, each attached to this prospectus as Appendix A;

**“Gibraltar Growth MD&A”** has the meaning set out under the heading “Management’s Discussion and Analysis of Gibraltar Growth”;

**“Gibraltar New Subscription”** means the private placement of up to 300,800 Class B Shares, issued at a purchase price of \$10.00 per Class B Share, for aggregate proceeds of over \$3.0 million subscribed for by the Sponsor and certain business associates of Gibraltar & Company, which is to close concurrently with Closing and forms part of the Private Placement;

**“Gibraltar Ventures”** means Gibraltar Ventures Fund One Limited Partnership, a venture capital fund under the management of Gibraltar & Company;

**“Groupe Global”** means Groupe Global LXR, Inc., LXR’s e-Commerce subsidiary;

**“Guidelines”** has the meaning set out under the heading “Corporate Governance and Board Committees – Statement of Corporate Governance Practices”;

**“Holder”** has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

**“Hybrid Stores”** means hybrid store-within-stores as described in “The Business of LXR – Omni-channel Sales Network – Retail Network – Hybrid Stores”;

**“IASB”** means the International Accounting Standards Board;

**“IFRS”** means the International Financial Reporting Standards as adopted by IASB;

**“Insider Trading Policy”** has the meaning set out under the heading “Corporate Governance and Board Committees – Insider Trading Policy”;

**“International Business Development Committee”** means the international business development committee of the Board, to be formed on Closing;

**“IPO”** means Gibraltar Growth’s initial public offering of 10,450,000 Class A Restricted Voting Units (including 450,000 Class A Restricted Voting Units issued upon exercise of the underwriters’ over-allotment option) offered to the public under Gibraltar Growth’s final long form prospectus dated September 25, 2015;

**“IQ”** means Investissement Québec;

**“JMA”** means Joseph Mimran & Associates;

**“Loblaws”** means Loblaw Companies Limited;

“**Lock-up**” means the lock-up terms applicable to the Equity Consideration issued to the Non-Management Vendors;

“**Locked-up Non-Management Consideration**” means the Non-Management Vendors’ share of the Equity Consideration which is subject to the Lock-up;

“**LXR**” means LXR Produits de Luxe Internationale Inc.;

“**LXR Acquisition**” has the meaning set out under the heading “The LXR Acquisition – Overview”;

“**LXRandCo**” means LXRandCo, Inc., the consolidated entity, reflected in the LXRandCo Pro Forma Financial Statements that is considered to be a continuation of LXR with the net identifiable assets of Gibraltar Growth deemed to have been acquired by LXR in exchange for shares of LXR;

“**LXR Financial Statements**” means the consolidated financial statements of LXR which comprise the consolidated statements of financial position as at December 31, 2016, 2015 and 2014 and January 1, 2014, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2016, 2015 and 2014, together with the notes thereto and the auditors’ report thereon, each included in this prospectus as Appendix C;

“**LXR MD&A**” has the meaning set out under the heading “Management’s Discussion and Analysis of LXR”;

“**LXRandCo Pro Forma Financial Statements**” means (a) for the purposes of the *pro forma* statement of financial position, the unaudited *pro forma* statement of financial position of LXR as at December 31, 2016, after giving effect to the LXR Acquisition as though it were completed on December 31, 2016, based on assumed redemption levels of 50% and 100%; and (b) for the purposes of the *pro forma* income statement, the *pro forma* income statement for the year ended December 31, 2016, after giving effect to the LXR Acquisition as though it were completed on January 1, 2016, based on assumed redemption levels of 50% and 100%, together with the notes thereto, each included in this prospectus as Appendix D;

“**Management Vendors**” means Frédéric Mannella and Kei Izawa;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

“**MI 61-101 Requirements**” has the meaning set out under the heading “The LXR Acquisition – Related Party Interests”;

“**MSRP**” means manufacturer’s suggested retail price;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*;

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;

“**Non-Management Vendors**” means the Vendors excluding Frédéric Mannella and Kei Izawa;

“**Non-Resident Holder**” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada”;

“**NP 58-201**” means National Policy 58-201 – *Corporate Governance Guidelines*;

“**Permitted Timeline**” means the allowable time period within which Gibraltar Growth must consummate its qualifying acquisition, being 21 months from the closing of the IPO, as it may be extended as described in Gibraltar Growth’s final long form prospectus dated September 25, 2015;

“**person**” means any individual, partnership, association, body corporate, trust, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

**“Poshmark”** means Poshmark, Inc.;

**“Private Placement”** means the equity financing involving the issuance of 2,500,000 Class B Shares, at a purchase price of \$10.00 per Class B Share, for gross proceeds of \$25.0 million. See “The LXR Acquisition”;

**“Proposed Amendments”** has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

**“Purchase Agreement”** means the share purchase agreement dated April 13, 2017 among Gibraltar Growth and the Vendors relating to the LXR Acquisition, as may be amended, supplemented or otherwise modified from time to time;

**“Purchase Price”** means the purchase price of \$82.5 million, subject to adjustments and payable to the Vendors in accordance with the terms of the Purchase Agreement;

**“RDSP”** has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

**“Redemption Election Deadline”** means 5:00 pm (Toronto time) on the day prior to the second business day before the day on which the Shareholders’ Meeting is to be held, or the day prior to the second business day before any adjournment(s) or postponement(s) thereof;

**“Redemption Limitation”** has the meaning set out under the heading “The LXR Acquisition – Shareholder Approval – Redemption Rights”;

**“Redemption Notice”** has the meaning set out under the heading “The LXR Acquisition – Shareholder Approval – Redemption Rights”;

**“Redemption Ratio”** has the meaning set out under the heading “The LXR Acquisition – The Purchase Agreement”;

**“Related Party Transactions”** has the meaning set out under the heading “The LXR Acquisition – Related Party Interests”;

**“Resident Holder”** has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada”;

**“RESP”** has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

**“Retail Stores”** means retail store-within-stores as described in “The Business of LXR – Omni-channel Sales Network – Retail Network – Retail Stores”;

**“RRIF”** has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

**“RRSP”** has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

**“Securities”** has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval, accessible at [www.sedar.com](http://www.sedar.com);

**“Seed Preferred Share Financing”** has the meaning set out under the heading “Management’s Discussion and Analysis of LXR – Results of Operations”;

**“SG&A”** means Selling, General and Administrative;

**“Shareholders’ Meeting”** means the special meeting of shareholders of Gibraltar Growth to be held to vote on the LXR Acquisition;

**“Special Committee”** means the committee of independent directors of Gibraltar Growth, consisting of James Haggarty (Chair), John Cassaday and Joe Natale;

**“Sponsor”** means Gibraltar Opportunity, Inc.;

**“Sponsor Loan”** has the meaning set out under the heading “Promoters”;

**“Sterling”** means the Sterling National Bank;

**“Subject Shares”** has the meaning set out under the heading “The LXR Acquisition – Voting Support Agreement”;

**“Support Agreement”** has the meaning set out under the heading “The LXR Acquisition – Shareholder Approval”;

**“Tax Act”** means the *Income Tax Act* (Canada) including the regulations promulgated thereunder, as amended;

**“taxable capital gain”** has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposition of Securities”;

**“TFSA”** has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”;

**“TheRealReal”** means The RealReal, Inc.;

**“Tradesy”** means Tradesy, Inc.;

**“Transaction Size Exemptions”** has the meaning set out under the heading “The LXR Acquisition – Related Party Interests”;

**“Trendlee”** means Trendlee, Inc.;

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

**“United States”** or **“U.S.”** means the United States, as defined in Rule 902(l) under Regulation S of the United States Securities Act of 1933, as amended;

**“Valuator”** has the meaning set out under the heading “The LXR Acquisition – Related Party Interests”;

**“Vendors”** means Frédérick Mannella, Kei Izawa, Gibraltar & Company, Gibraltar Ventures, and other private investors as set out in the Purchase Agreement;

**“Vestiaire Collective”** means Vestiaire Collective SA;

**“Voting Support Agreement”** means the Voting Support Agreement to be entered into on Closing between Frédérick Mannella, Kei Izawa, Gibraltar & Company and the Sponsor;

**“WGACA”** means WGACA, LLC;

**“Warrant Agreement”** means the warrant agency agreement between Gibraltar Growth and TSX Trust Company, as warrant agent, dated October 2, 2015, as it may be amended from time to time; and

**“Warrants”** means the share purchase warrants of Gibraltar Growth issued under the Warrant Agreement which entitle the holder thereof to purchase one Class A Restricted Voting Share at an exercise price of \$11.50, and each a **“Warrant”**.



## NOTICE TO READERS

Gibraltar Growth, which is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario, was organized for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving Gibraltar Growth that will qualify as its “qualifying acquisition”. This prospectus is being filed by Gibraltar Growth in accordance with section 1028 of the TSX Company Manual in connection with the completion of Gibraltar Growth’s qualifying acquisition.

Unless otherwise indicated, (i) the disclosure in this prospectus has been prepared assuming that the LXR Acquisition has been completed, (ii) the disclosure in this prospectus has been prepared assuming there is no forfeiture of the Founders’ Forfeiture Shares, and all disclosure relating to share ownership following Closing is presented assuming there is no such forfeiture, (iii) all dollar amounts are expressed in Canadian dollars, and all references to “\$” are to Canadian dollars, references to “US\$” are to United States dollars, references to “€” are to Euros and references to “¥” are to Japanese Yen, and (iv) all annual financial statements included in this prospectus were prepared in accordance with IFRS.

Unless the context otherwise permits, indicates or requires, (i) all references in this prospectus to “Gibraltar Growth” or the “Company” are references to Gibraltar Growth and the business to be carried on by it following the Closing, and (ii) all references in the “Caution Regarding Forward-Looking Statements”, “Market and Industry Data”, “The Luxury Personal Goods Market Overview”, “The Business of LXR”, “Selected Consolidated Financial Information of LXR”, “Management’s Discussion and Analysis of LXR” and “Gibraltar Value-Add” sections of this prospectus to “management” are references to the current officers and directors of LXR. Following the Closing, it is the intention of Gibraltar Growth to rename itself LXRandCo, Inc.

## EXCHANGE RATE DATA

The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for one U.S. dollar, expressed in Canadian dollars, published by the Bank of Canada:

|  | 52-Week Period Ended December 31, |        |        |
|--|-----------------------------------|--------|--------|
|  | 2016                              | 2015   | 2014   |
|  | (\$)                              | (\$)   | (\$)   |
| Highest rate during the period .....       | 1.4589                            | 1.3990 | 1.1643 |
| Lowest rate during the period .....        | 1.2544                            | 1.1728 | 1.0614 |
| Average noon spot rate for the period..... | 1.3248                            | 1.2787 | 1.1045 |
| Rate at the end of the period .....        | 1.3427                            | 1.3840 | 1.1601 |

On May 10, 2017, the daily rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was US\$1.00 equals \$1.3672. No representation is made that Canadian dollars could be converted into U.S. dollars at that rate or any other rate.

The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for one Japanese Yen, expressed in Canadian dollars, published by the Bank of Canada:

|  | <b>52-Week Period Ended December 31,</b> |             |             |
|--|--|-------------|-------------|
|  | <b>2016</b>                              | <b>2015</b> | <b>2014</b> |
|  | <b>(\$)</b>                              | <b>(\$)</b> | <b>(\$)</b> |
| Highest rate during the period .....       | 0.0132                                   | 0.0116      | 0.0110      |
| Lowest rate during the period .....        | 0.0113                                   | 0.0098      | 0.0094      |
| Average noon spot rate for the period..... | 0.0122                                   | 0.0106      | 0.0105      |
| Rate at the end of the period .....        | 0.0115                                   | 0.0115      | 0.0097      |

On May 10, 2017, the daily rate of exchange posted by the Bank of Canada for conversion of Japanese Yen into Canadian dollars was ¥1.00 equals \$0.0120. No representation is made that Canadian dollars could be converted into Japanese Yen at that rate or any other rate.

## NON-IFRS MEASURES

This prospectus 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. These measures should also not be considered in isolation nor used as a substitute for measures of performance prepared in accordance with IFRS. Gibraltar Growth believes that these non-IFRS financial measures provide meaningful supplemental information regarding LXR's underlying performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by LXR in its financial and operational decision making, normalized for non-recurring events.

This prospectus includes non-IFRS measures, including: "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA Margin", "Adjusted Net Income", "Run-rate Revenue" and "Adjusted Working Capital". This prospectus also makes reference to "revenue per square foot" and "inventory turns", which are commonly used operating metrics in the retail industry but may be calculated differently compared to other retailers. These non-IFRS measures, including retail industry metrics, are used to provide investors with supplemental measures of LXR's operating performance and highlight trends in LXR's business that may not otherwise be apparent when relying solely on IFRS measures. Gibraltar Growth also believes that providing such information to securities analysts, investors and other interested parties who frequently use non-IFRS measures in the evaluation of issuers will allow them to better compare LXR's performance against others in the retailing industry. More specifically, with respect to "run-rate" measures, management believes that relying on historical or projected results can be misleading to investors and research analysts when significant growth is anticipated in the near term. For example, actual results will not capture the full potential of new store openings that have been open for only part of a year. As a result, the comparison of LXR's actual results which would not reflect the full potential of its retail network to that of other retailers to that of other retailers that are not opening new stores as rapidly can be misleading. Management also uses non-IFRS measures, including retail industry metrics, 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. See "Selected Consolidated Financial Information of LXR" and "Management's Discussion and Analysis of LXR".

Prospective investors should review this information in conjunction with the Gibraltar Growth Financial Statements, the Gibraltar Growth MD&A, the LXRandCo Pro Forma Financial Statements, the LXR Financial Statements and the LXR MD&A, included elsewhere in this prospectus or attached hereto.

**"EBITDA"** means net income (loss) before amortization and depreciation expenses, finance costs and provision for income taxes.

**"Adjusted EBITDA"** means net income (loss) before amortization and depreciation expenses, finance costs and provision for income taxes, adjusted for the impact of certain items, including non-cash items such as a change in fair value of warrants, convertible redeemable preferred shares dividends, change in fair value of convertible redeemable preferred shares, loss (gain) on change in fair value of derivative financial instruments, non-recurring gain on loss of control of a subsidiary, share of loss in an associate and foreign exchange loss (gain) which management considers to be not representative of LXR's ongoing operating performance.

**"Adjusted EBITDA Margin"** is calculated by dividing Adjusted EBITDA by net revenue.

**"Adjusted Net Loss"** is defined as net loss adjusted for the impact of certain items, including non-cash items such as a change in fair value of warrants, convertible redeemable preferred shares dividends, change in fair value of convertible redeemable preferred shares, loss (gain) on change in fair value of derivative financial instruments, non-recurring gain on loss of control of a subsidiary, share of loss in an associate and foreign exchange loss (gain) which management considers to be not representative of LXR's ongoing operating performance, net of related tax effects.

**"Run-rate Revenue"** is used in the context of discussing LXR's financial outlook for 2018 and represents management's estimate of the sum of retail network revenue, assuming that stores have been operating for 12 months in any given year and have achieved a productivity equivalent to LXR's 2016 Revenue per Square Foot (a non-IFRS measure), and revenue from e-Commerce and wholesale activities for the year. Management believes that

Run-rate Revenue is a useful measure of future performance as it includes an estimate of retail network revenue on a run-rate basis, which in management's view better describes the revenue potential of the retail network on a full year and ongoing basis that would otherwise not be reflected in net revenue due to the timing of store openings during the course of a given year, combined with revenue generated by e-Commerce and wholesale activities. LXR also uses Run-rate Revenue to facilitate a comparison of LXR's performance to that of other retailers that may not be opening new stores as rapidly, and whose percentage of new store openings in a given year may be substantially lower than that of LXR.

**"Adjusted Working Capital"** includes cash, accounts receivable, investment tax credits receivable, income tax receivable, inventory and prepaid expenses and deposits, credit facilities, accounts payable and accrued liabilities, income taxes payable, deferred revenues and derivative financial instruments. Adjusted Working Capital excludes the current portion of long-term debt and preferred shares and therefore provides management and investors with a more clear understanding of the efficiency of LXR's operational working capital needs absent working capital required as a result of LXR's capital structure.

**"2016 Revenue per Square Foot"** is an operating metric indicative of LXR's store productivity in 2016 and was \$2,275 per square foot calculated as follows: the revenue of \$10,833,611 from Retail Stores that were open for a full 12 months in the year; plus Annualized Revenue (a non-IFRS measure) of \$10,021,106 from Retail Stores open for fewer than 12 months in that year; less actual revenue or Annualized Revenue (a non-IFRS measure), as the case may be, of \$1,242,675 from two Retail Stores that were closed in 2016, two Retail Stores that were scheduled to be closed in 2017, one Retail Store that was opened for only one week in 2016 and 13 test-pilot Hybrid Stores that were open for only one month in 2016; divided by the total square footage of 8,608 square feet for 30 Retail Stores.

**"Annualized Revenue"** is defined as the estimated revenue achievable by Retail Stores had such stores been open for 12 months during the year. Annualized Revenue is a management estimate based on the actual results of Retail Stores realized during the part of the year that the stores were open and estimated results for the remainder of the year for such stores. Actual results may in management's determination be seasonally adjusted upwards or downwards to arrive at a more representative results on a full year basis and estimated results for the remainder of the year are based on, among other factors, management's understanding of the performance of similar stores and characteristics specific to each of the stores.

**"Inventory Turnover"** is an operating metric indicative of LXR's productivity and measures how many times inventory was sold during a specified period. In 2016, inventory turnover was 3.2 times and was calculated by dividing the cost of goods sold in 2016 of \$15.0 million by the average of the ending inventory balances for 2015 and 2016 of \$4.7 million.

See "Selected Consolidated Financial Information of LXR" and "Management's Discussion and Analysis of LXR" for a reconciliation of "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA Margin", "Adjusted Net Loss" and "Adjusted Working Capital" to their most directly comparable measures calculated in accordance with IFRS.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus 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 completion and proposed terms of, and matters relating to, the LXR Acquisition, including any required regulatory and shareholder approvals, and the expected timing related thereto, the expected operations, financial results and condition of the Company following the LXR Acquisition, expectations regarding market trends, overall market growth rates and the Company’s growth rates, Gibraltar Growth’s future objectives and strategies to achieve those objectives, including, without limitation, new store openings, store productivity, margin improvements, e-Commerce penetration and future acquisitions, the expected benefits of the LXR Acquisition to, and resulting treatment of, shareholders of Gibraltar Growth and holders of the Warrants, the anticipated effects of the LXR Acquisition and the satisfaction of the conditions to consummate the LXR Acquisition, the implementation of corporate governance practices, 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.

In addition, management’s assessments of, and outlook for, Run-rate Revenue for 2018 is a non-IFRS measure and considered forward-looking information. See “Non-IFRS Measures” and “Management’s Discussion and Analysis of LXR – Financial Outlook” for additional information concerning management’s assumptions and the risk factors relating to these assessments.

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 prospectus, Gibraltar Growth has made certain assumptions with respect to, among other things, the anticipated approval of the LXR Acquisition by the shareholders of Gibraltar Growth, the number of Class A Restricted Voting Shares that will be subject to redemption in connection therewith, the anticipated receipt of any required regulatory approvals and consents (including the approval of the TSX), the expectation that no event, change or other circumstance will occur that could give rise to the termination of the Purchase Agreement, the expenses and timing of Closing, that the Company is capable of meeting and will meet its future objectives and strategies, that the Company’s future projects and plans are achievable and will proceed as anticipated, LXR’s expected growth in Run-rate Revenue to between \$130 million and \$150 million by the end of 2018<sup>1</sup>, growth through 2018 being primarily driven by: the continued expansion of LXR’s retail network to over 200 stores, including Retail Stores and Hybrid Stores, the expected growth of LXR’s e-Commerce revenue, the expected number and timing of store openings in North America and internationally, entering into new and/or expanded retail partnerships in North America and internationally, the expected annual productivity for new Retail Stores being consistent with LXR’s 2016 Revenue per Square Foot (a non-IFRS measure), the Company’s ability to source products, the Company’s competitive position in the vintage luxury industry, and beliefs and intentions regarding the ownership of material trademarks and domain names used in connection with the marketing, distribution and sale of LXR’s products as well as assumptions concerning general economic and market growth rates, currency exchange and interest rates and competitive intensity.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve known and unknown risks and uncertainties and

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<sup>1</sup> “Run-rate Revenue” is a non-IFRS measure. See “Non-IFRS Measures” and “Management’s Discussion and Analysis of LXR – Financial Outlook” for additional information concerning management’s assumptions and the risk factors relating to these assessments.

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: LXR's being unable to identify new retail partners and enter into agreements with such partners for opening new Retail Stores or Hybrid Stores, or not successfully opening such new stores in a timely and cost-effective manner, LXR's being unable to obtain merchandise on a timely basis at competitive costs, LXR's being unable to successfully access products sourced directly from individuals in sufficient quantity and quality on desired terms and in a timely manner, LXR 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, LXR being unable to manage and grow its e-Commerce business, as planned, financial outlook for 2018 not being obtained, LXR being unable to continue to grow revenue levels or meet other financial targets, a failure by LXR to manage its operations at its current size and successfully execute on its growth strategies, a failure by LXR to make license payments when due, or the inability to extend, renew or continue to rent space in key locations from retail partners, LXR's ability to access capital, whether on satisfactory terms or at all, to fund its expanding business, LXR'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 Euro, 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, Europe 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, LXR'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, LXR being unable to protect and enhance its brand or a diminishment in the brand appeal of the products that it sells, actions taken by LXR's suppliers that negatively impact its brand image, reputation and financial performance, trade restrictions in the regions LXR operates, the ability of LXR's competitors to compete more effectively than LXR, LXR's limited operating experience and limited brand recognition, material disruptions in or security breaches affecting LXR's information technology systems or e-Commerce business, LXR being unable to attract, motivate and retain quality sales staff, unions being able to organize LXR 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 LXR's net revenue and inventory purchases, LXR being unable to reduce operating expenses in a timely manner in response to changes in its business, risks relating to being a public company, LXR's equity compensation plans adversely impacting its financial results, LXR being unable to protect its trademarks or other intellectual property rights, risks relating to the laws and regulations that LXR is subject to, litigation risks, taxation risks, insurance risks, payment related risks, risks relating to natural disasters, unusual weather and geo-political events or acts of terrorism, insolvency risks, accounting risks, risks relating to the value of the Class B Shares, securities or industry analysts not publishing research or publishing inaccurate or unfavorable research about LXR or its business, conflict of interest arising in determining whether the LXR Acquisition is appropriate, the satisfaction of conditions precedent and required approvals to the LXR Acquisition, the termination of the LXR Acquisition, Gibraltar Growth delaying or amending the implementation of all or part of the LXR Acquisition or proceeding with the LXR Acquisition even if certain consents and approvals are not obtained on a timely basis, the requirement to pay certain costs related to the LXR Acquisition that must be paid even if the LXR Acquisition is not completed, the inability of Gibraltar Growth to adequately recover from the Vendors for any breach of the representations, warranties and covenants of the Vendors under the Purchase Agreement, Gibraltar Growth being required to take write-downs or write-offs, restructuring and impairment or other charges subsequent to the Closing, Gibraltar Growth's securities not being approved for listing on the TSX following the Closing, or if approved, Gibraltar Growth being unable to comply with the continued listing standards of the TSX, LXR Acquisition benefits not meeting the expectations of investors or securities analysts, Warrants becoming exercisable for Class B Shares, the Warrants never being in-the-money, and expiring worthless, the loss of key personnel negatively impacting the operations and profitability of the post-combination business, the risk that Gibraltar Growth will be unable to continue as a going concern and consummate a qualifying acquisition, the unaudited *pro forma* financial information incorporated in this document not being indicative of what the actual financial position or results of operations would have been. 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 prospectus, see the risk factors discussed under the heading "Risk Factors" in this prospectus and as described from time to time in the reports and disclosure documents filed by Gibraltar Growth with the Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the forward-looking statements in this prospectus. 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 prospectus are qualified by these cautionary statements. Unless otherwise indicated, the forward-looking statements contained herein are made as of the date of this prospectus, and except as required by applicable law, neither Gibraltar Growth, nor LXR undertakes 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 will vary from the information provided herein and that such variations may be material. Consequently, there are no representations by Gibraltar Growth and/or LXR that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.**

## **MARKET AND INDUSTRY DATA**

Unless otherwise stated, market and industry data presented throughout this prospectus was obtained from third party sources, industry publications and publicly available information, including: Bain & Company and Euromonitor International as well as market and other data prepared by Gibraltar Growth and/or LXR on the basis of their knowledge of the Canadian, U.S. and international markets and economies (including Gibraltar Growth's and LXR's estimates and assumptions relating to the Canadian, U.S. and international markets and economies based on that knowledge). Gibraltar Growth believes 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 prospectus are not guaranteed and Gibraltar Growth makes no representation as to the accuracy of such information. Although Gibraltar Growth believes it to be reliable, Gibraltar Growth has not independently verified any of the data from third party sources referred to in this prospectus, 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 prospectus includes the registered trademark "*LXR & Co.*", the applied for trademark "*LXRandCo*", and the domain name [www.lxrco.com](http://www.lxrco.com), which are protected under applicable intellectual property laws and are the property of LXR. Solely for convenience, LXR's trademarks and tradenames referred to in this prospectus may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that LXR will not assert, to the fullest extent under applicable law, its rights to these trademarks and tradenames. All other trademarks used in this prospectus are the property of their respective owners.

## PROSPECTUS SUMMARY

*The following is a summary of this prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.*

### **Gibraltar Growth**

Gibraltar Growth is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario for the purpose of effecting an acquisition of one or more businesses or assets by way of a merger, amalgamation, share exchange, asset acquisition, share purchase, reorganization or any other similar business combination involving Gibraltar Growth, which is referred to throughout this prospectus as Gibraltar Growth's "qualifying acquisition". Gibraltar Growth received \$100.0 million of proceeds from its initial public offering which was completed on October 2, 2015 and an additional \$4.5 million from the partial exercise of the underwriters' over-allotment option. The total proceeds of \$104.5 million were placed in an escrow account with TSX Trust Company immediately following the initial public offering and will be released upon consummation of the qualifying acquisition in accordance with the terms and conditions of the Escrow Agreement.

On April 13, 2017, Gibraltar Growth entered into the Purchase Agreement with the Vendors which provides for the acquisition by Gibraltar Growth of all the issued and outstanding shares of LXR for an aggregate Purchase Price of \$82.5 million, subject to adjustments and payable in accordance with the terms of the Purchase Agreement. As a result of the LXR Acquisition, LXR will become a wholly-owned subsidiary of Gibraltar Growth. Pursuant to the Purchase Agreement, Gibraltar Growth will effectively assume indebtedness (net of cash on hand) of LXR (including the redemption and cancellation of certain outstanding preferred shares of LXR), which totals approximately \$6.4 million as at December 31, 2016 (including certain accrued contingencies as of the date of this prospectus), and based on this amount of net indebtedness, will issue to the Vendors and reserve for optionholders an aggregate 7,607,347 Class B Shares of Gibraltar Growth at \$10.00 per Class B Share as the Equity Consideration at the Closing. The actual number of Class B Shares to be issued and reserved for issuance is subject to adjustments, including for the actual amount of net indebtedness at Closing as well as customary working capital adjustments. In addition, based on the number of Class A Restricted Voting Shares redeemed, in lieu of up to 500,000 Class B Shares, Gibraltar Growth will instead pay up to a maximum of \$5.0 million to Frédéric Mannella and Kei Izawa in cash as the Cash Consideration at the Closing. See "LXR Acquisition".

At Closing, Gibraltar Growth will have access to the net cash (if any) remaining from the proceeds of its IPO less any amounts used to settle redemptions of Class A Restricted Voting Shares and to the net proceeds from the \$25.0 million Private Placement effected in connection with the LXR Acquisition. Gibraltar Growth's Sponsor, and certain business associates of Gibraltar & Company, will subscribe for over \$3.0 million of the Private Placement, pursuant to the Gibraltar New Subscription. In the event that few or no Class A Restricted Voting Shares are redeemed, Gibraltar Growth intends to use the net funds available to it to: pay the Cash Consideration, pay down outstanding indebtedness of LXR, fund LXR's growth strategies (which may be accelerated in such event), launch capital structure optimization initiatives (which may include share and/or warrant repurchases) and for general corporate purposes.

As of the date of this prospectus, Gibraltar Growth has entered into binding support agreements (each, a "**Support Agreement**") with Disinterested Shareholders that beneficially own or exercise discretion or control over Class A Restricted Voting Shares and Class B Shares representing over 52% of the aggregate Class A Restricted Voting Shares and Class B Shares outstanding. The Support Agreements provide that each such Disinterested Shareholder shall vote or cause to be voted their Class A Restricted Voting Shares and Class B Shares in favour of the LXR Acquisition and all related matters proposed by Gibraltar Growth at the Shareholders' Meeting relating thereto, if required to be held.

Subject to obtaining certain approvals and the satisfaction of certain conditions, it is anticipated that the LXR Acquisition will be completed in June 2017.

See "The Business of Gibraltar Growth" and "The LXR Acquisition".



## LXR

LXR is a rapidly growing, international omni-channel retailer of branded vintage luxury handbags and accessories. The Company sources and authenticates high quality pre-owned products and sells them through: a retail network of stores located in major department stores in Canada, the United States and Europe; wholesale operations primarily in the United States; and the Company's own e-Commerce website, [www.lxrco.com](http://www.lxrco.com). LXR offers pre-owned products from iconic luxury brands such as Hermès, Louis Vuitton, Gucci and Chanel, among others, at attractive prices and seeks to appeal to the aspirational lifestyle needs of women of all ages. At the end of 2016, LXR had five retail partners, and LXR's retail network consisted of 46 stores with eight located in Canada, 32 in the United States and six in the Germany. LXR's headquarters are located in Montréal, Québec, and LXR has an office in Tokyo, Japan. As at December 31, 2016, the Company had 175 employees.

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

Consistent with the prestige associated with branded luxury products, LXR strives to offer an exceptional shopping experience and level of service. This extends from the experience in retail stores where sales associates seek to connect their customers to the storied history of vintage luxury products through to the e-Commerce online experience where support teams attend to customer inquiries about products and fulfilment preferences, including the delivery of products to their location of choice. LXR guarantees the authenticity of the products it sells and believes that a consumer's trust in LXR's expertise and knowledge to consistently offer high quality, authentic pre-owned luxury products is integral to the evolution of the LXR brand and the success of the Company.

LXR was founded in November 2010 by Fred Mannella and Kei Izawa in Montréal, Québec as a private label wholesaler of vintage luxury products to discount retailers across North America. In 2014, LXR launched its first retail stores based on its unique store-within-store model that partners with major department store retailers and emphasizes the LXR brand as part of a curated shopping experience. LXR's retail activities began in Canada and expanded rapidly to the United States in the same year and to Germany in 2016. At the end of 2016, LXR's retail network of 46 stores extended across five retail partner department store banners. LXR launched its e-Commerce site in 2013, and at the end of 2016, LXR had over 70,000 active subscribers and sold products to online customers in nine countries. LXR's vision is to become the leading global omni-channel retailer of branded pre-owned vintage luxury products.

Since 2014, LXR's net revenue has grown from \$12.9 million to \$21.9 million in 2016, representing a CAGR of 30.1%. Net loss was \$0.6 million in 2014 and \$28.3 million in 2016, and Adjusted EBITDA<sup>2</sup> grew from \$0.3 million in 2014 to \$0.8 million in 2016, representing a CAGR of 77.4%. In 2016, approximately 74% of LXR's net revenue was generated in the United States, 21% in Canada and 5% in Germany, and LXR's e-Commerce channel contributed approximately 5%<sup>3</sup> of net revenue.

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<sup>2</sup> "Adjusted EBITDA" is a non-IFRS measure. See "Non-IFRS Measures". Also, see "Selected Consolidated Financial Information of LXR" and "Management's Discussion and Analysis of LXR" for a reconciliation of Adjusted EBITDA to its most directly comparable measure calculated in accordance with IFRS.

<sup>3</sup> Based on the full year 2016 revenue of Groupe Global, LXR's e-Commerce subsidiary, divided by the pro-forma revenue of LXR had Groupe Global been wholly-owned by LXR for all of 2016. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the reacquisition by LXR of Groupe Global, effective as of January 1, 2017. See "Management's Discussion and Analysis of LXR – Subsequent Events".

## **Competitive Strengths**

### ***Integrated International Omni-Channel Retailer***

LXR is a rapidly growing, international omni-channel retailer of branded vintage luxury handbags and accessories. LXR's omni-channel sales network includes: a retail network consisting of LXR-branded store-within-stores established in partnership with major department store retailers in Canada, the United States and Europe; wholesale operations primarily in the United States; and an e-Commerce channel operating in Canada, the United States and Europe. LXR operates as an integrated omni-channel business and management believes that its sales channels are synergistic and complementary in simultaneously driving foot traffic at retail stores, increasing subscriber additions online, augmenting LXR brand awareness and generating sales.

### ***Rapidly Scalable Store-Within-Store Model with Limited Capital Expenditures and Attractive Economics***

LXR's unique store-within-store retail model has been successfully deployed in major department stores. Based on an estimated new store opening capital cost of \$37,500 and a targeted store size of 250 square feet, LXR's Retail Stores and Hybrid Stores are designed to be rapidly scalable and productive on a revenue per square foot basis and generate high inventory turnover. LXR's 2016 Revenue per Square Foot was \$2,275<sup>4</sup>, and LXR's Inventory Turnover was 3.2 times in 2016<sup>5</sup>.

### ***Optimized Product Assortment and Well-Established Sourcing and Authentication Model***

LXR maintains control over all aspects of merchandising, product sourcing, product preparation and inventory management, which allows it to offer its customers a curated and deep assortment of branded pre-owned vintage luxury products at attractive price points throughout its omni-channel network. Managed by a team of product specialists located in Tokyo and Montréal that validate the condition and authenticity of purchased merchandise, LXR sources its merchandise primarily from third party suppliers in Japan, and directly from consumers in North America. Unlike most of its competitors who favour a product consignment model, LXR's model is based on purchasing its merchandise, which allows it to cost effectively secure large quantities of targeted merchandise and to better control quality and product assortment across its channels. Product authentication is determined based on the judgement and expertise of LXR's trained appraisers. LXR guarantees the authenticity of all the products it sells.

### ***Strong Retail Partner Relationships with Attractive Value Proposition***

At the end of 2016, LXR had 46 stores that were located across five different retail partner department store banners. Since that time, LXR has been in active discussions with prospective new retail partners for new store openings in the United States, Europe and the United Kingdom. LXR's presence within retail partner department stores makes branded luxury goods available and accessible to customers where such products would otherwise not be offered. As such, LXR's store-within-stores can potentially draw incremental foot traffic to the department stores. In addition, retail partners benefit from the economics resulting from the productivity of LXR's stores.

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<sup>4</sup> 2016 Revenue per Square Foot is a non-IFRS measure. See "Non-IFRS Measures".

<sup>5</sup> Inventory Turnover is a non-IFRS-Measure. See "Non-IFRS Measures".

### ***Entrepreneurial and Engaged Team***

Led by Fred Mannella, Founder and Chief Executive Officer, and Kei Izawa, Co-Founder and Chief Operating Officer, LXR has grown into a leading international omni-channel retailer of pre-owned vintage luxury handbags and accessories. LXR's executive management team is composed of eight professionals who have expertise in retailing, luxury products marketing and operational leadership. At Closing, and assuming redemption levels of 50% and 100%, Fred Mannella and Kei Izawa will collectively own 22.9% and 34.8% of the Company, respectively. See "The Business of LXR – Management".

### **Growth Strategy**

#### ***Expand Retail Network***

LXR plans to continue to rapidly grow its retail network across North America, particularly in the United States, and internationally. LXR believes it has the opportunity to expand its retail network by 76 and 83 stores in 2017 and 2018, respectively, taking LXR's retail network to 205 stores by the end of 2018. Approximately 60% of new store openings are expected to be in the United States with the balance in Europe and the United Kingdom. By the end of 2018, LXR believes that its retail network can grow to over 200 stores across North America and internationally based on management's estimate of achieving reasonable penetration of the targeted network of prospective retail partners.

#### ***Increase E-Commerce Penetration***

According to Bain & Company, the global market for online luxury goods in 2016 grew 13% from 2015 to €19 billion, significantly outperforming the rest of the personal luxury goods market. In addition, Euromonitor International reported that internet retailing of luxury leather goods in the United States rose to approximately US\$1.7 billion in 2016, representing a 15% increase from 2015 and the fastest growth in distribution channel sales for luxury leather goods.

In 2016, LXR's e-Commerce revenue represented approximately 5%<sup>6</sup> of total net revenue. LXR believes there is an opportunity to meaningfully grow its e-Commerce business, and LXR is currently targeting e-Commerce revenue of approximately 20% of total net revenue in 2021.

LXR is in the early phases of leveraging advanced business intelligence and behaviour analytics to further enhance its understanding of its customers. This includes optimizing its online operations to enhance personalization, which LXR believes will drive higher conversion and customer loyalty.

Management also believes there is a complementary relationship between its retail network and its e-Commerce operations, with the success of each channel benefiting the other. As LXR rapidly expands its retail network across North America and internationally, management believes that its e-Commerce business will benefit from the increased awareness of the LXR brand resulting from its larger and more expansive store network and the opportunity to extend retail network customer relationships to online and vice versa.

#### ***Diversify Channels of Supply and Increase Margins***

In 2016, LXR sourced 87% of its products from third party suppliers in Japan and 13% from other sources, including 4% from its consumer buying program which was launched in November 2016 in North America. Management believes that its third party supplier channels provide it with the flexibility to source specific pre-owned vintage luxury products at competitive costs in significant quantities. It is LXR's intention to increase the amount of product it sources directly from consumers in order to improve margins while still maintaining the

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<sup>6</sup> Based on the full year 2016 revenue of Groupe Global, LXR's e-Commerce subsidiary, divided by the pro-forma revenue of LXR had Groupe Global been wholly-owned by LXR for all of 2016. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the reacquisition by LXR of Groupe Global, effective as of January 1, 2017. See "Management's Discussion and Analysis of LXR – Subsequent Events".

benefits of better inventory control achieved through purchases from third party suppliers. Purchases from consumers typically offer the opportunity for higher margins than those sourced through LXR's supplier network due primarily to the lack of duties, and reduced transport and shipping costs.

The increase in LXR's consumer buying program is expected to be facilitated by the planned expansion in LXR's retail network and growth in e-Commerce business. Customers will be able to sell products to LXR at certain retail locations and through LXR's website. See "The Business of LXR – Product Strategy and Sourcing – Sourcing".

### ***Leverage Success in Handbags and Accessories to Other Vintage Opportunities***

LXR offers a curated assortment of pre-owned vintage luxury products from iconic brands such as Hermès, Louis Vuitton, Gucci and Chanel, among others. In 2016, handbags accounted for approximately 79% of all sales on a unit basis. LXR's growth strategy includes selectively expanding its product offering to other vintage luxury categories that cater to a broad demographic of women as well as introducing a curated assortment of pre-owned vintage luxury products aimed at men.

It is anticipated that such categories would feature products that offer unique styling, workmanship and iconic branding consistent with LXR's current merchandising strategy and that the market opportunity for pre-owned vintage luxury products in such categories would be supported by a substantial primary market and favourable demand trends. The Company has identified several categories that could potentially fit this criteria, including vintage watches for men and women, men's leather goods, shoes, apparel and other accessories. While several of LXR's competitors are already present in some of these categories, they typically offer a limited depth of products on a consignment model basis, and usually only online. The Company would expand its product offering in a manner that leverages its competitive strengths and would allow it to offer a curated and deep assortment of authenticated branded pre-owned luxury products through its integrated omni-channel sales network.

### ***Pursue Attractive Acquisition Opportunities***

Where appropriate, the Company may accelerate growth by pursuing acquisitions that complement its strategic initiatives. In the near term, LXR will consider opportunities that augment its e-Commerce capability and diversify its sources of supply. In the longer term, LXR may consider adding new product categories to its product offering and/or alternative and complementary distribution channels through selective acquisitions.

### ***Increase the Awareness and Power of the LXR Brand***

LXR sources and authenticates branded pre-owned luxury vintage products that it sells through its international omni-channel sales network. Management believes that growing customer awareness and trust in the LXR product offering has been important to the success of LXR and that maintaining and enhancing the important tenants of the LXR brand, including authenticity and attractive value, is critical to LXR's continued success.

LXR intends to continue to source reliably, rigorously authenticate products, offer attractive prices and provide exceptional customer service. Management believes that executing on this strategy will contribute to the Company's future brand value and growth. In order to further broaden its brand recognition, LXR will also invest in brand-building activities such as content marketing, thought leadership, and other social media and public relations activities. In addition, management anticipates that LXR will benefit from the increased brand awareness that will result from the expansion of its retail network as plans are realized.

### ***Gibraltar Growth Value-Add***

Following the completion of the LXR Acquisition, Gibraltar Growth will leverage its experience and expertise and that of its network of relationships in consumer products, branding and retailing, and mergers and acquisitions to accelerate the Company's growth. In addition, Gibraltar Growth will introduce best practices by sharing the experience of its team of business builders and seasoned executives in the areas of talent management and managing growth as a public company.

Gibraltar Growth's involvement with LXR began in February 2016 through an introduction made by a director of Gibraltar & Company. In June 2016, Gibraltar & Company, the parent of the Sponsor, assisted LXR with raising approximately \$3.6 million in growth capital at which time Gibraltar Ventures, a private equity fund managed by an operating subsidiary of Gibraltar & Company, invested in LXR and Groupe Global, the Company's e-Commerce subsidiary. At that time, Cam di Prata, Chief Executive Officer of Gibraltar & Company and current Co-Chief Executive Officer and director of Gibraltar Growth, joined the LXR board of directors. In addition to capital raising initiatives, Gibraltar & Company has been actively involved in assisting LXR management with the recruitment of senior executives and with business development initiatives that have accelerated the roll-out of LXR's retail network and the building of its e-Commerce activities. In January 2017, Gibraltar & Company invested \$1.0 million in LXR through the exercise of warrants previously granted to Gibraltar & Company as part of an extension to the June 2016 financing. As at April 13, 2017, Gibraltar & Company and related parties owned approximately 19.0% of LXR. See "Gibraltar Value-Add", "The LXR Acquisition – Related Party Interests".

### ***Ongoing Involvement***

Upon completion of the LXR Acquisition, Cam di Prata, current Co-Chief Executive Officer and director of Gibraltar Growth, will assume the role of Executive Chair and will continue as a director of the Company. Joe Mimran, current Chairman, Co-Chief Executive Officer and director of Gibraltar Growth, will continue as a director of the Company and chair of the International Development Committee of the Board. In addition, Javier San Juan, current Vice-Chairman and Director of Gibraltar Growth, will also be a director of the Company. See "Directors and Executive Officers".

Upon completion of the LXR Acquisition, and assuming that the Sponsor purchases 103,500 Class B Shares pursuant to the Gibraltar New Subscription, the Sponsor will own 2,075,144 Class B shares (including the Sponsor's share of the Commitment Fee) representing 11.6% or 15.7% of the Company based on assumed redemption levels of 50% and 100%, respectively.

### ***Value Creation Initiatives***

Gibraltar Growth believes that LXR is well positioned to benefit from the favorable trends in the vintage luxury goods market across North America and internationally. Through its representation and active engagement on the board of directors, Gibraltar Growth will focus strategically on growing the Company to its fullest potential to generate long-term value for shareholders. See "Gibraltar Value-Add".

The following sets forth certain Gibraltar Growth value creation initiatives that it will seek to pursue in partnership with management upon completion of the LXR Acquisition:

#### ***Accelerate Expansion of Retail Network***

LXR's growth strategy includes the rapid expansion of its retail network with retail partners in North America and internationally. Gibraltar Growth believes that the reach and depth of the industry relationships of its team members in sectors such as retail, consumer products and merchandising, among others, will result in new business development opportunities otherwise unavailable to LXR. Gibraltar Growth will seek to facilitate senior level introductions to prospective retail partners and aim to reduce LXR's sales cycle in order to accelerate its retail network expansion. To-date, Gibraltar Growth's involvement has resulted in business development opportunities in the United States and the United Kingdom.

In geographies where it may be more appropriate to establish joint venture partnerships with a local partner to accelerate LXR's retail network expansion, Gibraltar Growth can offer valuable insights and knowledge in identifying, assessing and structuring joint venture opportunities. In addition, Gibraltar Growth will leverage its international experience in consumer products and retailing, and industry relationships to make introductions in order to facilitate the business development sales cycle.

#### ***Accelerate Expansion into New Product Lines and Categories***

LXR will pursue opportunities to diversify and expand its product offering of pre-owned luxury products. Gibraltar Growth has specific retailing expertise in extending product lines and entering new product categories and

will assist LXR in the assessment and launch of product extension and diversification opportunities. Gibraltar Growth's retailing experience covers a broad array of consumer product categories and includes merchandising experience targeting specific demographics. Gibraltar Growth believes that this will facilitate and accelerate the implementation of product diversification strategies.

#### ***Accelerate E-Commerce Growth through Mergers and Acquisitions***

Gibraltar Growth anticipates that the fragmented nature of the e-Commerce vintage luxury industry in the United States will offer opportunities for growth through acquisitions. Gibraltar Growth will leverage its execution experience in mergers and acquisitions and its knowledge of the capital markets to assist the Company in identifying and acquiring businesses. Gibraltar Growth intends to implement a disciplined and proactive mergers and acquisitions strategy that will be based on a well-defined investment criteria.

#### ***Building the Brand***

LXR undertook a strategic brand review in late 2016 and anticipates rolling out its new brand aesthetic in 2017. Gibraltar Growth will continue to leverage its experience in branding to assist LXR in unifying the consumer retail experience and social experience across 'bricks and mortar' and e-Commerce channels. Gibraltar Growth's value-add will include leveraging service provider relationships in marketing, messaging and design.

#### ***Focus on Talent Recruitment and Management***

One of LXR's competitive advantages is the quality, creativity and entrepreneurialism of its employees. Gibraltar Growth's objective is to preserve this creative culture and to extend this employee-owner mindset by providing the Company's management with the necessary tools, insights and incentives to continue to develop and motivate its employees. These initiatives will include:

##### ***Attracting Key People***

Gibraltar Growth believes that the reach and depth of the industry relationships of its network will provide LXR with credible access to a more diversified and deeper talent pool otherwise unavailable to it to expand and manage its operations internationally. To date, Gibraltar Growth introductions have resulted in the hiring of two key executives, notably in the marketing and business development. Gibraltar Growth will leverage its international network to help LXR expand its key executive team to include the hiring of experienced functional heads focusing on finance, store operations, data analytics and e-Commerce.

##### ***Equity Incentive Plan***

At Closing, the executive management team will own approximately 23.1% or 35.1% of the Company, assuming redemption levels of 50% and 100%, respectively. Over time, Gibraltar Growth's objective is to increase the number of employee shareholders within the Company by shaping the short term and long-term equity incentive plans under which grants of equity-based awards will be made. The equity incentive plans will be intended to align the interests of the executives and employees with those of the Company's shareholders.

##### ***Nurture Emerging Leaders***

Gibraltar Growth will assist the Company in identifying, training and developing emerging leaders within the organization including implementing a succession-planning program to increase the breadth and depth of management talent across the Company. Gibraltar Growth will also focus on ensuring that seasoned and experienced directors will serve as mentors for emerging leaders at the Company.

#### ***Leveraging Public Market Experience and Leadership***

Gibraltar Growth believes the experience of its executives in leading public companies together with that in its network of business builders is a valuable resource that will enable the Company to grow as a public company. Gibraltar Growth will assist in instituting best practices measures, where applicable, and providing public company mentorship to the Company's executive team on managing growth in the public markets. Gibraltar Growth also



believes that its experience will be relevant in providing ongoing stewardship in areas such as shareholder communications, compliance and governance.

### **Luxury Personal Goods Market**

LXR is a rapidly growing, international omni-channel retailer of branded vintage luxury handbags and accessories. As such, LXR operates in the pre-owned vintage luxury personal goods segment of the global luxury personal goods market. While specific market size statistics are not available for sales of pre-owned vintage luxury goods, management believes that the size of the pre-owned vintage segment is anchored by the substantial and growing size of the primary market for luxury personal goods. Management also believes that the growth prospects and attractiveness of the pre-owned vintage luxury market are favourable given the greater affordability and accessibility of pre-owned luxury goods, the increased social acceptance of ‘re-use’ and affinity of consumers to extend product lifecycles.

The global luxury personal goods market, which includes the luxury products categories of beauty, apparel, watches and jewelry, and accessories, which includes leather goods and shoes, is large and stable. According to Bain & Company, global personal luxury goods sales grew at a CAGR of 4.5% between 2013 and 2016 to €249 billion. Looking forward, Bain & Company expects that the market for personal luxury goods will grow at a CAGR of 3% to 4% to approximately €280 billion through 2020.

Bain & Company reported that in 2015 the U.S. market represented nearly one third of the global market and was the largest personal luxury goods market. According to Euromonitor International, sales of personal luxury goods in the United States were US\$83.7 billion in 2016 and are expected to grow at a CAGR of 2.3% between 2016 and 2020 to US\$91.8 billion. Euromonitor International cited that factors affecting the level of consumption of personal luxury goods include discretionary spending by domestic consumers and currency fluctuations which affect the level of spending by tourists.

According to Bain & Company, accessories, which includes luxury leather goods, was the largest personal luxury goods product segment in 2016, capturing approximately 30% of total global sales. Within accessories, handbags was cited as the largest category and accounted for €44 billion in retail sales value in 2016.

According to Euromonitor International, primary sales of luxury leather goods in the United States grew from US\$13.8 billion in 2013 to US\$15.6 billion in 2016, representing a CAGR of 4.2%. Within that segment, women’s luxury bags was the largest product category, and accounted for 78% of luxury leather goods sales in 2016. Euromonitor International projects that sales of women’s luxury bags are expected to grow from US\$12.1 billion in 2016 to US\$13.2 billion in 2020, representing a CAGR of 2.1%. Consistent with global market trends for personal luxury goods, sales of luxury leather goods in the United States through off-priced retail stores and online are also expected to increase. Euromonitor International reported that internet retailing of luxury leather goods in the United States rose to approximately US\$1.7 billion in 2016, representing a 15% increase from 2015, the fastest growth in distribution channel sales.

Management believes that the significant size of the global personal luxury goods market supports favourable demand for pre-owned luxury goods. In addition, the size of the global personal luxury goods market is a significant potential source of supply of luxury goods to be acquired for re-sale as pre-owned vintage luxury products. According to Bain & Company, the primary market for personal luxury goods in Japan, where LXR primarily sources its pre-owned merchandise, grew 10% in 2016 to €22 billion.

### **Risk Factors**

Shareholders should be aware that there are various known and unknown risk factors in connection with the LXR Acquisition. Shareholders should carefully consider the risks identified in this prospectus under the heading “Caution Regarding Forward-Looking Statements” and “Risk Factors” before deciding whether or not to approve the LXR Acquisition.

## **Summary Financial Information**

### ***Selected Annual Financial Information***

The following sets forth a summary of LXR's selected historical consolidated financial data as of the dates and for the periods indicated below. The information should be read together with the LXR Financial Statements included in Appendix C of this prospectus. The historical financial information for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 summarized below is derived from the LXR Financial Statements which were prepared in accordance with IFRS. Historical financial and operating information may not be indicative of future performance, and certain financial information presented below includes non-IFRS financial measures that LXR believes are important in evaluating its performance. See "Notice to Readers", "Non-IFRS Measures", "Caution Regarding Forward-Looking Statements", "Selected Consolidated Financial Information of LXR" and "Management's Discussion and Analysis of LXR – Non-IFRS Measures including Retail Industry Metrics".



|   | For the 12 Months<br>Ended December 31, |                     |                     |
|---|---|---------------------|---------------------|
|   | 2016                                    | 2015                | 2014                |
| <b>Consolidated statements of loss and comprehensive loss:</b>          |   |                     |                     |
| <b>Net revenue</b>  | <b>\$21,890,810</b>                     | <b>\$15,325,739</b> | <b>\$12,938,404</b> |
| Cost of sales   | 14,965,438                              | 11,025,507          | 9,303,271           |
| <b>Gross profit</b>   | <b>6,925,372</b>                        | <b>4,300,232</b>    | <b>3,635,133</b>    |
| Selling, general and administrative expenses                            | 6,127,350                               | 3,989,095           | 3,381,453           |
| Amortization and depreciation expenses                                  | 224,329                                 | 235,128             | 253,413             |
| <b>Results from operating activities</b>                                | <b>573,693</b>                          | <b>76,009</b>       | <b>267</b>          |
| Finance costs   | 1,473,986                               | 477,056             | 612,470             |
| Foreign exchange loss (gain)  | (193,639)                               | 101,610             | (22,590)            |
| Share of loss in an associate   | 499,007                                 | —                   | —                   |
| Non-recurring gain on loss of control of a subsidiary                   | (363,948)                               | —                   | —                   |
| Loss (gain) on change in fair value of derivative financial instruments | —                                       | (74,937)            | 8,220               |
| Change in fair value of redeemable preferred shares                     | 17,277,928                              | —                   | —                   |
| Convertible redeemable preferred share dividends                        | 661,442                                 | —                   | —                   |
| Change in fair value of warrants  | 9,582,300                               | —                   | —                   |
| <b>Loss before income taxes</b>   | <b>(28,363,383)</b>                     | <b>(427,720)</b>    | <b>(597,833)</b>    |
| Income tax expenses (recovery)  |   |                     |                     |
| Current   | (210,119)                               | 14,683              | (808)               |
| Deferred  | 163,754                                 | (11,701)            | 15,321              |
| <b>Net loss</b>   | <b>(28,317,018)</b>                     | <b>(430,702)</b>    | <b>(612,346)</b>    |
| <b>Other comprehensive loss</b>   |   |                     |                     |
| Cumulative translation adjustment                                       | 11,540                                  | (107,934)           | (76,430)            |
| <b>Comprehensive loss</b>   | <b>\$(28,305,478)</b>                   | <b>\$(538,636)</b>  | <b>\$(688,776)</b>  |

|   | As at December 31, |             |           |
|---|--------------------|-------------|-----------|
|   | 2016               | 2015        | 2014      |
| <b>Consolidated statements of financial position:</b> |                    |             |           |
| Cash  | \$938,966          | \$909,858   | \$213,208 |
| Working capital (deficiency)                          | 87,308             | (1,577,185) | (892,493) |
| Adjusted Working Capital                              | 3,228,334          | 1,096,383   | 1,678,831 |
| Property and equipment, net                           | 1,000,913          | 490,724     | 362,126   |
| Total assets  | 12,015,732         | 5,966,629   | 5,002,960 |
| Total debt  | 6,428,115          | 4,072,778   | 4,457,781 |
| Total liabilities                                     | 41,149,885         | 6,795,304   | 5,292,999 |
| Total equity (deficiency)                             | (29,134,153)       | (828,675)   | (290,039) |

|   | For the 12 Months<br>Ended December 31, |                    |                    |
|---|---|--------------------|--------------------|
|   | 2016                                    | 2015               | 2014               |
| <b>Reconciliation of net loss to Adjusted EBITDA:</b> |   |                    |                    |
| <b>Net loss</b>                                       | <b>\$(28,317,018)</b>                   | <b>\$(430,702)</b> | <b>\$(612,346)</b> |
| Amortization and depreciation expense                 | 224,329                                 | 235,128            | 253,413            |
| Finance costs   | 1,473,986                               | 477,056            | 612,470            |
| Income tax expense (recovery)                         | (46,365)                                | 2,982              | 14,513             |
| <b>EBITDA</b>   | <b>(26,665,068)</b>                     | <b>284,464</b>     | <b>268,050</b>     |

|  | For the 12 Months<br>Ended December 31, |                |                |
|--|---|----------------|----------------|
|  | 2016                                    | 2015           | 2014           |
| <b>Reconciliation of net loss to Adjusted EBITDA:</b>                  |   |                |                |
| <b>Adjustments to EBITDA:</b>  |   |                |                |
| Change in fair value of warrants                                       | 9,582,300                               | -              | -              |
| Convertible redeemable preferred shares dividends                      | 661,442                                 | -              | -              |
| Change in fair value of convertible redeemable preferred shares        | 17,277,928                              | -              | -              |
| Loss (gain) on change in fair value of derivative financial instrument | -                                       | (74,937)       | 8,220          |
| Non-recurring gain on loss of control of a subsidiary                  | (363,948)                               | -              | -              |
| Share of loss in an associate  | 499,007                                 | -              | -              |
| Foreign exchange loss (gain)   | (193,639)                               | 101,610        | (22,590)       |
| <b>Adjusted EBITDA</b>   | <b>798,022</b>                          | <b>311,137</b> | <b>253,680</b> |
| <b>Adjusted EBITDA Margin</b>  | <b>4%</b>                               | <b>2%</b>      | <b>2%</b>      |

|  | For the 12 Months<br>Ended December 31, |                    |                    |
|--|---|--------------------|--------------------|
|  | 2016                                    | 2015               | 2014               |
| <b>Reconciliation of net loss to Adjusted Net Loss:</b>                |   |                    |                    |
| <b>Net loss</b>  | <b>\$(28,317,018)</b>                   | <b>\$(430,702)</b> | <b>\$(612,346)</b> |
| <b>Adjustments to net loss:</b>  |   |                    |                    |
| Change in fair value of warrants                                       | 9,582,300                               | -                  | -                  |
| Convertible redeemable preferred shares dividends                      | 661,442                                 | -                  | -                  |
| Change in fair value of convertible redeemable preferred shares        | 17,277,928                              | -                  | -                  |
| Loss (gain) on change in fair value of derivative financial instrument | -                                       | (74,937)           | 8,220              |
| Non-recurring gain on loss of control of a subsidiary                  | (363,948)                               | -                  | -                  |
| Share of loss in an associate  | 499,007                                 | -                  | -                  |
| Foreign exchange loss (gain)   | (193,639)                               | 101,610            | (22,590)           |
| <b>Adjusted Net Loss</b>   | <b>(853,928)</b>                        | <b>(404,029)</b>   | <b>(626,716)</b>   |

|   | As at December 31, |                      |                    |
|---|--------------------|----------------------|--------------------|
|   | 2016               | 2015                 | 2014               |
| <b>Reconciliation of working capital to Adjusted Working Capital:</b> |                    |                      |                    |
| <b>Working capital (deficiency)</b>                                   | <b>\$87,308</b>    | <b>\$(1,577,185)</b> | <b>\$(892,493)</b> |
| <b>Adjustments to working capital:</b>                                |                    |                      |                    |
| Current portion of long-term debt                                     | 2,841,026          | 2,373,568            | 2,271,324          |
| Preferred shares  | 300,000            | 300,000              | 300,000            |
| <b>Adjusted Working Capital</b>                                       | <b>\$3,228,334</b> | <b>\$1,096,383</b>   | <b>\$1,678,831</b> |

“Adjusted EBITDA”, “Adjusted EBITDA Margin”, “Adjusted Net Loss” and “Adjusted Working Capital” are non-IFRS measures that LXR uses to assess its underlying operating performance and cash flow, and more accurately describe the growth of the business on a relative basis from period to period. See “Non-IFRS Measures” and “Management’s Discussion and Analysis of LXR – How Management Assesses the Performance of LXR”.

### ***Financial Outlook***<sup>7</sup>

LXR believes that it has the opportunity to grow its Run-rate Revenue to between \$130 million and \$150 million by the end of 2018. Growth through 2018 is expected to be primarily driven by: the continued expansion of LXR's retail network to over 200 stores, including Retail Stores and Hybrid Stores, and growing LXR's e-Commerce revenue.

Management currently believes that the achievement of the foregoing financial outlook is possible, can be reasonably estimated and is based on underlying assumptions that management believes are reasonable in the circumstances, given the time period for such targets. However, there can be no assurance that LXR will successfully expand its retail network to over 200 stores, achieve its estimated store productivity or achieve e-Commerce revenue growth.

The financial outlook for 2018 constitutes forward-looking information for the purposes of applicable securities laws and readers are cautioned that actual results may vary from those described above. For a detailed description of the assumptions and risk factors associated with the financial outlook for 2018, see "The Business of LXR – Growth Strategy" and "Management's Discussion and Analysis of LXR – Financial Outlook". Also, see "Caution Regarding Forward-Looking Statements" and "Risk Factors" elsewhere in this prospectus for a description of the risks and uncertainties that impact LXR's business and that could cause actual results to vary.

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<sup>7</sup> "Run-rate Revenue" is a non-IFRS measure. See "Non-IFRS Measures" and "Management's Discussion and Analysis of LXR – Financial Outlook" for additional information concerning management's assumptions and the risk factors relating to these assessments.

### ***LXRandCo Pro Forma Consolidated Capitalization***

As the LXR Acquisition constitutes Gibraltar Growth's qualifying acquisition, holders of Class A Restricted Voting Shares can elect to redeem all or a portion of their Class A Restricted Voting Shares, whether they vote for or against, or do not vote on the qualifying acquisition, provided that they deposit their shares for redemption prior to the Redemption Election Deadline. See "The LXR Acquisition – Shareholder Approval – Redemption Rights". A redeeming shareholder is entitled to receive the Class A Qualifying Acquisition Redemption Price per Class A Restricted Voting Share redeemed, payable in cash.

Gibraltar Growth believes that LXR is well-positioned to benefit from the favourable trends in the pre-owned vintage luxury goods market across North America and internationally. Through its ongoing involvement with LXR, Gibraltar Growth will focus on growing the Company to its fullest potential to generate long-term value for shareholders. See "The Business of LXR – Growth Strategy" and "Gibraltar Value-Add". The 50% and 100% redemption level scenarios presented below reflect Gibraltar Growth's view of the possible redemption level range that might be experienced, although actual redemptions levels could be materially different. Taking into consideration the proceeds raised pursuant to the Private Placement, Gibraltar Growth will have access to funds to finance up to 100% of redemptions.

While Gibraltar Growth is the legal acquirer of LXR, LXR was identified as the acquirer for accounting purposes. As Gibraltar Growth does not meet the definition of a business under IFRS prior to the acquisition, the LXR Acquisition is outside the scope of IFRS 3, Business Combinations, and it is accounted for as a share-based payment transaction in accordance with IFRS 2, Share-based Payments ("**IFRS 2**"). The consolidated entity, reflected in the LXRandCo Pro Forma Financial Statements as LXRandCo, Inc. ("**LXRandCo**") is considered to be a continuation of LXR with the net identifiable assets of Gibraltar Growth deemed to have been acquired by LXR in exchange for shares of LXR. Under IFRS 2, the transaction is measured at the fair value of the shares deemed to have been issued by LXR in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of LXR acquiring 100% of Gibraltar Growth. Any difference in the fair value of the shares deemed to have been issued by LXR and the fair value of Gibraltar Growth's identifiable net assets represents a service received by LXR.

The following table sets forth the capitalization of the LXRandCo as at December 31, 2016 adjusted to give effect to the LXR Acquisition assuming different levels of redemption:

|   | <b>As at December 31, 2016, as<br/>adjusted<br/>(unaudited)</b> |                             |
|---|---|-----------------------------|
|   | <b>50%<br/>Redemptions</b>                                      | <b>100%<br/>Redemptions</b> |
| Long-term debt (total).....                   | \$3,028,753   | \$3,028,753                 |
| Convertible redeemable preferred shares ..... | -   | -                           |
| Total shareholders' equity .....              | 69,324,257  | 21,865,257                  |
| <b>Total Capitalization .....</b>             | <b>\$72,353,010</b>   | <b>\$24,894,010</b>         |

In January 2017, LXR entered into an agreement to re-acquire the 67.8% equity interest of Groupe Global not already held by it for total consideration of \$3,945,347 through the issuance of 69,434 convertible redeemable preferred shares of LXR. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the sale of Groupe Global to LXR, effective as of January 1, 2017.

On January 30, 2017, LXR issued 130,039 preferred shares at \$7.69 per share for proceeds of \$1 million, pursuant to the exercise of share purchase warrants disclosed in note 12 of the LXR Financial Statements included in Appendix C of this prospectus. Following Closing, these warrants will be exercisable for Class B Shares of the Company forming part of the Equity Consideration.

On February 16, 2017, as part of LXR's employee stock option program, LXR's board of directors approved 62,334 options to purchase class A common shares at \$7.69 per common share. The options vest at 25% on the first anniversary of the grant and yearly thereafter (on each anniversary of such date) to the fourth anniversary of the grant, and shall remain exercisable up to February 16, 2027. While LXR's board of directors formally approved the ESOP in February 2017, LXR actually created the ESOP plan and allocated the options to key employees and directors in 2016. Pursuant to the Purchase Agreement, on Closing the Company will assume all obligations under the ESOP and has reserved 293,380 Class B Shares for issuance upon the exercise of the options outstanding thereunder.

To date, other than these three events and in the normal course of business, there has been no material change in the equity and debt capital of LXRandCo on a consolidated basis.

The table above should be read in conjunction with the Gibraltar Growth Financial Statements, the LXR Financial Statements and the LXRandCo Pro Forma Financial Statements included in Appendix A, Appendix C and Appendix D, respectively, of this prospectus

### ***Summary Historical and Pro Forma Consolidated Financial Information***

The pro forma statement of financial position as at December 31, 2016, includes the effect of the LXR Acquisition as though it were completed on December 31, 2016, based on assumed redemption levels of 50% and 100%, respectively. The pro forma statement of loss and comprehensive loss for the year ended December 31, 2016 includes the effect of the LXR Acquisition as though it were completed on January 1, 2016, based on assumed redemption levels of 50% and 100%, respectively.

The summary historical and pro forma financial information has been prepared for illustrative purposes only and may not be indicative of the operating results or financial condition that would have been achieved if the LXR Acquisition had been completed on the dates or for the periods noted above, nor do they purport to project the results of operations or financial position for any future period or as of any future date. In addition to the pro forma adjustments that comprise this pro forma financial information, various other factors will have an effect on the financial condition and results of operations of LXR following the completion of the LXR Acquisition, including an adjustment as it relates to the Closing of the LXR Acquisition. See the notes to the LXRandCo Pro Forma Financial Statements included in Appendix D of this prospectus for discussion of pro forma adjustments.

The LXRandCo Pro Forma Financial Statements were prepared for redemption scenarios of 50% and 100%. This summary of LXRandCo's pro forma financial information should be read in conjunction with the LXRandCo Pro Forma Financial Statements, together with the notes thereto, which are included in Appendix D of this prospectus.

The following summary historical and pro forma financial information assumes a redemption level of 50%:

|   | <b>As at and for the 12-month period ended<br/>December 31, 2016</b> |                             |                               |
|---|--|-----------------------------|-------------------------------|
|   | <b>LXR</b>   | <b>Gibraltar<br/>Growth</b> | <b>LXRandCo<br/>Pro Forma</b> |
| <b>Consolidated statements of loss:</b>               |  |                             |                               |
| Net revenue.....                                      | \$21,890,810   | -                           | \$22,471,321                  |
| Results from operating activities.....                | 573,693  | (960,308)                   | (851,931)                     |
| Loss before income taxes .....                        | (28,363,383)   | (3,712,681)                 | (1,676,808)                   |
| Net loss .....  | (28,317,018)   | (3,712,681)                 | (1,531,048)                   |
| <b>Consolidated statements of financial position:</b> |  |                             |                               |
| Total assets .....                                    | \$12,015,732   | \$105,630,758               | \$86,011,564                  |
| Total current liabilities.....                        | 10,557,912   | 107,240,642                 | 16,321,337                    |

|   | As at and for the 12-month period ended<br>December 31, 2016 |                             |                               |
|---|--|-----------------------------|-------------------------------|
|   | <b>LXR</b>   | <b>Gibraltar<br/>Growth</b> | <b>LXRandCo<br/>Pro Forma</b> |
| Total liabilities .....   | 41,149,885   | 107,240,642                 | 16,687,307                    |
| Shareholders' equity (deficiency) .....                               | (29,134,153)   | (1,609,884)                 | 69,324,257                    |
| <b>Reconciliation of net loss to Adjusted EBITDA:</b>                 |  |                             |                               |
| <b>Net loss</b> .....   | \$(28,317,018)   | \$(3,712,681)               | \$(1,531,048)                 |
| Amortization and depreciation expense .....                           | 224,329  | -                           | 224,329                       |
| Finance costs .....   | 1,473,986  | -                           | 1,505,643                     |
| Income tax expense (recovery) .....                                   | (46,365)   | -                           | (145,760)                     |
| <b>EBITDA</b> .....   | (26,665,068)   | (3,712,681)                 | 53,164                        |
| <b>Adjustments to EBITDA:</b>   |  |                             |                               |
| Change in fair value of warrants .....                                | 9,582,300  | -                           | -                             |
| Convertible redeemable preferred shares dividends .....               | 661,442  | -                           | -                             |
| Change in fair value of convertible redeemable preferred shares ..... | 17,277,928   | -                           | -                             |
| Non-recurring gain on loss of control of a subsidiary .....           | (363,948)  | -                           | -                             |
| Share of loss in an associate .....                                   | 499,007  | -                           | -                             |
| Foreign exchange loss (gain) .....                                    | (193,639)  | -                           | (193,639)                     |
| <b>Adjusted EBITDA</b> .....  | <u>\$798,022</u>   | <u>\$(3,712,681)</u>        | <u>\$(140,475)</u>            |

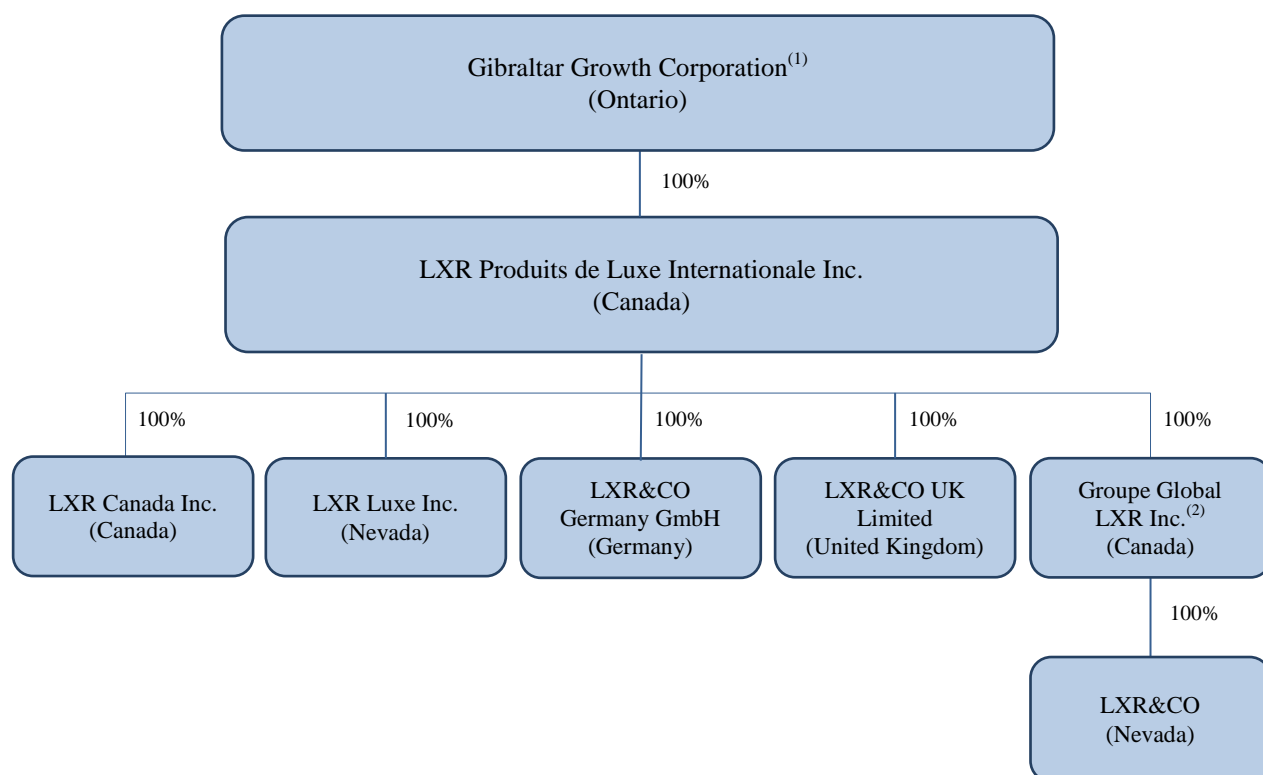
The following summary historical and pro forma financial information assumes a redemption level of 100%:

|   | As at and for the 12-month period ended<br>December 31, 2016 |                     |                       |
|---|--|---------------------|-----------------------|
|   | LXR  | Gibraltar<br>Growth | LXRandCo<br>Pro Forma |
| <b>Consolidated statements of loss:</b>                               |  |                     |                       |
| Net revenue .....   | \$21,890,810   | -                   | \$22,471,321          |
| Results from operating activities.....                                | 573,693  | (960,308)           | (851,931)             |
| Loss before income taxes .....  | (28,363,383)   | (3,712,681)         | (1,676,808)           |
| Net loss .....  | (28,317,018)   | (3,712,681)         | (1,531,048)           |
| <b>Consolidated statements of financial position:</b>                 |  |                     |                       |
| Total assets .....  | \$12,015,732   | \$105,630,758       | \$38,552,564          |
| Total current liabilities .....                                       | 10,557,912   | 107,240,642         | 16,321,337            |
| Total liabilities .....   | 41,149,885   | 107,240,642         | 16,687,307            |
| Shareholders' equity (deficiency) .....                               | (29,134,153)   | (1,609,884)         | 21,865,257            |
| <b>Reconciliation of net loss to Adjusted EBITDA:</b>                 |  |                     |                       |
| Net loss .....  | \$(28,317,018)   | \$(3,712,681)       | \$(1,531,048)         |
| Amortization and depreciation expense .....                           | 224,329  | -                   | 224,329               |
| Finance costs.....  | 1,473,986  | -                   | 1,505,643             |
| Income tax expense (recovery) .....                                   | (46,365)   | -                   | (145,760)             |
| <b>EBITDA</b> .....   | (26,665,068)   | (3,712,681)         | 53,164                |
| <b>Adjustments to EBITDA:</b>   |  |                     |                       |
| Change in fair value of warrants .....                                | 9,582,300  | -                   | -                     |
| Convertible redeemable preferred shares dividends .....               | 661,442  | -                   | -                     |
| Change in fair value of convertible redeemable preferred shares ..... | 17,277,928   | -                   | -                     |
| Non-recurring gain on loss of control of a subsidiary .....           | (363,948)  | -                   | -                     |
| Share of loss in an associate.....                                    | 499,007  | -                   | -                     |
| Foreign exchange loss (gain) .....                                    | (193,639)  | -                   | (193,639)             |
| <b>Adjusted EBITDA</b> .....  | \$798,022  | \$(3,712,681)       | \$(140,475)           |

## CORPORATE STRUCTURE

Gibraltar Growth's head office and registered office is located at 130 Adelaide Street West, Suite 1700, Toronto, Ontario, M5H 3P5. Gibraltar Growth was incorporated under the Corporations Act on June 11, 2015. On September 25, 2015, Gibraltar Growth's articles were amended to create the Class A Restricted Voting Shares.

The organizational chart below illustrates the inter-corporate relationships of the Company and its material subsidiaries, including their jurisdiction of incorporation in parentheses, immediately following Closing:



### Notes:

- (1) Following the Closing, it is Gibraltar Growth's intention to rename itself as LXRandCo, Inc.
- (2) In January 2017, LXR entered into an agreement to re-acquire the 67.8% equity interest of Groupe Global not already held by it for total consideration of \$3,945,347 through the issuance of 69,434 convertible redeemable preferred shares of LXR. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the sale of Groupe Global to LXR, effective as of January 1, 2017. See "Management's Discussion and Analysis of LXR – Subsequent Events".



## **LUXURY PERSONAL GOODS MARKET OVERVIEW**

### **Overview**

LXR is a rapidly growing, international omni-channel retailer of branded pre-owned vintage luxury handbags and accessories that it sells through its retail network of stores located in major department stores, wholesales operations and its e-Commerce channel.

LXR operates in the pre-owned vintage luxury personal goods segment of the global luxury personal goods market. While specific market size statistics are not available for sales of pre-owned vintage luxury goods, management believes that the size of the pre-owned vintage segment is anchored by the substantial size of the primary market for luxury personal goods. Management also believes that the growth prospects and attractiveness of the pre-owned vintage luxury market are favourable given the greater affordability and accessibility of pre-owned luxury goods, the increased social acceptance of 're-use' and affinity of consumers to extend product lifecycles.

### **Luxury Personal Goods Market**

The global luxury personal goods market, which includes the luxury products categories of beauty, apparel, watches and jewelry, and accessories, which includes leather goods and shoes, is large and stable. According to Bain & Company, global personal luxury goods sales grew at a CAGR of 4.5% between 2013 and 2016 to €249 billion. Looking forward, Bain & Company expects that the market for personal luxury goods will grow at a CAGR of 3% to 4% to approximately €280 billion through 2020.

Bain & Company reported that in 2015 the U.S. market represented nearly one third of the global market and was the largest personal luxury goods market. According to Euromonitor International, sales of personal luxury goods in the United States were US\$83.7 billion in 2016 and are expected to grow at a CAGR of 2.3% between 2016 and 2020 to US\$91.8 billion. Euromonitor International cited that factors affecting the level of consumption of personal luxury goods include discretionary spending by domestic consumers and currency fluctuations which affect the level of spending by tourists.

According to Bain & Company, monobrand stores, department stores and speciality stores represented the highest volume retail formats through which personal luxury goods were sold in 2016, and while market share of sales through these channels declined modestly from 77% of global sales in 2015 to 74% in 2016, these formats remained important destinations for consumers of personal luxury goods. From a growth perspective, however, the off-price store format and e-Commerce channel have exhibited the highest growth. According to Bain & Company, global sales of personal luxury goods through off-price stores grew from €16 billion in 2013 to €29 billion in 2016, representing a CAGR of approximately 23%, and an increase in market share from 7% to 11% of total sales, respectively. Management believes this trend is indicative of the emergence of the 'aspirational' consumer, and consumer sensitivity to price and their increasing 'value for money' orientation. Bain & Company also reported that global online sales of personal luxury goods increased from €10 billion in 2013 to €19 billion in 2016, representing a CAGR of approximately 25%, and an increase in market share from 4% to 8% of total sales, respectively. In 2016 alone, Bain & Company noted that the market for online luxury goods grew 13%, significantly outperforming the rest of the personal luxury goods market. The growth in internet retailing was cited as being largely supported by the growing number of digital consumers, greater access to the internet through alternative devices such as smartphones, tablets and wearables, and the greater comfort and convenience of purchasing online. In addition, the online channel has provided greater accessibility to personal luxury goods given the more limited number of physical luxury stores relative to more mainstream retailers.

According to Bain & Company, accessories, which includes luxury leather goods was the largest personal luxury goods product segment in 2016, capturing approximately 30% of total global sales. Within accessories, handbags was cited as the largest category and accounted for €44 billion in retail sales value in 2016.

According to Euromonitor International, primary sales of luxury leather goods in the United States grew from US\$13.8 billion in 2013 to US\$15.6 billion in 2016, representing a CAGR of 4.2%. Within that segment, women's luxury bags was the largest product category, and accounted for 78% of luxury leather goods sales in 2016. Euromonitor International projects that sales of women's luxury bags are expected to grow from US\$12.1 billion in 2016 to US\$13.2 billion in 2020, representing a CAGR of 2.1%. Consistent with global market trends for

personal luxury goods, sales of luxury leather goods in the United States through off-priced retail stores and online are also expected to increase. Euromonitor International reported that internet retailing of luxury leather goods in the United States rose to approximately US\$1.7 billion in 2016, representing a 15% increase from 2015, the fastest growth in distribution channel sales.

Management believes that the significant size of the global personal luxury goods market supports favourable demand for pre-owned luxury goods. In addition, the size of the global personal luxury goods market is a significant potential source of supply of luxury goods to be acquired for re-sale as pre-owned vintage luxury products. According to Bain & Company, the primary market for personal luxury goods in Japan, where LXR primarily sources its pre-owned merchandise, grew 10% in 2016 to €22 billion.

## **Competitive Landscape**

LXR competes primarily with North American e-Commerce retailers of pre-owned branded vintage luxury products, some of which operate modest retail store networks. LXR's primary competitors include: The RealReal, Inc. ("**TheRealReal**"), Fashionphile, LLC ("**Fashionphile**"), Trendlee, Inc. ("**Trendlee**"), WGACA, LLC ("**WGACA**"), Tradesy, Inc. ("**Tradesy**"), Vestiaire Collective SA ("**Vestiaire Collective**") and Poshmark, Inc. ("**Poshmark**"). Among these competitors, TheRealReal, Vestiaire Collective, Tradesy and Poshmark operate exclusively online and source their inventory typically through a product consignment model (whereby consumers still own the goods), while Fashionphile, Trendlee and WGACA purchase their inventory outright from consumers. In the case of Fashionphile and WGACA, both operate e-Commerce activities and a limited network of freestanding stores. As at December 31, 2016, Fashionphile reported having three stores in California, USA, and WGACA had five stores at various locations in the United States. As at December 31, 2016, LXR's retail network totalled 46 stores.

Management believes that it competes favourably against these companies based on its unique competitive advantages which include: an integrated omni-channel sales network consisting of a retail network of stores-within-stores, wholesale operations and e-Commerce capabilities; and, a unique and diversified product sourcing strategy whereby LXR takes physical ownership of its inventory. As a result, LXR believes that it can better provide its targeted customers with a curated offering of pre-owned luxury products and brands at an attractive value with greater accessibility to consumers.

LXR also competes in a very limited way with original manufacturers and retailers of new branded luxury handbags and accessories. Generally, primary branded luxury products are offered for sale at premium pricing with their availability strategically restricted to high-end luxury goods retailers and specialty stores, and within luxury goods manufacturers' own monobrand stores (and their online channels). Typically, new branded luxury goods cater to an affluent demographic where brand status, product originality and newness, and the high quality associated with these products override pricing considerations. While LXR may compete against new product manufacturers and luxury goods retailers for certain products, the pre-owned vintage luxury products offered by LXR generally cater to a more aspirational demographic that considers price, accessibility and quality for money to be important purchasing considerations. LXR's pre-owned products are typically priced on average approximately 50% lower than that of comparable new products based on, among other things, the scarcity value and the condition of a given product. Also, LXR sells its products through a retail network of stores located in major department stores that would otherwise not have access to the new versions of luxury products and brands offered by LXR.

## THE BUSINESS OF GIBRALTAR GROWTH

As of the date of this prospectus, Gibraltar Growth is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving Gibraltar Growth, which is referred to throughout this prospectus as Gibraltar Growth's "qualifying acquisition". Gibraltar Growth received \$100.0 million of proceeds from its initial public offering which was completed on October 2, 2015 and an additional \$4.5 million from the partial exercise of the underwriters' over-allotment option. The total proceeds of \$104.5 million were placed in an escrow account with TSX Trust Company immediately following the initial public offering and will be released upon consummation of the qualifying acquisition in accordance with the terms and conditions of the Escrow Agreement.

As of the date of this prospectus, Gibraltar Growth's management team is led by its Chairman and Co-Chief Executive Officer, Joseph (Joe) Mimran and Camillo (Cam) di Prata, its Co-Chief Executive Officer. Joe Mimran is among Canada's leading fashion and retail pioneers and entrepreneurs who has founded or co-founded and built international brands and companies that have helped define the industry landscape, including Joe Fresh™, Club Monaco, Alfred Sung and Caban. Cam di Prata is the founder and Chief Executive Officer of Gibraltar & Company, the former head of corporate and investment banking at National Bank Financial and an investment banking professional with over 25 years of mergers and acquisitions deal experience primarily in the technology, media and consumer product sectors.

In addition to Joe Mimran and Cam di Prata, Gibraltar Growth's Founders and directors consist of: Javier San Juan, President of L'Oréal Latin America who has been an executive with the L'Oréal Group for over 25 years; John M. Cassaday, the founding President and former Chief Executive Officer and director of Corus Entertainment Inc. and an experienced executive in media and technology, and consumer product sectors; James Haggarty, President & Chief Executive Officer of The SIM Group and an experienced executive in the media and online retailing sectors; Earl Rotman, Chairman of Venator Capital Management Ltd. and an experienced investment banker in the consumer product sector, among others; Som Seif, founder and Chief Executive Officer of Purpose Investments Inc. and an experienced entrepreneur and financial services executive; and Joseph (Joe) M. Natale, Chief Executive Officer of Rogers Communications Inc. and former Chief Executive Officer of TELUS Corporation and an experienced consumer marketing executive in the telecommunications sector.

Gibraltar Growth's current board of directors and management have access to an advisory board comprised of Charles Brindamour, Chief Executive Officer of Intact Financial Corporation, Jordan Banks, Managing Director of Facebook Canada and Instagram Canada, and Michael MacMillan, Chief Executive Officer of Blue Ant Media Inc.

Gibraltar Growth's Sponsor, Gibraltar Opportunity, Inc., is a wholly-owned subsidiary of Gibraltar & Company. Gibraltar & Company is a private investment management company focused on empowering exceptional entrepreneurs to create long-term value. Founded in 2013 by Cam di Prata and eight like-minded executives, Gibraltar & Company's vision is to identify and proactively contribute to the success of the next cohort of great, emerging consumer-facing companies.

## THE BUSINESS OF LXR

### Overview

LXR is a rapidly growing, international omni-channel retailer of branded vintage luxury handbags and accessories. LXR sources and authenticates high quality pre-owned products and sells them through: a retail network of stores located in major department stores in Canada, the United States and Europe; wholesale operations primarily in the United States; and LXR's own e-Commerce website, [www.lxrco.com](http://www.lxrco.com). LXR offers pre-owned products from iconic luxury brands such as Hermès, Louis Vuitton, Gucci and Chanel, among others, at attractive prices and seeks to appeal to the aspirational lifestyle needs of women of all ages. At the end of 2016, LXR had five retail partners, and LXR's retail network consisted of 46 stores with eight located in Canada, 32 in the United States and six in the Germany. LXR's headquarters are located in Montréal, Québec, and LXR has an office in Tokyo, Japan. As at December 31, 2016, LXR had 175 employees.

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

Consistent with the prestige associated with branded luxury products, LXR strives to offer an exceptional shopping experience and level of service. This extends from the experience in retail stores where sales associates seek to connect their customers to the storied history of vintage luxury products through to the e-Commerce online experience where support teams attend to customer inquiries about products and fulfilment preferences including the delivery of products to their location of choice. LXR guarantees the authenticity of the products it sells and believes that a consumer's trust in LXR's expertise and knowledge to consistently offer high quality, authentic pre-owned luxury products is integral to the evolution of the LXR brand and the success of the Company.

LXR was founded in November 2010 by Fred Mannella and Kei Izawa in Montréal, Québec as a private label wholesaler of vintage luxury products to discount retailers across North America. In 2014, LXR launched its first retail stores based on its unique store-within-store model that partners with major department store retailers and emphasizes the LXR brand as part of a curated shopping experience. LXR's retail activities began in Canada and expanded rapidly to the United States in the same year and to Germany in 2016. At the end of 2016, LXR's retail network of 46 stores extended across five retail partner department store banners. LXR launched its e-Commerce site in 2013, and at the end of 2016, LXR had over 70,000 active subscribers and sold products to online customers in nine countries. LXR's vision is to become the leading global omni-channel retailer of branded pre-owned vintage luxury products.

Since 2014, LXR's net revenue has grown from \$12.9 million to \$21.9 million in 2016, representing a CAGR of 30.1%. Net loss was \$0.6 million in 2014 and \$28.3 million in 2016, and Adjusted EBITDA<sup>8</sup> grew from \$0.3 million in 2014 to \$0.8 million in 2016, representing a CAGR of 77.4%. In 2016, approximately 74% of LXR's net revenue was generated in the United States, 21% in Canada and 5% in Germany, and LXR's e-Commerce channel contributed approximately 5%<sup>9</sup> of net revenue.

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<sup>8</sup> "Adjusted EBITDA" is a non-IFRS measure. See "Non-IFRS Measures". Also, see "Selected Consolidated Financial Information of LXR" and "Management's Discussion and Analysis of LXR" for a reconciliation of Adjusted EBITDA to its most directly comparable measure calculated in accordance with IFRS.

<sup>9</sup> Based on the full year 2016 revenue of Groupe Global, LXR's e-Commerce subsidiary, divided by the pro-forma revenue of LXR had Groupe Global been wholly-owned by LXR for all of 2016. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the reacquisition by LXR of Groupe Global, effective as of January 1, 2017. See "Management's Discussion and Analysis of LXR – Subsequent Events".

## Brands and Products

LXR offers a curated assortment of pre-owned vintage branded luxury products. LXR's product categories consist primarily of women's handbags, including shoulder bags, tote bags and travel bags, and other accessories, which include small leather goods, silk scarfs, watches and jewellery. In 2016, handbags accounted for approximately 79% of all sales on a unit basis. The brands offered by LXR are carefully selected to be synonymous with luxury and are either longstanding mainstays in the luxury segment such as Louis Vuitton, Hermès, Chanel, Prada and Gucci or more recently popular luxury brands such as MCM and Céline. The products feature unique styling, workmanship and recognizable branding, and LXR pairs these distinctive product characteristics with a tailored marketing strategy of storytelling designed to create a connection with consumers and a particular product's storied past and brand elements as well as with the LXR brand. As at December 31, 2016, LXR was offering over 20,000 items for sale through its omni-channel sales network.

LXR strives to offer competitive pricing for pre-owned luxury goods relative to the manufacturer's suggested retail price ("MSRP") for new primary market goods. Pricing strategy depends on, among other things, the popularity of a given product and brand, and the quality and condition of the product. All of LXR's products are condition graded by its internal team of experts based on the following industry accepted ratings criteria:

| <u>Condition Rating</u> | <u>Description</u>  |
|-------------------------|---|
| 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   |

LXR primarily offers products ranging in condition from "Category Rating A – Very Good Condition" through to "Category Rating B – Fair Condition". In 2016, products with condition ratings in this range represented over 95% of products sold. Depending on condition rating and other factors, pricing of pre-owned goods can be discounted on average by 50% of the MSRP. The pricing of pre-owned vintage luxury products offered by LXR typically range between \$100 and \$1,000 with some products selling for as high as \$20,000 for certain Hermès handbags. In 2016, LXR's average transaction value at retail was over \$750.

## Product Strategy and Sourcing

Unlike most of its competitors who favour a product consignment model, LXR maintains control over all aspects of merchandise planning, product sourcing, inventory management and product preparation. This allows LXR to ensure that it can offer consumers the right product, at the right time, at the right price and across all channels. As part of this process, product quality and authentication are also meticulously evaluated and controlled by LXR.

## Merchandise Planning

LXR's merchandising strategy targets women of all ages and is designed to appeal to the aspirational lifestyle needs of consumers throughout the various stages of their lives. To respond to evolving consumer tastes, LXR maintains a flexible assortment of historically popular items and new emerging luxury products and brands.

This strategic mix helps LXR to maintain customer engagement by delivering both iconic ‘must-haves’, while generating sales from more recently popular luxury brands and products.

LXR alters its product and brand mix based on customer demands and trends in the luxury goods market with a view of creating an ongoing engagement with customers and a connection to the LXR brand as the leading source of pre-owned vintage luxury products. When introducing new products or brands, LXR purchases initial order quantities that allow it to monitor consumer demand and later follows up with additional orders as required. LXR analyzes sales data on a real-time basis in order to make inventory adjustments and to respond to the latest demand patterns. When necessary, LXR can transfer inventory from store to store within its retail network.

Typically, LXR introduces merchandise simultaneously in its retail network and online. An average store will carry an assortment of approximately 50 to 125 items, with two or three times that amount held in storage at the retail location. LXR’s inventory management systems provide it with the ability and flexibility to optimize inventory across its retail network to ensure that each store is merchandised with products that resonate with local preferences. By actively monitoring sell-through rates and managing the mix of products and brands in its stores, LXR is able to respond to trends in a timely manner, minimize its dependence on any particular model, style or brand and preserve a balanced, coordinated presentation of merchandise within each store.

### ***Sourcing***

LXR sources its merchandise of pre-owned vintage luxury products from third party suppliers in Japan and directly from individuals in North America. LXR’s business model is based on purchasing and owning its merchandise as opposed to a consumer-based consignment model. LXR believes that its sourcing model is a competitive advantage that allows it to more cost effectively secure large quantities of specific merchandise and to better control product quality and assortment. In 2016, approximately 87% of LXR’s inventory was sourced from third party suppliers in Japan and 13% from others, including 4% directly from consumers through its consumer buying program which was launched in November 2016.

The market for pre-owned vintage luxury products in Japan is well-established. In order to purchase from third party suppliers, a buyer must have a Public Safety Commission Curio/used Dealer License that is issued by the Japanese police authorities. Other than ensuring that goods purchased are clear of any intellectual property rights and endangered species violations, there are no other regulations or tariffs regarding the buying and exporting of used luxury handbags and accessories from Japan.

LXR has been operating in the Japanese market since 2010, and it holds the necessary license to allow it to transact with third party suppliers. In addition to requiring buyers to hold the requisite license, third party suppliers value buyers who understand the business culture in Japan and have an ability to conduct business in Japanese. Management believes that its strong local presence and its understanding of Japanese culture and business practices have allowed it to forge strong relationships with suppliers, some of which engage in business on a ‘by invitation’ only basis. As at December 31, 2016, LXR had a local presence of 27 employees in its Tokyo office, four of which were focused on sourcing.

Contracts terms with third party suppliers generally include: the specific products to be purchased within a condition rating range; the total dollar amount of purchase commitment; and the term before which the commitment must be fulfilled. Depending on the availability of product, not all contracts are entirely fulfilled. Unfilled purchase commitments could then, if required, be fulfilled through purchases from other suppliers or direct from consumers.

LXR maintains strong relationships with a diversified base of third party suppliers. In 2016, LXR’s top five third party suppliers in Japan accounted for approximately 53% of its purchases, and the largest third party supplier represented approximately 24% of the total. All purchases through third party suppliers are guaranteed with respect to authenticity and represented condition rating. Irrespective of third party guarantees, LXR inspects all purchases to independently verify and confirm authenticity. LXR guarantees the authenticity of the products it sells to customers.

LXR’s consumer buying program focuses on the efficient acceptance, inspection and purchase of inventory directly from the individuals in store and online. Store managers at select retail locations are trained as to quality screening and authentication processes and are authorized to qualify the purchase of products, subject to final authentication and price approval sign-off from LXR’s trained appraisers who are capable of delivering services to

LXR locations across geographies both on-site and remotely. Offers of purchase can be made while customers wait (within 60 minutes). LXR's website also provides consumers with an alternative channel through which they may sell their products to the Company.

Management believes that there is an opportunity to increase its consumer buying program to further diversify its sourcing and as a way to increase product margins through reduced transport and logistics costs, and import duties. As LXR's retail network and e-Commerce activities expand, LXR will aim to increase its consumer buying program.

### ***Product Inspection and Preparation***

LXR's product inspection and preparation process is managed by a team of product specialists and trained appraisers located primarily in Tokyo and Montréal that validate the condition and authenticity of purchased merchandise and prepare merchandise for sale. Each product specialist has a minimum of three to five years of experience in management positions in the luxury products industry.

With respect to merchandise sourced in Japan, all merchandise is shipped to LXR's Tokyo facilities. 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 LXR's condition rating grid, and price is established for re-sale. Goods that are shipped from Japan to other geographies may incur import duties in varying amounts depending on the country of destination, and any such amounts are factored into LXR's pricing. Authentication is confirmed based on the judgement and expertise of LXR's trained appraisers. Any products that cannot be authenticated with certainty are returned to sources of supply. Product details, including any wear and tear, are photographed and recorded. All details are entered into LXR's proprietary database at which point product details and specifications are re-confirmed. Prior to shipping, merchandise is again re-inspected and then packaged and prepared for shipping based on individual store requirements.

Products are shipped via common carrier either directly to stores, LXR's Montréal office or a warehouse facility located in Cranbury, New Jersey, which is managed under contract by a third party services provider. LXR believes that shipping most of its products directly to stores minimizes warehousing costs and ultimately allows most of LXR's inventory to be showcased in its retail network. For e-Commerce sales that need to be fulfilled with products that are in the retail store network, sales associates are notified and are responsible for re-packing the product and shipping it directly to the customer in accordance with LXR's delivery commitments.

For products sourced by LXR pursuant to its consumer buying program, upon acceptance, merchandise that is purchased through LXR's online channel is shipped by the seller to LXR's Montréal office or the New Jersey warehouse facility for subsequent re-distribution, and merchandise that is purchased in an LXR store remains in the store for re-sale. In either case, product details are entered into LXR's proprietary database to maintain proper inventory control.

### **Omni-channel Sales Network**

LXR's omni-channel sales network includes: a retail network consisting of retail store-within-stores (the "**Retail Stores**") and hybrid store-within-stores (the "**Hybrid Stores**"), established in partnership with major department store retailers in Canada, the United States and internationally; wholesale operations primarily in the United States; and an e-Commerce channel. At the end of 2016, LXR had five retail partners, and LXR's retail network consisted of 46 stores with eight located in Canada, 32 in the United States and six in the Germany. In 2016, LXR had 28 wholesale clients, located principally in the United States, and LXR had over 70,000 active online subscribers at the end of the year. In 2016, LXR's e-Commerce revenue represented approximately 5%<sup>10</sup> of total net revenue.

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<sup>10</sup> Based on the full year 2016 revenue of Groupe Global, LXR's e-Commerce subsidiary, divided by the pro-forma revenue of LXR had Groupe Global been wholly-owned by LXR for all of 2016. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the reacquisition by LXR of Groupe Global, effective as of January 1, 2017. See "Management's Discussion and Analysis of LXR – Subsequent Events".

LXR is an integrated omni-channel business and management believes that its sales channels are synergistic and complimentary in simultaneously driving foot traffic at retail stores, increasing subscriber additions online, augmenting LXR brand awareness and generating sales.

### ***Retail Network***

As at December 31, 2016, LXR's retail network consisted of 46 stores which included 33 Retail Stores and 13 Hybrid Stores. LXR's store retail activities also include setting up and operating 'pop-up' stores as a strategy to assess demand for its products in new markets.

LXR's Retail Stores and Hybrid Stores are designed to be rapidly scalable and productive on a revenue per square foot and inventory turnover basis. LXR's 2016 Revenue per Square Foot was \$2,275<sup>11</sup> per square foot, and LXR's Inventory Turnover was 3.2 times in 2016<sup>12</sup>.

In 2016, LXR had five retail partners, and LXR's largest retail partner represented approximately 46% of total net revenue in 2016 which was diversified over 12 Retail Stores during that period.

### ***Retail Stores***

As at December 31, 2016, LXR operated 33 LXR-branded Retail Stores, of which eight were located in Canada, 19 in the United States and six in Germany.

For Retail Stores, LXR enters into a licensing agreement with department store retail partners for leased space within their store, which includes a variable rent arrangement (a license fee) set as a fixed percentage of LXR sales (subject to minimum payments), an agreement on the store-within-store size within a partner's store and contract duration (which is typically three years with automatic renewal options on mutually acceptable terms). While store space allocation generally varies between 100 and 1,500 square feet, LXR's targeted optimal store size is 250 square feet. Under Retail Store agreements, LXR is responsible for ongoing store operating costs including staffing, the supply of LXR branded signage and packaging materials, and other marketing materials. LXR is also responsible for funding store opening capital costs, which are estimated to be approximately \$37,500 based on a store size of 250 square feet and include investments in display cases and fixtures. While it is not specified in any agreement, there is an understanding between LXR and the retail partner on the approximate total number of stores to be opened during the term of the agreement and the timing of store openings. LXR owns the product inventory being sold in the Retail Stores.

Retail Stores are led by store managers who report to store regional managers. Depending on store size, store managers are supported by one to three sales associates who have a love for vintage luxury and a passion for service. LXR has a training program that educates its sales associates in the storied history of luxury products and brands as well as instills a focus on delivering a knowledgeable personalized shopping experience.

### ***Hybrid Stores***

As at December 31, 2016, LXR had 13 Hybrid Store locations, all of which were with one major U.S. department store partner under a test-pilot program launched in December 2016. Prospectively, existing and new Hybrid Stores will be LXR-branded.

LXR's Hybrid Store model was developed to address opportunities with department store retail partners that cannot enter into licensing arrangements or that prefer to purchase inventory outright from LXR. Hybrid Store contracts include a commitment by the retail partner to purchase an agreed upon quantity of merchandise at a fixed margin. There is no variable rent expense for LXR under the Hybrid Store model, and LXR assumes no inventory risk once the purchase is made by the partner. Similar to Retail Stores, the department store space dedicated to Hybrid Stores are targeted to be 250 square feet in size per location and new Hybrid Store openings beginning in

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<sup>11</sup> 2016 Revenue per Square Foot is a non-IFRS measure. See "Non-IFRS Measures".

<sup>12</sup> Inventory Turnover is a non-IFRS-Measure. See "Non-IFRS Measures".



2017 will be branded LXR. Unlike Retail Stores, Hybrid Stores are staffed by department store personnel trained by LXR. Contractually, LXR assumes certain operating costs including the training cost of department store sales staff (but not the cost of sales staff), the supplying of LXR branded signage and packaging materials, and the capital costs related to store openings which are estimated to be approximately \$37,500 based on a store size of 250 square feet. While it is not specified in any contract, there is an understanding between LXR and the retail partner on the approximate total number of stores to be opened during the term of the contract and the timing of store openings.

### ***Pop-Up Stores***

LXR, on occasion, sets up pop-up stores either in the vicinity of or within established department stores with a view of assessing demand for its offering in new markets, testing a particular geographic location for a retail partner or as a means of demonstrating the attractiveness of the store-within-store model to prospective retail partners. In 2016, LXR set up and operated approximately 55 pop-up stores.

Pop-up stores are generally configured to be approximately 200 square feet in size and feature LXR branding. They are staffed by LXR and temporary personnel and are operated for a period of no more than 14 days and are a reliable indicator of demand. Most of LXR's current retail partners have benefited from pop-up store testing and market insights gathered in the process either before entering into Retail Store and Hybrid Store agreements or during contract tenure.

### ***Wholesale Operations***

In 2016, LXR had 28 wholesale clients located primarily in the United States. LXR's wholesale operations address opportunities with department store retail partners that prefer to purchase inventory outright from LXR under a private label format and sell product through their own retail network under their own banner. Wholesale contracts generally stipulate quantity and assortment of merchandise and price based on a fixed margin to LXR. Under such arrangements, LXR has 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.

In addition to contributing to LXR's revenue, wholesale activities occasionally serve as a proving ground for learning how to conduct business in a new country or region and to gauge demand for LXR's products in new markets.

### ***E-Commerce***

LXR's e-Commerce business was launched in 2013, and LXR had over 70,000 active online subscribers at the end of 2016. LXR believes there is a unique opportunity to leverage its growing retail network to significantly expand its e-Commerce business. In 2016, LXR's e-Commerce channel contributed approximately 5%<sup>13</sup> of total net revenue. LXR believes there is an opportunity to grow e-Commerce revenue to approximately 20% of total net revenue in 2021.

LXR currently operates a Canadian website (available in English & French) as well as a dedicated U.S.-only website. In the second quarter of 2017, as part of LXR's re-branding initiatives, the Company expects to introduce an enhanced website experience which will feature revised branding, increased search and product discovery functionality, upgraded photography and video imagery, and a site optimized across all mobile devices.

LXR's e-Commerce business is supported by a team of three dedicated professionals located in Montréal that, among other services, engage in customer service support, subscriber marketing and logistics activities.

Management believes there is a complementary relationship between its retail activities at physical stores and its e-Commerce channel online. Management anticipates that its planned retail network expansion will benefit e-

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<sup>13</sup> Based on the full year 2016 revenue of Groupe Global, LXR's e-Commerce subsidiary, divided by the pro-forma revenue of LXR had Groupe Global been wholly-owned by LXR for all of 2016. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the reacquisition by LXR of Groupe Global, effective as of January 1, 2017. See "Management's Discussion and Analysis of LXR – Subsequent Events".

Commerce sales as LXR's brand awareness increases and retail customer relationships get extended to online and vice versa.

LXR's website is also designed to accommodate and facilitate the experience for customers who want to sell their products to the Company. See "– Product Strategy and Sourcing – Sourcing".

### **Marketing**

LXR's marketing focuses on increasing brand awareness, reaching and converting omni-channel consumers and increasing its consumer base. LXR employs marketing strategies that express its core values which LXR believes has a meaningful impact on increasing awareness and affinity for LXR in existing markets and in growth markets internationally.

LXR aspires to connect people with pre-owned luxury products and to inspire new pride in modern-vintage luxury products. In addition to satisfying the aspirational experience associated with owning luxury products, LXR leverages the growing acceptability of 're-use' and 'pre-owned' among consumers as a means of providing luxury products at attractive price points while engaging consumers in extending product lifecycles. Given the nature of the products sold by LXR, communicating and offering an authentic and trusted experience, whether it is in-store or online, is an important element of the brand's core value.

LXR focuses its marketing resources on relationship building activities designed to cultivate, maintain and expand its customer base. LXR has a robust customer database which allows for targeted segmentation, direct marketing and personalized interaction with its customers.

LXR's digital marketing strategy is to use its e-Commerce business as an extension of its retail network experience and social media avenues such as Instagram, Pinterest, Facebook and Twitter. This allows LXR to not only communicate with its retail and online customers, but also to interact and drive customer engagement by encouraging user-generated photos, videos, art and other content for use on [www.lxrco.com](http://www.lxrco.com).

### **Information Systems**

LXR has strategically invested in its information technology infrastructure in order to allow the Company to pursue growth opportunities and manage operations on an efficient basis.

In 2012, LXR launched its first enterprise resource planning (ERP) system to assist in product preparation and inventory management. This system was upgraded in 2015 and 2016 with a more sophisticated and functional system which allows LXR to manage and streamline inventory production, merchandising, sales, logistics and reporting.

LXR launched its first e-Commerce website in 2013. The site was upgraded in 2015 and 2016 with a self-scalable version with new features such as multiple currencies and auto-managed inventory to enlarge LXR's product offering and accommodate higher traffic. As part of re-branding initiatives undertaken in late 2016, LXR will be re-releasing a new website in the second quarter of 2017 that will feature LXR's new brand aesthetic and an interface that offers an enhanced user experience.

LXR uses Office 365 as a software productivity tool within the company and as a means of ensuring collaboration across functional groups. In 2017, LXR is working on implementing a new point-of-sale (POS) system, a customer relationship management (CRM) system and a customer loyalty program to continue to support its omni-channel capabilities and drive more sales. Management believes that these initiatives along with the continuous improvement of LXR's information technology infrastructure and software development practices will contribute to increasing productivity, supporting growth and driving sales.

### **Management**

Led by Fred Mannella, Founder and Chief Executive Officer, and Kei Izawa, Co-Founder and Chief Operating Officer, LXR has grown into a leading international omni-channel retailer of pre-owned branded vintage

luxury handbags and accessories. LXR's executive management team is composed of professionals who have expertise in retailing, luxury products marketing and operational leadership.

The following table summarizes the experience and expertise of the members of LXR's management team:

| <b>Executive Management Team Member (Age)</b> | <b>Title (Location)</b>                              | <b>Responsibilities</b>   | <b>Prior Experience</b>  |
|---|--|---|--|
| Fred Mannella (32)                            | Founder and Chief Executive Officer (Montréal)       | Execution of LXR's business strategy, and business development and procurement  | Seven years as CEO of LXR which he founded in November 2010  |
| Kei Izawa (32)                                | Co-Founder and Chief Operating Officer (Montréal)    | Day-to-day operations across North America and internationally, including finance, marketing and public relations, supply chain and logistics, human resources and information technology | Seven years as COO of LXR which she co-founded in November 2010  |
| Jeremy Stepak (39)                            | Interim Chief Financial Officer (Toronto)            | Finance, treasury and investor relations  | Over 12 years of experience in financial management and reporting; currently Chief Financial Officer of Gibraltar Growth; joining LXR on an interim basis at Closing |
| Elise Dufour (57)                             | Senior Advisor, New Business Development (Vancouver) | New business development and retail partner relationships   | 28 years of consumer products sales and brand management experience at L'Oréal; joined LXR in 2015   |
| Sam Gebran (27)                               | Vice President, Sales (Montréal)                     | Sales and retail network operations   | Seven years of retail experience, including at Hermès and WANT Les Essentiels; re-joined LXR in 2016 after being at LXR between 2011 and 2015                        |
| Masami Inamura (36)                           | Head of Supplier Sourcing (Tokyo)                    | Global sourcing and procurement   | 10 years of experience in product logistics; joined LXR in 2010  |
| Charlotte Parnet (41)                         | Chief Marketing and Branding Officer (Montréal)      | Branding and marketing, and e-Commerce operations   | 10 years of consumer products marketing experience at L'Oréal and Procter and Gamble; joined LXR in 2017   |
| Pierre-Andre Vungoc (32)                      | Chief Technology Officer (Montréal)                  | Information technology and infrastructure   | Eight years of information technology experience; joined LXR in 2014   |

## Employees

At as December 31, 2016, LXR had 175 employees of which 30 were employed in various head office and support function roles in Montréal, 118 across its retail network and 27 in its Tokyo, Japan, office in sourcing and product inspection and preparation capacities. LXR hires additional part-time employees for its stores, customer support services, and sourcing and product inspection and preparation functions during periods of high activity to manage peak periods. LXR's employees are not covered by a collective bargaining agreement, and LXR has no history of labour-related work stoppages.

## **Offices and Facilities**

LXR's headquarters are located in Montréal, Québec. The Montréal office, which is approximately 5,000 square feet of leased space, serves as LXR's headquarters and is also used as a distribution centre and for retail and e-Commerce support services. The Tokyo office, which is approximately 3,000 square feet of leased space, houses the sourcing and product preparation teams and also serves as a distribution center where merchandise purchases are received and products for sale are subsequently shipped directly to retail stores, the Montréal office and/or a warehouse facility in Cranbury, New Jersey. LXR leases space in the New Jersey warehouse facility on an as required basis from a third party warehousing services provider. The New Jersey warehouse facility primarily services LXR's U.S.-based retail network and e-Commerce operations.

LXR's current distribution capabilities are well located to service its retail partners in North America and Europe. As LXR executes its growth strategy, it will evaluate the merits of securing additional distribution capabilities in the appropriate geographies that best serve its retail partners and customers.

The Montréal office is leased from a company controlled by Fred Mannella and Kei Izawa. See "Management's Discussion and Analysis of LXR – Related Party Transactions".

## **Intellectual Property**

LXR has a right of ownership to all necessary intellectual property needed to operate its business in its actual form. LXR's major trademarks include "LXR & Co.", which has been registered in the United States, "LXRandCo", which is the subject of a pending trademark application in Canada, and the domain name www.lxrco.com. LXR intends to continue to strategically register trademarks and domain names that it uses today and those it will develop in the future.

LXR is not currently aware of any claims of infringement or challenges to its right to use any of its marks in Canada or the United States or elsewhere.

## **Competitive Strengths**

### ***Integrated International Omni-Channel Retailer***

LXR is a rapidly growing, international omni-channel retailer of branded vintage luxury handbags and accessories. LXR's omni-channel sales network includes: a retail network consisting of LXR-branded store-within-stores established in partnership with major department store retailers in Canada, the United States and Europe; wholesale operations primarily in the United States; and an e-Commerce channel operating in Canada, the United States and Europe. LXR operates as an integrated omni-channel business and management believes that its sales channels are synergistic and complementary in simultaneously driving foot traffic at retail stores, increasing subscriber additions online, augmenting LXR brand awareness and generating sales.

### ***Rapidly Scalable Store-Within-Store Model with Limited Capital Expenditures and Attractive Economics***

LXR's unique store-within-store retail model has been successfully deployed in major department stores. Based on an estimated new store opening capital cost of \$37,500 and a targeted store size of 250 square feet, LXR's Retail Stores and Hybrid Stores are designed to be rapidly scalable and productive on a revenue per square foot basis and generate high inventory turnover. LXR's 2016 Revenue per Square Foot was \$2,275<sup>14</sup>, and LXR's Inventory Turnover was 3.2 times in 2016<sup>15</sup>.

### ***Optimized Product Assortment and Well-Established Sourcing and Authentication Model***

LXR maintains control over all aspects of merchandising, product sourcing, product preparation and inventory management, which allows it to offer its customers a curated and deep assortment of branded pre-owned

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<sup>14</sup> 2016 Revenue per Square Foot is a non-IFRS measure. See "Non-IFRS Measures".

<sup>15</sup> Inventory Turnover is a non-IFRS-Measure. See "Non-IFRS Measures".

vintage luxury products at attractive price points throughout its omni-channel network. Managed by a team of product specialists located in Tokyo and Montréal that validate the condition and authenticity of purchased merchandise, LXR sources its merchandise primarily from third party suppliers in Japan, and directly from consumers in North America. Unlike most of its competitors who favour a product consignment model, LXR's model is based on purchasing its merchandise, which allows it to cost effectively secure large quantities of targeted merchandise and to better control quality and product assortment across its channels. Product authentication is determined based on the judgement and expertise of LXR's trained appraisers. LXR guarantees the authenticity of all the products it sells.

### ***Strong Retail Partner Relationships with Attractive Value Proposition***

At the end of 2016, LXR had 46 stores that were located across five retail partner department store banners in Canada, the United States and Germany. Since that time, LXR has been in active discussions with prospective new retail partners for new store openings in the United States, Europe and the United Kingdom. LXR's presence within retail partner department stores makes branded luxury goods available and accessible to customers where such products would otherwise not be offered. As such, LXR's store-within-stores can potentially draw incremental foot traffic to the department stores. In addition, retail partners benefit from the economics resulting from the productivity of LXR's stores.

### ***Entrepreneurial and Engaged Team***

Led by Fred Mannella, Founder and Chief Executive Officer, and Kei Izawa, Co-Founder and Chief Operating Officer, LXR has grown into a leading international omni-channel retailer of pre-owned vintage luxury handbags and accessories. LXR's executive management team is composed of eight professionals who have expertise in retailing, luxury products marketing and operational leadership. At Closing, and assuming redemption levels of 50% and 100%, Fred Mannella and Kei Izawa will collectively own 22.9% and 34.8% of the Company, respectively. See "– Management".

## **Growth Strategy**

### ***Expand Retail Network***

LXR plans to continue to rapidly grow its retail network across North America, particularly in the United States, and internationally. LXR believes it has the opportunity to expand its retail network by 76 and 83 stores in 2017 and 2018, respectively, taking LXR's retail network to 205 stores by the end of 2018. Approximately 60% of new store openings are expected to be in the United States with the balance in Europe and the United Kingdom. By the end of 2018, LXR believes that its retail network can extend to over 200 stores across North America and internationally based on management's estimate of achieving reasonable penetration of the targeted network of prospective retail partners.

### ***Increase E-Commerce Penetration***

According to Bain & Company, the global market for online luxury goods in 2016 grew 13% from 2015 to €19 billion, significantly outperforming the rest of the personal luxury goods market. In addition, Euromonitor International reported that internet retailing of luxury leather goods in the United States rose to approximately US\$1.7 billion in 2016, representing a 15% increase from 2015 and the fastest growth in distribution channel sales for luxury leather goods.

In 2016, LXR's e-Commerce revenue represented approximately 5%<sup>16</sup> of total net revenue. LXR believes there is an opportunity to meaningfully grow its e-Commerce business, and LXR is currently targeting e-Commerce revenue of approximately 20% of total net revenue in 2021.

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<sup>16</sup> Based on the full year 2016 revenue of Groupe Global, LXR's e-Commerce subsidiary, divided by the pro-forma revenue of LXR had Groupe Global been wholly-owned by LXR for all of 2016. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the reacquisition by LXR of Groupe Global, effective as of January 1, 2017. See "Management's Discussion and Analysis of LXR – Subsequent Events".

LXR is in the early phases of leveraging advanced business intelligence and behaviour analytics to further enhance its understanding of its customers. This includes optimizing its online operations to enhance personalization, which LXR believes will drive higher conversion and customer loyalty.

Management also believes there is a complementary relationship between its retail network and its e-Commerce operations, with the success of each channel benefiting the other. As LXR rapidly expands its retail network across North America and internationally, management believes that its e-Commerce business will benefit from the increased awareness of the LXR brand resulting from its larger and more expansive store network and the opportunity to extend retail network customer relationships to online and vice versa.

### ***Diversify Channels of Supply and Increase Margins***

In 2016, LXR sourced 87% of its products from third party suppliers in Japan and 13% from other sources, including 4% from its consumer buying program which was launched in November 2016 in North America. Management believes that its third party supplier channels provide it with the flexibility to source specific pre-owned vintage luxury products at competitive costs in significant quantities. It is LXR's intention to increase the amount of product it sources directly from consumers in order to improve margins while still maintaining the benefits of better inventory control achieved through purchases from third party suppliers. Purchases from consumers typically offer the opportunity for higher margins than those sourced through LXR's supplier network due primarily to the lack of duties, and reduced transport and shipping costs.

The increase in LXR's consumer buying program is expected to be facilitated by the planned expansion in LXR's retail network and growth in e-Commerce business. Customers will be able to sell products to LXR at certain retail locations, and through LXR's website. See "– Product Strategy and Sourcing – Sourcing".

### ***Leverage Success in Handbags and Accessories to Other Vintage Opportunities***

LXR offers a curated assortment of pre-owned vintage luxury products from iconic brands such as Hermès, Louis Vuitton, Gucci and Chanel, among others. In 2016, handbags accounted for approximately 79% of all sales on a unit basis. LXR's growth strategy includes selectively expanding its product offering to other vintage luxury categories that cater to broad demographic of women as well as introducing a curated assortment of pre-owned vintage luxury products aimed at men.

It is anticipated that such categories would feature products that offer unique styling, workmanship and iconic branding consistent with LXR's current merchandising strategy and that the market opportunity for pre-owned vintage luxury products in such categories would be supported by a substantial primary market and favourable demand trends. The Company has identified several categories that could potentially fit this criteria, including vintage watches for men and women, men's leather goods, shoes, apparel and other accessories. While several of LXR's competitors are already present in some of these categories, they typically offer a limited depth of products on a consignment model basis, and usually only online. The Company would expand its product offering in a manner that leverages its competitive strengths and would allow it to offer a curated and deep assortment of authenticated branded pre-owned luxury products through its integrated omni-channel sales network.

### ***Pursue Attractive Acquisition Opportunities***

Where appropriate, the Company may accelerate growth by pursuing acquisitions that complement its strategic initiatives. In the near term, LXR will consider opportunities that augment its e-Commerce capability and diversify its sources of supply. In the longer term, LXR may consider adding new product categories to its product offering and/or alternative and complementary distribution channels through selective acquisitions.

### ***Increase the Awareness and Power of the LXR Brand***

LXR sources and authenticates branded pre-owned luxury vintage products that it sells through its international omni-channel sales network. Management believes that growing customer awareness and trust in the LXR product offering has been important to the success of LXR and that maintaining and enhancing the important tenants of the LXR brand, including authenticity and attractive value, is critical to LXR's continued success.

LXR intends to continue to source reliably, rigorously authenticate products, offer attractive prices and provide exceptional customer service. Management believes that executing on this strategy will contribute to the Company's future brand value and growth. In order to further broaden its brand recognition, LXR will also invest in brand-building activities such as content marketing, thought leadership, and other social media and public relations activities. In addition, management anticipates that LXR will benefit from the increased brand awareness that will result from the expansion of its retail network as plans are realized.

## **GIBRALTAR VALUE-ADD**

### **Overview**

Following the completion of the LXR Acquisition, Gibraltar Growth will leverage its experience and expertise and that of its network of relationships in consumer products, branding and retailing, and mergers and acquisitions to accelerate the Company's growth. In addition, Gibraltar Growth will introduce best practices by sharing the experience of its team of business builders and seasoned executives in the areas of talent management and managing growth as a public company.

Gibraltar Growth's involvement with LXR began in February 2016 through an introduction made by a director of Gibraltar & Company. In June 2016, Gibraltar & Company, the parent of the Sponsor, assisted LXR with raising approximately \$3.6 million in growth capital at which time Gibraltar Ventures, a private equity fund managed by an operating subsidiary of Gibraltar & Company, invested in LXR and Groupe Global, the Company's e-Commerce subsidiary. At that time, Cam di Prata, Chief Executive Officer of Gibraltar & Company and current Co-Chief Executive Officer and director of Gibraltar Growth, joined the LXR board of directors. In addition to capital raising initiatives, Gibraltar & Company has been actively involved in assisting LXR management with the recruitment of senior executives and with business development initiatives that have accelerated the roll-out of LXR's retail network and the building of its e-Commerce activities. In January 2017, Gibraltar & Company invested \$1.0 million in LXR through the exercise of warrants previously granted to Gibraltar & Company as part of an extension to the June 2016 financing. As at April 13, 2017, Gibraltar & Company and related parties owned approximately 19.0% of LXR. See "The LXR Acquisition – Related Party Interests".

### **Ongoing Involvement**

Upon completion of the LXR Acquisition, Cam di Prata, current Co-Chief Executive Officer and director of Gibraltar Growth, will assume the role of Executive Chair and will continue as a director of the Company. Joe Mimran, current Chairman, Co-Chief Executive Officer and director of Gibraltar Growth, will continue as a director of the Company and chair of the International Development Committee of the Board. In addition, Javier San Juan, current Vice-Chairman and Director of Gibraltar Growth, will also be a director of the Company. See "Directors and Executive Officers".

Upon completion of the LXR Acquisition, and assuming that the Sponsor purchases 103,500 Class B Shares pursuant to the Gibraltar New Subscription, the Sponsor will own 2,075,144 Class B shares (including the Sponsor's share of the Commitment Fee) representing 11.6% or 15.7% of the Company based on assumed redemption levels of 50% and 100%, respectively.

### **Value Creation Initiatives**

Gibraltar Growth believes that LXR is well positioned to benefit from the favorable trends in the vintage luxury goods market across North America and internationally. Through its representation and active engagement on the board of directors, Gibraltar Growth will focus strategically on growing the Company to its fullest potential to generate long-term value for shareholders. The following sets forth certain Gibraltar Growth value creation initiatives that it will seek to pursue in partnership with management upon completion of the LXR Acquisition:

#### ***Accelerate Expansion of Retail Network***

LXR's growth strategy includes the rapid expansion of its retail network with retail partners in North America and internationally. Gibraltar Growth believes that the reach and depth of the industry relationships of its team members in sectors such as retail, consumer products and merchandising, among others, will result in new

business development opportunities otherwise unavailable to LXR. Gibraltar Growth will seek to facilitate senior level introductions to prospective retail partners and aim to reduce LXR's sales cycle in order to accelerate its retail network expansion. To-date, Gibraltar Growth's involvement has resulted in business development opportunities in the United States and the United Kingdom.

In geographies where it may be more appropriate to establish joint venture partnerships with a local partner to accelerate LXR's retail network expansion, Gibraltar Growth can offer valuable insights and knowledge in identifying, assessing and structuring joint venture opportunities. In addition, Gibraltar Growth will leverage its international experience in consumer products and retailing, and industry relationships to make introductions in order to facilitate the business development sales cycle.

#### ***Accelerate Expansion into New Product Lines and Categories***

LXR will pursue opportunities to diversify and expand its product offering of pre-owned luxury products. Gibraltar Growth has specific retailing expertise in extending product lines and entering new product categories and will assist LXR in the assessment and launch of product extension and diversification opportunities. Gibraltar Growth's retailing experience covers a broad array of consumer product categories and includes merchandising experience targeting specific demographics. Gibraltar Growth believes that this will facilitate and accelerate the implementation of product diversification strategies.

#### ***Accelerate E-Commerce Growth through Mergers and Acquisitions***

Gibraltar Growth anticipates that the fragmented nature of the e-Commerce vintage luxury industry in the United States will offer opportunities for growth through acquisitions. Gibraltar Growth will leverage its execution experience in mergers and acquisitions and its knowledge of the capital markets to assist the Company in identifying and acquiring businesses. Gibraltar Growth intends to implement a disciplined and proactive mergers and acquisitions strategy that will be based on a well-defined investment criteria.

#### ***Building the Brand***

LXR undertook a strategic brand review in late 2016 and anticipates rolling out its new brand aesthetic in 2017. Gibraltar Growth will continue to leverage its experience in branding to assist LXR in unifying the consumer retail experience and social experience across 'bricks and mortar' and e-Commerce channels. Gibraltar Growth's value-add will include leveraging service provider relationships in marketing, messaging and design.

#### ***Focus on Talent Recruitment and Management***

One of LXR's competitive advantages is the quality, creativity and entrepreneurialism of its employees. Gibraltar Growth's objective is to preserve this creative culture and to extend this employee-owner mindset by providing the Company's management with the necessary tools, insights and incentives to continue to develop and motivate its employees. These initiatives will include:

##### ***Attracting Key People***

Gibraltar Growth believes that the reach and depth of the industry relationships of its network will provide the LXR with credible access to a more diversified and deeper talent pool otherwise unavailable to it to expand and manage its operations internationally. To date, Gibraltar Growth introductions have resulted in the hiring of two key executives, notably in the marketing and business development areas. Gibraltar Growth will leverage its international network to help LXR expand its key executive team to include the hiring of experienced functional heads focusing on finance, store operations, data analytics and e-Commerce.

##### ***Equity Incentive Plan***

At Closing, the executive management team will own approximately 23.1% or 35.1% of the Company, assuming redemption levels of 50% and 100%, respectively. Over time, Gibraltar Growth's objective is to increase the number of employee shareholders within the Company by shaping the short term and long-term equity incentive



plans under which grants of equity-based awards will be made. The equity incentive plans will be intended to align the interests of the executives and employees with those of the Company's shareholders.

#### ***Nurture Emerging Leaders***

Gibraltar Growth will assist the Company in identifying, training and developing emerging leaders within the organization including implementing a succession-planning program to increase the breadth and depth of management talent across the Company. Gibraltar Growth will also focus on ensuring that seasoned and experienced directors will serve as mentors for emerging leaders at the Company.

#### ***Leveraging Public Market Experience and Leadership***

Gibraltar Growth believes the experience of its executives in leading public companies together with that in its network of business builders is a valuable resource that will enable the Company to grow as a public company. Gibraltar Growth will assist in instituting best practices measures, where applicable, and providing public company mentorship to the Company's executive team on managing growth in the public markets. Gibraltar Growth also believes that its experience will be relevant in providing ongoing stewardship in areas such as shareholder communications, compliance and governance.

### **SELECTED CONSOLIDATED FINANCIAL INFORMATION OF LXR**

The following sets forth a summary of LXR's selected historical consolidated financial data as of the dates and for the periods indicated below. The information herein should be read in conjunction with the LXR Financial Statements included in Appendix C of this prospectus. The historical financial information for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 summarized below is derived from the LXR Financial Statements were prepared in accordance with IFRS. Historical financial and operating information may not be indicative of future performance, and certain financial information presented below includes non-IFRS financial measures that LXR believes to be important in evaluating the underlying operating performance of the business and to better compare results from operations on a relative basis from period to period. See "Notice to Readers", "Non-IFRS Measures", "Caution Regarding Forward-Looking Statements", "Selected Consolidated Financial Information of LXR" and "Management's Discussion and Analysis of LXR – Non-IFRS Measures including Retail Industry Metrics".

| Consolidated statements of loss and comprehensive loss:                     | For the 12 Months<br>Ended December 31, |                     |                     |
|---|---|---------------------|---------------------|
|   | 2016                                    | 2015                | 2014                |
| <b>Net revenue</b> .....  | <b>\$21,890,810</b>                     | <b>\$15,325,739</b> | <b>\$12,938,404</b> |
| Cost of sales.....  | 14,965,438                              | 11,025,507          | 9,303,271           |
| <b>Gross profit</b> .....   | <b>6,925,372</b>                        | <b>4,300,232</b>    | <b>3,635,133</b>    |
| Selling, general and administrative expenses.....                           | 6,127,350                               | 3,989,095           | 3,381,453           |
| Amortization and depreciation expenses .....                                | 224,329                                 | 235,128             | 253,413             |
| <b>Results from operating activities</b> .....                              | <b>573,693</b>                          | <b>76,009</b>       | <b>267</b>          |
| Finance costs .....   | 1,473,986                               | 477,056             | 612,470             |
| Foreign exchange loss (gain) .....  | (193,639)                               | 101,610             | (22,590)            |
| Share of loss in an associate .....   | 499,007                                 | —                   | —                   |
| Non-recurring gain on loss of control of a subsidiary.....                  | (363,948)                               | —                   | —                   |
| Loss (gain) on change in fair value of derivative financial instruments.... | —                                       | (74,937)            | 8,220               |
| Change in fair value of convertible redeemable preferred shares .....       | 17,277,928                              | —                   | —                   |
| Convertible redeemable preferred shares dividends .....                     | 661,442                                 | —                   | —                   |
| Change in fair value of warrants .....                                      | 9,582,300                               | —                   | —                   |
| <b>Loss before income taxes</b> .....                                       | <b>(28,363,383)</b>                     | <b>(427,720)</b>    | <b>(597,833)</b>    |
| Income tax expense (recovery)   |   |                     |                     |
| Current.....  | (210,119)                               | 14,683              | (808)               |
| Deferred .....  | 163,754                                 | (11,701)            | 15,321              |
| <b>Net loss</b> .....   | <b>(28,317,018)</b>                     | <b>(430,702)</b>    | <b>(612,346)</b>    |
| <b>Other comprehensive loss</b>   |   |                     |                     |
| Cumulative translation adjustment .....                                     | 11,540                                  | (107,934)           | (76,430)            |
| <b>Comprehensive loss</b> .....   | <b>\$(28,305,478)</b>                   | <b>\$(538,636)</b>  | <b>\$(688,776)</b>  |

| Consolidated statements of financial position: | As at December 31, |             |           |
|--|--------------------|-------------|-----------|
|  | 2016               | 2015        | 2014      |
| Cash .....                                     | \$938,966          | \$909,858   | \$213,208 |
| Working capital (deficiency) .....             | 87,308             | (1,577,185) | (892,493) |
| Adjusted Working Capital .....                 | 3,228,334          | 1,096,383   | 1,678,831 |
| Property and equipment, net .....              | 1,000,913          | 490,724     | 362,126   |
| Total assets .....                             | 12,015,732         | 5,966,629   | 5,002,960 |
| Total debt.....                                | 6,428,115          | 4,072,778   | 4,457,781 |
| Total liabilities .....                        | 41,149,885         | 6,795,304   | 5,292,999 |
| Total equity (deficiency).....                 | (29,134,153)       | (828,675)   | (290,039) |

| Reconciliation of net loss to Adjusted EBITDA: | For the 12 Months<br>Ended December 31, |                    |                    |
|--|---|--------------------|--------------------|
|  | 2016                                    | 2015               | 2014               |
| <b>Net loss</b> .....                          | <b>\$(28,317,018)</b>                   | <b>\$(430,702)</b> | <b>\$(612,346)</b> |
| Amortization and depreciation expense .....    | 224,329                                 | 235,128            | 253,413            |
| Finance costs.....                             | 1,473,986                               | 477,056            | 612,470            |
| Income tax expense (recovery) .....            | (46,365)                                | 2,982              | 14,513             |
| <b>EBITDA</b> .....                            | <b>(26,665,068)</b>                     | <b>284,464</b>     | <b>268,050</b>     |
| <b>Adjustments to EBITDA:</b>                  |   |                    |                    |

|  | For the 12 Months<br>Ended December 31, |                  |                  |
|--|---|------------------|------------------|
|  | 2016                                    | 2015             | 2014             |
| <b>Reconciliation of net loss to Adjusted EBITDA:</b>                        |   |                  |                  |
| Change in fair value of warrants .....                                       | 9,582,300                               | -                | -                |
| Convertible redeemable preferred shares dividends .....                      | 661,442                                 | -                | -                |
| Change in fair value of convertible redeemable preferred shares .....        | 17,277,928                              | -                | -                |
| Loss (gain) on change in fair value of derivative financial instrument ..... | -                                       | (74,937)         | 8,220            |
| Non-recurring gain on loss of control of a subsidiary .....                  | (363,948)                               | -                | -                |
| Share of loss in an associate.....   | 499,007                                 | -                | -                |
| Foreign exchange loss (gain) .....   | (193,639)                               | 101,610          | (22,590)         |
| <b>Adjusted EBITDA .....</b>   | <b>\$798,022</b>                        | <b>\$311,137</b> | <b>\$253,680</b> |
| <b>Adjusted EBITDA Margin.....</b>   | <b>4%</b>                               | <b>2%</b>        | <b>2%</b>        |

|  | For the 12 Months<br>Ended December 31, |                    |                    |
|--|---|--------------------|--------------------|
|  | 2016                                    | 2015               | 2014               |
| <b>Reconciliation of net loss to Adjusted Net Loss:</b>                      |   |                    |                    |
| <b>Net loss.....</b>   | <b>\$(28,317,018)</b>                   | <b>\$(430,702)</b> | <b>\$(612,346)</b> |
| <b>Adjustments to net loss:</b>  |   |                    |                    |
| Change in fair value of warrants .....                                       | 9,582,300                               | -                  | -                  |
| Convertible redeemable preferred shares dividends .....                      | 661,442                                 | -                  | -                  |
| Change in fair value of convertible redeemable preferred shares .....        | 17,277,928                              | -                  | -                  |
| Loss (gain) on change in fair value of derivative financial instrument ..... | -                                       | (74,937)           | 8,220              |
| Non-recurring gain on loss of control of a subsidiary .....                  | (363,948)                               | -                  | -                  |
| Share of loss in an associate.....   | 499,007                                 | -                  | -                  |
| Foreign exchange loss (gain) .....   | (193,639)                               | 101,610            | (22,590)           |
| <b>Adjusted Net Loss .....</b>   | <b>\$(853,928)</b>                      | <b>\$(404,029)</b> | <b>\$(626,716)</b> |

|   | As at December 31, |                      |                    |
|---|--------------------|----------------------|--------------------|
|   | 2016               | 2015                 | 2014               |
| <b>Reconciliation of working capital to Adjusted Working Capital:</b> |                    |                      |                    |
| <b>Working capital (deficiency) .....</b>                             | <b>\$87,308</b>    | <b>\$(1,577,185)</b> | <b>\$(892,493)</b> |
| <b>Adjustments to working capital:</b>                                |                    |                      |                    |
| Current portion of long-term debt .....                               | 2,841,026          | 2,373,568            | 2,271,324          |
| Preferred shares .....  | 300,000            | 300,000              | 300,000            |
| <b>Adjusted Working Capital.....</b>                                  | <b>\$3,228,334</b> | <b>\$1,096,383</b>   | <b>\$1,678,831</b> |

“EBITDA”, “Adjusted EBITDA”, “Adjusted EBITDA Margin”, “Adjusted Net Loss” and “Adjusted Working Capital” are non-IFRS measures that LXR uses to assess its underlying operating performance and cash flow, and more accurately describe the growth of the business on a relative basis from period to period. See “Non-IFRS Measures” and “Management’s Discussion and Analysis of LXR – How Management Assesses the Performance of LXR”.

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF GIBRALTAR GROWTH

Gibraltar Growth’s management’s discussion and analysis of financial condition and results of operations (the “**Gibraltar Growth MD&A**”) is designed to assist readers of the audited consolidated financial statements understand Gibraltar Growth’s operations and business environment. The Gibraltar Growth MD&A, included in Appendix B of this prospectus, should be read in conjunction with the Gibraltar Growth Financial Statements

included in Appendix A of this prospectus. Additional information relating to Gibraltar Growth is available at [www.sedar.com](http://www.sedar.com).

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF LXR

### Basis of Presentation

The following management discussion and analysis of LXR (the “**LXR MD&A**”) has been prepared as of the date of this prospectus and is intended to assist readers in understanding the financial performance and financial condition of LXR. This LXR MD&A provides information concerning LXR's financial condition as at December 31, 2016, December 31, 2015 and December 31, 2014 and results of operations for the years ending December 31, 2016, December 31, 2015 and December 31, 2014. This LXR MD&A should be read in conjunction with the LXR Financial Statements included in Appendix C of this prospectus.

The audited consolidated financial statements which are discussed in this LXR MD&A have been prepared in accordance with IFRS. All amounts are presented in thousands of Canadian dollars, unless otherwise stated. LXR's fiscal year is the 12-month period ending December 31.

### Non-IFRS Measures including Retail Industry Metrics

This LXR MD&A makes reference to certain non-IFRS measures including certain retail industry metrics. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of LXR's results of operations from management's perspective and to discuss LXR's financial outlook. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of LXR's financial information reported under IFRS. LXR uses non-IFRS measures including: “EBITDA”, “Adjusted EBITDA”, “Adjusted EBITDA Margin”, “Adjusted Net Loss” and “Adjusted Working Capital”. With respect to discussing its financial outlook, LXR also uses “Run-rate Revenue”, a non-IFRS financial measure. This LXR MD&A also makes references to “inventory turnover” and “revenue per square foot”, which are commonly used operating metrics in the retail industry but may be calculated differently compared to other retailers. These non-IFRS measures including retail industry metrics are used to provide investors with supplemental measures of LXR's operating performance and thus highlight trends in LXR's core business that may not otherwise be apparent when relying solely on IFRS measures. LXR also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures including retail industry metrics in the evaluation of issuers. LXR's management also uses non-IFRS measures including retail industry metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. For a reconciliation of “EBITDA”, “Adjusted EBITDA”, “Adjusted EBITDA Margin”, “Adjusted Net Loss” and “Adjusted Working Capital to IFRS” measures, see “Selected Consolidated Financial Information of LXR” and “– How Management Assesses the Performance of LXR”. For more information on the non-IFRS measures see “Non-IFRS Measures”.

### Forward-Looking Statements

Some of the information contained in this LXR MD&A, including management's financial outlook for 2018, contains forward-looking statements. These statements are based on management's reasonable assumptions and beliefs in light of the information currently available to them and are made as of the date of this LXR MD&A. LXR does not undertake to update any such forward-looking statements as a result of new information, future events or otherwise, except as required by applicable securities laws in Canada. Actual results may differ materially from those indicated or underlying forward-looking statements as a result of various factors, including those described in “Risk Factors” and elsewhere in this prospectus.

LXR cautions that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See “Caution Regarding Forward-Looking Statements” and “Risk Factors” in this prospectus for a discussion of the uncertainties, risks and assumptions associated with these statements.

## Overview

LXR is a rapidly growing, international omni-channel retailer of branded vintage luxury handbags and accessories. LXR sources and authenticates high quality pre-owned products and sells them through: a retail network of stores located in major department stores in Canada, the United States and Europe; wholesale operations primarily in the United States; and its own e-Commerce website, [www.lxrco.com](http://www.lxrco.com). LXR offers pre-owned products from iconic brands such as Hermès, Louis Vuitton, Gucci and Chanel, among others, at attractive prices and seeks to appeal to the aspirational lifestyle needs of women of all ages. At the end of 2016, LXR's retail network consisted of 46 stores with eight located in Canada, 32 in the United States and six in the Germany. LXR's headquarters are located in Montréal, Québec, and it has an office in Tokyo Japan. As at December 31, 2016, LXR had 175 employees.

Since 2014, LXR's net revenue has grown from \$12.9 million to \$21.9 million in 2016, representing a CAGR of 30.1%. Net loss was \$0.6 million in 2014 and \$28.3 million in 2016, and Adjusted EBITDA<sup>17</sup> grew from \$0.3 million in 2014 to \$0.8 million in 2016, representing a CAGR of 77.4%. In 2016, approximately 74% of LXR's net revenue was generated in the United States, 21% in Canada and 5% in Germany, and LXR's e-Commerce channel contributed approximately 5%<sup>18</sup> of net revenue.

Since being founded in November 2010 as a wholesaler of pre-owned vintage products, LXR has significantly grown revenue and expanded its omni-channel sales network. In 2014, LXR launched its first retail stores based on its unique store-within-store model that partners with major department store retailers and emphasizes the LXR brand as part of a curated shopping experience. LXR's retail activities began in Canada and expanded rapidly to the United States in the same year and to Germany in 2016. At the end of 2016, LXR's retail network consisted of 46 stores which extended across five retail partner department store banners. LXR's e-Commerce activity was launched in 2013 and at the end of 2016 had over 70,000 active subscribers. Wholesale operations serviced 28 clients in 2016.

## Factors Affecting Results from Operations

LXR believes that its performance and future success depends on a number of factors that present significant opportunities. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and in the "Risk Factors" section of this prospectus.

### *LXR Brand*

LXR sources and authenticates branded pre-owned luxury vintage products that it sells through its international omni-channel sales network. Management believes that growing customer awareness and trust in the LXR product offering has been important to the success of LXR and that maintaining and enhancing the important attributes of the LXR brand, including product authenticity and an attractive price to value relationship, are essential to LXR's continued success. Any loss of brand appeal may adversely affect LXR's business and financial results. To address this, LXR intends to continue to source quality products, rigorously authenticate products, deliver products at attractive prices and provide exceptional customer service.

### *Product Mix and Merchandising Strategy*

LXR believes that its ability to determine which products and brands to offer its addressable market is a key driver of its net revenue growth. Before opening a retail location, LXR gains an understanding of market demand for pre-owned vintage luxury products by analyzing general demographic data, data provided by retail partners on handbag sales and location-specific traffic, and occasionally data obtained from the launch of pop-up

<sup>17</sup> "Adjusted EBITDA" is a non-IFRS measure. See "Non-IFRS Measures". Also, see "Selected Consolidated Financial Information of LXR" and "Management's Discussion and Analysis of LXR" for a reconciliation of Adjusted EBITDA to its most directly comparable measure calculated in accordance with IFRS.

<sup>18</sup> Based on the full year 2016 revenue of Groupe Global, LXR's e-Commerce subsidiary, divided by the pro-forma revenue of LXR had Groupe Global been wholly-owned by LXR for all of 2016. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the reacquisition by LXR of Groupe Global, effective as of January 1, 2017. See "Management's Discussion and Analysis of LXR – Subsequent Events".

stores. After store openings, LXR's merchandising and business intelligence teams monitor and capture consumer trends and identify demand opportunities specific to the different geographies that are served by LXR's retail network as well as the customer profile of its retail partner. LXR's merchandising strategies have been developed since its inception and are continuously refined to ensure that LXR offers an attractive value proposition to its targeted demographic, with the right product, at the right time, at the right price and across all channels. LXR's continued success will depend on, among other factors, its ability to properly assess demand in its targeted markets and to continue to implement a disciplined merchandise planning strategy that allows it to maintain optimal inventory levels, product assortment and pricing.

### ***Sourcing and Authentication***

In 2016, LXR sourced approximately 87% of its merchandise from third party suppliers in Japan and 13% from others, including 4% from consumers through its consumer buying program which was launched in November 2016. LXR contracts and maintains direct relationships with a diversified base of independent third party suppliers which provide it with the flexibility to source specific high quality vintage luxury products at competitive costs in significant quantities. LXR currently works with a group of over 20 suppliers. Its top five suppliers in Japan represented approximately 53% of the product purchases made in 2016, and its largest supplier accounted for approximately 24% of such purchases. It is LXR's intention to increase the amount of product it sources directly from consumers in order to improve margins while still maintaining the benefits of better inventory control achieved through purchases from third party suppliers. Significant disruptions in LXR's current and planned sources of product supply could affect LXR's ability to address market demand and achieve future revenue growth targets and store productivity objectives. LXR will continue to diversify its sourcing alternatives by increasing the proportion it buys directly from consumers through LXR's retail network and through its web channel at [www.lxrco.com](http://www.lxrco.com).

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

### ***Retail Network Expansion***

LXR plans to rapidly expand its retail network across the United States, and internationally. At the end of 2016, LXR's retail network consisted of 46 stores, and LXR believes it has the opportunity to expand its retail network by 76 and 83 stores in 2017 and 2018, respectively. LXR's ability to successfully expand its retail network will depend on numerous factors, including its ability to minimize closures of existing stores, secure new retail partners and expand existing partnerships in targeted geographies, execute on the rapid expansion of store openings and generate the anticipated financial performance for LXR and its retail partners. LXR anticipates leveraging the success of its current retail partner relationships into new store openings and developing new retail partner relationships through outbound business development efforts and introductions made through its board of directors.

### ***Retail Network Productivity and Scalability***

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

## ***e-Commerce Growth***

LXR's e-Commerce business was launched in 2013. In 2016, e-Commerce revenue represented approximately 5%<sup>19</sup> of LXR's net revenue, a level that is below the industry average. LXR believes there is an opportunity to meaningfully grow its e-Commerce business, and LXR is currently targeting e-Commerce revenue of approximately 20% of total net revenue in 2021. LXR is in the early stages of leveraging business intelligence and behaviour data to further enhance its understanding of customer preferences and buying behaviour. This includes optimizing its online operations to enhance personalization, which LXR believes will drive higher conversion rates and increased customer loyalty. LXR also believes there is a synergistic relationship between its retail network channel and www.lxrco.com, with the success of each benefiting the other through increased brand awareness and affinity. As LXR rapidly expands its retail network across North America and internationally, management believes that its e-Commerce business will benefit from the increased awareness of the LXR brand resulting from the larger and more expansive retail network.

## ***Consumer Trends***

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

## ***Seasonality***

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

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

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

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<sup>19</sup> Based on the full year 2016 revenue of Groupe Global, LXR's e-Commerce subsidiary, divided by the pro-forma revenue of LXR had Groupe Global been wholly-owned by LXR for all of 2016. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the reacquisition by LXR of Groupe Global, effective as of January 1, 2017. See "Management's Discussion and Analysis of LXR – Subsequent Events".



While LXR's business has not demonstrated significant seasonality to date, seasonal or cyclical variations in LXR's business may become more pronounced over time as LXR's retail network expands. Most store openings occur in the spring and fall seasons which could lead to more pronounced variations in LXR's results in those periods during years with significant new store additions.

### ***Competition***

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

### ***Foreign Exchange***

LXR reports in Canadian dollars. The majority of LXR's net revenue is derived in U.S. dollars while the vast majority of its cost of goods sold is denominated in Japanese Yen. In addition, LXR's growth plans include retail network expansion in Europe. Future fluctuations in the exchange rate of the Canadian dollar versus the U.S. dollar, and the Canadian dollar versus the Euro and the Japanese Yen could materially affect LXR's gross profit margins and operating results. LXR has not used any hedging strategies in a material way to mitigate risks associated with forecasted Japanese Yen merchandise purchases sold in Canada, the United States and internationally. See "Exchange Rate Data" and "Risk Factors". It is anticipated that part of this currency risk will be mitigated to some degree as LXR increases its sourcing directly from consumers, thereby creating a natural hedge whereby it sources and transacts in the local currency.

### **How Management Assesses the Performance of LXR**

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

### ***Net Revenue***

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

### ***Gross Profit***

Gross profit reflects LXR's net revenue less cost of goods sold. Cost of goods sold includes product purchase costs, transportation costs and any duties. Cost of goods sold also includes retail partner licensing costs. LXR's cost of goods sold may include different items compared to that of other retailers. Gross profit as a percentage of net revenue (gross profit margin) is impacted by the components of cost of goods sold.

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

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

### ***Net Loss***

Net loss reflects LXR's gross profit less SG&A expenses and depreciation and amortization expenses to arrive at results from operating activities. It then further reflects the deduction of finance costs, foreign exchange loss (gain), LXR's share of a loss in an associate, non-recurring gain on loss of control of a subsidiary, loss (gain) on change in value of derivative financial instruments, change in fair value of redeemable preferred shares, convertible redeemable preferred share dividends and change in value of warrants to arrive at loss before income taxes from which income tax expenses (recovery) are deducted to arrive at net loss.

### ***Adjusted Net Loss***

Adjusted Net Loss is a non-IFRS measure that LXR believes is a useful measure of performance, as it provides a more relevant picture of results by excluding the effects of expenses that are not reflective of underlying business performance, and other non-cash or non-recurring expenses. LXR uses Adjusted Net Loss to facilitate a comparison of its performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting LXR's business. LXR defines Adjusted Net Loss as net loss adjusted for the impact of certain items, including non-cash items such as change in fair value of warrants, convertible redeemable preferred shares dividends, change in fair value of convertible redeemable preferred shares, loss (gain) on change in fair value of derivative financial instrument, non-recurring gain on loss of control of a subsidiary, share of loss in an associate and foreign exchange loss (gain) which management considers to be not representative of LXR's ongoing operating performance, net of related tax effects.

### ***EBITDA***

EBITDA is a non-IFRS measure that LXR defines as net income (loss) before depreciation and amortization expenses, finance costs and provision for income taxes.

### ***Adjusted EBITDA***

Adjusted EBITDA is a non-IFRS measure that LXR believes is a useful measure of operating performance in that it excludes the effects of financing and investing activities from operating results by removing the effects of finance costs, depreciation and amortization costs, expenses that are not reflective of underlying business performance, and other non-cash or non-recurring expenses. LXR uses Adjusted EBITDA to facilitate a comparison of its operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting LXR's business. Management defines Adjusted EBITDA as net income (loss) before amortization and depreciation expenses, finance costs and provision for income taxes, adjusted for the impact of certain items, including non-cash items such as change in fair value of warrants, convertible redeemable preferred shares dividends, change in fair value of convertible redeemable preferred shares, loss (gain) on change in fair value of derivative financial instrument, non-recurring gain on loss of control of a subsidiary, share of loss in an associate and foreign exchange loss (gain) which management considers to be not representative of LXR's ongoing operating performance. Because Adjusted EBITDA excludes non-cash items, management believes that it is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges.

## **Results of Operations**

The following sets forth a summary of LXR's selected historical consolidated financial data as of the dates and for the periods indicated below. The information should be read together with the LXR Financial Statements included in Appendix C of this prospectus. The historical financial information for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 summarized below is derived from the LXR Financial Statements which were prepared in accordance with IFRS. Historical financial and operating information may not be indicative of future performance, and certain financial information presented below includes non-IFRS financial measures that LXR believes are important in evaluating the operating performance of the business and making results more comparable from period to period. See "Non-IFRS Measures" and "Selected Consolidated Financial Information of LXR".

|   | For the 12 Months<br>Ended December 31, |                     |                     |
|---|---|---------------------|---------------------|
|   | 2016                                    | 2015                | 2014                |
| <b>Consolidated statements of loss and comprehensive loss:</b>              |   |                     |                     |
| <b>Net revenue</b> .....  | <b>\$21,890,810</b>                     | <b>\$15,325,739</b> | <b>\$12,938,404</b> |
| Cost of sales.....  | 14,965,438                              | 11,025,507          | 9,303,271           |
| <b>Gross profit</b> .....   | <b>6,925,372</b>                        | <b>4,300,232</b>    | <b>3,635,133</b>    |
| Selling, general and administrative expenses.....                           | 6,127,350                               | 3,989,095           | 3,381,453           |
| Amortization and depreciation expenses .....                                | 224,329                                 | 235,128             | 253,413             |
| <b>Results from operating activities</b> .....                              | <b>573,693</b>                          | <b>76,009</b>       | <b>267</b>          |
| Finance costs .....   | 1,473,986                               | 477,056             | 612,470             |
| Foreign exchange loss (gain) .....  | (193,639)                               | 101,610             | (22,590)            |
| Share of loss in an associate .....   | 499,007                                 | —                   | —                   |
| Non-recurring gain on loss of control of a subsidiary.....                  | (363,948)                               | —                   | —                   |
| Loss (gain) on change in fair value of derivative financial instruments.... | —                                       | (74,937)            | 8,220               |
| Change in fair value of redeemable preferred shares .....                   | 17,277,928                              | —                   | —                   |
| Convertible redeemable preferred shares dividends .....                     | 661,442                                 | —                   | —                   |
| Change in fair value of warrants .....                                      | 9,582,300                               | —                   | —                   |
| <b>Loss before income taxes</b> .....                                       | <b>(28,363,383)</b>                     | <b>(427,720)</b>    | <b>(597,833)</b>    |
| Income tax expenses (recovery)  |   |                     |                     |
| Current.....  | (210,119)                               | 14,683              | (808)               |
| Deferred .....  | 163,754                                 | (11,701)            | 15,321              |
| <b>Net loss</b> .....   | <b>(28,317,018)</b>                     | <b>(430,702)</b>    | <b>(612,346)</b>    |
| <b>Other comprehensive loss</b>   |   |                     |                     |
| Cumulative translation adjustment .....                                     | 11,540                                  | (107,934)           | (76,430)            |
| <b>Comprehensive loss</b> .....   | <b>\$(28,305,470)</b>                   | <b>\$(538,636)</b>  | <b>\$(688,776)</b>  |

|   | For the 12 Months<br>Ended December 31, |             |             |
|---|---|-------------|-------------|
|   | 2016                                    | 2015        | 2014        |
| <b>Percentage of net revenue:</b>   |   |             |             |
| <b>Net revenue</b> .....  | <b>100%</b>                             | <b>100%</b> | <b>100%</b> |
| Cost of sales.....  | 68%                                     | 72%         | 72%         |
| <b>Gross Profit</b> .....   | <b>32%</b>                              | <b>28%</b>  | <b>28%</b>  |
| Selling, general and administrative expenses.....                           | <b>28%</b>                              | <b>26%</b>  | <b>26%</b>  |
| Amortization and depreciation expenses .....                                | 1%                                      | 2%          | 2%          |
| <b>Results from operating activities</b> .....                              | <b>3%</b>                               | <b>0%</b>   | <b>0%</b>   |
| Finance costs .....   | 7%                                      | 3%          | 5%          |
| Foreign exchange loss (gain) .....  | (1)%                                    | 1%          | (0)%        |
| Share of loss in an associate .....   | 2%                                      | 0%          | 0%          |
| Non-recurring gain on loss of control of a subsidiary.....                  | (2)%                                    | 0%          | 0%          |
| Loss (gain) on change in fair value of derivative financial instruments.... | 0%                                      | (0)%        | 0%          |
| Change in fair value of redeemable preferred shares .....                   | 79%                                     | 0%          | 0%          |
| Convertible redeemable preferred share dividends .....                      | 3%                                      | 0%          | 0%          |
| Change in fair value of warrants .....                                      | 44%                                     | 0%          | 0%          |
| <b>Loss before income taxes</b> .....                                       | <b>(130)%</b>                           | <b>(3)%</b> | <b>(5)%</b> |
| Income tax expenses (recovery)  |   |             |             |
| Current.....  | (1)%                                    | 0%          | (0)%        |
| Deferred .....  | 1%                                      | (0)%        | 0%          |
| <b>Net loss</b> .....   | <b>(129)%</b>                           | <b>(3)%</b> | <b>(5)%</b> |

**Other comprehensive loss**

|   |               |             |             |
|---|---------------|-------------|-------------|
| Cumulative translation adjustment ..... | 0%            | (1)%        | (1)%        |
| <b>Comprehensive loss.....</b>          | <b>(129)%</b> | <b>(4)%</b> | <b>(5)%</b> |

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

| <b>Reconciliation of net income to Adjusted EBITDA:</b>                      | <b>For the 12 Months<br/>Ended December 31,</b> |                    |                    |
|--|---|--------------------|--------------------|
|  | <b>2016</b>                                     | <b>2015</b>        | <b>2014</b>        |
| <b>Net loss .....</b>  | <b>\$(28,317,018)</b>                           | <b>\$(430,702)</b> | <b>\$(612,346)</b> |
| Amortization and depreciation expense .....                                  | 224,329   | 235,128            | 253,413            |
| Finance Costs.....   | 1,473,986                                       | 477,056            | 612,470            |
| Income tax expense (recovery) .....  | (46,365)  | 2,982              | 14,513             |
| <b>EBITDA.....</b>   | <b>(26,665,068)</b>                             | <b>284,464</b>     | <b>268,050</b>     |
| <b>Adjustments to EBITDA:</b>  |   |                    |                    |
| Change in fair value of warrants .....                                       | 9,582,300                                       | -                  | -                  |
| Convertible redeemable preferred shares dividends .....                      | 661,442   | -                  | -                  |
| Change in fair value of convertible redeemable preferred shares .....        | 17,277,928                                      | -                  | -                  |
| Loss (gain) on change in fair value of derivative financial instrument ..... | -   | (74,937)           | 8,220              |
| Non-recurring gain on loss of control of a subsidiary .....                  | (363,948)                                       | -                  | -                  |
| Share of loss in an associate.....   | 499,007   | -                  | -                  |
| Foreign exchange loss (gain) .....   | (193,639)                                       | 101,610            | (22,590)           |
| <b>Adjusted EBITDA .....</b>   | <b>\$798,022</b>                                | <b>\$311,137</b>   | <b>\$253,680</b>   |
| <b>Adjusted EBITDA Margin.....</b>   | <b>4%</b>                                       | <b>2%</b>          | <b>2%</b>          |

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

| <b>Reconciliation of net loss to Adjusted Net Loss:</b>                      | <b>For the 12 Months<br/>Ended December 31,</b> |                    |                    |
|--|---|--------------------|--------------------|
|  | <b>2016</b>                                     | <b>2015</b>        | <b>2014</b>        |
| <b>Net loss .....</b>  | <b>\$(28,317,018)</b>                           | <b>\$(430,702)</b> | <b>\$(612,346)</b> |
| <b>Adjustments to net loss:</b>  |   |                    |                    |
| Change in fair value of warrants .....                                       | 9,582,300                                       | -                  | -                  |
| Convertible redeemable preferred shares dividends .....                      | 661,442   | -                  | -                  |
| Change in fair value of convertible redeemable preferred shares .....        | 17,277,928                                      | -                  | -                  |
| Loss (gain) on change in fair value of derivative financial instrument ..... | -   | (74,937)           | 8,220              |
| Non-recurring gain on loss of control of a subsidiary .....                  | (363,948)                                       | -                  | -                  |
| Share of loss in an associate.....   | 499,007   | -                  | -                  |
| Foreign exchange loss (gain) .....   | (193,639)                                       | 101,610            | (22,590)           |
| <b>Adjusted Net Loss .....</b>   | <b>\$(853,928)</b>                              | <b>\$(404,029)</b> | <b>\$(626,716)</b> |

**Results of Operations – For the year ended December 31, 2016 compared to the year ended December 31, 2015**

**Net Revenue**

In 2016, LXR's net revenue contribution from its retail network, wholesale operations and e-Commerce channel as a percentage of total net revenue was 80%, 18% and 2%, respectively. Net revenue increased by 42.8% to \$21.9 million in 2016, compared to \$15.3 million in 2015. Retail network revenue and wholesale revenue

increased by 44% and 41%, respectively, in 2016, while e-Commerce revenue declined by 29% on an as reported basis. The decline in e-Commerce revenue was due to LXR not consolidating the results of Groupe Global, LXR's e-Commerce subsidiary, for seven months of 2016. See “- Subsequent Events, Acquisition of 67.8% Interest in Groupe Global by LXR”. On a pro-forma full year basis, e-Commerce revenue would have increased by 61%.

The increase in total net revenue was primarily attributable to the increase in sales from 33 new stores that were opened during the course of the year, offset by two store closures. LXR ended the year in 2016 with more than three times the number of stores from the prior year. New store openings consisted of 20 Retail Stores and 13 Hybrid Stores, and, net of two Retail Store closures, the retail network expanded from 15 stores at the end of 2015 to 46 at the end of 2016. Approximately 79% of LXR's new stores in 2016 were opened in the second half of the year, including six stores in Germany.

### ***Gross Profit***

Gross profit increased by 61.1% to \$6.9 million in 2016, compared to \$4.3 million in 2015. The change was primarily attributable to the increase in net revenue.

Gross profit margin increased to 32% of net revenue in 2016, compared to 28% of net revenue in 2015. The increase in gross profit margin was primarily due to the larger and growing proportion of revenue attributable to the retail network and increased supply chain efficiencies, including the introduction of a consumer buying program initiated by LXR in November 2016.

### ***SG&A Expenses***

SG&A expenses increased by 53.6% to \$6.1 million in 2016, compared to \$4.0 million in 2015. The increase was primarily due to higher store staffing expenses resulting from the rapid expansion of LXR's retail network as well as increased expenses relating to head office operations and infrastructure support personnel required to manage a growing international retail network. The number of employees grew from 101 at the end of 2015 to 175 at the end of 2016.

SG&A expenses increased to 28% of net revenue in 2016, compared to 26% of net revenue in 2015. The increase was primarily due to the incurrence of the expenses described above in anticipation of increased revenue from new store additions, offset by the fact that approximately 79% of new store additions occurred late in the year thereby generating a lesser proportion of revenue in relation to expenses.

### ***Finance Costs***

Finance costs increased by 209.0% to \$1.5 million in 2016, compared to \$0.5 million in 2015. The increase was primarily driven by a higher average balance on the Credit Facilities used to finance receivables and inventory growth, the introduction of amortizable transaction costs associated with the setting up of the Credit Facilities, and an increase in the estimated bonus payment payable on a subordinated loan at maturity.

### ***Non-cash Expenses***

#### ***Foreign Exchange Loss (Gains)***

Foreign exchange gain was \$0.2 million in 2016, compared to a loss of \$0.1 million in 2015. This increase is attributable to the growing component of U.S. revenue in LXR's business activities and by a depreciation of the Canadian dollar in relation to the U.S. dollar over this period.

#### ***Share of Loss in an Associate***

Share of loss in an associate was \$0.5 million in 2016, compared to nil in 2015. On June 10, 2016, LXR ceded control of Groupe Global, and, as a result, LXR's investment in the associate, which decreased from a 100% ownership stake in 2015 to 36.3%, was accounted for by using the equity method. The share of loss in an associate represents LXR's proportionate share of the losses of Groupe Global, which were incurred largely as a result of

increased brand building and customer acquisition expenses as well as the accounting treatment on the change in fair value of redeemable convertible preferred shares.

#### ***Non-Recurring Gain on Loss of Control of a Subsidiary***

Non-recurring gain on loss of control of a subsidiary was \$0.4 million in 2016, compared to nil in 2015 due to the gain related to the derecognition of the disposed interest in Groupe Global.

#### ***Change in Fair Value of Convertible Redeemable Preferred Shares***

The change in fair value of convertible redeemable preferred shares was \$17.3 million in 2016, compared to nil in 2015. On June 10, 2016, LXR secured growth capital from third-party investors which included Gibraltar Ventures and issued 351,667 voting convertible redeemable preferred shares at \$7.69 per share, representing approximately 26% of LXR's share capital for net proceeds of \$2.7 million (the "**Seed Preferred Share Financing**").

As the convertible redeemable preferred shares are mandatorily redeemable and contain a conversion feature whereby the preferred shares are convertible at the option of the holders, LXR designated the preferred shares as a financial liability for accounting purposes at fair value through profit or loss. Accordingly, LXR recorded an increase in fair value of the preferred shares of \$17.3 million as at December 31, 2016 resulting from the increase in LXR's valuation. The fair value of LXR was determined by using the most recent equity transaction entered into by it with non-related parties and was established at an enterprise value of \$81.5 million or \$56.82 per LXR share. As the preferred shares are considered a financial liability, an increase in their valuation gave rise to a revaluation loss of \$17.3 million in 2016.

#### ***Convertible Redeemable Preferred Shares Dividends***

Dividends on convertible redeemable preferred shares were \$0.7 million in 2016, compared to nil in 2015. Convertible redeemable preferred shares are entitled to an in-kind cumulative dividend of 6% per year, and LXR issued preferred share dividends in the amount of 11,641 of convertible redeemable preferred shares in 2016. Consistent with the fair value valuation methodology applied to the convertible redeemable preferred shares above, LXR recorded an amount of \$0.7 million as dividends payable on such shares.

#### ***Change in Fair Value of Warrants***

The change in fair value of warrants was \$9.6 million in 2016, compared to nil in 2015. As part of the Seed Preferred Share Financing, LXR granted Gibraltar & Company warrants for the purchase of convertible redeemable preferred shares. The warrants entitled Gibraltar & Company to purchase up to 195,100 convertible redeemable preferred shares of LXR at the original issue price of \$7.69. As at December 31, 2016, consistent with the fair value valuation methodology applied to the convertible redeemable preferred shares above, LXR recorded the fair value of the outstanding warrants at \$49.13 per warrant.

#### ***Income Taxes***

Income tax recovery increased by \$0.05 million to \$0.05 million in 2016, compared to \$0.0 million in 2015.

#### ***Net Loss***

Net loss was \$28.3 million in 2016, compared to a net loss of \$0.4 million in 2015. The increase in net loss was driven by the net result of the factors discussed above, and in particular, the change in fair value of redeemable preferred shares and warrants as well as increased financing costs as a result of greater borrowings incurred in the year to fund inventory purchases and increased store openings.

### ***Adjusted Net Loss<sup>20</sup>***

Adjusted Net Loss was \$0.9 million in 2016, compared to an Adjusted Net Loss of \$0.4 million in 2015. This increase in Adjusted Net Loss was the net result of the factors discussed above, namely an increase in gross profit and unrealized foreign exchange gains, offset by increased SG&A expenses and finance costs.

### ***Adjusted EBITDA<sup>21</sup>***

Adjusted EBITDA increased by 156.5% to \$0.8 million in 2016, compared to \$0.3 million in 2015, primarily due to the factors discussed above.

Adjusted EBITDA Margin increased to 4% of net revenue in 2016, compared to 2% of net revenue in 2015. The increase is primarily the result of higher net revenue and improved gross profit margins offset by higher SG&A expenses in the form of increased spending in headcount.

## ***Results of Operations – For the year ended December 31, 2015 compared to the year ended December 31, 2014***

### ***Net Revenue***

In 2015, LXR's net revenue contribution from its retail network, wholesale operations and e-Commerce channel as a percentage of total revenue was approximately 78%, 18% and 4%, respectively. Total net revenue increased by 18.5% to \$15.3 million in 2015, compared to \$12.9 million in 2014. As a result of LXR's renewed strategic focus on growing its retail network, retail revenue increased by 148% from 2014 while wholesale revenue and e-Commerce revenue declined by 59% and 49%, respectively.

The increase in total net revenue was primarily attributable to the increase in sales from 13 new stores that were opened during the course of the year, offset by three store closures. LXR ended the year in 2015 with three times the number of stores from the prior year. New store openings consisted of 13 Retail Stores, and, net of three Retail Store closures, the retail network expanded from five stores at the end of 2014 to 15 stores at the end of 2015. The three stores closed in 2015 were standalone stores located in the United States that operated under a retail model that has since been discontinued in favour of the store-within-store model. Approximately 62% of LXR's new stores in 2015 were opened in the second half of the year. E-Commerce revenue as a proportion of net revenue was approximately 4% in 2015 as compared to approximately 10% in 2014. This decrease was due to an increased focus by LXR on expanding the retail network.

### ***Gross Profit***

Gross profit increased by 18.3% to \$4.3 million in 2015, compared to \$3.6 million in 2014. The change was primarily due to the increase in net revenue described above.

Gross profit margin remained unchanged at 28% of net revenue in both 2015 and 2014.

### ***SG&A Expenses***

SG&A expenses increased by 18.0% to \$4.0 million in 2015, compared to \$3.4 million in 2014. The increase was primarily due to higher staffing expenses resulting from the expansion of LXR's retail network and an increase in head office rent expense incurred due LXR's growth. The number of LXR employees grew from 67 at the end of 2014 to 101 at the end of 2015.

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<sup>20</sup> "Adjusted Net Loss" is a non-IFRS measure. See "Non-IFRS Measures". Also, see "Selected Consolidated Financial Information of LXR" and "Management's Discussion and Analysis of LXR" for a reconciliation of "Adjusted Net Loss" to its most directly comparable measure calculated in accordance with IFRS.

<sup>21</sup> "Adjusted EBITDA" is a non-IFRS measure. See "Non-IFRS Measures". Also, see "Selected Consolidated Financial Information of LXR" and "Management's Discussion and Analysis of LXR" for a reconciliation of Adjusted EBITDA to its most directly comparable measure calculated in accordance with IFRS.

While SG&A expenses increased to accommodate LXR's growth in 2015, SG&A expenses as a percentage of net revenue decreased slightly to 26.0% in 2016 compared to 26.1% in 2014.

### ***Finance Expenses***

Finance expense decreased by \$0.1 million to \$0.5 million in 2015, compared to \$0.6 million in 2014. The decrease is primarily due to lower accretion expense related to the estimated bonus payment on subordinated debt.

### ***Non-cash Expenses***

#### ***Foreign Exchange Loss (Gains)***

The foreign exchange loss was \$0.1 million in 2015, compared to a loss of \$0.0 million in 2014.

#### ***Loss (Gain) on change in Fair Value of Derivative Financial Instrument***

The gain in fair value of foreign exchange contracts increased to \$0.1 million in 2015, compared to a loss of \$0.0 in 2014.

### ***Net Loss***

Net loss decreased by \$0.2 million to \$0.4 million in 2015, compared to a net loss of \$0.6 million in 2014. This decrease was the net result of the factors discussed above, including higher net revenue and gross profit, lower finance costs, and the recording of a gain on the change in fair value of derivative financial instruments, partially offset by a foreign exchange loss and higher SG&A expenses.

### ***Adjusted Net Loss***<sup>22</sup>

Adjusted Net Loss decreased by \$0.2 million to \$0.4 million in 2015, compared to an Adjusted Net Loss of \$0.6 million in 2014. This decrease was the net result of higher net revenue and gross profit, lower finance costs, and the recording of a gain on the change in fair value of derivative financial instruments, partially offset by a foreign exchange loss.

### ***Adjusted EBITDA***<sup>23</sup>

Adjusted EBITDA increased by 22% to \$0.3 million in 2015, compared to slightly greater than \$0.3 million in 2014, and was affected by the factors discussed above.

Adjusted EBITDA Margin was 2% in 2015, compared to 2% of net revenue in 2014.

### **Financial Outlook**<sup>24</sup>

The following description of LXR's financial outlook for 2018 is based on management's current strategies, assumptions and expectations concerning LXR's growth opportunities, and management's assessment of the opportunities for the business and the vintage luxury industry as a whole, and has been calculated using accounting policies that are generally consistent with its current accounting policies and includes certain non-IFRS financial measures that LXR believes are important in discussing the anticipated operating performance of the business. In particular, management believes that Run-rate Revenue provides a more accurate description of the

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<sup>22</sup> "Adjusted Net Loss" is a non-IFRS measure. See "Non-IFRS Measures". Also, see "Selected Consolidated Financial Information of LXR" and "Management's Discussion and Analysis of LXR" for a reconciliation of "Adjusted Net Loss" to its most directly comparable measure calculated in accordance with IFRS.

<sup>23</sup> "Adjusted EBITDA" is a non-IFRS measure. See "Non-IFRS Measures". Also, see "Selected Consolidated Financial Information of LXR" and "Management's Discussion and Analysis of LXR" for a reconciliation of "Adjusted EBITDA" to its most directly comparable measure calculated in accordance with IFRS.

<sup>24</sup> "Run-rate Revenue" and "Adjusted EBITDA Margin" are non-IFRS measures. See "Non-IFRS Measures".



revenue potential of LXR's retail network on a full year basis and makes its financial performance more comparable during periods of growth resulting from significant new store openings. See "Non-IFRS Measures".

The purpose of disclosing LXR's outlook for 2018 is to provide investors with more information concerning the financial impact that management currently believes is achievable based on the growth strategies described below and elsewhere in this prospectus. See "The Business of LXR – Growth Strategy". The following description of LXR's potential growth opportunities is forward-looking information for purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary from those described above. See "Caution Regarding Forward-Looking Statements" and "Risk Factors" elsewhere in this prospectus for a description of the assumptions underlying the forward-looking information and of the risks and uncertainties that impact LXR's business and that could cause actual results to vary.

LXR believes that it has the opportunity to grow its Run-rate Revenue to between \$130 million and \$150 million by the end of 2018. Growth through 2018 is expected to be primarily driven by: the continued expansion of LXR's retail network to over 200 stores, including Retail Stores and Hybrid Stores, and growing LXR's e-Commerce revenue. LXR's strategies to realize on these opportunities can be summarized as follows:

- 79 new store openings in 2017 for a targeted retail network of 122 stores by year end (net of three store closures), with the majority of new store openings planned for the second half of 2017;
- 83 new store openings in 2018 for a targeted retail network of 205 stores by year end, with the majority of new store openings planned for the second, third and fourth quarters;
- an average square foot per store of 250 square feet for Retail Stores and Hybrid Stores;
- annual productivity for new Retail Stores and Hybrid Stores is assumed to be consistent with LXR's 2016 Revenue per Square Foot<sup>25</sup>; and
- current foreign currency rates are estimated to remain unchanged through 2018.

For the four-month period ending April 30, 2017, LXR opened six Retail Stores. Of the store openings planned for 2017, the Company and its retail partners have identified 65 locations and/or targeted launch dates for store openings, with the balance to be determined over the next several quarters. Commitments for store openings in 2018 are expected to be determined in the fourth quarter of 2017 and early in 2018 with an expected roll-out beginning in the second quarter of 2018. Approximately 60% of new store openings are expected to be in the United States with the balance in Europe and the United Kingdom.

By the end of 2018, LXR believes that its retail network can extend to over 200 stores across North America and internationally based on management's estimate of achieving reasonable penetration of the targeted network of prospective retail partners.

Over the longer term, management believes it has the opportunity to grow e-Commerce revenue to approximately 20% of total net revenue in 2021 and to increase Adjusted EBITDA Margin to between 12% and 15%.

Management currently believes that the achievement of the foregoing financial outlook is possible, can be reasonably estimated and is based on underlying assumptions that management believes are reasonable in the circumstances, given the time period for such targets. However, there can be no assurance that LXR will successfully expand its retail network to over 200 stores, achieve its estimated store productivity or achieve e-Commerce revenue growth. Furthermore, there can be no assurance that foreign currency exchange rates, taxation rates or LXR's level of indebtedness will be consistent with current assumptions as actual rates and levels may vary in the future.

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<sup>25</sup> 2016 Revenue per Square Foot is a non-IFRS measure. See "Non-IFRS Measures".

See “Caution Regarding Forward-Looking Statements” and “Risk Factors” elsewhere in this prospectus for a description of the assumptions underlying the forward-looking information and of the risks and uncertainties that impact LXR’s business and that could cause actual results to vary. In particular, see the risk factors entitled “LXR currently has a significant dependence on a limited number of retail partners. LXR’s growth strategies depend in part upon its ability to identify new retail partners and enter into agreements with such partners for opening new Retail Stores or Hybrid Stores, and to then successfully open such new stores in a timely and cost-effective manner” and “LXR’s limited operating experience and limited brand recognition may limit its efforts to expand its retail network, subject LXR to additional risks and cause its business and growth to suffer”.

## **Liquidity and Capital Resources**

### ***Overview***

LXR’s primary uses of funds are for operating expenses, working capital requirements, capital expenditures and debt service requirements. In addition to cash on hand at the end of 2016 of \$0.9 million, LXR will have access to the net proceeds of the \$25.0 million Private Placement and up to \$105 million in cash proceeds from holders of Class A Restricted Voting Shares that elect not to redeem their shares. LXR believes that these amounts and cash generated from operations, together with amounts available under its Credit Facilities, will be sufficient to meet its future operating expenses, working capital requirements, capital expenditures and future debt service requirements. LXR also believes that its capital structure provides the financial flexibility required to allow it to pursue its future growth strategies. LXR’s ability, however, to fund operating expenses, working capital requirements, capital expenditures and future debt service requirements will depend on, among other things, its future operating performance, which will be affected by general economic, financial and other factors, including factors beyond its control. See “Risk Factors” as well as the “– Factors Affecting Results from Operations”. LXR also reviews acquisition opportunities in the normal course of business and may make select acquisitions to implement its business strategy when suitable opportunities arise. LXR expects that the funding for any such acquisitions would come from cash balances, cash flow from operating activities and/or its Credit Facilities.

### ***Working Capital and Adjusted Working Capital<sup>26</sup>***

Working Capital includes cash, accounts receivable, investment tax credits receivable, income tax receivable, inventory and prepaid expenses and deposits, bank indebtedness, accounts payable and accrued liabilities, income taxes payable (recoverable), deferred revenues and derivative financial instruments. Adjusted Working Capital that excludes the current portion of long-term debt and preferred shares and therefore provides management and investors with a more clear understanding of the efficiency of operational working capital needs absent working capital required as a result of capital structure. LXR’s need for Adjusted Working Capital occurs at different points in the year, with the greatest requirements preceding Valentine’s Day in February, Mother’s Day in May and the December holiday season. In addition, since most store openings occur in the spring and fall seasons, Adjusted Working Capital requirements during those periods will be more pronounced as LXR rapidly expands its retail network.

Historically, LXR’s main sources of liquidity have been from cash on hand, cash generated from operating activities and borrowings under its existing and previous revolving credit facilities. As at December 31, 2016, LXR’s Working Capital and Adjusted Working Capital was \$0.9 million and \$3.2 million, respectively.

As at December 31, 2016, LXR had no commitments for capital expenditures related to future new store openings. To fund the opening of new stores in 2017 and 2018, and assuming store opening capital costs of \$37,500 per store, the Company has expenditures not yet committed to but required to fund its development activities in the amount of approximately \$2.9 million and \$3.1 million, respectively.

The Company will fund its working capital requirements and future growth, including new store openings, through a combination of the net proceeds of the \$25 million Private Placement, up to \$105 million in cash proceeds from holders of Class A Restricted Voting Shares that elect not to redeem their shares, a new credit facility that the

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<sup>26</sup> “Adjusted Working Capital” is a non-IFRS measure. See “Non-IFRS Measures”. Also, see “Selected Consolidated Financial Information of LXR” and “Management’s Discussion and Analysis of LXR” for a reconciliation of “Adjusted Working Capital” to its most directly comparable measure calculated in accordance with IFRS.

Company expects to enter into on Closing or shortly thereafter and through internally generated funds. See “ – Credit Facilities”.

### ***Credit Facilities and Other Indebtedness***

The following summarizes the certain indebtedness incurred by LXR as at December 31, 2016. This summary should be read in conjunction with the LXR Financial Statements, together with the notes thereto, which are included in Appendix C of this prospectus.

#### ***Credit Facilities***

On January 15, 2016, LXR entered into a new credit agreement (the “**Credit Agreement**”) with Newstar Business Credit LLC, (which subsequently changed its name to Sterling National Bank (“**Sterling**”). As part of the Credit Agreement, LXR has available a revolving term loan of an authorized amount of US\$6,000,000 (\$8,056,200), subject to a maximum based on the borrowing base calculated as a percentage of eligible accounts receivable and eligible inventory as defined in the agreement, and a term capital expenditure loan facility with a maximum available amount of US\$350,000 (\$469,945) for the purpose of purchasing eligible equipment, as defined in the Credit Agreement (collectively, the “**Credit Facilities**”).

The loans bear interest at the lesser of (a) the LIBOR rate (1.09% as at December 31, 2016) plus an applicable margin of 5%; or (b) the maximum rate of the interest permitted to be charged under the Texas Finance Code (5.00% as at December 31, 2016). A commitment fee of 0.5% of the unused portion of the revolving term loan is also due. The loans mature on January 15, 2019.

The Credit Facilities are collateralized by substantially all of the assets of LXR as well as those of commonly controlled companies, and by personal guarantees from the Management Vendors. The Credit Facilities require LXR to meet certain financial covenants, which were not met as at December 31, 2015. On June 9, 2016, LXR amended the Credit Agreement, to remediate the breach of certain financial covenants and release Groupe Global and LXR & Co. as borrower and guarantor following the Seed Preferred Share Financing.

As at December 31, 2016, LXR used US\$2,885,040 (\$3,873,743) under the Credit Facilities. The remaining credit availability as at December 31, 2016, subject to the borrowing base calculation, amounts to US\$176,167 (\$236,539).

The Credit Facilities require that certain financial covenants be maintained, which were not all met as at December 31, 2016. On April 12, 2017, LXR amended its Credit Facilities agreement with Sterling, to remediate the breach of certain financial covenants. Under the terms of the amended agreement, the maximum authorized amount under the revolving term loan is reduced to US\$4,500,000 and the maturity date of the loans is August 31, 2017. The amended Credit Agreement also does not allow further advances under the term capital expenditure loan facility. Since the Credit Facilities mature within one-year from the financial position date, the Credit Facilities are presented as a current liability on the consolidated statement of financial position.

LXR is in discussions with potential lenders to replace the existing Credit Facilities with new credit facilities.

#### ***Other Indebtedness***

##### ***Term Loans with Business Development Bank of Canada (“BDC”)***

On August 15, 2013, LXR, through its wholly-owned subsidiary LXR Canada Inc., obtained financing of \$1,500,000 from BDC in the form of unsecured subordinated debt maturing on August 15, 2018. The debt bears an annual interest rate of 8.75% and interest is payable monthly. The debt is repayable by one final principal repayment on maturity together with any interest and expenses then payable. LXR may prepay at any time all or part of the principal outstanding provided that all interest and expenses are paid at the time of the principal repayment. Additional capital repayments up to a maximum amount of \$300,000 per year are required under certain conditions, including the generation of consolidated excess available funds, as determined in accordance with the terms of the agreement governing the debt financing. As at December 31, 2016, 2015, 2014 and January 1, 2014, there were no

required excess additional cash repayments. Upon maturity, LXR is also required to remit additional compensation in the form of a bonus payment which shall represent 1.2% of LXR's consolidated value as defined in a formula in the agreement governing the debt financing. Under the terms of the agreement governing the debt financing, LXR is also required to remit monthly a royalty of 0.30% of consolidated annual sales. At December 31, 2016, LXR estimated the fair value of the bonus and royalty payment since inception at \$637,375.

The subordinated debt requires that certain financial covenants be maintained on a consolidated basis, which were not all met for the year ended December 31, 2016. On April 12, 2017, LXR obtained a confirmation from BDC, waiving its rights, arising from the breach of the covenants. Through issuance of the waiver, LXR and BDC amended the subordinated agreement to fix the bonus payment to 1.2% of \$60,000,000 which is payable at the earlier of the maturity date or the successful closing of the contemplated transaction.

### ***Term Loans with Investissement Québec ("IQ")***

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

- (a) Term loan of \$300,000 bearing interest at the bank's prime rate (2.80% as at December 31, 2016 and 2015; 3% as at December 31, 2014) plus an applicable margin of 3%. The loan is repayable by 48 monthly principal payments of \$6,250 with a 12 month moratorium from June 1, 2015 to May 31, 2016. The loan matures on November 30, 2017. As at December 31, 2016, the long-term debt obligation under this loan amounted to \$68,750 (2015 – \$112,500). The loan is collateralized by a first rank moveable hypothec of up to a maximum amount of \$360,000 on the universality of all present and future moveable and incorporeal assets of LXR's subsidiary, LXR Canada Inc., and by personal guarantees from a Management Vendor amounting to \$75,000.
- (b) Term loan of \$600,000 bearing interest at the bank's prime rate (2.80% as at December 31, 2016 and 2015; 3% as at December 31, 2014) plus an applicable margin of 3%. The loan is repayable by 60 monthly principal payments of \$10,000 with a 12 month moratorium from June 1, 2015 to May 31, 2016. The loan matures on April 30, 2019. As at December 31, 2016, the long-term debt obligation under this loan amounted to \$290,000 (2015 – \$360,000). The loan is collateralized by a first rank moveable hypothec of up to a maximum amount of \$720,000 on the universality of all present and future moveable and incorporeal assets of LXR Canada Inc. and by personal guarantees from a Management Vendor amounting to \$300,000.
- (c) Term loan of \$225,000 bearing interest at the bank's prime rate (2.80% as at December 31, 2016 and 2015) plus an applicable margin of 2.15%. The loan serves to finance investment tax credits receivable for 2014 and 2015, thus is repayable upon their respective receipt. The loan matures on June 30, 2016 and June 30, 2017 for the years 2014 and 2015, respectively. As at December 31, 2016, the long-term debt obligation under this loan amounted to \$11,194 (2015 – \$103,061). The loan is collateralized by a hypothec of \$225,000 as well as an additional hypothec of \$45,000 on the balance of accounts receivable and investment tax credits of LXR Canada Inc. and by personal guarantees from a Management Vendor.

These term loans require that certain financial covenants be maintained by LXR Canada Inc., which were not met for the year ended December 31, 2016. On May 9, 2017, LXR obtained confirmation from IQ waiving its rights, arising from the breach of the covenants.

### ***Cash Flows***

The following table summarizes LXR's cash flows for the 12 months ended December 31, 2016, December 31, 2015 and December 31, 2014:

| <b>Cash Flow Data:</b> | <b>For the 12 Months<br/>Ended December 31,</b> |             |             |
|------------------------|---|-------------|-------------|
|                        | <b>2016</b>                                     | <b>2015</b> | <b>2014</b> |

| <b>Cash Flow Data:</b>   | <b>For the 12 Months<br/>Ended December 31,</b> |                |                  |
|--|---|----------------|------------------|
|  | <b>2016</b>                                     | <b>2015</b>    | <b>2014</b>      |
| Cash flows provided by (used in) operating activities .....        | \$(3,650,336)                                   | \$1,806,636    | \$(739,245)      |
| Cash (used in) investing activities .....                          | (807,239)                                       | (340,275)      | (630,618)        |
| Cash provided by (used in) financing activities .....              | 4,456,312                                       | (599,497)      | 1,203,422        |
| Effect of exchange rate changes on cash and cash equivalents ..... | 30,371  | (170,214)      | (90,208)         |
| <b>Increase (decrease) in cash during the year .....</b>           | <b>29,108</b>                                   | <b>696,650</b> | <b>(256,649)</b> |
| Cash, beginning of year .....                                      | 909,858   | 213,208        | 469,857          |
| Cash, end of year .....  | \$938,966                                       | \$909,858      | \$213,208        |

***Analysis of Cash Flows for the year ended December 31, 2016 compared to the year ended December 31, 2015***

For 2016, cash flows used in operating activities were \$3.7 million, compared to cash flows provided by operations of \$1.8 million in 2015, a net decrease in cash flow of \$5.5 million. This decrease was primarily attributable to the rapid expansion of LXR's retail network which resulted in increased working capital requirements in the form of higher accounts receivable and inventory which were offset partially by higher accounts payable.

For 2016, cash flows used in investing activities were \$0.8 million as compared to \$0.3 million in 2015, a net decrease in cash flows of \$0.5 million. This decrease was primarily due to increased capital expenditures attributed to the expansion in LXR's retail network which resulted in a significant increase in the purchase of store fixtures for new store openings as compared to the prior year.

For 2016, cash flows provided by financing activities were \$4.5 million compared to cash flows used in financing activities of \$0.6 million in 2015, a net increase in cash flow of \$5.1 million. This increase was attributable to the net proceeds received from the Seed Preferred Share Financing of \$2.7 million and the balance due to increased borrowings under long-term debt and credit facilities, offset by long-term debt repayments and financing costs.

For 2016, the cash impact of foreign exchange on cash flow was an increase of \$0.03 million, compared to a decrease in cash of \$0.17 million in 2015, a net increase of \$0.20 million.

For 2016, the total net increase in cash was nil, compared to a net increase in cash of \$0.7 million in 2015, a net decrease of \$0.7 million year over year.

***Analysis of Cash Flows for the year ended December 31, 2015 compared to the year ended December 31, 2014***

For 2015, cash flows provided by operating activities were \$1.8 million compared to cash flows used in operating activities of \$0.7 million in 2014 a net increase in cash flow of \$2.5 million. This increase was primarily due to a decrease in working capital resulting from higher accounts payable, which was partially offset by a reduction in the borrowings under credit facilities.

For 2015, cash flows used in investing activities were \$0.3 million compared to cash flows used in investing activities of \$0.6 million in 2014, a net increase in cash flow of \$0.3 million. This decrease was primarily due to a reduction in capital expenditures related to purchases of store fixtures for new store expansion and to fund corporate infrastructure.

For 2015, cash flows used in financing activities were \$0.6 million compared to cash flows provided by financing activities of \$1.2 million in 2014, a net decrease in cash flow of \$1.8 million. This decrease was primarily due to a decrease in borrowings under the credit facilities.

For 2015, the cash impact of foreign exchange on cash flow was a decrease of \$0.2 million, compared to a decrease in cash of \$0.1 million in 2015, a net decrease of \$0.1 million.

For 2015, the total net increase in cash was \$0.7 million, compared to a total decrease in net cash of \$0.3 million for 2014, a net increase of \$1.0 million year over year.

### ***Contractual Obligations***

The following table summarizes LXR's contractual maturities and carrying amounts of financial liabilities as at December 31, 2016:

|   | <b>Maturing in<br/>under<br/>1 Year</b> | <b>Maturing in<br/>1 to 5 Years</b> | <b>Total</b>        |
|---|---|-------------------------------------|---------------------|
| <b>Contractual Obligations:</b>               |   |                                     |                     |
| Credit facility .....                         | \$3,399,362                             | -                                   | \$3,399,362         |
| Accounts payable and accrued liabilities..... | 3,941,708                               | -                                   | 3,941,708           |
| Long-term debt.....                           | 2,841,026                               | 187,727                             | 3,028,753           |
| Preferred shares.....                         | 300,000                                 | -                                   | 300,000             |
| Convertible redeemable preferred shares ..... | -                                       | 30,226,003                          | 30,226,003          |
| <b>Total Contractual Obligations .....</b>    | <b>\$10,482,096</b>                     | <b>\$30,413,730</b>                 | <b>\$40,895,826</b> |

LXR manages its risk of failing to discharge its financial liabilities in a timely manner by factoring its operating requirements and through the use of various financing sources, as needed.

### ***Off-Balance Sheet Arrangements, Commitments and Contingencies***

The following table summarizes LXR's off-balance sheet arrangements and commitments as at December 31, 2016:

|  | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>Total</b> |
|--|-------------|-------------|-------------|--------------|
| <b>Off-balance sheet Arrangements and Commitments:</b> |             |             |             |              |
| Operating leases.....                                  | \$776,877   | \$532,132   | \$149,248   | \$1,458,257  |

The amounts above include commitments from a company controlled by the Management Vendors in the amounts of \$125,700, \$128,679 and \$131,748 for 2017 through 2019, respectively.

These leases have varying terms and renewal rights. In many cases, rent expense is based on a percentage of sales obtained by LXR in the leased premises. Contingent (sales-based) rentals are recognized in income or loss in the period in which they are incurred. For the year ended December 31, 2016, LXR has recognized in loss contingent rent amounting to \$3,276,506 (December 31, 2015 - \$2,523,042; December 31, 2014 - \$923,597).

In April 2017, an informal claim was received by the Company totaling approximately \$1.1 million related to a terminated financing arrangement for the services of financial advisor in the search of private equity capital. Management believes that the claim is without merit and intends to defend itself vigorously, and therefore, no provision has been recorded in the consolidated financial statements.

### ***Related Party Transactions***

In the normal course of its operations, LXR enters into transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties. In addition to the related party transactions and balances disclosed in the LXR Financial Statements included in Appendix C of this prospectus, significant transactions and balances between related parties were as follows:

|   | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|-------------|
| <b>Transactions with a commonly controlled company:</b> |             |             |             |

|  | 2016      | 2015      | 2014     |
|--|-----------|-----------|----------|
| Rental expense paid to a company controlled by Fred Mannella and Kei Izawa ..... | \$136,000 | \$120,000 | \$48,750 |
| <b>Transactions with an associate:</b>   |           |           |          |
| Sales to Groupe Global.....  | \$549,783 | -         | -        |

Transactions with key management personnel included:

|  | 2016      | 2015      | 2014     |
|--|-----------|-----------|----------|
| Wages, salaries, bonus and consulting..... | \$147,385 | \$104,974 | \$87,096 |

## Subsequent Events

### *Acquisition of 67.8% Interest in Groupe Global by LXR*

As at December 31, 2016, LXR owned 32.2% of Groupe Global, its e-Commerce subsidiary, with the balance held by private investors including Gibraltar Ventures. In January 2017, LXR entered into an agreement to acquire the 67.8% equity interest of Groupe Global not already held by it for a purchase price of approximately \$3.9 million, thereby valuing 100% of Groupe Global at approximately \$5.8 million. LXR decided to re-acquire the interest in Groupe Global it did not already own in order to fully integrate its omni-channel sales network and better position itself for growth. To fund the transaction, LXR issued 69,434 senior convertible preferred shares. Senior convertible preferred shares are convertible into LXR class A Common Shares on a one for one basis. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the sale of Groupe Global to LXR, effective as of January 1, 2017.

### *Exercise of Warrants by Gibraltar & Company to Purchase Shares in LXR*

In January 2017, LXR issued 130,039 senior convertible preferred shares at a price of \$7.69 per share for total issue proceeds of \$1.0 million, pursuant to the exercise of warrants previously granted to Gibraltar & Company as part of an extension to the Seed Preferred Share Financing, the first round of which closed on June 10, 2016.

### *Issuance of Stock Option Program*

In February 2017, as part of LXR's ESOP, LXR granted certain employees and directors a total of 62,334 options (out of a total option pool of 80,875) to purchase class A common shares of LXR at \$7.69 per share. The stock options, which are exercisable over a 10-year period, will vest in equal instalments as to 25% per year commencing on the first anniversary of the grant until the fourth anniversary of the grant.

Subject to the terms and conditions of the Purchase Agreement and the approval of the TSX, as may be required, upon the Closing, the Company shall assume the ESOP and all obligations up to an aggregate of 80,875 options (both vested and unvested) that remain outstanding or reserved for issuance pursuant to the ESOP.

### *Closure of Three Stores*

In early 2017, two Retail Stores and one Hybrid Store were closed due to below average productivity. The two Retail Stores were located in Ottawa, Ontario and Boca Raton, Florida, and the Hybrid Store was located in Wichita, Kansas.

### *Entering into Purchase Agreement with Gibraltar Growth and Private Placement*

On April 13, 2017, Gibraltar Growth and the Vendors entered into the Purchase Agreement which provides for the acquisition by Gibraltar Growth of all the issued and outstanding shares of LXR for an aggregate Purchase Price of \$82.5 million, subject to adjustments and payable in accordance with the terms of the Purchase Agreement. As a result of the LXR Acquisition, LXR will become a wholly-owned subsidiary of Gibraltar Growth. Pursuant to the Purchase Agreement, Gibraltar Growth will effectively assume indebtedness (net of cash on hand) of LXR

(including the redemption and cancellation of certain outstanding preferred shares of LXR), which totals approximately \$6.4 million as at December 31, 2016 (including certain accrued contingencies as of the date of this prospectus), and based on this amount of net indebtedness, will issue to the Vendors and reserve for optionholders an aggregate 7,607,347 Class B Shares of Gibraltar Growth at \$10.00 per Class B Share as the Equity Consideration at the Closing. The actual number of Class B Shares to be issued and reserved for issuance is subject to adjustments, including for the actual amount of net indebtedness at Closing as well as customary working capital adjustments. In addition, based on the number of Class A Restricted Voting Shares redeemed, in lieu of up to 500,000 Class B Shares, Gibraltar Growth will instead pay up to a maximum of \$5.0 million to Frédéric Mannella and Kei Izawa in cash as the Cash Consideration at the Closing. See “LXR Acquisition”.

At Closing, Gibraltar Growth will have access to the net cash (if any) remaining from the proceeds of its IPO less any amounts used to settle redemptions of Class A Restricted Voting Shares and to the net proceeds from the \$25.0 million Private Placement effected in connection with the LXR Acquisition. Gibraltar Growth’s Sponsor, and certain business associates of Gibraltar & Company, will subscribe for over \$3.0 million of the Private Placement, pursuant to the Gibraltar New Subscription. In the event that few or no Class A Restricted Voting Shares are redeemed, Gibraltar Growth intends to use the net funds available to it to: pay the Cash Consideration, pay down outstanding indebtedness of LXR, fund LXR’s growth strategies (which may be accelerated in such event), launch capital structure optimization initiatives (which may include share and/or warrant repurchases) and for general corporate purposes.

### ***Update on New Store Openings***

For the four month period ending April 30, 2017, LXR opened six Retail Stores. Of the store openings planned for 2017, the Company and its retail partners have identified 65 locations and/or targeted launch dates for store openings, with the balance to be determined over the next several quarters. Commitments for store openings in 2018 are expected to be determined in the fourth quarter of 2017 and early in 2018 with an expected roll-out beginning in the second quarter of 2018.

### **Critical Accounting Estimates and Judgements**

The preparation of the consolidated financial statements in conformity with IFRS requires LXR to make judgments, apart from those involving estimation, in applying accounting policies that affect the recognition and measurement of assets, liabilities, revenues, and expenses. Actual results may differ from the judgments made by LXR. Information about judgments that have the most significant effect on recognition and measurement of assets, liabilities, revenues, and expenses are discussed below. This section should be read in conjunction with the LXR Financial Statements included in Appendix C of this prospectus.

The following discusses the most significant accounting judgments and estimates that LXR has made in the preparation of the consolidated financial statements:

#### ***Income Taxes***

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

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

LXR recognizes deferred income tax assets for unused tax losses and deductible temporary differences only to the extent that, in management’s opinion, it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. A valuation allowance is recorded on tax deductible temporary differences and unused operating losses as at December 31, 2016, 2015 and 2014.



### ***Compound Financial Instrument and Embedded Derivatives***

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

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

### **Significant New Accounting Standards Not Yet Adopted**

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers” which replaces IAS 11, “Construction Contracts”, and IAS 18, “Revenue”, as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. This standard also requires enhanced disclosures. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2018. LXR is currently assessing the impact of adopting this standard on its consolidated financial statements and related note disclosures and it expects to apply the standard in accordance with its future mandatory effective date.

In July 2014, the IASB issued the final version of IFRS 9, “Financial Instruments”, which partially replaces the requirements of IAS 39, “Financial Instruments: Recognition and Measurement”. This standard is the first step in the project to replace IAS 39. The IASB intends to expand IFRS 9 to add new requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting to become a complete replacement of IAS 39. These changes are applicable for annual periods beginning on or after January 1, 2018, with earlier application permitted. LXR is currently assessing the impact of adopting this standard on the consolidated financial statements and related note disclosures and LXR expects to apply the standard in accordance with its future mandatory effective date.

In January 2016, the IASB issued IFRS 16, “Leases” which replaces IAS 17, “Leases”. This standard provides a single model for leases abolishing the current distinction between finance and operating leases, with most leases being recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low value assets. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. LXR is currently assessing the impact of adopting this standard on our consolidated financial statements and related note disclosures and it expects to apply the standard in accordance with its future mandatory effective date.

### **Risk Factors**

LXR is exposed to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit and liquidity risk. LXR’s overall risk management program and business practices seek to minimize any potential adverse effects on its consolidated financial performance.

### ***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 74% and 5% of LXR’s sales are in U.S. dollars and in Euros, respectively. In addition, inventory related purchases are mainly denominated in Japanese Yen, and accordingly, LXR is exposed to foreign exchange risk. LXR’s foreign exchange risk is largely limited to currency fluctuations between the U.S. dollars, Euros and Japanese Yen. LXR is exposed to currency risk through its cash,

accounts receivable and accounts payable denominated in foreign currencies. LXR has not entered into material foreign currency forward contracts to manage its exposure to fluctuations in foreign currencies.

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 and comprehensive loss in the amount of approximately \$67,000. 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 \$150,000.

### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments that potentially subject LXR to cash flow interest rate risk include financial assets and liabilities with variable interest rates. LXR is exposed to cash flow risk on its Credit Facilities and other term loans which bears interest at variable interest rates.

Based on the currently outstanding revolving term loan and total long-term debt bearing interest at variable rates as at December 31, 2016, if interest rates had interest rates changed by 100 basis points, assuming that all other variables had remained the same, the impact would have increased or decreased finance costs by approximately \$30,000.

### ***Credit Risk***

LXR is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to it. LXR'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 customers who pay by credit card and receivables from other companies for sales of wholesale products. Credit card payments have minimal credit risk and corporate receivables are closely monitored. In addition, a portion of the total trade accounts receivable is insured against possible losses.

As at December 31, 2016, five retail partners accounted for respectively 11%, 15%, 17%, 20% and 27%, for an aggregate of 91% of LXR's total trade accounts receivable. As at December 31, 2015, two retail partners accounted for 18% and 40%, for an aggregate 57%, and two wholesale clients accounted each for 15% of LXR's total trade accounts receivable. As at December 31, 2014, one retail partner accounted for 33% of LXR's total trade accounts receivable.

In 2016, sales realized through three major retail partners represented 75% of net revenue.

Pursuant to their respective terms, trade accounts receivable are aged as follows:

|                     | December 31,<br>2016 | December 31,<br>2015 | December 31,<br>2014 |
|---------------------|----------------------|----------------------|----------------------|
|                     | \$                   | \$                   | \$                   |
| Current.....        | <b>1,179,312</b>     | 461,633              | 885,683              |
| 31 – 60 Days .....  | <b>449,810</b>       | 374,420              | 147,203              |
| 61 – 90 Days .....  | <b>27,363</b>        | 32,866               | 19,710               |
| 91 – 120 Days ..... | <b>26,724</b>        | 11,059               | 47,639               |
|                     | <b>1,683,209</b>     | <b>879,978</b>       | <b>1,100,235</b>     |

Based on past experience, LXR believes that no significant allowance for doubtful accounts is necessary in respect of trade accounts receivable as current trade receivables and 31-60 days old receivables together represent 97% of total gross trade accounts receivable (2015 – 95%). This balance includes the amounts owed by LXR's most significant retail partners and relates to customers that have a good payment history with LXR.

## ***Liquidity Risk***

Liquidity risk is the risk that LXR will encounter difficulty in meeting obligations associated with financial liabilities. LXR's approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due. LXR's liquidity follows a seasonal pattern based on the timing of inventory purchases and capital expenditures. LXR is exposed to this risk mainly in respect of its trade and other payables (except government remittances), credit facilities, long-term debt, convertible redeemable preferred shares and operating lease agreement. LXR manages its risk of failing to discharge its financial liabilities in a timely manner by factoring its operating requirements and through the use of various financing sources, as needed.

## **Changes in Accounting Policies**

LXR adopted IFRS as of January 1, 2014. The accounting estimates and assumptions underlying the preparation of the financial statements in accordance with IFRS are detailed in the notes of the audited financial statements of LXR included in Appendix C of this prospectus.

## **LXRANDCO PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

### **LXRandCo Pro Forma Consolidated Capitalization**

Consummation of the LXR Acquisition by Gibraltar Growth requires, among other things, approval of the shareholders of Gibraltar Growth. In addition, as the LXR Acquisition constitutes Gibraltar Growth's qualifying acquisition, holders of Class A Restricted Voting Shares can elect to redeem all or a portion of their Class A Restricted Voting Shares, whether they vote for or against, or do not vote on the LXR Acquisition, provided that they deposit their shares for redemption prior to the Redemption Election Deadline. See "The LXR Acquisition – Shareholder Approval – Redemption Rights". A redeeming shareholder is entitled to receive the Class A Qualifying Acquisition Redemption Price per Class A Restricted Voting Share redeemed, payable in cash.

Gibraltar Growth believes that LXR is well-positioned to benefit from the favourable trends in the pre-owned vintage luxury goods market across North America and internationally. Through its ongoing involvement with LXR, Gibraltar Growth will focus on growing the Company to its fullest potential to generate long-term value for shareholders. See "The Business of LXR – Growth Strategy" and "Gibraltar Value-Add". The 50% and 100% redemption level scenarios presented below reflect Gibraltar Growth's view of the possible redemption level range that might be experienced, although actual redemptions levels could be materially different. Taking into consideration the proceeds raised pursuant to the Private Placement, Gibraltar Growth will have access to funds to finance up to 100% of redemptions.

While Gibraltar Growth is the legal acquirer of LXR, LXR was identified as the acquirer for accounting purposes. As Gibraltar Growth does not meet the definition of a business under IFRS prior to the acquisition, the LXR Acquisition is outside the scope of IFRS 3, Business Combinations, and it is accounted for as a share-based payment transaction in accordance with IFRS 2, Share-based Payments. The consolidated entity, reflected in the LXRandCo Pro Forma Financial Statements as LXRandCo is considered to be a continuation of LXR with the net identifiable assets of Gibraltar Growth deemed to have been acquired by LXR in exchange for shares of LXR. Under IFRS 2, the transaction is measured at the fair value of the shares deemed to have been issued by LXR in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of LXR acquiring 100% of Gibraltar Growth. Any difference in the fair value of the shares deemed to have been issued by LXR and the fair value of Gibraltar Growth's identifiable net assets represents a service received by LXR.

The following table sets forth the capitalization of LXRandCo as at December 31, 2016 adjusted to give effect to the LXR Acquisition assuming different levels of redemption:

|                             | <b>As at December 31, 2016, as adjusted</b> |                    |
|-----------------------------|---|--------------------|
|                             | <b>(unaudited)</b>                          |                    |
|                             | <b>50%</b>                                  | <b>100%</b>        |
|                             | <b>Redemptions</b>                          | <b>Redemptions</b> |
| Long-term debt (total)..... | \$3,028,753                                 | \$3,028,753        |

|   | As at December 31, 2016, as adjusted<br>(unaudited) |                     |
|---|---|---------------------|
|   | 50%<br>Redemptions                                  | 100%<br>Redemptions |
| Convertible redeemable preferred shares ..... | -   | -                   |
| Total shareholders' equity .....              | 69,324,257  | 21,865,257          |
| <b>Total Capitalization .....</b>             | <b>\$72,353,010</b>                                 | <b>\$24,894,010</b> |

In January 2017, LXR entered into an agreement to re-acquire the 67.8% equity interest of Groupe Global not already held by it for total consideration of \$3,945,347 through the issuance of 69,434 convertible redeemable preferred shares of LXR. On April 13, 2017, the shareholders of Groupe Global and the shareholders of LXR approved the sale of Groupe Global to LXR, effective as of January 1, 2017.

On January 30, 2017, LXR issued 130,039 preferred shares at \$7.69 per share for proceeds of \$1 million, pursuant to the exercise of share purchase warrants disclosed in note 12 of the LXR Financial Statements included in Appendix C of this prospectus. Following Closing, these warrants will be exercisable for Class B Shares of the Company forming part of the Equity Consideration.

On February 16, 2017, as part of LXR's employee stock option program, LXR's board of directors approved 62,334 options to purchase class A common shares at \$7.69 per common share. The options vest at 25% on the first anniversary of the grant and yearly thereafter (on each anniversary of such date) to the fourth anniversary of the grant, and shall remain exercisable up to February 16, 2027. While LXR's board of directors formally approved the ESOP in February 2017, LXR actually created the ESOP plan and allocated the options to key employees and directors in 2016. Pursuant to the Purchase Agreement, on Closing the Company will assume all obligations under the ESOP and has reserved 293,380 Class B Shares for issuance upon the exercise of the options outstanding thereunder.

To date, other than these three events and in the normal course of business, there has been no material change in the equity and debt capital of LXRandCo on a consolidated basis.

### ***Summary of LXRandCo Pro Forma Consolidated Financial Information***

The summary pro forma statement of financial position as at December 31, 2016, includes the effect of the LXR Acquisition as though it were completed on December 31, 2016, based on assumed redemption levels of 50% and 100%, respectively. The pro forma statement of loss and comprehensive loss for the year-ended December 31, 2016 includes the effect of the LXR Acquisition as though it were completed on January 1, 2016, based on assumed redemption levels of 50% and 100%, respectively.

The summary historical and pro forma financial information has been prepared for illustrative purposes only and may not be indicative of the operating results or financial condition that would have been achieved if the LXR Acquisition had been completed on the dates or for the periods noted above, nor do they purport to project the results of operations or financial position for any future period or as of any future date. In addition to the pro forma adjustments that comprise this pro forma financial information, various other factors will have an effect on the financial condition and results of operations of LXR following the completion of the LXR Acquisition, including an adjustment as it relates to the Closing of the LXR Acquisition. See notes to the LXRandCo Pro Forma Financial Statements included in Appendix D of this prospectus for discussion of pro forma adjustments.

The LXRandCo Pro Forma Financial Statements were prepared for redemption scenarios of 50% and 100%. This summary of LXRandCo's pro forma financial information should be read in conjunction with the LXRandCo Pro Forma Financial Statements, together with the notes thereto, which are included in Appendix D of this prospectus.

The following summary and historical and pro forma financial information assumes a redemption level of 50%:

|   | As at and for the 12-month period ended<br>December 31, 2016 |                     |                       |
|---|--|---------------------|-----------------------|
|   | LXR  | Gibraltar<br>Growth | LXRandCo<br>Pro Forma |
| <b>Consolidated statements of loss:</b>                               |  |                     |                       |
| Net revenue .....   | \$21,890,810   | -                   | \$22,471,321          |
| Results from operating activities.....                                | 573,693  | (960,308)           | (851,931)             |
| Loss before income taxes .....  | (28,363,383)   | (3,712,681)         | (1,676,808)           |
| Net loss .....  | (28,317,018)   | (3,712,681)         | (1,531,048)           |
| <b>Consolidated statements of financial position:</b>                 |  |                     |                       |
| Total assets .....  | \$12,015,732   | \$105,630,758       | \$86,011,564          |
| Total current liabilities.....  | 10,557,912   | 107,240,642         | 16,321,337            |
| Total liabilities .....   | 41,149,885   | 107,240,642         | 16,687,307            |
| Shareholders' equity (deficiency) .....                               | (29,134,153)   | (1,609,884)         | 69,324,257            |
| <b>Reconciliation of net loss to Adjusted EBITDA:</b>                 |  |                     |                       |
| Net loss .....  | \$(28,317,018)   | \$(3,712,681)       | \$(1,531,048)         |
| Amortization and depreciation expense .....                           | 224,329  | -                   | 224,329               |
| Finance costs.....  | 1,473,986  | -                   | 1,505,643             |
| Income tax expense (recovery) .....                                   | (46,365)   | -                   | (145,760)             |
| EBITDA .....  | (26,665,068)   | (3,712,681)         | 53,164                |
| <b>Adjustments to EBITDA:</b>   |  |                     |                       |
| Change in fair value of warrants .....                                | 9,582,300  | -                   | -                     |
| Convertible redeemable preferred shares dividends .....               | 661,442  | -                   | -                     |
| Change in fair value of convertible redeemable preferred shares ..... | 17,277,928   | -                   | -                     |
| Non-recurring gain on loss of control of a subsidiary .....           | (363,948)  | -                   | -                     |
| Share of loss in an associate.....                                    | 499,007  | -                   | -                     |
| Foreign exchange loss (gain) .....                                    | (193,639)  | -                   | (193,639)             |
| Adjusted EBITDA .....   | \$798,022  | \$(3,712,681)       | \$(140,475)           |

The following summary and historical pro forma financial information assumes a redemption level of 100%:

|   | As at and for the 12-month period ended<br>December 31, 2016 |                     |                       |
|---|--|---------------------|-----------------------|
|   | LXR  | Gibraltar<br>Growth | LXRandCo<br>Pro Forma |
| <b>Consolidated statements of loss:</b>               |  |                     |                       |
| Net revenue .....                                     | \$21,890,810   | -                   | \$22,471,321          |
| Results from operating activities.....                | 573,693  | (960,308)           | (851,931)             |
| Loss before income taxes .....                        | (28,363,383)   | (3,712,681)         | (1,676,808)           |
| Net loss .....  | (28,317,018)   | (3,712,681)         | (1,531,048)           |
| <b>Consolidated statements of financial position:</b> |  |                     |                       |
| Total assets .....                                    | \$12,015,732   | \$105,630,758       | \$38,552,564          |

|   | As at and for the 12-month period ended<br>December 31, 2016 |                             |                               |
|---|--|-----------------------------|-------------------------------|
|   | <b>LXR</b>   | <b>Gibraltar<br/>Growth</b> | <b>LXRandCo<br/>Pro Forma</b> |
| Total current liabilities .....                                       | 10,557,912   | 107,240,642                 | 16,321,337                    |
| Total liabilities .....   | 41,149,885   | 107,240,642                 | 16,687,307                    |
| Shareholders' equity (deficiency) .....                               | (29,134,153)   | (1,609,884)                 | 21,865,257                    |
| <b>Reconciliation of net loss to Adjusted EBITDA:</b>                 |  |                             |                               |
| <b>Net loss</b> .....   | \$(28,317,018)   | \$(3,712,681)               | \$(1,531,048)                 |
| Amortization and depreciation expense .....                           | 224,329  | -                           | 224,329                       |
| Finance costs .....   | 1,473,986  | -                           | 1,505,643                     |
| Income tax expense (recovery) .....                                   | (46,365)   | -                           | (145,760)                     |
| <b>EBITDA</b> .....   | (26,665,068)   | (3,712,681)                 | 53,164                        |
| <b>Adjustments to EBITDA:</b>   |  |                             |                               |
| Change in fair value of warrants .....                                | 9,582,300  | -                           | -                             |
| Convertible redeemable preferred shares dividends .....               | 661,442  | -                           | -                             |
| Change in fair value of convertible redeemable preferred shares ..... | 17,277,928   | -                           | -                             |
| Non-recurring gain on loss of control of a subsidiary .....           | (363,948)  | -                           | -                             |
| Share of loss in an associate .....                                   | 499,007  | -                           | -                             |
| Foreign exchange loss (gain) .....                                    | (193,639)  | -                           | (193,639)                     |
| <b>Adjusted EBITDA</b> .....  | \$798,022  | \$(3,712,681)               | \$(140,475)                   |

## THE LXR ACQUISITION

### Overview

On April 13, 2017, Gibraltar Growth entered into the Purchase Agreement with the Vendors which provides for the LXR Acquisition for an aggregate Purchase Price of \$82.5 million, subject to adjustments and payable in accordance with the terms of the Purchase Agreement. As a result of the LXR Acquisition, LXR will become a wholly-owned subsidiary of Gibraltar Growth. Pursuant to the Purchase Agreement, Gibraltar Growth will effectively assume indebtedness (net of cash on hand) of LXR (including the redemption and cancellation of certain outstanding preferred shares of LXR), which totals approximately \$6.4 million as at December 31, 2016 (including certain accrued contingencies as of the date of this prospectus), and based on this amount of net indebtedness, will issue to the Vendors and reserve for optionholders an aggregate 7,607,347 Class B Shares of Gibraltar Growth at \$10.00 per Class B Share as the Equity Consideration at the Closing. The actual number of Class B Shares to be issued and reserved for issuance is subject to adjustments, including for the actual amount of net indebtedness at Closing as well as customary working capital adjustments. In addition, based on the number of Class A Restricted Voting Shares redeemed, in lieu of up to 500,000 Class B Shares, Gibraltar Growth will instead pay up to a maximum of \$5.0 million to Frédéric Mannella and Kei Izawa in cash as the Cash Consideration at the Closing.

Gibraltar Growth expects that expenses relating to completion of the LXR Acquisition as well as funds required for the ongoing operations of LXR will be funded from a combination of cash available to Gibraltar Growth from its IPO plus accrued interest (currently held in escrow) of approximately \$105.2 million (less taxes on interest earned and any amounts used to settle redemptions of Class A Restricted Voting Shares), cash on hand and the net proceeds from the \$25.0 million Private Placement, including the Gibraltar New Subscription.

Subject to Closing, in consideration for their commitments, subscribers under the Private Placement will receive a commitment fee payable in Class B Shares of Gibraltar Growth equal to 10% of their subscription amount (the “**Commitment Fee**”) upon Closing. Although the Commitment Fee is payable in newly issued Class B Shares, the Founders have agreed to forfeit the Founders’ Shares in an amount equal to the amount of Class B Shares issued in satisfaction of the Commitment Fee such that the payment of the Commitment Fee will not dilute existing shareholders of Gibraltar Growth.

Subject to obtaining certain approvals and the satisfaction of certain conditions, it is anticipated that the LXR Acquisition will be completed no later than June 2017.

The currently issued and outstanding Class A Restricted Voting Shares and Warrants are listed and posted for trading on the TSX under the symbols “GBG.A” and “GBG.WT”, respectively. Holders of Class A Restricted Voting Shares can elect to redeem all or a portion of their Class A Restricted Voting Shares, whether they vote for or against, or do not vote on the LXR Acquisition, provided that they deposit their shares for redemption prior to the Redemption Election Deadline. Any Class A Restricted Voting Shares not required to be so redeemed will be automatically converted immediately following the Closing into Class B Shares on the basis of one Class B Share for each Class A Restricted Voting Share converted. It is a condition of Closing that the Class B Shares and the Warrants be listed on the Toronto Stock Exchange. Gibraltar Growth has reserved the symbols “LXR” and “LXR.WT” for the Class B Shares and Warrants, respectively.

It is anticipated that upon completion of the LXR Acquisition and based on assumed redemption levels of 50% and 100%:

- the shareholders of Class A Restricted Voting Shares, which consist of Gibraltar Growth’s current public shareholders, will retain an ownership interest of approximately 29.1% or 0%, respectively;
- the Founders, which includes the Sponsor, will retain an ownership interest of approximately 16.0% or 21.7%, respectively;
- the Vendors will own an ownership interest of approximately 39.6% or 57.5%, respectively; and
- the subscribers under the Private Placement, including the subscribers pursuant to the Gibraltar New Subscription, will own approximately 15.3% or 20.8%, respectively.

In addition, it is anticipated that upon completion of the LXR Acquisition and based on assumed redemption levels of 50% and 100%:

- the Sponsor, including the subscription to 103,500 Class B Shares pursuant to the Gibraltar New Subscription, will own approximately 11.6% or 15.7% (inclusive of the Sponsor's share of the Commitment Fee), respectively;
- Gibraltar Ventures will own approximately 4.7% or 6.3%, respectively, including approximately 0.9% and 1.3%, respectively, representing Gibraltar & Company's share as a limited partner of Gibraltar Ventures; and
- Gibraltar & Company will own approximately 3.4% or 4.6%, respectively, excluding approximately 0.9% and 1.3%, respectively, representing Gibraltar & Company's share as a limited partner of Gibraltar Ventures.

The above percentages are calculated based on a number of assumptions, including the assumed redemption levels of the Class A Restricted Voting Shares of 50% and 100%, the issuance of 2,500,000 Class B Shares pursuant to the Private Placement, the issuance of 250,000 Class B Shares pursuant to the Commitment Fee and the forfeiture of 250,000 Founders' Shares pursuant to the Commitment Fee. If the actual facts are different than these assumptions, the percentage ownerships will be different. The above percentages do not take into account the 10,861,250 Warrants that will remain outstanding following the LXR Acquisition. See "LXRandCo Pro Forma Consolidated Financial Information".

### **Related Party Interests**

The Vendors under the Purchase Agreement include Gibraltar & Company, the parent company of the Sponsor, which owns approximately 8.1% of LXR, Gibraltar Ventures, a venture capital fund managed by Gibraltar & Company, which owns approximately 11.0% of LXR, and an officer of Gibraltar & Company, who owns 0.2% of LXR. As a result of these relationships, the acquisition of shares of LXR from these Vendors and the Gibraltar New Subscription (the "**Related Party Transactions**") constitute "related party transactions" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") and, unless an exemption is available, will be subject to the minority approval and formal valuation requirements set out in MI 61-101 (the "**MI 61-101 Requirements**"). The Related Party Transactions will be exempt from the MI 61-101 Requirements if neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Related Party Transactions exceeds 25% of Gibraltar Growth's "market capitalization" (the "**Transaction Size Exemptions**"). Under MI 61-101, an issuer's "market capitalization" is calculated based on the outstanding "equity securities" of the issuer. As the Class A Restricted Voting Shares do not have a residual right to share in the assets of Gibraltar Growth on a liquidation or winding-up, the Class A Restricted Voting Shares do not constitute "equity securities" for purposes of determining the "market capitalization" of Gibraltar Growth and therefore, unless exemptive relief is obtained, Gibraltar Growth's market capitalization as determined under MI 61-101 would be calculated only on the basis of the outstanding Class B Shares and the LXR Acquisition would not qualify for the Transaction Size Exemptions. Gibraltar Growth was granted a decision by the Ontario Securities Commission, as principal regulator, on April 21, 2017 exempting the LXR Acquisition from the MI 61-101 Requirements provided that the LXR Acquisition would qualify for the Transaction Size Exemptions if the Class A Restricted Voting Shares represented all of the outstanding equity securities of Gibraltar Growth for the purposes of calculating Gibraltar Growth's market capitalization under MI 61-101. On the basis of the Class A Restricted Voting Shares representing all of the outstanding equity securities of Gibraltar Growth, the fair market value of the LXR Acquisition and the fair market value of the consideration for the LXR Acquisition, in each case and insofar as it involves interested parties, represents approximately 16% of Gibraltar Growth's market capitalization.

Due to the involvement of Gibraltar & Company, Gibraltar Ventures and the officer of Gibraltar & Company in the LXR Acquisition, the TSX has required that (a) the LXR Acquisition be approved by the Board on the recommendation of the directors who are unrelated to the Acquisition, and (b) that the value of LXR be established in an independent report. In addition, the TSX requires that the LXR Acquisition be approved by a majority of the Disinterested Shareholders.



### ***Recommendation of Special Committee***

A committee of independent directors of Gibraltar Growth, consisting of James Haggarty (Chair), John Cassaday and Joe Natale (the “**Special Committee**”), was established by the board of directors of Gibraltar Growth for the purpose of considering the LXR Acquisition. The Special Committee has recommended to the directors that they approve the LXR Acquisition and recommend that shareholders of Gibraltar Growth vote in favour of the LXR Acquisition at the Shareholders’ Meeting. In considering the LXR Acquisition, the Special Committee retained an independent valuator (the “**Valuator**”) to provide a valuation of LXR. The Valuator presented a preliminary valuation, which included a valuation range for the LXR Acquisition of \$60.0 million to \$85.0 million, to the Special Committee at a meeting held on April 12, 2017.

### **Shareholder Approval**

To become effective, the LXR Acquisition must be approved by a majority of the votes cast by Disinterested Shareholders, present in person or represented by proxy at the Shareholders’ Meeting, voting together as if the Class A Restricted Voting Shares and Class B Shares were a single class of shares. As of the date of this prospectus, Gibraltar Growth has entered into binding Support Agreements with Disinterested Shareholders that beneficially own or exercise discretion or control over Class A Restricted Voting Shares and Class B Shares representing over 52% of the aggregate Class A Restricted Voting Shares and Class B Shares outstanding. The Support Agreements provide that each such Disinterested Shareholder shall vote or cause to be voted their Class A Restricted Voting Shares and Class B Shares in favour of the LXR Acquisition and all related matters proposed by Gibraltar Growth at the Shareholders’ Meeting relating thereto.

### ***Redemption Rights***

Pursuant to the articles of amendment of Gibraltar Growth, holders of Class A Restricted Voting Shares have the right to redeem all or a portion of their Class A Restricted Voting Shares, whether they vote for or against, or do not vote on the LXR Acquisition, provided that they deposit their Class A Restricted Voting Shares for redemption prior to the Redemption Election Deadline. **Holders of Class A Restricted Voting Shares whose Class A Restricted Voting Shares are held through an intermediary may have earlier deadlines for depositing their Class A Restricted Voting Shares for redemption. If the deadline for depositing such shares held through an intermediary is not met by a holder of Class A Restricted Voting Shares, such holder’s Class A Restricted Voting Shares may not be eligible for redemption.**

Subject to applicable law, effective immediately prior to Closing, all Class A Restricted Voting Shares validly deposited for redemption shall be redeemed for the Class A Qualifying Acquisition Redemption Price per Class A Restricted Voting Share redeemed, payable in cash. Upon payment in cash of the Class A Qualifying Acquisition Redemption Price, the holders of the Class A Restricted Voting Shares so redeemed will have no further rights in respect of the Class A Restricted Voting Shares. Any Class A Restricted Voting Shares not required to be so redeemed will be automatically converted immediately following Closing into Class B Shares on the basis of one Class B Share for each Class A Restricted Voting Share converted. For illustrative purposes, as of the date hereof, the estimated Class A Qualifying Acquisition Redemption Price is approximately \$10.05 per Class A Restricted Voting Share. Holders of Class B Shares and holders of Warrants do not have redemption rights with respect to their Class B Shares and Warrants, respectively.

Notwithstanding any of the foregoing, no registered or beneficial holder of Class A Restricted Voting Shares (other than CDS) that, together with any Affiliate thereof or any person acting jointly or in concert therewith, shall be entitled to require Gibraltar Growth to redeem Class A Restricted Voting Shares in excess of an aggregate of 15% of the Class A Restricted Voting Shares issued and outstanding (the “**Redemption Limitation**”). By its election to redeem, each registered holder of Class A Restricted Voting Shares (other than CDS) and each beneficial holder of Class A Restricted Voting Shares will be required to represent or will be deemed to have represented to Gibraltar Growth that, together with any Affiliate of such holder and any other person with whom such holder is acting jointly or in concert, such holder is not redeeming Class A Restricted Voting Shares in excess of the Redemption Limitation.

Shareholders who redeem their Class A Restricted Voting Shares are still entitled to vote such shares at the Shareholders’ Meeting.

### ***Process for Redemption by Non-Registered Holders of Class A Restricted Voting Shares***

A non-registered holder of Class A Restricted Voting Shares who desires to exercise its redemption rights in connection with the LXR Acquisition must do so by causing a participant (a “**CDS Participant**”) in the depository, trading, clearing and settlement systems administered by CDS to deliver to CDS (at its office in the City of Toronto) on behalf of the owner, a written notice (the “**Redemption Notice**”) of the owner’s intention to redeem Class A Restricted Voting Shares in connection with the LXR Acquisition. A non-registered holder of Class A Restricted Voting Shares who desires to redeem Class A Restricted Voting Shares should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the notice date described above so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the Transfer Agent in advance of the required time. The form of Redemption Notice will be available from a CDS Participant or the Transfer Agent.

By causing a CDS Participant to deliver to CDS a notice of the owner’s intention to redeem Class A Restricted Voting Shares, an owner shall be deemed to have irrevocably surrendered his, her, or its Class A Restricted Voting Shares for redemption and appointed such CDS Participant to act as his, her, or its exclusive settlement agent with respect to the exercise of the redemption right and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner’s intent to redeem which CDS determines to be incomplete, not in proper form, or not duly executed shall for all purposes be void and of no effect and the redemption right to which it relates shall be considered for all purposes not to have been exercised. A failure by a CDS Participant to exercise redemption rights or to give effect to the settlement thereof in accordance with the owner’s instructions will not give rise to any obligations or liability on the part of Gibraltar Growth to the CDS Participant or to the owner.

If the deadline for depositing Class A Restricted Voting Shares held through an intermediary is not met by holder of Class A Restricted Voting Shares, such holder’s Class A Restricted Voting Shares may not be eligible for redemption. Such deadline may be earlier than the Redemption Election Deadline.

### **The Purchase Agreement**

The following is a summary of the material attributes and characteristics of the Purchase Agreement. This summary is qualified in its entirety by reference to the provisions of that agreement, which contains a complete statement of those attributes and characteristics. A copy of the Purchase Agreement will be filed on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders are advised to review the Purchase Agreement for a complete description of the material attributes and characteristics of the Purchase Agreement.

On April 13, 2017, Gibraltar Growth entered into Purchase Agreement with the Vendors which provides for the acquisition by Gibraltar Growth of all the issued and outstanding shares of LXR for an aggregate purchase price of \$82.5 million as the Purchase Price, subject to adjustments and payable in accordance with the terms of the Purchase Agreement. As a result of the LXR Acquisition, LXR will become a wholly-owned subsidiary of Gibraltar Growth. Pursuant to the Purchase Agreement, Gibraltar Growth will effectively assume indebtedness (net of cash on hand) of LXR (including the redemption and cancellation of certain outstanding preferred shares of LXR), which totals approximately \$6.4 million as at December 31, 2016 (including certain accrued contingencies as of the date of this prospectus), and based on this amount of net indebtedness, will issue to the Vendors and reserve for optionholders an aggregate 7,607,347 Class B Shares of Gibraltar Growth at \$10.00 per Class B Share as the Equity Consideration at the Closing. The actual number of Class B Shares to be issued and reserved for issuance is subject to adjustments, including for the actual amount of net indebtedness at Closing as well as customary working capital adjustments. In addition, based on the number of Class A Restricted Voting Shares redeemed, in lieu of up to 500,000 Class B Shares, Gibraltar Growth will instead pay up to a maximum of \$5.0 million to Frédéric Mannella and Kei Izawa in cash as the Cash Consideration at the Closing.

The Cash Consideration, if any, and the Management Vendors’ share of the Equity Consideration (the “**Escrowed Management Consideration**”) shall be deposited with an escrow agent and shall be held by such escrow agent following the Closing and released from holdback, subject to any pending claims by Gibraltar Growth, in three instalments with one-third of the Escrowed Management Consideration to be released on the date that is 12

months after Closing; another one-third of the Escrowed Management Consideration to be released on the date that is 18 months after Closing; and the remaining one-third of the Escrowed Management Consideration to be released on the date that is 24 months after Closing.

All of the Class B Shares issued to the Non-Management Vendors as Equity Consideration shall be subject to lock-up terms (the “**Lock-up**”) whereby 100% of the Equity Consideration issued by Gibraltar Growth to the Non-Management Vendors will be subject to lock-up (the “**Locked-up Non-Management Consideration**”) until the date that is 180 days after Closing. The Lock-up Non-Management Consideration shall be deposited with an escrow agent and shall be held by such escrow agent following the Closing and released as per the terms of the Lock-up.

If, prior to Closing, the aggregate number of shares duly redeemed by holders of Class A Restricted Voting Shares in connection with the LXR Acquisition is less than 100% of the aggregate number of the Class A Restricted Voting Shares eligible to be so redeemed pursuant to and in accordance with Part X of the TSX Company Manual and the related rules and requirements of the TSX (such redeemed ratio, the “**Redemption Ratio**”), then Gibraltar Growth will pay up to a maximum of \$5.0 million of the Equity Consideration to the Management Vendors in cash, in lieu of issuance to them of up to 500,000 Class B Shares as the Cash Consideration on a pro rata basis. The portion of the Equity Consideration up to a maximum of \$5.0 million payable to the Management Vendors as Cash Consideration in lieu of the corresponding number of Class B Shares, shall be determined by the following formula:  $\$5.0 \text{ million} \times 2 \times (100\% - A)$ , where A is the actual Redemption Ratio (provided A cannot be lower than 50% such that if the actual Redemption Ratio is 50% or less,  $A = 50\%$ ).

The Purchase Agreement includes customary pre-closing covenants to conduct the business in the ordinary course consistent with past practice, as well as customary pre-closing covenants of the parties, including those relating to: (a) examination and information, (b) confidentiality, (c) non-solicitation on the part of the Vendors, (d) notification of certain events, (e) tax matters, (f) execution of ancillary agreements, and (g) waiver by the Vendors of access to Gibraltar Growth’s escrow account. The Purchase Agreement also includes certain transaction-specific covenants of the parties, including those requiring: (a) the Vendors to obtain all required consents, (b) the Vendors to comply with securities laws, (c) new employment agreements to be entered into at Closing with each of the Management Vendors, (d) the Vendors to take all actions to cause Groupe Global to become a direct, wholly-owned subsidiary of LXR, and (e) the Voting Support Agreement to be entered into.

The Closing is conditional on, among other things, the approval of the LXR Acquisition by a majority of the Disinterested Shareholders of Gibraltar Growth, the approval of the LXR Acquisition by the TSX, applicable governmental and third party approvals, and other usual and customary conditions for transactions of this nature.

The Purchase Agreement contains representations and warranties and related indemnities, subject to certain thresholds and caps. While the representations of the Management Vendors are on a joint and several basis, the representations of the Non-Management Vendors are on a several basis only and only as to the information relating to such Non-Management Vendor. The Vendors provide fundamental representations and warranties, such as representations and warranties regarding existence, authority and title to the issued and outstanding shares of LXR, and each Vendor also provides representations and warranties relating to misrepresentations in this prospectus (with each Non-Management Vendor’s representations and warranties being limited to the information relating to such Non-Management Vendor). The Management Vendors only provide representations and warranties regarding the business carried on by LXR. Generally, the representations and warranties will survive for a period of 24 months, except for the fundamental representations and representations and warranties of the Vendors, which survive indefinitely, representations and warranties relating to this prospectus, which survive for three years, and the Vendors tax-related representations and warranties, which will survive until 90 days after the expiry of the applicable assessment period.

### **Voting Support Agreement**

On Closing, Gibraltar & Company and the Sponsor will enter into a voting support agreement (the “**Voting Support Agreement**”) with the Management Vendors. Pursuant to the terms of the Voting Support Agreement, for a period of 12 months from Closing, the Management Vendors shall be appointed as voting trustees in respect of all Class B Shares which are at any time and from time to time owned or acquired, directly or indirectly, by them in the future (the “**Subject Shares**”) by each of Gibraltar & Company and the Sponsor. Until termination of the Voting

Support Agreement, the Management Vendors shall, in respect of the Subject Shares, exclusively possess and be entitled, in their sole discretion, to exercise all the rights of voting appertaining to the Subject Shares and all rights in connection with the initiation, taking part in and consenting to any action as shareholders of the Company.

## **CAPITAL STRUCTURE OF GIBRALTAR GROWTH**

### **Overview**

The authorized capital of Gibraltar Growth consists of an unlimited number of Class A Restricted Voting Shares and an unlimited number of Class B Shares, each without nominal or par value. As of the date hereof, the following securities are issued and outstanding: 10,450,000 Class A Restricted Voting Shares, 3,126,563 Class B Shares, and 10,861,250 Warrants.

In connection with the LXR Acquisition, each of the holders of Class A Restricted Voting Shares will be entitled, provided that they deposit their shares for redemption prior to the Redemption Election Deadline, to have their Class A Restricted Voting Shares redeemed. Subject to applicable law, effective immediately prior to Closing, all Class A Restricted Voting Shares validly deposited for redemption shall be redeemed for the Class A Qualifying Acquisition Redemption Price per Class A Restricted Voting Share redeemed, payable in cash. Upon payment in cash of the Class A Qualifying Acquisition Redemption Price, the holders of the Class A Restricted Voting Shares so redeemed will have no further rights in respect of the Class A Restricted Voting Shares. Any Class A Restricted Voting Shares not required to be so redeemed will be automatically converted immediately following Closing into Class B Shares on the basis of one Class B Share for each Class A Restricted Voting Share converted.

Notwithstanding any of the foregoing, no registered or beneficial holder of Class A Restricted Voting Shares (other than CDS) that, together with any Affiliate thereof or any person acting jointly or in concert therewith, shall be entitled to require Gibraltar Growth to redeem Class A Restricted Voting Shares in excess of the Redemption Limitation. See “The LXR Acquisition – Shareholder Approval – Redemption Rights”.

Any remaining Class A Restricted Voting Shares not required to be so redeemed (and any unredeemed Class A Restricted Voting Shares) will be automatically converted immediately following the Closing into Class B Shares on the basis of one Class B Share for each Class A Restricted Voting Share converted.

Following Closing, the authorized capital of the Company will consist of an unlimited number of Class A Restricted Voting Shares and an unlimited number of Class B Shares, each without nominal or par value. After giving effect to the LXR Acquisition and the automatic conversion of Class A Restricted Voting Shares into Class B Shares, but without giving effect to any share issuance in connection therewith and assuming redemption levels of 50% and 100%, respectively, the following securities are expected to be issued and outstanding: no Class A Restricted Voting Shares, 17,958,911 Class B Shares (which number includes 5,225,500 Class A Restricted Voting Shares automatically converted into Class B Shares), and 10,861,250 Warrants; and no Class A Restricted Voting Shares, 13,233,911 Class B Shares and 10,861,250 Warrants, respectively. Although the Company will continue to be authorized to issue Class A Restricted Voting Shares following Closing, it will not issue any such shares in future.

The following is a summary of certain of the rights, privileges, restrictions and conditions attaching to the Class B Shares and Warrants of the Company after giving effect to the LXR Acquisition.

A summary of the rights, privileges, restrictions and conditions attaching to Class A Restricted Voting Shares is contained in Gibraltar Growth’s final long form prospectus dated September 25, 2015, which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com). For a complete description of the securities of the Company, please refer to Gibraltar Growth’s certificate and articles of amendment, by-laws and the Warrant Agreement, which have also been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Class B Shares**

Holders of Class B Shares are entitled to receive notice of and to attend any meeting of shareholders of the Company and to one vote per Class B 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

The Warrants will become exercisable commencing 30 days after Closing, and each Warrant will be exercisable for one Class B Share at an exercise price of \$11.50. The Warrants will expire at 5:00 p.m. (Toronto time) on the day that is five years after the date of Closing or may expire earlier if the expiry date is accelerated. On or after the expiry date or acceleration thereof, a holder of a Warrant will have no further rights with respect to the Warrants.

The Warrant Agreement 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. Once the Warrants become exercisable, 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 Class B Shares equals or exceeds \$24.00 per Class B 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 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.

## DIVIDENDS

Gibraltar Growth has not paid any cash dividends on its shares to date. Class A Restricted Voting Shares and Class B Shares would be entitled to dividends on an equal per share basis if, as and when declared by the Board. However, Gibraltar Growth does not intend to declare or pay any cash dividends prior to the completion of its qualifying acquisition. The payment of cash dividends following the completion of the LXR Acquisition will be dependent upon Gibraltar Growth's revenues and earnings, if any, capital requirements and general financial condition and will be at the discretion of Gibraltar Growth's Board at that time.

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

Except as set out below, to the knowledge of Gibraltar Growth, as of the date of this prospectus, no securities of any class of securities of Gibraltar Growth are held in escrow or subject to contractual restrictions on transfer.

| Designation of Class             | Number of Securities that are Subject to a Contractual Restriction on Transfer | Percentage of Class as at December 31, 2016 |
|----------------------------------|--|---|
| Class B Shares <sup>(1)(2)</sup> | 3,126,563  | 100.0%                                      |
| Warrants <sup>(2)</sup>          | 411,250  | 3.8%  |

### Notes:

- (1) Pursuant to the Forfeiture and Transfer Restrictions Agreement and Undertaking, the Founders have agreed not to sell or transfer their Founders' Shares until the earlier of: (i) one year following the completion of a qualifying acquisition; and (ii) the closing share price of the Class B 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). In addition, the Founders' Forfeiture Shares are subject to forfeiture by the Founders on the fifth anniversary of the qualifying acquisition unless the closing share price of the Class B Shares exceeds \$13.00 (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 at any time following the closing of the qualifying acquisition. In connection with the Private Placement, on Closing, the Founders will modify the terms of the Forfeiture and Transfer Restrictions Agreement and Undertaking, as described below.

- (2) Pursuant to the Forfeiture and Transfer Restrictions Agreement and Undertaking, the Founders have agreed not to sell or transfer any of the Class B Shares or Warrants underlying the Class B Units until a date that is 30 days after the closing of the qualifying acquisition, except for transfers required due to the structuring of the qualifying acquisition, in which case such restriction will apply to the securities received in connection with the qualifying acquisition.

In connection with the Private Placement, on Closing, the Founders will modify the terms of the Forfeiture and Transfer Restrictions Agreement and Undertaking as follows: to make an additional 25% of the Founders' Shares held by each the Founders, or 5% of the aggregate Class B Shares and Class A Restricted Voting Shares issued and outstanding immediately following the conclusion of the IPO over-allotment period, subject to forfeiture by the Founders on the fifth anniversary of the qualifying acquisition unless the closing share price of the Class B Shares exceeds \$15.00 (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 at any time following the closing of the qualifying acquisition.

As a result of this amendment, (i) the Founders will voluntarily double the proportion of their at risk Founders' Shares from 25% to 50%; and (ii) 50% of the at risk Founders' Shares will be subject to a hurdle price of \$13.00 per Class B Share and the remaining 50% of the at risk Founders' Shares will be subject to a hurdle price of \$15.00 per Class B Share, with such price hurdles being adjusted for stock splits or combinations, stock dividends, Extraordinary Dividends, reorganizations and recapitalizations.

Following Closing, in addition to the above noted restrictions, the Cash Consideration, if any, and the Management Vendors' share of the Equity Consideration shall be deposited with an escrow agent and shall be held by such escrow agent following the Closing and released from holdback, subject to any pending claims by Gibraltar Growth, in three instalments with one-third of the Escrowed Management Consideration to be released on the date that is 12 months after Closing; another one-third of the Escrowed Management Consideration to be released on the date that is 18 months after Closing; and the remaining one-third of the Escrowed Management Consideration to be released on the date that is 24 months after Closing. In addition, all of the Class B Shares issued to the Non-Management Vendors as Equity Consideration shall be subject to the Lock-up whereby 100% of the Equity Consideration issued by Gibraltar Growth to the Non-Management Vendors will be subject to the Lock-up until the date that is 180 days after Closing. The Lock-up Non-Management Consideration shall be deposited with an escrow agent and shall be held by such escrow agent following the Closing and released as per the terms of the Lock-up.

## PRINCIPAL SHAREHOLDERS

As of the date hereof, the only persons who, to the knowledge of Gibraltar Growth, its Board or executive officers, beneficially own, or control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of the voting securities of Gibraltar Growth are as follows:

| Name                                      | Number of Class A Restricted Voting Shares | Percentage of Class A Restricted Voting Shares (%) | Number of Class B Shares | Percentage of Class B Shares (%) |
|---|--|--|--------------------------|----------------------------------|
| The Sponsor.....                          | —  | —  | 2,131,749                | 68.2                             |
| Polar Asset Management Partners Inc. .... | 1,500,000                                  | 14.4   | —                        | —                                |
| AQR Capital Management, LLC .....         | 1,400,000                                  | 13.4   | —                        | —                                |

To the knowledge of Gibraltar Growth, assuming redemption levels of 50% and 100%, respectively, following Closing, the only persons who will beneficially own, or control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of the voting securities of the Company are as follows:

| <b>Name</b>  | <b>Number of Class B Shares<sup>(1)</sup></b> | <b>Percentage of Class B Shares<sup>(1)</sup></b> |
|--|---|---|
| The Sponsor and Gibraltar & Company <sup>(2)</sup> | 2,855,121                                     | 15.9% or 21.6%                                    |
| Fred Mannella <sup>(3)</sup>                       | 3,686,949 or 4,135,862                        | 20.5% or 31.3%                                    |
| Kei Izawa <sup>(3)</sup>                           | 419,573 or 470,659                            | 2.3% or 3.6%                                      |

**Notes:**

- (1) Based on redemption levels of 50% and 100%, respectively.
- (2) Reflects 2,131,749 outstanding Class B Shares plus 103,500 Class B Shares acquired pursuant to the Gibraltar New Subscription plus 10,350 Class B Shares received pursuant to the Commitment Fee, net of 170,455 Class B Shares forfeited pursuant to the terms of the Commitment Fee. In addition, this assumes the addition of 612,835 Class B Shares received by Gibraltar & Company and 167,141 Class B Shares representing Gibraltar & Company's share of the Equity Consideration received by Gibraltar Ventures.
- (3) Pursuant to the terms of the proposed Voting Support Agreement, in addition to the Class B Shares noted above, the Management Vendors exclusively possess and are entitled, in their sole discretion, to exercise all the rights of voting appertaining to 2,855,121 Class B Shares (being the Subject Shares) and all rights in connection with the initiation, taking part in and consenting to any action as shareholders of the Company. See "The LXR Acquisition – Voting Support Agreement".

## **DIRECTORS AND EXECUTIVE OFFICERS**

At Closing of the LXR Acquisition, the Board will consist of seven directors. The directors will be elected by shareholders at each annual meeting of Gibraltar Growth's shareholders, and all directors will 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.

The following are the names and municipalities of residence of Gibraltar Growth's directors and executive officers, after giving effect to the LXR Acquisition, their positions and offices with Gibraltar Growth and corresponding start dates, and their principal occupations during the last five years:

| <b>Name and municipality of residence</b>                                       | <b>Office held with Gibraltar Growth</b> | <b>Director and/or Executive Officer since</b> | <b>Present principal occupation and positions held<sup>(1)</sup></b>   |
|---|--|--|--|
| <b>Camillo di Prata<sup>(3)(5)</sup></b> .....<br>Toronto, Ontario, Canada      | Director<br>(Executive Chair)            | June 11, 2015                                  | Chief Executive Officer, Gibraltar & Company, Inc., Co-Chief Executive Officer, Gibraltar Opportunity, Inc., Co-Chief Executive Officer and Director, Gibraltar Growth |
| <b>Frédérick Mannella<sup>(4)(5)</sup></b> .....<br>Montréal, Québec, Canada    | Director and Chief Executive Officer     | As of the Closing                              | Founder and Chief Executive Officer, LXR   |
| <b>Kei Izawa<sup>(2)(5)</sup></b> .....<br>Montréal, Québec, Canada             | Director and Chief Operating Officer     | As of the Closing                              | Co-Founder and Chief Operating Officer, LXR  |
| <b>Steven Goldsmith<sup>(2)(3)(4)</sup></b> .....<br>Merrimack, New Jersey, USA | Director                                 | As of the Closing                              | Chief Executive Officer and President, Brookstone  |
| <b>Luc Mannella<sup>(5)</sup></b> .....<br>Montréal, Québec, Canada             | Director                                 | As of the Closing                              | Managing Partner, Mannella, Gauthier, Tamaro and Associates  |
| <b>Joseph Mimran<sup>(4)(5)</sup></b> .....<br>Toronto, Ontario, Canada         | Director                                 | June 11, 2015                                  | Chairman, Gibraltar & Company, Inc., Co-Chief Executive Officer, Gibraltar Opportunity, Inc., and Chairman, Co-Chief Executive Officer, Gibraltar Growth               |
| <b>Javier San Juan<sup>(2)(3)</sup></b> .....<br>Mexico City, Mexico            | Director                                 | June 11, 2015                                  | Chief Executive Officer and President, L'Oréal Latin America, Vice-Chairman and Director, Gibraltar Growth   |

| <b>Name and municipality of residence</b>                         | <b>Office held with Gibraltar Growth</b> | <b>Director and/or Executive Officer since</b> | <b>Present principal occupation and positions held<sup>(1)</sup></b>  |
|---|--|--|---|
| <b>Jeremy Stepak</b> .....<br>Toronto, Ontario, Canada            | Interim Chief Financial Officer          | June 11, 2015                                  | Chief Financial Officer and Corporate Secretary, Gibraltar Growth, Vice-President, Gibraltar & Company, Vice-President, Gibraltar Opportunity, Inc. |
| <b>Elise Dufour</b> .....<br>White Rock, British Columbia, Canada | Senior Advisor, Business Development     | As of the Closing                              | Special Advisor, LXR  |
| <b>Sam Gebran</b> .....<br>Montréal, Québec, Canada               | Vice-President, Sales                    | As of the Closing                              | Country Manager, LXR  |
| <b>Masami Inamura</b> .....<br>Tokyo, Japan                       | Head of Supplier Sourcing                | As of the Closing                              | Head Buyer, LXR   |
| <b>Charlotte Parnet</b> .....<br>Montréal, Québec, Canada         | Chief Marketing Officer                  | As of the Closing                              | Director of Marketing, LXR  |
| <b>Pierre-Andre Vungoc</b> .....<br>Montréal, Québec, Canada      | Chief Technology Officer                 | As of the Closing                              | Director of Technology, LXR   |

**Notes:**

- (1) Each of the persons has held these positions for five years other than as described below.
- (2) Proposed member of the Audit Committee.
- (3) Proposed member of the Compensation and Nominating Committee.
- (4) Proposed member of the International Business Development Committee.
- (5) Fred Mannella, Kei Izawa, Joe Mimran, Cam di Prata and Luc Mannella are considered non-independent directors. As former officers and directors of Gibraltar Growth, Joe Mimran and Cam di Prata are not considered independent for the purposes of NI 58-101. As Chief Executive Officer of the Company and Chief Operating Officer, Fred Mannella and Kei Izawa, respectively, are not considered independent for the purposes of NI 58-101. As an immediate family member of an officer of the Company, Luc Mannella is not considered independent for the purposes of NI 58-101.

Based on shareholdings as at December 31, 2016 and assuming redemption levels of 50% and 100%, at Closing the proposed directors and executive officers of Gibraltar Growth as a group listed in the table above, are expected to beneficially own, or control or direct, directly or indirectly, approximately 7,061,709 Class B Shares or 7,561,709 Class B Shares, representing approximately 39.3% or 57.1% of the number of outstanding Class B Shares of the Company following Closing, respectively. This ownership calculation is net of 250,000 Founders' Shares forfeited pursuant to the terms of the Commitment Fee paid to subscribers of the Private Placement.

Gibraltar Growth will be undertaking a comprehensive search for a new candidate to assume the position of Chief Financial Officer promptly after Closing. Gibraltar Growth expects that a Chief Financial Officer will be appointed within the next several quarters following the Closing. Jeremy Stepak, Gibraltar Growth's existing Chief Financial Officer and Corporate Secretary will continue as Chief Financial Officer of the Company on an interim basis. In addition, following Closing Gibraltar Growth intends to conduct a search to appoint up to two additional independent directors to the Board. In conducting these searches, the Compensation and Nominating Committee will take into account the criteria set out in "Corporate Governance and Board Committees – Diversity – Board of Directors".

Joseph Mimran, Camillo di Prata, Javier San Juan, John M. Cassaday, James Haggarty, Earl Rotman, Som Seif and Joseph Natale, as the current directors of Gibraltar Growth (and its expected directors at Redemption Election Deadline), and, in the case of Camillo di Prata and Jeremy Stepak, as the Co-Chief Executive Officer and Chief Financial Officer of Gibraltar Growth, respectively, who are signing the prospectus in such capacities, are the only directors and officers who will be subject to liability for any misrepresentation in this prospectus. In addition, Gibraltar Opportunity, Inc., Frédérick Mannella and Kei Izawa, who are signing the prospectus as promoters, will also be subject to liability for any misrepresentation in this prospectus. Any directors that are appointed to the Board as of or following Closing will not be subject to liability for any misrepresentation in this prospectus in their capacity as a director, as they are not currently directors of Gibraltar Growth, although they may be liable in another capacity.



## **Directors**

### ***Camillo (Cam) di Prata (Executive Chair)***

Cam di Prata is the Executive Chair of LXR and the founder and Chief Executive Officer of Gibraltar & Company, which owns all of the outstanding shares of Gibraltar Opportunity, Inc., the Sponsor, and the Managing Partner of Gibraltar Ventures One, Inc., the general partner of Gibraltar Ventures. He is also the Co-Chief Executive Officer of Gibraltar Opportunity, Inc. As a former financial services industry executive with over 25 years of mergers and acquisitions and leadership experience, Cam possesses significant mergers, acquisitions, divestiture and valuation transactional experience primarily in the technology, media and consumer sectors. During his career he worked, with successively increasing leadership responsibilities, at Nesbitt Burns, Citigroup, and Scotia Capital. In 2003, he joined National Bank Financial as Vice Chairman with the mandate to help expand the firm's presence outside of the Province of Québec. In 2006, he was promoted to Executive Vice President and head of National Bank Financial's corporate and investment banking division, a position he held until 2012. He founded Gibraltar & Company in 2013 with the purpose of accelerating the growth of emerging companies and entrepreneurs, initially in the consumer-facing technology space. In addition to his responsibilities with Gibraltar & Company and its related activities, Cam is also a director of Gibraltar & Company, Gibraltar Growth, Crowdriff, FanXchange Limited and LXR, and an advisory board member of TKEES Inc. and the BrandProject LP. Active in the not-for-profit sector, Cam is a past director of Les Grands Ballets Canadiens, The Canadian Opera Company and The Munk Centre for Global Affairs; an Honorary Director of The Luminato Festival; and is currently a trustee with the Art Gallery of Ontario and a director of The International Festival of Authors. Cam has been a director of LXR since June 2016.

### ***Frédérick (Fred) Mannella (Founder and Chief Executive Officer)***

Fred Mannella is the Founder and Chief Executive Officer of LXR which he co-founded with wife Kei Izawa in November 2010. As CEO, Fred is responsible for the overall execution of LXR's business strategy. Fred also manages corporate development and retail partner relationships and oversees international expansion and the procurement function. Fred holds a Bachelor of Commerce from Ritsumeikan Asia Pacific University (Japan) where he graduated in 2008 with a major in finance and a minor in Asia Pacific Business Administration. Prior to founding LXR, Fred worked briefly at BMW Japan's headquarters in Tokyo. Fred is fluent in English, French, Spanish and Japanese.

### ***Kei Izawa (Co-Founder and Chief Operating Officer)***

Kei is the Co-Founder and Chief Operating Officer of LXR. In this role, Kei is responsible for all key operating functions of the business in North America and internationally including finance, marketing and public relations, supply chain and logistics, human resources and information technology. Kei has a deep understanding of the LXR customer and the Company's value proposition, and she is also responsible for spearheading the Company's in-store training initiatives and ensuring brand guidelines are consistently delivered upon. Prior to founding LXR, Kei worked for Bloomberg Finance in Tokyo. Kei holds a Bachelor of Science degree from Concordia University in Montréal where she graduated in 2008 with a major in physics and a minor in French. Kei is born in Kasugai region of Nagoya Japan and is fluent in English, French and Japanese.

### ***Steven Goldsmith***

Steven Goldsmith was appointed Chief Executive Officer and President of Brookstone Inc. in June 2016. Mr. Goldsmith brings to Brookstone more than 25 years of success in retail, merchandising and marketing across multiple distribution platforms including internet, catalogue, department stores, television, retail and wholesale. Mr. Goldsmith is leading Brookstone during a time of expansion into domestic and international retail markets and increased product development. Prior to joining Brookstone, Mr. Goldsmith served as President of The Shopping Channel, Canada's leading multi-channel retailer, from 2012 to 2016. He was Executive Vice-President, Merchandising at Sears Canada Inc. from 2011 to 2012. Prior to that, he served as Executive Vice-President, Limited Brands Direct, where he led the marketing, merchandising and e-Commerce activities for Victoria's Secret Direct and Bath & Body Works Direct from 2007 to 2011. Throughout his career, Steven has held leadership positions for major brands including Amazon, SmartBargains (now RueLaLa) and ShopNBC, where the e-Commerce business increased six-fold over the two-year period he was there. After graduating in 1988 from The

State University of New York, Albany, Goldsmith joined the May Department Stores Company, spending the first decade of his retail career in the Lord & Taylor, Filene's and Foley's divisions.

### ***Luc Mannella***

Luc Mannella has been practicing commercial law in the Québec marketplace for 39 years. A member of the Québec Bar Association since 1979, Luc's practice centers primarily on private mid-market Canadian and cross-border transactions as well as commercial and civil litigation. In addition to advising private and public company work throughout his career, Luc's portfolio of recurring clients has spanned several industries including banks, insurance companies and real estate investors and developers. Luc began his career in 1979 at a predecessor firm to Ogilvy Renault. From 1981 to 1983 he was special counsel to the Vice President of the Cable Division at Northern Telecom, subsequently a division of Nortel. In 1985, Luc founded Mannella and Associates, the predecessor firm of Mannella, Gauthier, Tamaro (incorporated 2006), where he practices law today. Throughout his career, Luc has served as the Vice-President and General Counsel for Réseau Selection, a large-scale developer and operator of retirement residences in Québec. Luc also served as General Counsel for Graphicor Inc., the Canadian subsidiary of Harbison-Walker International from 1988 to 1990. Luc is a graduate of Université de Montréal with an LLM in 1977, and he earned his MBA degree from Université de Montréal (HEC Montréal) in 1979. In 2015, Luc received his accreditation as a certified Mediator (civil, commercial and labour) from the Québec Bar Association. Luc has been a board member of LXR since its inception in 2010.

### ***Joseph (Joe) Mimran***

Joe Mimran is among Canada's leading fashion and retail pioneers and entrepreneurs. Throughout his career, he has founded or co-founded and built brands that have helped define the fashion industry landscape, including Joe Fresh™, Club Monaco, Alfred Sung, Caban and, with his wife Kimberley Newport-Mimran, Pink Tartan. In addition, Joe is Chairman of Gibraltar & Company, Inc., the parent of the Sponsor, and Co-Chief Executive Officer of Gibraltar Opportunity, Inc., the Sponsor.

Joe was the founder and former Creative Director of the Joe Fresh™ brand for Loblaw Companies Limited ("Loblaws"), where he led the entire creative process for the women's, men's and children's apparel line from product design to marketing and advertising to store selection and design for the merchandising of the line. Loblaws and Joe launched Joe Fresh™ in 2006 in 40 supermarket locations. At the time of his departure in 2015, the Joe Fresh™ line was available in over 350 Loblaws stores in Canada, 20 freestanding stores in Canada and the United States and 200 J.C. Penney stores. Joe is the Co-Chief Executive Officer of Gibraltar Opportunity, Inc. and Chairman of Gibraltar & Company.

Joe founded the consulting firm Joseph Mimran & Associates ("JMA") in 2001. In this role, he has worked with a number of global retailers, such as Coles in Australia, Woolworths in South Africa, and Saks Fifth Avenue in the United States. In 2003, Loblaws engaged JMA to design home products under its President's Choice brand, followed by all general merchandise categories by 2009. Joe conceived the Joe Fresh™ brand for Loblaws in 2005, with a vision of well-designed, well-priced clothes for a broad audience.

Joe co-founded The Monaco Group (which included Alfred Sung, a high-end fashion women's wear line, and Club Monaco, a fashion-forward, high-end casual clothing retailer) in 1980 and took the company public in 1986. The company was purchased by Dylex in 1989. In 1991, Joe repurchased Club Monaco from Dylex, founded and launched Caban (a design-oriented home furnishings retailer) and took the business public in 1997. In 1999, he sold Club Monaco (and Caban) to Ralph Lauren for an equity value of \$77.5 million.

### ***Javier San Juan***

Javier San Juan is the Managing Director of L'Oréal Latin America, and he has been a part of the L'Oréal Group ("L'Oréal") for over 25 years. As the head of L'Oréal Latin America, Javier has responsibility for one of L'Oréal's fastest growing strategic regions, with almost 600 million consumers. Prior to his current position, Javier was President of L'Oréal Latin America Hispanic Region between 2014 and 2016. Between April 2006 and February 2014 Javier was the President and CEO of L'Oréal Canada. Among his numerous successes in Canada, were the talented leadership team he assembled as well as his visionary approach to integrating digital strategies within a multinational consumer products organization. Javier's current mandate includes the continued

development of the L'Oréal's extensive portfolio of luxury brands, which include L'Oréal Paris, Maybelline, Lancôme, Giorgio Armani, Yves Saint-Laurent, Vichy, NYX, Urban Decay, and Kérastase. Javier began his career at L'Oréal on the sales and marketing side of the organisation and was later promoted to Director of Operations and Finance in Russia; thereafter he was successively promoted to Country Manager for Romania, for Argentina and later for Uruguay. Prior to his joining L'Oréal, Javier was a finance executive for the pharmaceutical group Sandoz (now a part of Novartis), later joining Sandoz's subsidiary in the Philippines as Finance Manager. 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.

## **Executive Officers**

### ***Frédéric Mannella (Founder and Chief Executive Officer)***

See Fred Mannella's biography in this section under the heading "Directors".

### ***Kei Izawa (Co-Founder and Chief Operating Officer)***

See Kei Izawa's biography in this section under the heading "Directors".

### ***Jeremy Stepak (Interim Chief Financial Officer)***

Jeremy Stepak is Interim Chief Financial Officer and will be joining LXR at Closing on an interim basis. He will be responsible for finance, treasury and investor relations functions. Jeremy is currently Chief Financial Officer and Corporate Secretary of Gibraltar Growth, Vice-President of Gibraltar and Vice-President of the Sponsor. Jeremy brings more than a decade of diverse financial, capital markets and financial reporting experience to the Gibraltar team, having joined Gibraltar & Company in 2013 as part of the founding team. Prior to Gibraltar, Jeremy spent three years abroad working in Latin America as VP Finance & Development for US-based Global Hospitality Investments ("GHI") – a subsidiary of the Goodman Real Estate Group. Prior to joining GHI, Jeremy was a Manager with Deloitte's Corporate Finance team in Toronto where his focus was on mergers, acquisitions, divestitures and capital raises for private, mid-market companies across a broad range of industries. Jeremy began his career at PricewaterhouseCoopers where he earned his CPA/CA designation. Jeremy holds a Masters in Management and Professional Accounting from the Rotman School at the University of Toronto and a Bachelor of Arts in Media and Information Studies from Western University.

### ***Elise Dufour (Senior Advisor, Business Development)***

Elise is Senior Adviser, Business Development, and is responsible for new business development and retail partner relationships. She became an advisor to LXR in 2015 following a 28 year career at L'Oréal Canada. She started her career at L'Oréal Canada as the Regional and National Sales Manager of Lancôme and the Designer Fragrances Division. Over the years, she took on increasingly senior roles as General Manager, Canada, Commercial Vice President Luxury Division and Vice President and General Manager L'Oréal Canada, covering brands such as Kiel's, Lancôme, Giorgio Armani, Ralph Lauren, YSL, Biotherm, Clairsonic and Urban Decay. Elise holds a Law Degree from University Laval, Québec City.

### ***Sam Gebran (Vice-President, Sales)***

Sam is Vice-President, Sales. He is responsible for the management of LXR's retail network, where he is responsible for developing retail business plans for all stores and implementing market penetration strategies with retail partners. His mandate is to ensure that revenue, store productivity and profitability targets of LXR's retail network are met and to ensure that LXR's customer experience goals are achieved. He started his career at Hermès Canada as a sales representative in 2010, and joined LXR in 2011 as an account manager. With his background in luxury products (he also worked for a short period with WANT Les Essentiels), Sam transitioned into a buying role and was later appointed to the position of Regional Manager in 2014. Sam holds a Bachelor of Fashion Merchandising from Université du Québec à Montréal.

### ***Masami Inamura (Head of Supplier Sourcing)***

Masami is Head of Supplier Sourcing. Based in Tokyo where she oversees a team of 27 employees, she is responsible for LXR's sourcing and procurement functions, including (product inspection, preparation and shipping). Masami joined LXR in the Tokyo office as head buyer in April 2012. Prior to LXR, she worked in the international sales office of Daiken Chemical Co, Ltd in Tokyo where she was exposed to the shipping, regulatory and customer-relationship facets of the business. Masami began her career with the Hokkaido Government where among other things she assisted in organizing the G8 Summit held in Toyako, Japan in 2008. Masami is a graduate of Concordia University where she graduated with a Bachelor of Political Science in 2007.

### ***Pierre-Andre Vungoc (Chief Technology Officer)***

Pierre-Andre is LXR's Chief Technology Officer where he is responsible for managing LXR's information technology and infrastructure, which includes information systems and software development. He joined LXR as head of information technology in 2014 and has over eight years of experience in information technology having managed teams of five to 120 people. Prior to LXR, he worked as an e-Commerce consultant for a NetSuite solutions provider and as an information technology project manager on various projects at McGill University and for Pratt & Whitney. Pierre-Andre obtained a Bachelor of Software Engineering in 2008 and a graduate diploma in Internet Business in 2011, both from McGill University. He is also a certified Project Management Professional.

### ***Charlotte Parnet (Chief Marketing Officer)***

Charlotte is LXR's Chief Marketing Officer where she is responsible for branding and general marketing activities as well as LXR's e-Commerce business. She joined LXR in January 2017 as Director, Marketing. She began her career in France in 1999 at Procter and Gamble as a product manager and moved to Canada in 2004 joining L'Oréal Canada in a commercial role and quickly advancing to successive marketing positions of greater importance for L'Oréal's various cosmetics brands. She spent the last six years working on Lancôme, one of L'Oréal's Luxury Division's most important brands. As Marketing Director for Lancôme, she was responsible for implementing marketing strategies designed to recruit new consumers to the brand, including the development of the brand's digital strategy. Charlotte is recognized for her strong management skills and her results orientation. She is a graduate of EDHEC Business School where she graduated in 1998 with a degree in Marketing.

### **Other Reporting Issuer Experience**

The following table sets out the current and/or proposed directors of Gibraltar Growth that are or were directors of other reporting issuers (or the equivalent) in Canada or a foreign jurisdiction during the last five years:

| <b>Director</b>  | <b>Name of Reporting Issuer</b> |
|------------------|---------------------------------|
| Camillo di Prata | Centric Health Corporation      |
| Javier San Juan  | DAVIDs TEA Inc.                 |

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Gibraltar Growth, no current director or executive officer of Gibraltar Growth (or a personal holding company of such person): (i) is, as at the date of this prospectus or was within the last 10 years, a director, trustee, chief executive officer or chief financial officer of any issuer that was subject to a cease trade order or similar order, or an order that denied the issuer access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued: (A) while the person was acting in the capacity as director, trustee, chief executive officer or chief financial officer; or (B) was issued after the person ceased to be a director, trustee, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, trustee, chief executive officer or chief financial officer; (ii) is, as at the date of this prospectus or has been within the last 10 years, a director, trustee or executive officer of any issuer that, while that person was acting in that capacity, or within a year of that person 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; (iii) has in the last 10 years before the date of this prospectus,

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 such person's assets; (iv) has been subject to 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 (v) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; except that, in an August 1, 1995 decision, the Québec Superior Court found Mr. Luc Mannella, a Québec licensed lawyer, to have been in a conflict of interest and breached certain duties owed to a client in advising the client to invest in Exploration Graphacor Inc., a company on whose board of directors Mr. Mannella then sat. Following the investment by Mr. Mannella's client, it was determined that Exploration Graphacor Inc. was in financial difficulty. As a result of its findings, the Québec Superior Court ordered Mr. Mannella to reimburse his client for his losses.

### **Majority Voting Policy**

Following Closing, the Company will adopt a majority voting policy. Pursuant to the policy, shareholders will vote for the election of individual directors at each annual meeting of shareholders, rather than for a fixed slate of directors. Further, in an uncontested election of directors at an applicable meeting of shareholders, the votes cast in favour of the election of a director nominee will be required to represent a majority of the shares voted and withheld for the election of the director. If that is not the case, that director must tender his or her resignation to the Chair. The Compensation and Nominating Committee will promptly consider such tendered resignation and recommend to the Board the action to be taken with respect to such tendered resignation, and the Board shall accept the resignation absent exceptional circumstances and it must promptly disclose its decision via press release.

### **Conflicts of Interest**

Certain of the proposed directors and executive officers of Gibraltar Growth are officers and directors of, or are associated with, other public and private companies. Such associations may give rise to conflicts of interest with Gibraltar Growth from time to time. The Vendors under the Purchase Agreement include Gibraltar & Company, the parent company of the Sponsor, which owns approximately 8.1% of LXR, Gibraltar Ventures, a venture capital fund managed by Gibraltar & Company, which owns approximately 11.0% of LXR, and a senior officer of Gibraltar & Company, who owns 0.2% of LXR. As a result of the foregoing relationships, the LXR Acquisition constitutes a related party transaction. See "The LXR Acquisition – Related Party Interests".

The Corporations Act requires, among other things, that the directors and executive officers of the Company act honestly and in good faith with a view to the best interest of Gibraltar Growth, to disclose any personal interest which they may have in any material contract or transaction which is proposed to be entered into with Gibraltar Growth and, in the case of directors, to abstain from voting as a director for the approval of any such contract or transaction. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the Corporations Act as administered by the Nominating and Corporate Governance Committee. See also "Corporate Governance and Board Committees" in this prospectus.

### **Directors' and Officers' Liability Insurance**

Gibraltar Growth intends to carry a directors' and officers' liability insurance policy which will be designed to protect Gibraltar Growth and its directors and officers against any legal action which may arise as a result of wrongful acts on the part of directors and/or officers of Gibraltar Growth. Such policy will be written with a maximum limit and be subject to a corporate deductible on all claims.

## **DIRECTOR AND EXECUTIVE OFFICER COMPENSATION**

### **Executive Officer Compensation**

Given its stage of development and historical activities, Gibraltar Growth has, to date, operated without any formal executive compensation arrangements. Moreover, none of Gibraltar Growth's directors or officers have received any salaries, consulting fees, management contract fees or directors' fees, finder's fees, loans, bonuses, deposits or similar payments, directly or indirectly, for services rendered to Gibraltar Growth.

An issuer's "named executive officers" are comprised of its Chief Executive Officer and Chief Financial Officer (or individuals who serve in similar capacities), and its three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation is, individually, more than \$150,000. Following Closing, it is expected that the "named executive officers" of Gibraltar Growth will be the following:

Fred Mannella, Chief Executive Officer

Jeremy Stepak, Interim Chief Financial Officer

Kei Izawa, Chief Operating Officer

While it is a condition to Closing that Fred Mannella and Kei Izawa enter into employment contracts with the Company, formal executive compensation arrangements for the executive officers of Gibraltar Growth have not yet been settled. Further, the historical executive compensation for LXR is not expected to be indicative of the executive compensation of Gibraltar Growth following Closing. It is anticipated that, following Closing, the executive officers' compensation will include the following major elements: (i) base salary; (ii) short-term incentives; (iii) long-term equity incentives (including, but not limited to, restricted share units) granted from time-to-time under a long-term equity incentive plan to be adopted by the Board; and (iv) a customary benefits program.

When established, the Company's compensation practices will be designed to retain, motivate and reward its executive officers for their performance and contribution to its long-term success. The Board will seek to compensate the Company's executive officers by combining short-term and long-term cash and equity incentives to reward the achievement of corporate and individual performance objectives, and to align its executive officers' incentives with the Company's performance. The Company will seek to tie individual goals to the area of the Company's executive officer's primary responsibility. These goals may include the achievement of specific financial, operational and/or business development goals. The Company's performance goals will be based on its financial performance during the applicable period. The Company's philosophy will be to pay fair, reasonable and competitive compensation with a significant equity-based component in order to align the interest of the Company's executive officers with those of its shareholders.

## **Director Compensation**

The Board, through the Compensation and Nominating Committee, will be responsible for reviewing and approving the directors' compensation arrangements and any changes to those arrangements. Following Closing, it is expected that the directors and committee members will be paid the following annual retainers:

| <b><u>Annual Retainer</u></b>                |                 |          |
|--|-----------------|----------|
| Executive Chair                              | Cash Retainer   | \$48,000 |
|  | Equity Retainer | \$72,000 |
| Members of the Board                         | Cash Retainer   | \$40,000 |
|  | Equity Retainer | \$60,000 |
| <b><u>Committee Chair Retainer</u></b>       |                 |          |
| Audit Committee                              | Cash Retainer   | \$5,000  |
| Compensation and Nominating Committee        | Cash Retainer   | \$4,000  |
| International Business Development Committee | Cash Retainer   | \$4,000  |
| <b><u>Committee Member Retainer</u></b>      |                 |          |
| Audit Committee                              | Cash Retainer   | \$2,500  |
| Compensation and Nominating Committee        | Cash Retainer   | \$2,000  |
| International Business Development Committee | Cash Retainer   | \$2,000  |

The cash retainer and the equity retainer, which will be paid in the form of deferred share units (each, a “DSU”) pursuant to a long-term equity incentive plan to be adopted by the Board following Closing, are payable quarterly. Each director may also elect to receive up to 100% of their cash retainer in the form of DSUs.

A DSU is a unit, equivalent in value to a Class B Share, credited by means of a bookkeeping entry in the books of the Company, to an account in the name of the director. Directors would accumulate additional DSUs at the same rate as dividends, if any, paid on the Class B Shares. Following the end of the director’s tenure as a member of the Board, the director would be paid in cash the market value (as determined in accordance with the terms of the long-term equity incentive plan) of the Class B Shares represented by the DSUs.

It is expected that the directors will be reimbursed for their reasonable out-of-pocket expenses incurred in serving as directors. In addition, it is expected that directors will be entitled to receive remuneration for services rendered to the Company in any other capacity, except in respect of their service as directors of any of the Company’s subsidiaries. Directors who are employees of and who receive a salary from the Company or one of its Affiliates or subsidiaries will not be entitled to receive any remuneration for serving as directors, but will be entitled to reimbursement of their reasonable out-of-pocket expenses incurred in serving as directors.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of the directors, executive officers, employees, former directors, former executive officers or former employees of Gibraltar Growth, LXR or any of their respective subsidiaries, and none of their respective associates, is or has within 30 days before the date of this prospectus or at any time since the beginning of the most recently completed financial year been indebted to Gibraltar Growth, LXR or any of their respective subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by Gibraltar Growth, LXR or any of their respective subsidiaries.

## **CORPORATE GOVERNANCE AND BOARD COMMITTEES**

Gibraltar Growth recognizes that good corporate governance will play an important role in its overall success and in enhancing shareholder value. Accordingly, following Closing, Gibraltar Growth intends to adopt certain corporate governance policies and practices. Unless otherwise indicated, the following disclosure is based on the present expectations of the Company in respect of its corporate governance practices and that the formal establishment of committees of the Board described below (without changes to the proposed composition) and the ratification and adoption of their respective proposed charters (without any material modifications) will occur following the Closing. However, such disclosure remains subject to revision prior or subsequent to the Closing. See “Notice to Readers” in this prospectus.

### **Statement of Corporate Governance Practices**

The Company’s corporate governance disclosure obligations are set out in the Canadian Securities Administrators’ NI 52-110, NI 58-101 and NP 58-201. These instruments set out a series of guidelines and requirements for effective corporate governance (collectively, the “**Guidelines**”). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. NI 58-101 requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines.

Set out below is a description of the Company’s anticipated approach to corporate governance in relation to the Guidelines.

### **Board Composition**

#### ***Board of Directors***

As of the Closing, it is expected that the Board will be comprised of seven directors: Camillo di Prata (Executive Chair), Fred Mannella (Chief Executive Officer), Kei Izawa (Chief Operating Officer), Steven Goldsmith, Luc Mannella, Joe Mimran and Javier San Juan. Following Closing, the Company intends to conduct a

search to appoint up to two additional independent directors to the Board. In conducting the search, the Compensation and Nominating Committee will take into account the criteria set out herein.

The primary function of the Board will be to supervise the management of the business and affairs of the Company, including the responsibility for the strategic planning process, assessing the performance of and overseeing the Company's management, the issuance of securities, succession planning, ensuring effective and adequate communication with shareholders, other stakeholders and the public, oversight of the Company's internal control and management information systems, corporate governance, director compensation and assessment and approving material transactions and contracts. The Board will also be responsible for reviewing the succession plans for the Company, including appointing, training and monitoring senior management to ensure that the Board and management have appropriate skills and experience. Following Closing, the Board will establish three committees: the Audit Committee, the Compensation and Nominating Committee and the International Business Development Committee. See "Directors and Executive Officers" in this prospectus for a table setting out the membership of each of the committees of the Board.

Following the Closing, it is anticipated that the Board will adopt a majority voting policy for the election of directors. For a description of such proposed policy, see "Directors and Executive Officers — Majority Voting Policy" in this prospectus. The Board will delegate to the applicable committee those duties and responsibilities set out in each committee's proposed charters.

The Board will delegate to the applicable committee those duties and responsibilities set out in each committee's proposed charters. The primary function of the Audit Committee is to assist the Board in fulfilling their applicable roles by, among other things, overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management, pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Company by the Company's external auditor, satisfying itself that adequate procedures are in place for the review of certain of the Company's public disclosure of financial information extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures, establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and for the confidential and anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters and reviewing and approving the annual and interim financial statements, related management discussion and analysis and other financial information provided by the Company to any governmental body or the public.

The primary mandate of the Audit Committee is to provide assistance to the Board in fulfilling its responsibility to the shareholders of the Company, potential shareholders and the investment community, to oversee the work and review the qualifications and independence of the external auditors of the Company, to review the financial statements of the Company and public disclosure documents containing financial information and to assist the Board with the legal compliance with respect to financial reporting and audit matters.

The primary mandate of the Compensation and Nominating Committee will be to approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer and to make recommendations with respect to the Chief Executive Officer's compensation based on its evaluation, to recommend compensation arrangements for the directors, committee members and chairs, and the Executive Chair of the Board, to administer and interpret the incentive compensation and equity compensation plans, and to approve the appointment, compensation and terms of employment for the Chief Financial Officer and senior management of the Company. Its role will also include recommending to the Board candidates for election as directors and candidates for appointment to Board committees and to advise the Board on enhancing the Company's corporate governance through a continuing assessment of the Company's approach to corporate governance.

The primary mandate of the International Business Development Committee will be to oversee the Company's global business development initiatives, assess the Company's performance against its stated near and medium term objectives, and to assist with business development activities including introducing LXR management to senior executives of prospective retail partners and opening new channels of distribution for the Company's product offering.



### ***Independence of the Board***

NI 58-101 defines an “independent director” as a director who has no direct or indirect material relationship with the Company. A “material relationship” is in turn defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with such member’s independent judgment. In determining whether a particular director is an “independent director” or a “non-independent director”, the Board considers the factual circumstances of each director in the context of the Guidelines.

As of Closing, it is expected that the Board will be comprised of seven members, two of whom are “independent directors” within the meaning of NI 58-101. The independent directors will be Steven Goldsmith and Javier San Juan. As former officers and directors of Gibraltar Growth, Camillo di Prata and Joe Mimran are not considered independent for the purposes of NI 58-101. As Chief Executive Officer and as Chief Operating Officer of the Company, Fred Mannella and Kei Izawa, respectively, are not considered independent for the purposes of NI 58-101. As an immediate family member of an officer of the Company, Luc Mannella is not considered independent for the purposes of NI 58-101.

Following Closing, the Company intends to conduct a search to appoint up to two additional independent directors to the Board. In conducting the search, the Compensation and Nominating Committee will take into account the criteria set out in “Corporate Governance and Board Committees – Diversity – Board of Directors”.

### ***Executive Chair***

The roles of the Executive Chair and Chief Executive Officer will be separate. The Executive Chair will be responsible for the management, development and effective functioning of the Board and will provide leadership in every aspect of its work. The position description for the Executive Chair will set out the Executive Chair’s key responsibilities, which include setting the Board meeting agenda in consultation with the Chief Executive Officer and chairing all Board meetings. In the absence of the Executive Chair, an independent director chosen by the Board will assume the responsibilities of the Executive Chair. The Executive Chair will provide leadership to the directors and ensure the Board is independent from management. The Executive Chair and each committee can also engage outside consultants without consulting management. This helps ensure they receive independent advice as they feel necessary. Following Closing, Camillo di Prata will serve as the Executive Chair of the Board.

### ***Meeting in-camera***

The Board and committees will meet without management and non-independent directors at the end of all meetings and, in some cases, at the beginning of meetings. These discussions will generally form part of the committee chairs’ reports to the Board. The Executive Chair will chair the meetings and encourage open and candid discussions among the independent directors by providing them with an opportunity to express their views on key topics before decisions are taken.

### ***Succession planning***

The Compensation and Nominating Committee will provide primary oversight of succession planning for senior management, the performance assessment of the Chief Executive Officer, and the Chief Executive Officer’s assessments of the other senior officers. From time to time, as appropriate, the Compensation and Nominating Committee will conduct in-depth reviews of succession options relating to senior management positions and, when appropriate, will approve the rotation of senior executives into new roles to broaden their responsibilities and experiences and deepen the pool of internal candidates for senior management positions. The Compensation and Nominating Committee will have an emergency succession plan and contingency plan for the Chief Executive Officer for a scenario in which the Chief Executive Officer suddenly and unexpectedly was unable to perform his duties for an extended period. The independent directors will participate in the assessment of the Chief Executive Officer’s performance every year. The Board will approve all appointments of executive officers.

### ***Charters and Position Descriptions***

The Board will be responsible for the overall stewardship of the Company. The Board will discharge this responsibility directly and through delegation of specific responsibilities to committees of the Board, the Executive

Chair, and officers of the Company, all as more particularly described in the Board's charter that will be adopted by the Board following Closing. The committee charters for the Audit Committee, the Compensation and Nominating Committee, and the International Business Development Committee set out in writing, or will set out in writing, the responsibilities of the committees vis-à-vis the Board and management of the Company.

The Board also has, or will have, written position descriptions for the Executive Chair, chairs of each of the committees of the Board and the Chief Executive Officer. Each position description will set out, without limitation, the requirements and responsibilities of each such position.

### **Director Term Limits/Mandatory Retirement**

The Board will consider the matters of term limits and mandatory retirement. At this time, the Company does not expect that these types of policies would be appropriate for the Board. The Company believes that a rigorous self-evaluation process combined with input from an external third party governance firm would be a more effective and transparent manner to ensure that the Company's directors add value and remain strong contributors.

### **Diversity**

#### ***Board of Directors***

Gibraltar Growth recognizes the benefits that diversity brings to the company. The Board will aim to be comprised of directors who have a range of perspectives, insights and views in relation to the issues affecting the Company. It is expected that the Board will adopt a written diversity policy following Closing. The diversity policy will state that the Board should include individuals from diverse backgrounds, having regard to, among other things, gender, status, age, business experience, professional expertise, education, nationality, race, culture, language, personal skills and geographic background. Accordingly, consideration of whether the diverse attributes highlighted in the policy are sufficiently represented on the Board will be an important component of the selection process for new Board members.

As of Closing, one of the proposed directors of the Company, or 14% of the directors, will be female. The Company recognizes the value of the contribution of members with diverse attributes on the Board and will be committed to ensuring that there is representation of women on the Board. However, the Company does not intend to establish a target regarding the number of women on the Board. The Company believes a target would not be the most effective way of ensuring the Board is comprised of individuals with diverse attributes and backgrounds. The Company will, however, evaluate the appropriateness of adopting targets in the future.

#### ***Management***

Gibraltar Growth believes that a diversity of backgrounds, opinions and perspectives and a culture of inclusion helps to create a healthy and dynamic workplace, which improves overall business performance. The Company recognizes the value of ensuring that it has leaders who are women. The Company will work to develop its employees internally and provide them with opportunities to advance their careers. The Company will build a strategy and execution plan to work towards increasing the representation of women in leadership roles at all levels of the organization. One of the objectives of this initiative will be to ensure that there are highly-qualified women within the Company available to fill vacancies in executive officer and other leadership positions. In appointing individuals to its leadership team, both at the corporate level and business vertical level, the Company will weigh a number of factors, including the skills and experience required for the position and the personal attributes of the candidates.

As of Closing, 50% of the proposed executive officers of the Company will be female. The Company does not intend to establish a target regarding the number of women in executive officer or senior leadership positions. The Company believes that the most effective way to achieve its goal of increasing the representation of women in leadership roles at all levels of the organization is to identify high-potential women within the Company and work with them to ensure they develop the skills, acquire the experience and have the opportunities necessary to become effective leaders. The Company will, however, evaluate the appropriateness of adopting targets in the future.

## **Orientation and Continuing Education**

The Compensation and Nominating Committee will oversee an appropriate orientation for new Board members in order to familiarize them with the Company and its business (including the Company's reporting and organizational structure, strategic plans, significant financial, accounting and risk issues, compliance programs and policies, management and the external auditors), the role of the Board and its committees and the contribution that an individual director is expected to make to the Board, its committees (as applicable) and the Company. The Compensation and Nominating Committee will also periodically recommend to the Board (and coordinate the development of) continuing education activities or programs for directors, from time to time as appropriate, that shall, among other things, assist directors to maintain or enhance their skills and abilities as directors, and assist directors in ensuring that their knowledge and understanding of the Company and its business remain current.

In addition, Board members will be expected to keep themselves current with industry trends and developments and will be encouraged to communicate with management and, where applicable, auditors, advisors and other consultants of the Company. Board members will have access to the Company's in-house and external legal counsel in the event of any questions or matters relating to the Board members' corporate and director responsibilities and to keep themselves current with changes in legislation. Board members have full access to the Company's records.

## **Nomination of Directors**

The Compensation and Nominating Committee will be responsible for recommending to the Board candidates for election as directors and candidates for appointment to Board committees as set out in the charter of the Compensation and Nominating Committee.

## **Ethical Business Conduct**

Following Closing, the Board will adopt a Code of Business Conduct and Ethics for the Company's directors, officers and employees that sets out the Board's expectations for the conduct of such persons in their dealings on behalf of the Company. The Board will establish confidential reporting procedures in order to encourage employees, directors and officers to raise concerns regarding matters addressed by the Code of Business Conduct and Ethics on a confidential basis free from discrimination, retaliation or harassment. Employees who violate the Code of Business Conduct and Ethics may face disciplinary actions, including dismissal.

The Code of Business Conduct and Ethics will be designed to deter wrongdoing and promote honest and ethical conduct; avoidance of conflicts of interests; confidentiality of corporate information; protection and proper use of corporate assets and opportunities; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of any violations of the Code of Business Conduct and Ethics; accountability for adherence to the Code of Business Conduct and Ethics; and the Company's culture of honesty and accountability. A copy of the Code of Business Conduct and Ethics may be obtained once adopted by contacting the Company and requesting a copy from the Chief Executive Officer by mail at 40 Jean-Talon West, Montréal, Québec, H2R 2W5.

The Board will monitor compliance with the Code of Business Conduct and Ethics by delegating responsibility for investigating and enforcing matters related to the Code of Business Conduct and Ethics to management, who will report breaches of the Code of Business Conduct and Ethics to the appropriate officer of the Company. Any such investigations and resolutions of complaints will be reviewed by the General Counsel who will report annually to the Board thereon. Certain of the matters covered by the Code of Business Conduct and Ethics will also be subject to Audit Committee oversight. Any employee who becomes aware of a violation of the Code of Business Conduct and Ethics will be required to report the violation to a member of management. Directors and executive officers will be required by applicable law and the Code of Business Conduct and Ethics to promptly disclose any potential conflict of interest that may arise. If a director or executive officer has a material interest in an agreement or transaction, applicable law, the Code of Business Conduct and Ethics and principles of sound corporate governance will require them to declare the interest in writing or request to have such interest entered in the minutes of meetings of directors and where required by applicable law abstain from voting with respect to the agreement or transaction. The Compensation and Nominating Committee will be responsible for monitoring such conflicts of interest under the Code of Business Conduct and Ethics. The Board will delegate the communication of

the Code of Business Conduct and Ethics to employees and to management who will be expected to encourage and promote a culture of ethical business conduct.

### **Insider Trading Policy**

Following Closing, the Board intends to adopt a policy relating to the trading in securities of the Company by directors, senior executives, employees and other insiders of the Company and its subsidiaries (the “**Insider Trading Policy**”). Among other things, the following are expected to be prohibited by the Insider Trading Policy: (i) short sales of the Company’s securities; (ii) transactions in puts, calls or other derivative securities, on an exchange or in any other organized market; (iii) hedging or monetization transactions that allow an individual to continue to own the covered securities, but without the full risks and rewards of ownership; and (iv) the resale of securities of the Company purchased in the open market prior to the expiration of three months from the purchase date. Consequently, the foregoing prohibitions in the expected Insider Trading Policy will not permit a Company executive officer or director to purchase financial instruments that are designed to hedge or offset a decrease in market value of the Company’s equity securities granted as compensation or held, directly or indirectly, by an executive officer or director of the Company.

### **Committees of the Board**

The Board will establish three committees: the Audit Committee, the Compensation and Nominating Committee and the International Business Development Committee.

#### **Audit Committee**

Following Closing, the Audit Committee is expected to consist of Javier San Juan (Chair), Steven Goldsmith and Kei Izawa, each of whom is and must at all times be financially literate within the meaning of NI 52-110. Each of Javier San Juan and Steven Goldsmith are also independent within the meaning of NI 52-110. Kei Izawa will sit on the Audit Committee pursuant to the exemption set forth in Section 3.2 of NI 52-110. It is expected that Kei Izawa will continue to serve as a member of the Audit Committee until the first annual meeting of the shareholders of the Company following Closing. The relevant education and experience of each member of the Audit Committee is described as part of their respective biographies above under “Directors and Executive Officers – Directors”.

The Board has adopted a written charter for the Audit Committee, which sets out the Audit Committee’s responsibility in reviewing and approving the financial statements of Gibraltar Growth and public disclosure documents containing financial information and reporting on such review to the Board, ensuring that adequate procedures are in place for the reviewing of Gibraltar Growth’s public disclosure documents that contain financial information, overseeing the work and reviewing the independence of the external auditors. The text of the Charter of the Audit Committee that has been adopted is attached to this prospectus as Appendix E of this prospectus.

The members of the Audit Committee will be 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 Audit Service Fees**

The fees billed to Gibraltar Growth by its auditor for the financial year ended December 31, 2016 and December 31, 2015 were as follows:

| <b>Year</b> | <b>Audit Fees</b> | <b>Audit-Related Fees<sup>(1)</sup></b> | <b>Tax Fees<sup>(2)</sup></b> | <b>All Other Fees</b> |
|-------------|-------------------|---|-------------------------------|-----------------------|
| <b>2016</b> | \$20,000          | \$65,652                                | \$4,000                       | -                     |
| <b>2015</b> | \$20,000          | \$26,277                                | \$4,000                       | -                     |

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**Notes:**

- (1) Audit-related fees include fees paid to Gibraltar Growth's auditors for statutory audits, attestation services, quarterly reviews, French translation services and due diligence services.
- (2) Tax fees include fees paid for preparation of Gibraltar Growth's annual tax return.

**Compensation and Nominating Committee**

It is expected that the Compensation and Nominating Committee will be formed following Closing and will be comprised of three directors: Camillo di Prata (Chair), Steven Goldsmith and Javier San Juan, two of whom are considered to be "independent" as defined in NI 58-101. The Compensation and Nominating Committee will conduct its business on the basis of majority approval, which encourages an objective process for determining compensation.

The Compensation and Nominating Committee's role is expected to include assisting the Board in relation to:

- (a) the appointment, performance, evaluation and compensation of senior executives;
- (b) the recruitment, development and retention of senior executives;
- (c) maintaining talent management and succession planning systems and processes relating to senior management;
- (d) developing compensation structure for senior executives including salaries, annual and long term incentive plans including plans involving share issuances and other share-based awards;
- (e) establishing policies and procedures designed to identify and mitigate risks associated with the Company's compensation policies and practices;
- (f) assessing the compensation of directors;
- (g) developing benefit retirement and savings plans;
- (h) developing corporate governance guidelines and principles and providing the Board with governance leadership;
- (i) identifying individuals qualified to be nominated as members of the Board;
- (j) reviewing the structure, composition and mandate of Board committees; and
- (k) evaluating the performance and effectiveness of the Board and of Board committees.

The Compensation and Nominating Committee will be responsible for establishing and implementing procedures to evaluate the performance and effectiveness of the Board, committees of the Board and the contributions of individual Board members. The Compensation and Nominating Committee will also take reasonable steps to evaluate and assess, on an annual basis, directors' performance and effectiveness of the Board, committees of the Board, individual Board members, the Executive Chair and committee chairs. The assessment will address, among other things, individual director independence, individual director and overall Board skills, and individual director financial literacy. The Board will receive and consider the recommendations from the Compensation and Nominating Committee regarding the results of the evaluation of the performance and effectiveness of the Board, committees of the Board, individual Board members, the Executive Chair and committee chairs. The Compensation and Nominating Committee will also be responsible for orientation and continuing education programs for the Company's directors.

The members of the Compensation and Nominating Committee will be appointed annually by the Board, and each member of the Compensation and Nominating Committee will serve at the request of the Board until the

member resigns, is removed, or ceases to be a member of the Board. The Board will establish a written charter setting forth the purpose, composition, authority and responsibility of the Compensation and Nominating Committee consistent with the Company's corporate governance guidelines.

### **International Business Development Committee**

It is expected that the International Business Development Committee will be comprised of four directors: Joe Mimran (Chair), Fred Mannella, Steven Goldsmith and Javier San Juan. The primary mandate of the International Business Development Committee will be to oversee the Company's global business development initiatives, assess the Company's performance against its stated near and medium term objectives, and to assist with business development activities including introducing LXR management to senior executives of prospective retail partners and opening new channels of distribution for the Company's product offering.

The members of the International Business Development Committee will be appointed annually by the Board, and each member of the International Business Development Committee will serve at the request of the Board until the member resigns, is removed, or ceases to be a member of the Board. The Board will establish a written charter setting forth the purpose, composition, authority and responsibility of the International Business Development Committee consistent with the Company's corporate governance guidelines.

## **REGULATORY APPROVALS**

Closing of the LXR Acquisition is subject to certain regulatory approvals required under the Purchase Agreement, including the approval of the TSX of the LXR Acquisition as the "qualifying acquisition" of Gibraltar Growth. Prior to Closing, Gibraltar Growth intends to apply to list its Class B Shares on the TSX after Closing. As part of the application process, Gibraltar Growth will be required to provide evidence that it is able to meet the original listing requirements of the TSX.

## **RISK FACTORS**

Below are certain risk factors that shareholders should carefully consider in connection with and following the LXR Acquisition. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus.

### **Risk Factors Relating to the Business of LXR**

***LXR currently has a significant dependence on a limited number of retail partners. LXR's growth strategies depend in part upon its ability to identify new retail partners and enter into agreements with such partners for opening new Retail Stores or Hybrid Stores, and to then successfully open such new stores in a timely and cost-effective manner.***

At the end of 2016, LXR had five retail partners. LXR's most significant retail partner accounted for approximately 46% of total net revenue in 2016 which was diversified across 12 Retail Stores during that period. A significant reduction in commitments to renew existing agreements or reduce the number of LXR Retail Stores or Hybrid Stores by LXR's retail partners could have a material adverse effect on LXR'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. 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 LXR and the retail partner. 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 LXR's prospects, business, financial condition and results of operations, if not offset by new retail partners or an increase in business from other existing

Part of LXR's growth strategy depends on continuing to significantly expand its retail network. In order to do so, LXR must identify and enter into agreements with retail partners to allow for the opening of new Retail Stores and Hybrid Stores. LXR's current expansion plans are only estimates, and the actual number of stores LXR opens, the timeline on which LXR does so and the actual number of suitable locations for its new stores could differ

significantly from LXR's estimates. There can be no assurance that LXR will be able to identify new retail partners and successfully negotiate agreements with such partners for new store openings. LXR's inability to do so could negatively affect LXR's growth strategy and financial results.

LXR's ability to successfully open new stores in a timely and cost effective manner depends on many factors that may be outside of LXR's control including, among others, LXR's ability to:

- maintain out-of-pocket, capital costs in line with its store economic model, and managing costs at reasonable levels;
- efficiently source merchandise consistent with LXR's value offering;
- hire, train and retain a growing workforce of store managers, sales associates and other personnel, including key management personnel, and, in the case of Hybrid Stores, train the sales associates and other personnel of retail partners;
- successfully integrate new stores into its existing control structure and operations, including its information technology systems;
- efficiently expand the operations of its distribution facilities to meet the needs of a growing store network;
- identify and satisfy the merchandise and other preferences of its customers in new geographic areas and markets; and
- address competitive, merchandising, marketing, distribution and other challenges encountered in connection with expansion into new geographic areas and markets.

In addition, LXR's ability to successfully open new stores in a timely and cost effective manner may be affected by decisions made by its retail partners that could delay such openings.

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

LXR purchases products primarily from third party suppliers in Japan, as well as directly from consumers. LXR'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. These factors are beyond the control of LXR, may adversely affect LXR's suppliers or cause disruptions to their businesses and may impact LXR's ability to source products on acceptable terms.

LXR maintains strong relationships with a diversified base of third party suppliers. In 2016, LXR's top five third party suppliers in Japan accounted for approximately 53% of its total purchases, and the largest third party supplier represented approximately 24% of the total. Any of LXR's suppliers could discontinue their relationship with LXR, or cease to provide products on a satisfactory basis for a variety of reasons beyond LXR's control.

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

- choose to cease their relationship with LXR;
- raise the prices they charge LXR;

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

***LXR currently sources approximately 4% of its products directly from its consumers, primarily in North America. While the strategy of LXR is to increase the amount of products sourced directly from individuals, there are no assurances that LXR will be able to successfully access this source of product supply in sufficient quantity and quality on desired terms and in a timely manner.***

There can be no assurance that LXR will be able to source desired products from any of its direct from consumer channels located across its retail network and online in sufficient quantities on acceptable terms, or at all, in the future, especially if LXR needs significantly greater amounts of inventory in connection with the growth of its business. LXR 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 LXR with needed quantities. LXR may not be able to obtain the same favourable terms and depth of merchandise from these new suppliers. If LXR 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 LXR's business, its ability to increase gross margins over time and results of operations.

***If LXR 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, LXR's ability to compete and to manage its operations effectively could be reduced.***

LXR's management team consists of Fred Mannella, Founder and Chief Operating Officer, and Kei Izawa, Co-Founder and Chief Operating Officer, as well as a core group of officers expert in matters of finance, procurement, marketing, information technology and store operations. The loss of the technical knowledge, management expertise and knowledge of LXR's operations of one or more members of the LXR 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 LXR and would need to spend time usually reserved for managing LXR's business to recruit, hire and train new members of management.

LXR has key person life insurance policy for LXR's Chief Executive Officer and Chief Operating Officer. However, there can be no assurance that the insurance coverage will adequately allow LXR to continue operations as planned, and LXR's business and financial results may be significantly affected as a result. The loss of some or all of LXR's management team or other key personnel, or its inability to successfully recruit new executives, could negatively affect LXR'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 Class B Share price.

Additionally, the market for key personnel in the industry in which LXR competes is highly competitive. As a result, LXR 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.

***There can be no assurance that LXR 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 of and customer experience provided by LXR's online shopping platform is important to the success and growth of its e-Commerce business and to LXR's ability to provide products through an omni-channel sales network. LXR primarily competes with e-Commerce retailers of pre-owned branded luxury products, which



are mostly based in North America. Many of LXR's competitors already have established e-Commerce businesses that are substantially larger and more developed than LXR's. In addition, e-Commerce is a rapidly evolving channel and many of LXR'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 LXR's e-Commerce business or the failure of LXR 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 LXR 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 LXR's e-Commerce business is also dependent on its ability to successfully offer international shipping of its merchandise and successfully manage the costs, difficulties and competitive pressures associated with international shipping. Although LXR believes that there are synergies in operating an omni-channel sales network, other risks specific to LXR's e-Commerce business include diversion of sales from LXR's retail network, acquiring online customers in a cost-efficient manner, difficulty in recreating the in-store experience through direct channels and liability for online content. If LXR is unable to expand or update its e-Commerce business commensurately with that of its competitors, introduce and manage international shipping and successfully respond to the risks inherent to e-Commerce, LXR'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 prospectus including the financial outlook for 2018.***

The forward-looking information included in this prospectus relating to, among other things, LXR's future results, performance, achievements, prospects, intentions, opportunities or the markets in which LXR operates (including, in particular, the information contained in "Caution Regarding Forward-Looking Statements", "Prospectus Summary", "The Business of LXR", "Gibraltar Value-Add", "The Personal Goods Luxury Market", "Management's Discussion and Analysis of Gibraltar Growth", "Management's Discussion and Analysis of LXR", "Directors and Executive Officers", "Description of Share Capital", "Director and Executive Officer Compensation", and "Dividend Policy"), including the opportunity to grow Run-rate Revenue by the end of 2018, and Adjusted EBITDA Margin by the end of 2021 and the other statements listed in "Caution Regarding Forward-Looking Statements", 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 LXR – 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. LXR makes no representation that its actual results in the future will be the same, in whole or in part, as those included in this prospectus. See "Caution Regarding Forward-Looking Statements".

***LXR may be unable to continue to grow revenue levels or meet other financial targets, which could cause the price of Class B Shares to decline.***

LXR'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 competition, consumer trends and preferences, the general economic and retail environment, LXR'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 LXR stores within its retail partner department stores. 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 LXR's sales levels will not decrease in the future. LXR has made and intends to continue to make significant capital investments to maintain a high level of store productivity by focusing on brand and product innovation and optimizing store layout, merchandise and product offerings and presentation. Failure to continue to maintain a high level of store productivity or failure to meet other financial targets or expectations could adversely affect LXR's revenue and the price of Class B Shares could decline.

***LXR'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 Class B Shares.***

The success of LXR's growth strategies is dependent on, among other things, its ability to expand its retail network, grow its e-Commerce business, diversify its sourcing channels, leverage its competitive advantages and increase its brand awareness internationally, as well as factors which are beyond LXR's control, including general economic conditions and consumer confidence in future economic conditions. If LXR fails to execute any one or more of these initiatives or fails to fully realize the benefits expected to result from these initiatives, LXR's results of operations and its ability to remain competitive could be materially adversely impacted, and the price of Class B Shares could decline. LXR'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 LXR is to successfully implement its growth strategies.

While LXR has grown substantially since 2010, LXR expects its growth to bring new challenges and complexities that LXR has not faced before. Among other difficulties that LXR 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 LXR to adequately forecast expenditures. LXR's budgeting may become more complex, and LXR may also place increased burdens on its suppliers, as LXR will likely increase the size of its product orders. The increased demands that LXR's growth plans will place on its infrastructure and its management team may cause LXR 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 LXR's growth may make it difficult for LXR to respond quickly to changing trends, consumer preferences and other factors. This could result in excess or deficient inventory, greater markdowns and decreased revenue. LXR 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 LXR.

In addition, LXR believes that an important contributor to its success has been its corporate culture, which it believes fosters innovation, teamwork, passion for the LXR brand and the products and brands it sells and personalized customer service. As LXR continues to grow, LXR must effectively integrate, develop and motivate an increasing number of new employees, across several geographic locations. As a result, LXR 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 LXR's ability to retain and recruit personnel, continue to perform at current levels or execute on its growth strategies.

***LXR 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 LXR's business, profitability and results of operations.***

For its Retail Stores, LXR 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 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, LXR 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 LXR 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 LXR 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 LXR, the placement and location of the store-within-store in its retail partner's location. There can be no assurance that LXR's current retail partner locations will continue to be desirable in the future, that LXR's placement within the stores will be desirable or that LXR will be able to secure new desirable locations from existing or new retail partners in the future on favourable terms or at all. LXR'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 LXR's store locations, the placement or relocation of LXR'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 LXR retail partner store locations or near the LXR store-within-store space inside the retail partner location. Changes in areas around LXR'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 LXR's revenue to be less than expected. If LXR cannot obtain desirable locations at reasonable costs, LXR's cost structure will increase and LXR's revenue will be adversely affected.

***LXR will require capital to fund its expanding business, which may not be available to LXR on satisfactory terms or at all. While LXR plans to use cash on hand, cash from operations and capital available under its Credit Facilities to fund its operations and execute its growth strategies, if these amounts are insufficient, LXR may not meet its growth expectations or LXR 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.***

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

LXR primarily depends on cash, cash flow from operations and capital available under its Credit Facilities to fund its business and growth plans, and will continue to do so following the Closing. If LXR's business does not generate sufficient cash flow from operations to fund these activities, and sufficient funds are not otherwise available to LXR from its Credit Facilities or otherwise, LXR may need additional equity or debt financing. If such financing is not available to LXR, or is not available on satisfactory terms, LXR's ability to operate and expand its business or respond to competitive pressures would be curtailed, and LXR may need to delay, limit or eliminate expansion plans, operations or other elements of its growth strategies.

LXR's existing Credit Facilities mature on August 31, 2017. If LXR does not arrange to replace the existing Credit Facilities before that time with new credit facilities, LXR may need additional equity or debt financing. If such financing is not available to LXR, or is not available on satisfactory terms, LXR's ability to operate and expand its business or respond to competitive pressures would be curtailed, and LXR may need to delay, limit or eliminate expansion plans, operations or other elements of its growth strategies. LXR is in discussions with potential lenders to replace the existing Credit Facilities with new credit facilities. There can be no assurance that such discussions or any others will result in LXR securing new credit facilities or that terms of such facilities would be favourable compared to the existing Credit Facilities.

The issuance of any equity financing may have a dilutive effect on the interests of the Company's shareholders. The number of Class B 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 Class B 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 LXR's Credit Facilities do, and any additional debt financing may, restrict LXR's current and future operations, which could in turn adversely affect its ability to manage operations and respond to changes in its business.***

LXR is currently indebted under the Credit Facilities and LXR may incur additional indebtedness under the Credit Facilities or otherwise in the future. LXR 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 LXR to cash flow interest rate risk. Debt issued at fixed rates exposes LXR to fair value interest rate risk. LXR'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 LXR's business and growth prospects. If LXR cannot generate sufficient cash flow from operations to service its debt, LXR

may need to refinance its debt, dispose of assets, reduce or delay expenditures or issue equity to obtain necessary funds. LXR 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 contains restrictive covenants which affect, among other things, the manner in which LXR may structure or operate its business. A failure by LXR 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, LXR 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. As at December 31, 2016, LXR was in breach of certain covenants relating to its Credit Facilities as well as the subordinated debt with BDC and term loans with Investissement Québec. As at April 13, 2017, LXR had obtained waivers in respect to such covenant breaches. There can be no assurance that LXR will obtain waivers in the future in the event that any covenants are breached.

LXR'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 Euro, the Japanese Yen and other currencies may impact LXR's operating and financial results and may affect the comparability of LXR's results between financial periods.***

LXR 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, the Euro and Japanese Yen. Exchange rate fluctuations could have an adverse effect on its operating and financial results.

The majority of LXR's revenues are derived in U.S. dollars while the majority of LXR's cost of goods sold is denominated in Japanese Yen. In the future, LXR expects to continue to derive a significant portion of its revenue in U.S. dollars and, as it continues to grow its business internationally, in Euros, 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, the Euro and the Japanese Yen may have a significant, and potentially adverse, effect on LXR's results of operations.

LXR has used foreign currency forward contracts in a very limited way to mitigate risks associated with forecasted Japanese Yen merchandise purchases sold in Canada, the United States and Europe. It may do so more proactively in the future, however there can be no assurances that such a strategy will prove to be successful. Currency hedging entails a risk of illiquidity and, to the extent the applicable foreign currency depreciates or appreciates (depending on the direction of the underlying hedge) against the Canadian dollar, the use of hedges could result in losses greater than if the hedging had not been used. Further, hedging arrangements may have the effect of limiting or reducing the total returns to LXR if management employs foreign currency forward contracts and its expectations regarding future events or market conditions prove to be incorrect. The costs associated with hedging strategies may outweigh their benefits.

LXR's financial statements are presented in accordance with IFRS, and LXR reports, and plans to continue to report, its financial results in Canadian dollars. Any change in the value of the U.S. dollar, the Euro and/or the Japanese Yen against the Canadian dollar during a given financial reporting period could result in a foreign currency loss or gain on the translation of U.S. dollar denominated sales and costs as well as Euro denominated sales and

Japanese Yen denominated costs. Consequently, LXR's reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses and may not be comparable from period to period.

***General economic conditions in Canada, the United States, Europe 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.***

Consumer purchases of discretionary retail items and specialty retail products, which include pre-owned branded vintage 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 LXR, which focuses significantly on selling discretionary vintage 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, the United States, Europe and other parts of the world.

LXR's financial performance is particularly susceptible to economic and other conditions in regions where LXR has a significant number of stores. There remains considerable uncertainty and volatility in the Canadian, U.S. and European 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 LXR and LXR's growth plans. LXR may not be able to maintain its recent rate of growth in net revenue if there is a decline in consumer spending. In addition, a deterioration of economic conditions and future recessionary periods may impact the other risks faced by LXR's business, including certain risks that LXR may encounter as LXR attempts to execute its growth strategy.

***The success of LXR'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. LXR's inability to anticipate and respond to these changes could have a material adverse effect on its business, financial condition and results of operations.***

LXR's targets women of all ages. This demographic, is subject to shifting fashion and seasonal trends, as well as changing customer tastes and demands. Accordingly, LXR'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.

LXR purchases products from third party suppliers and directly from consumers. There can be no assurance that LXR will be able to continue to successfully carry out its demand-driven merchandise planning, and sourcing and inventory strategies to stock its stores with or make available online the appropriate assortment of merchandise. To the extent that LXR's planning differs from its customers' purchasing preferences, LXR may be faced with excess products or inventories for some merchandise and/or shortages or missed opportunities for others. Although LXR has historically exercised a disciplined mark-down strategy, excess inventories could compromise LXR'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 LXR'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 LXR's business, financial condition and results of operations.

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

LXR 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 LXR has limited brand recognition is important to maintaining and expanding its customer base. Maintaining and enhancing its brand image and increasing brand awareness may require LXR 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.

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

LXR's brand image and reputation may be impacted by actions taken by its employees, the employees of its retail partners (in the case of Hybrid Stores), 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 LXR brand may be immediate without affording LXR an opportunity for redress or correction, and there can be no assurances that LXR will respond in an appropriate or timely manner.

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

The actions and business practices of LXR's suppliers may negatively impact the LXR brand. LXR primarily sources its merchandise from third party suppliers in Japan, and to a lesser extent, directly from consumers. While all third party suppliers provide product authenticity guarantees, and while LXR employs a rigorous internal authentication process, any failure by LXR or by LXR'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 adversely affect LXR's brand image, reputation and financial results.

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

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

Most of LXR's vintage luxury products are currently sourced from Japan and sold in Canada, the United States and Europe. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to LXR or may require LXR to modify its supply chain organization or other current business practices, any of which could harm LXR's business, financial condition and results of operations. In addition, LXR'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 LXR for sale in particular markets, which could harm LXR's business, financial condition and results of operations.

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

LXR competes primarily against e-Commerce retailers of pre-owned branded vintage luxury products, some of which operate modest retail store networks, and to a very limited extent, LXR competes with original manufacturers and retailers of new branded luxury handbags and accessories. LXR competes on the basis of a combination of factors, including the location of stores, the breadth, style, quality, price and availability of merchandise, the level of customer service and brand recognition. With respect to retailers of pre-owned branded vintage luxury products, management believes that LXR competes favourably against these companies based on its

unique competitive advantages, which include: an integrated omni-channel sales network consisting of retail stores-within-stores; wholesale operations and e-Commerce capabilities; and a unique and diversified product sourcing strategy whereby LXR takes physical ownership of its inventory. As a result, LXR believes that it can successfully provide its targeted demographic with a curated offering of pre-owned luxury products and brands at an attractive value with greater accessibility to consumers, as compared to its competitors. With respect to original manufacturers and retailers of new branded luxury handbags and accessories, the pre-owned vintage luxury products offered by LXR are typically priced significantly lower than that of comparable new products based on, among other things, the scarcity value and the condition rating of a given product. Also, LXR sells its products through a retail network of store-within-stores located in major department stores that would otherwise not have access to the new luxury products and brands offered by LXR.

Many of LXR's competitors are, and many of its potential competitors may be larger, better capitalized and have greater brand recognition and access to greater financial, marketing and other resources. 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 LXR can. As a result, LXR may lose market share, which could reduce its revenue and adversely affect its results of operations.

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

***LXR's limited operating experience and limited brand recognition may limit its efforts to expand its retail network, subject LXR to additional risks and cause its business and growth to suffer.***

LXR's growth depends, in part, on its expansion efforts in North America and internationally. LXR also has limited experience with regulatory environments and market practices outside of North America, and cannot guarantee that it will be able to penetrate or successfully operate in any market outside of North America in a manner consistent with its expectations. In connection with any future expansion efforts outside of North America, LXR may encounter obstacles it does not face in North America, including cultural and linguistic differences, differences in regulatory environments and market practices, difficulties in keeping abreast of market, business and technical developments and foreign customers' tastes and preferences. LXR may also encounter difficulty expanding into new markets because of limited brand recognition, which will require tailored brand building initiatives. Failure to develop new markets outside of North America through its retail network expansion or through e-Commerce activities may negatively affect the LXR's growth and results of operations.

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

LXR 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 business. While LXR's systems are designed to operate without interruption and LXR has not experienced any business interruptions to-date, LXR 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 LXR's business. In addition, LXR'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 LXR's employees. If LXR's computer systems are damaged or cease to function properly, LXR 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 LXR 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 disruption to LXR's e-Commerce business could reduce its e-Commerce revenue, increase costs, diminish growth prospects, expose it to litigation, decrease customer confidence and damage its brand. A material interruption to any of LXR'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 LXR's network security or that of third party companies with which LXR has contracted to provide services. LXR 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, LXR 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, LXR may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, sophisticated hardware and operating system software and applications that LXR 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 LXR 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 LXR's sales, distribution or other critical functions.

In addition, many jurisdictions in which LXR 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 LXR take additional measures to enhance security or restrict the manner in which LXR collects and uses customer information to gather insights into customer behaviour and develop its marketing programs. As a result, LXR 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 LXR's possession could result in a violation of applicable privacy and other laws, significant legal and financial exposure and damage to LXR's reputation, which could in turn adversely impact its business and results of operations.

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

LXR'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 LXR's customers, brand and culture, are able to adequately and effectively represent LXR's culture and who can establish trust and credibility with LXR'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 LXR competes for personnel with a variety of companies looking to hire for retail positions. LXR'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 LXR's ability to maintain a cohesive and consistently strong team, which in turn could have an adverse impact on its business. If LXR is unable to attract, train and retain store personnel capable of consistently providing exceptional customer service, as demonstrated by their enthusiasm for LXR's culture and brand, understanding of LXR's customers and knowledge of the merchandise LXR offers, its ability to open new stores may be impaired, the performance of existing and new stores could be materially adversely affected and LXR's brand image and ability to continue to implement its growth strategies may be negatively impacted.



***Union attempts to organize LXR employees could negatively affect its business.***

None of LXR's employees are currently subject to a collective bargaining agreement. As LXR continues to grow and enter different regions, unions may attempt to organize all or part of its employee base. Responding to such organization attempts may distract management and employees and may have a negative financial impact on individual stores or on LXR's business as a whole. The maintenance of a productive and efficient labour environment and, in the event of unionization of LXR's employees, the successful negotiation of a collective bargaining agreement, cannot be assured. Protracted and extensive work stoppages or labour disruptions such as strikes or lockouts could have a material adverse effect on LXR's business, financial condition and results of operations.

***LXR 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 LXR'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, LXR's business, financial condition and operating results could be negatively affected.***

LXR 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 LXR believes that its receiving and distribution processes are efficient, and it has appropriate contingency plans, unforeseen disruptions in operations due to 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 LXR believes that the capacity of its leased warehouse space and distribution centers meets its current needs, LXR 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 LXR's business.

Although LXR 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 LXR'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, LXR'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 LXR 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.

***LXR relies upon independent third party transportation providers for substantially all of its merchandise shipments.***

LXR 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. LXR's use of outside delivery services for shipments is subject to risks, including increases in fuel prices, which would increase its shipping costs (freight and delivery), labour disruptions, inclement weather and shipment delays. If LXR changes transportation providers, it could face logistical difficulties that could adversely impact deliveries and LXR may incur costs and expend resources in connection with such change. Moreover, LXR 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 LXR's third party transportation providers to deliver its merchandise in a timely manner may negatively impact LXR's ability to optimize merchandise offerings, customer service levels, brand reputation and profitability.

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

In 2016, LXR's business did not demonstrate significant seasonality, with only a slightly higher proportion of net revenue generated during the second half of the year. While LXR's business has not demonstrated significant seasonality to date, seasonal or cyclical variations in LXR's business may become more pronounced over time as LXR's retail network expands. Most store openings occur in the spring and fall seasons which could lead to more pronounced variations in LXR's results during years with significant new store additions. Also, with new store launches typically occurring in the spring and fall seasons, LXR will likely experience higher working capital requirements during these periods to accommodate the purchasing of new inventory and to fund new store fixtures and other related launch costs. This seasonality in cash flows and expenses may impact the comparability of LXR's results of operations and could adversely affect its business and financial condition. Seasonal or cyclical variations in LXR's business may become more pronounced over time and may harm its results of operations in the future.

LXR'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, LXR 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 LXR's results of operations may not match the expectations of market analysts and investors. Disappointing quarterly results could cause the price of Class B Shares to decline. Seasonal or quarterly factors in LXR'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 Class B Shares. Increased volatility could cause the price of Class B Shares to suffer in comparison to less volatile investments.

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

LXR'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, for whatever reason, 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 LXR'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 LXR's ability to implement any targeted cost savings to stabilize its results of operations.

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

LXR 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 LXR's expenses, including its legal and accounting costs, and make some activities more time-consuming and costly. The reporting obligations as a public company coupled with LXR's anticipated growth may place a strain on its financial and management systems, processes and controls, as well as on its personnel.

LXR also expects these laws, rules and regulations to make it more expensive for it to obtain director and officer liability insurance, and LXR 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 LXR to attract and retain qualified persons to serve on LXR's board of directors or as officers. As a result of the foregoing, LXR 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.

LXR 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 LXR is a new 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 Class B Shares and harm its ability to raise capital in the future.

If management is unable to certify the effectiveness of LXR's internal controls or if material weaknesses in its internal controls are identified, LXR 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 Class B Shares. In addition, if LXR 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 Class B Shares and harm its ability to raise capital. Failure to accurately report LXR's financial performance on a timely basis could also jeopardize its listing on the TSX or any other stock exchanges on which Class B Shares may be listed. Delisting of the Class B Shares on any exchange would reduce the liquidity of the market for Class B Shares, which would reduce the price of, and increase the volatility of the price of, Class B Shares.

LXR 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 LXR 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 Class B Shares.

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

LXR intends to adopt new long-term incentive plans that may include stock options, performance share units, restricted share units and deferred share units, which may also be settled in cash. Under applicable accounting standards, LXR may 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 Class B Shares.

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

LXR 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. LXR relies on trademark registrations and common law trademark and copyright rights to protect the distinctiveness of its brand and has registered those trademarks that LXR 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 LXR. Also, LXR has not sought to register its trademarks in other foreign countries but may seek to do so in the future. However, international protection of LXR'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 LXR marks because the laws of certain foreign countries may not protect intellectual property rights to the same extent as do the laws of Canada or the United States. In other cases, there may be holders who have prior rights to similar marks. LXR 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, LXR 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 LXR brand in a manner that projects lesser quality or carries a negative connotation of brand image could have an adverse effect on LXR's business, financial condition and results of operations. Similarly, use of or negative publicity or events associated with LXR'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 LXR 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 LXR's trademarks and other intellectual property rights, or to defend against claims brought by third parties. Although LXR 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. LXR also purchases certain finished merchandise that may be subject to design copyrights, design patents or otherwise may incorporate protected intellectual property and LXR does not independently investigate whether its suppliers legally hold the intellectual property rights to the merchandise it sells to LXR.

Although LXR 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 LXR's business, financial condition and results of operations. If disputes arise in the future, LXR may not be able to successfully resolve these types of conflicts to its satisfaction.

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

LXR is subject to numerous laws and regulations, including labour and employment, consumer protection, human rights, advertising, 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 LXR's merchandise is distributed and sold. Although LXR 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, LXR 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 LXR 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 LXR's business more expensive or require it to change the way it does business. It is often difficult for LXR to plan and prepare for potential changes to applicable laws, and future actions or expenses related to any such changes could be material.

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

As a rapidly growing company with expanding operations, LXR 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 LXR could result in unexpected expenses and liabilities, which could materially adversely affect its operations and reputation.

Although LXR maintains commercial general liability insurance to mitigate potential claims, LXR 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.

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

LXR may be subject to assessments for additional taxes, including sales taxes, which could reduce its operating results. In accordance with current law, LXR pays, collects and/or remits taxes in those jurisdictions where

LXR maintains a physical presence. In computing its tax obligations in these jurisdictions, LXR is required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which LXR has not received rulings from the applicable governing authorities.

While LXR believes that it has appropriately remitted 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 LXR if the applicable authorities do not agree with LXR's positions. A successful challenge by a tax authority, through asserting either an error in LXR's calculation or a change in the application of law or an interpretation of the law that differs from LXR's own, could adversely affect the results of operations.

***LXR is subject to insurance-related risks.***

LXR 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. LXR's insurance coverage includes deductibles, premiums, self-insured retentions, limits of liability and similar provisions. However, there is no guarantee that LXR's insurance coverage will be sufficient, or that insurance proceeds will be paid in a timely manner to LXR. In addition, there are types of losses LXR may incur but against which LXR 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 LXR incurs these losses and they are material, LXR'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, LXR may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

***LXR is subject to payment-related risks.***

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

***Natural disasters, unusual weather and geo-political events or acts of terrorism could adversely affect LXR's operations and financial results.***

Extreme weather conditions in the areas in which LXR'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 LXR's customers to travel to its stores and thereby reduce LXR's revenue and profitability.

In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy one or more of LXR's retail partner department stores or LXR'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, LXR's supply chain operations, international trade or result in political or economic instability, which could have a material adverse effect on LXR's business and results of operations.

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

LXR 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, LXR'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 LXR or otherwise impaired. LXR 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 LXR'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 LXR'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 LXR's business, including but not limited to 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 LXR's reported financial performance or financial condition in accordance with generally accepted accounting principles.

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

The market price of Class B Shares could be subject to significant fluctuations after Closing. Some of the factors that may cause the market price of Class B 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 Gibraltar Growth may incur or securities Gibraltar Growth may issue in the future;
- short sales, hedging and other derivative transactions in Class B Shares;
- litigation or regulatory action against Gibraltar Growth;
- investors' general perception of Gibraltar Growth and the public's reaction to Gibraltar Growth's press releases, Gibraltar Growth's other public announcements and Gibraltar Growth's filings with Canadian securities regulators, including its financial statements;
- publication of research reports or news stories about Gibraltar Growth, 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 Class B 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 Gibraltar Growth or its competitors; and

- the other risk factors described in this section of this prospectus.

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 Gibraltar Growth. As well, certain institutional investors may base their investment decisions on consideration of Gibraltar Growth'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 Class B Shares by those institutions, which could materially adversely affect the trading price of Class B 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, Gibraltar Growth's operations and the trading price of Class B Shares may be materially adversely effected.

In addition, broad market and industry factors may harm the market price of Class B Shares. Hence, the price of Class B Shares could fluctuate based upon factors that have little or nothing to do with Gibraltar Growth, and these fluctuations could materially reduce the price of Class B Shares regardless of Gibraltar Growth'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 Gibraltar Growth were involved in any similar litigation, Gibraltar Growth could incur substantial costs, its management's attention and resources could be diverted and it could harm Gibraltar Growth's business, operating results and financial condition.

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

LXR 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 LXR's Credit Facilities and other agreements for indebtedness. Any restrictions or limitations on LXR's ability to pay dividends will depend upon, among other factors, LXR'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 LXR or its business, the Class B Share trading price and volume could decline.***

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

## **Risks Relating to the LXR Acquisition**

***Since each of the Founders will lose its investment in Gibraltar Growth if a qualifying acquisition is not completed, a conflict of interest may arise in determining whether the LXR Acquisition is appropriate.***

The Founders will not be entitled to redeem their Founders' Shares in connection with a qualifying acquisition and will not be entitled to access the escrow account in respect thereof upon a winding-up of Gibraltar Growth. Similarly, the Founders will also not be entitled to redeem their Class B Units (including their underlying securities) in connection with a qualifying acquisition or entitled to access the escrow account in respect thereof upon a winding-up of Gibraltar Growth. In addition, following completion of a qualifying acquisition, the Founders' Shares may not be sold or transferred until the earlier of: (A) one year following completion of the qualifying acquisition, and (B) the closing share price of the Class B Shares equaling or exceeding \$12.00 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 at any time following the Closing of the qualifying acquisition, subject to applicable securities laws, TSX rules and applicable escrow requirements. As well,

certain of the Founders' Shares are subject to forfeiture. As a result, the Founders may have interests in the LXR Acquisition that may be different from, or in addition to, the interests of shareholders generally.

***Completion of the LXR Acquisition is subject to a number of conditions precedent and required approvals.***

Some of the conditions precedent that are required in order to complete the LXR Acquisition are outside Gibraltar Growth's control, including, without limitation, the required shareholder approval and certain approvals from the TSX. There can be no certainty, nor can Gibraltar Growth provide any assurance, that all conditions precedent to the LXR Acquisition will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived. If certain approvals and consents are not received prior to the Closing, Gibraltar Growth may decide to proceed nonetheless, or it may either delay or amend the implementation of all or part of the LXR Acquisition, including possibly delaying the completion of the LXR Acquisition in order to allow sufficient time to complete such matters. If the LXR Acquisition is delayed or not completed, the market price of the Class B Shares of Gibraltar Growth may be materially adversely affected.

***The LXR Acquisition may be terminated in certain circumstances.***

Each of Gibraltar Growth and LXR has the right to terminate the Purchase Agreement in certain circumstances and not complete the LXR Acquisition. Specifically, among other conditions, either of Gibraltar Growth and LXR has the right to terminate the Purchase Agreement by mutual consent, by any party if the Closing shall not have occurred by 5:00 p.m. Toronto time on June 30, 2017, and by Gibraltar Growth if there has been a material adverse change with respect to LXR.

***Gibraltar Growth may delay or amend the implementation of all or part of the LXR Acquisition or may proceed with the LXR Acquisition even if certain consents and approvals are not obtained on a timely basis.***

Gibraltar Growth continues to seek and obtain certain necessary consents and approvals in order to implement the LXR Acquisition and related transactions as currently structured. Gibraltar Growth may not obtain such consents and approvals on acceptable terms prior to the expected Closing. If certain approvals and consents are not received prior to the Closing, Gibraltar Growth may decide to proceed nonetheless, or it may either delay or amend the implementation of all or part of the LXR Acquisition in order to allow sufficient time to complete such matters. If Gibraltar Growth amends or delays the implementation of the LXR Acquisition or proceeds without certain consents, this may materially adversely affect Gibraltar Growth's financial position.

***There are certain costs related to the LXR Acquisition that must be paid even if the LXR Acquisition is not completed.***

There are certain costs related to the LXR Acquisition, such as those for legal and accounting advisory services and for producing this prospectus, that must be paid even if the LXR Acquisition is not completed. There are also opportunity costs associated with the diversion of management attention away from the conduct of business in the ordinary course. These costs may have an adverse impact on Gibraltar Growth's financial position.

***There can be no assurance of adequate recovery by Gibraltar Growth from the Vendors for any breach of the representations, warranties and covenants of the Vendors under the Purchase Agreement.***

The representations and warranties provided by the Vendors pursuant to the Purchase Agreement are customary for a transaction of this nature; however, there can be no assurance of adequate recovery by Gibraltar Growth from the Vendors for any breach of the representations, warranties and covenants of the Vendors under the Purchase Agreement. The maximum aggregate liability of all claims against the Vendors pursuant to the Purchase Agreement, other than claims arising from breaches or inaccuracies of certain fundamental representations and warranties, including an inaccuracy in or breach of any representation or warranty relating to the organization or authority of the Vendors, is limited to the Cash Consideration, if any, and the Management Vendors' share of the Equity Consideration, each of which shall be deposited with an Escrow Agent and shall be held by the Escrow Agent following the Closing and released from holdback, subject to any pending claims by Gibraltar Growth, in three instalments with one-third of the Escrowed Management Consideration to be released on the date that is 12 months after Closing; another one-third of the Escrowed Management Consideration to be released on the date that



is 18 months after Closing; and the remaining one-third of the Escrowed Management Consideration to be released on the date that is 24 months after Closing.

***Subsequent to the completion of the LXR Acquisition, Gibraltar Growth may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on the financial condition, results of operations and Class B Share price, which could cause investors to lose some or all of their investment.***

Although Gibraltar Growth conducted due diligence on LXR, Gibraltar Growth cannot assure that this diligence revealed all material issues that may be present in LXR's business, that it would be possible to uncover all material issues through a customary amount of due diligence or that factors outside of either party's control will not later arise. As a result, Gibraltar Growth may be forced to later write down or write-off assets, restructure its operations or incur impairment or other charges that could result in losses. Even if due diligence successfully identified certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with Gibraltar Growth's preliminary risk analysis. Even though these charges may be non-cash items and not have an immediate impact on Gibraltar Growth's liquidity, the fact that charges of this nature are reported could contribute to negative market perceptions. In addition, charges of this nature may cause Gibraltar Growth to be unable to obtain future financing on favorable terms or at all.

***There can be no assurance that Gibraltar Growth's securities will be approved for listing on the TSX following the Closing, or if approved, that they will be able to comply with the continued listing standards of the TSX.***

Gibraltar Growth securities are currently listed on the TSX. In connection with the Closing, Gibraltar Growth intends to apply to continue to list the Class B Shares on TSX after the Closing. As part of the application process, Gibraltar Growth is required to provide evidence that it is able to meet the initial listing requirements of the TSX. The application has not yet been approved. This may depend on the number of Class B Shares that are redeemed. If, after the LXR Acquisition, the TSX delists the Class B Shares from trading on its exchange for failure to meet the listing standards, Gibraltar Growth and its shareholders could face significant material adverse consequences.

***If the LXR Acquisition benefits do not meet the expectations of investors or securities analysts, the market price of Gibraltar Growth securities may decline.***

If the benefits of the LXR Acquisition do not meet the expectations of investors or securities analysts, the market price of Gibraltar Growth's securities prior to the Closing may decline. The market values of securities at the time of the LXR Acquisition may vary significantly from their prices on the date the Purchase Agreement was executed.

In addition, following the LXR Acquisition, fluctuations in the price of Gibraltar Growth's securities could contribute to the loss of all or part of investor's investments. Any of the factors listed below could have a material adverse effect on investments in Gibraltar Growth securities, and they may trade at prices significantly below the price paid for them:

- failure to achieve the results in LXR's financial outlook for 2018;
- actual or anticipated fluctuations in the Company's quarterly financial results or the quarterly financial results of companies perceived to be similar;
- changes in the market's expectations about operating results;
- success of competitors;
- the Company's operating results failing to meet the expectation of securities analysts or investors in a particular period;

- operating and stock price performance of other companies that investors deem comparable to the Company;
- changes in laws and regulations affecting the business;
- commencement of, or involvement in, litigation involving the Company;
- changes in the Company's capital structure, such as future issuances of securities or the incurrence of additional debt;
- any major change in the Company's board of directors or management; and
- sales of substantial amounts of common shares by directors, executive officers or significant shareholders or the perception that such sales could occur.

In such circumstances, the trading price may not recover and may experience a further decline.

In addition, broad market and industry factors may materially harm the market price of Gibraltar Growth's securities irrespective of operating performance. The stock market in general, and the TSX in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of the Company's securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to the Company could depress the share price regardless of the Company's business, prospects, financial conditions or results of operations. A decline in the market price of the Company's securities also could adversely affect its ability to issue additional securities and to obtain additional financing in the future.

***Warrants will become exercisable for Class B Shares, which would increase the number of shares eligible for future resale in the public market and result in dilution to Class B shareholders.***

If the LXR Acquisition is completed, outstanding Warrants to purchase an aggregate of 10,861,250 Class B Shares will become exercisable in accordance with the terms of the Warrant Agreement governing those securities. These Warrants will become exercisable 30 days after the completion of the LXR Acquisition, and will expire at 5:00 p.m. Toronto time, five years after the completion of the LXR Acquisition, or earlier upon redemption or liquidation. The exercise price of the Warrants will be \$11.50 per share, or approximately \$124.9 million in the aggregate for all shares underlying the Warrants. The extent to which such Warrants are exercised will result in dilution to the holders of Class B 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 Class B Shares.

***Even if the LXR Acquisition becomes effective, there is no guarantee that the Warrants will ever be in-the-money, and the Warrants may expire worthless.***

Pursuant to the terms of the Warrant Agreement, the Warrants will be exercisable commencing 30 days following the Closing for an exercise price of \$11.50 per Warrant. There is no guarantee that the Warrants will ever be in-the-money prior to their expiration, and as such, the Warrants may expire worthless.

***The successful effect of the LXR Acquisition and the successful operation of the business thereafter will be largely dependent upon the efforts of certain key personnel, all of whom are expected to stay with the Company following the LXR Acquisition. The loss of such key personnel could negatively impact the operations and profitability of the post-combination business.***

Gibraltar Growth's ability to successfully effect the LXR Acquisition and successfully operate the business is dependent upon the efforts of certain key personnel. Although all of such key personnel are expected to remain with the Company following the LXR Acquisition, it is possible that the Company will lose some key personnel, the loss of which could negatively impact the operations and profitability of the post-combination business.

***Gibraltar Growth is a special purpose acquisition corporation, has no operating history and is subject to a mandatory liquidation requirement. As such, there is a risk that Gibraltar Growth will be unable to continue as a going concern and consummate a qualifying acquisition.***

Gibraltar Growth is a special purpose acquisition corporation and, as such, has no operating history and is subject to a mandatory liquidation requirement should it fail to consummate a qualifying acquisition within the Permitted Timeline. Therefore, there is a risk that Gibraltar Growth will be unable to complete a qualifying acquisition should the LXR Acquisition not be consummated. Unless Gibraltar Growth extends the Permitted Timeline, if a qualifying acquisition has not been completed by July 2, 2017, Gibraltar Growth will (i) cease all operations except for the purpose of winding-up; and (ii) as promptly as reasonably possible redeem 100% of the Class A Restricted Voting Shares in consideration of the Class A automatic redemption price, payable in cash. In addition, if Gibraltar Growth fails to complete a qualifying acquisition within the Permitted Timeline (including any extension thereof), there will be no redemption rights or liquidating distributions with respect to the Warrants, which will expire worthless.

***The unaudited pro forma financial information incorporated in this document may not be indicative of what the actual financial position or results of operations would have been.***

The historical financial information relating to the LXR Acquisition included in this prospectus, including such information used to prepare the *pro forma* financial information has been derived on a historical basis from the historical accounting records of LXR. The historical financial information may not reflect what LXR's financial position, results of operations or cash flows would have been had Gibraltar Growth owned LXR during the period presented or what the Company's financial position, results of operations or cash flows will be in the future. The historical financial information does not contain any adjustments to reflect changes that may occur in the Company's cost structure, financing and operations as a result of the LXR Acquisition. In preparing the *pro forma* financial information in this prospectus, Gibraltar Growth has given effect to, among other items, the completion of the LXR Acquisition. The assumptions and estimates underlying the *pro forma* financial information may be materially different from the Company's actual experience going forward. See "Caution Regarding Forward-Looking Statements and "LXRandCo Pro Forma Consolidated Financial Information".

## **PROMOTERS**

Gibraltar Opportunity, Inc., Fred Mannella and Kei Izawa are considered promoters of Gibraltar Growth within the meaning of applicable securities legislation.

As of the date hereof, the Sponsor, Gibraltar Opportunity, Inc., beneficially owns, or controls or directs, directly or indirectly, 2,131,749 Class B Shares, representing 68.2% of the issued and outstanding Class B Shares. Assuming redemption levels of 50% and 100% and that the Sponsor purchases 103,500 Class B Shares pursuant to the Gibraltar New Subscription (including the Sponsor's share of the Commitment Fee):

- The Sponsor will beneficially own, or control or direct, directly or indirectly 2,075,144 Class B Shares, representing 11.6% or 15.7% of the then issued and outstanding Class B Shares;
- Fred Mannella will beneficially own, or control or direct, directly or indirectly 3,686,949 Class B Shares or 4,135,862 Class B Shares, representing 20.5% or 31.3% of the then issued and outstanding Class B Shares<sup>(1)</sup>; and
- Kei Izawa will beneficially own, or control or direct, directly or indirectly 419,573 Class B Shares or 470,659 Class B Shares, representing 2.3% or 3.6% of the then issued and outstanding Class B Shares.<sup>(1)</sup>

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### **Notes:**

- (1) Pursuant to the terms of the proposed Voting Support Agreement, in addition to the Class B Shares noted above, the Management Vendors exclusively possess and are entitled, in their sole discretion, to exercise all the rights of voting appertaining to 2,687,979 Class B Shares (being the Subject Shares) and all rights in connection with the initiation, taking part in and consenting to any action as shareholders of the Company. See "The LXR Acquisition – Voting Support Agreement".

As at the date hereof, Gibraltar Growth owed the Sponsor an aggregate amount of \$557,000 made up as follows:

- \$197,000 pursuant to an agreement dated October 2, 2015, in which Gibraltar Growth entered into an administrative services agreement with the Sponsor, pursuant to which it will pay the Sponsor a total of \$10,000 per month, plus applicable taxes for an initial term of 21 months for the provision of office space, utilities and administrative support. This agreement will terminate upon the completion of a qualifying acquisition. The entire amount remains unpaid. Amounts due to the Sponsor are currently non-interest bearing and are payable no later than the date of the consummation of a qualifying acquisition;
- Approximately \$7,800 for out-of-pocket expenses incurred and due to various related parties; and.
- Approximately \$352,200 in the form of an unsecured working capital loan. On February 9, 2017, the Board approved a plan to further capitalize Gibraltar Growth with \$350,000 to cover for existing and anticipated short term expenses and eliminate the negative working capital position of Gibraltar Growth at year end. On February 23, 2017, Gibraltar Growth received cash proceeds of \$350,000 in return for the issuance of an unsecured loan from its Sponsor (the “**Sponsor Loan**”). The Sponsor Loan bears interest at prime plus 1% and matures on July 2, 2017 or upon the completion of a qualifying acquisition or upon wind-up of Gibraltar Growth and is commensurate and in-line with the terms of such a funding as contemplated by Gibraltar Growth’s final long form prospectus dated September 25, 2015.

Pursuant to an administrative services agreement, Gibraltar Growth pays the Sponsor a total of \$10,000 (plus applicable taxes) per month for office space, utilities and administrative support. The administrative services agreement will terminate upon Closing.

## **LEGAL PROCEEDINGS**

To the knowledge of Gibraltar Growth, there are no material legal proceedings to which Gibraltar Growth or LXR is a party or to which its property is subject, nor were there any such proceedings since June 1, 2015, and, to Gibraltar Growth’s knowledge, no such proceedings are contemplated.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as described in this prospectus, none of the proposed directors or executive officers of Gibraltar Growth, 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 Gibraltar Growth, 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 prospectus, or any proposed transaction, that has materially affected or would materially affect Gibraltar Growth or any of its expected subsidiaries.

## **ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES**

Javier San Juan resides outside of Canada. The person named below has appointed the following agent for service of process.

| <b><u>Name</u></b> | <b><u>Name and Address of Agent</u></b>   |
|--------------------|---|
| Javier San Juan    | GODA Incorporators Inc., Bay Adelaide Centre, 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7 |

Note that it may not be possible to enforce judgements obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

## AUDITORS, TRANSFER AGENT, WARRANT AGENT AND ESCROW AGENT

Gibraltar Growth's auditors are PricewaterhouseCoopers LLP, Chartered Professional Accountants having an address at 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2. Such firm is independent of Gibraltar Growth within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario).

The independent auditors of LXR are Ernst & Young LLP, 800 René-Lévesque Blvd. West, Suite 1900, Montreal, Québec H3B 1X9. Ernst & Young LLP have advised the Company that they are independent with respect to the Company within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

TSX Trust Company, at its principal offices in Toronto, Ontario, is the transfer agent and registrar for Gibraltar Growth's Class A Restricted Voting Shares and is the Warrant Agent for Gibraltar Growth's Warrants under the Warrant Agreement. Following Closing, TSX Trust Company will be the transfer agent and registrar for the Gibraltar Growth's Class B Shares.

TSX Trust Company, at its principal offices in Toronto, Ontario, is the Escrow Agent.

## EXPERTS AND INTERESTS OF EXPERTS

Certain legal and tax matters will be passed upon at the date of this prospectus by Goodmans LLP on Gibraltar Growth's behalf.

As at the date hereof, the partners and associates of Goodmans LLP, as a group, beneficially own, directly or indirectly, less than 1% of Gibraltar Growth's securities.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations under the Tax Act, as of the date hereof, generally applicable to an investor who acquires Class B Shares on the automatic conversion of Class A Restricted Voting Shares in connection with Closing and/or will hold Warrants to acquire Class B Shares upon Closing who, for purposes of the Tax Act and at all relevant times, holds such Class B Shares and Warrants and will hold Class B Shares issued on the exercise of such Warrants (collectively, the "**Securities**") as capital property and deals at arm's length and is not affiliated with Gibraltar Growth (a "**Holder**"). A Security will generally be considered to be capital property to a Holder unless either (i) the Holder holds the Security in the course of carrying on a business of buying and selling securities, or (ii) the Holder has acquired the Security in a transaction or transactions considered to be an adventure in the nature of trade. This summary does not apply to any of the Founders, the Vendors or any member of Gibraltar Growth's management.

This summary does not apply to a Holder (i) that is a "financial institution" for purposes of the mark-to-market rules in the Tax Act, (ii) that is a "specified financial institution" as defined in the Tax Act, (iii) that reports its "Canadian tax results" within the meaning of the Tax Act in a currency other than Canadian currency, (iv) an interest in which is a "tax shelter investment" for purposes of the Tax Act, (v) that has entered or will enter into a "derivative forward agreement" as defined in the Tax Act with respect to any of the Securities, or (vi) that would receive dividends on the Class B Shares under or as part of a "dividend rental arrangement" as defined in the Tax Act. Such Holders should consult their own tax advisors.

This summary does not address the possible application of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act to a Holder that (i) is a corporation resident in Canada and (ii) is (or does not deal at arm's length for purposes of the Tax Act with a corporation resident in Canada that is), or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of a Class B Share, controlled by a non-resident corporation for purposes of such rules. Such Holders should consult their own tax advisors with respect to the possible application of these rules.

This summary is based on facts set out in this prospectus, the current provisions of the Tax Act in force as of the date hereof, an understanding of the current administrative policies and assessing practices of the CRA made

publicly available prior to the date hereof and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”). No assurances can be given that the Proposed Amendments will be enacted or will be enacted as proposed. Other than the Proposed Amendments, this summary does not take into account or anticipate any changes in law or the administrative policies or assessing practices of the CRA, whether by judicial, legislative, governmental or administrative decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder and no representations with respect to the income tax consequences to any particular holder are made. This summary is not exhaustive of all Canadian federal income tax considerations and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to exercise Warrants. Accordingly, Holders should consult their own tax advisors with respect to their own particular circumstances.**

### **Holders Resident in Canada**

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for purposes of the Tax Act and any applicable income tax treaty or convention (a “**Resident Holder**”). A Resident Holder whose Class B Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the Class B Shares and every other “Canadian security” (as defined in the Tax Act) owned by such Resident Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Resident Holders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances. Such election will not apply in respect of the Warrants.

### ***Exercise or Expiry of Warrants***

No gain or loss will be realized by a Resident Holder upon the exercise of a Warrant to acquire a Class B Share. When such a Warrant is exercised, the Resident Holder’s cost of the Class B Share acquired thereby will be equal to the adjusted cost base of the Warrant to such Resident Holder, plus the amount paid on the exercise of the Warrant. For the purpose of computing the adjusted cost base to a Resident Holder of each Class B Share acquired on the exercise of a Warrant, the cost of such Class B Share must be averaged with the adjusted cost base to such Resident Holder of all other Class B Shares (if any) held by the Resident Holder as capital property immediately prior to the exercise of such Warrant.

Generally, the expiry of an unexercised Warrant to acquire a Class B Share will give rise to a capital loss equal to the adjusted cost base to the Resident Holder of such expired Warrant. See “– Disposition of Securities” below.

### ***Dividends***

A Resident Holder will be required to include in computing its income for a taxation year dividends (including deemed dividends) received or deemed to be received on the Class B Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations. Taxable dividends received from a taxable Canadian corporation which are designated by such corporation as “eligible dividends” will be subject to an enhanced gross-up and dividend tax credit regime in accordance with the rules in the Tax Act. Following Closing, there may be limitations on the ability of Gibraltar Growth to designate dividends as eligible dividends.

In the case of a Resident Holder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year will generally be deductible in computing its taxable income for that taxation year. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a “private corporation” or a “subject corporation”, each as defined in the Tax Act, will generally be liable to pay a refundable tax under Part IV of the Tax Act on dividends received on the Class B Shares to the extent such dividends are deductible in computing the Resident Holder’s taxable income for the year. A “subject corporation” is generally a corporation (other than a private corporation) controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts).

### ***Disposition of Securities***

Upon a disposition or deemed disposition of a Security (other than a disposition arising on the exercise of a Warrant or a disposition of a Class B Share to Gibraltar Growth in circumstances other than a purchase by Gibraltar Growth in the open market in the manner in which shares are normally purchased by a member of the public in the open market), a Resident Holder will realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the Resident Holder’s proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Resident Holder of the particular Security immediately before the disposition or deemed disposition.

A Resident Holder will be required to include in computing its income for the taxation year of disposition one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in such taxation year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder will be required to deduct one-half of the amount of any capital loss realized in a particular taxation year (an “**allowable capital loss**”) against taxable capital gains realized in the taxation year. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such taxation years, to the extent and under the circumstances specified in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of a Class B Share by a Resident Holder that is a corporation may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such share (or on a share for which such share is substituted or exchanged) to the extent and under the circumstances specified in the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

A Resident Holder that is throughout the relevant taxation year a “Canadian controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax on its “aggregate investment income” (as defined in the Tax Act) for the year, including taxable capital gains.

### ***Alternative Minimum Tax***

In general terms, a Resident Holder who is an individual (other than certain trusts) that receives or is deemed to have received taxable dividends on the Class B Shares, or realizes a capital gain on the disposition or deemed disposition of Securities, may be liable for alternative minimum tax under the Tax Act. Resident Holders that are individuals should consult their own tax advisors in this regard.

### ***Holders Not Resident in Canada***

This portion of the summary generally applies to a Holder who, at all relevant times, for purposes of the Tax Act (i) is not, and is not deemed to be, resident in Canada for purposes of the Tax Act or any applicable income tax treaty or convention, and (ii) does not and will not use or hold, and is not and will not be deemed to use or hold, Securities in connection with carrying on a business in Canada (a “**Non-Resident Holder**”). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere. Such Holders should consult their own tax advisors having regard to their own circumstances.

### ***Exercise or Expiry of Warrants***

The tax consequences of the exercise or expiry of a Warrant held by a Non-Resident Holder are the same as those described above under “Holders Resident in Canada – Exercise or Expiry of Warrants”.

## ***Dividends***

Under the Tax Act, dividends on Class B Shares paid or credited or deemed to be paid or credited to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident. For example, where a Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the Canada-United States Income Tax Convention (1980), as amended, and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax is generally reduced to 15% of the amount of such dividend.

## ***Disposition of Securities***

Upon a disposition or deemed disposition of a Security (other than a disposition arising on the exercise of a Warrant or a disposition of a Class B Share to Gibraltar Growth in circumstances other than a purchase by Gibraltar Growth in the open market in the manner in which shares are normally purchased by a member of the public in the open market), a Non-Resident Holder will realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the Non-Resident Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Non-Resident Holder of the particular Security immediately before the disposition or deemed disposition.

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition of Securities, unless the Securities constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

As long as the Class B Shares are then listed on a designated stock exchange for purposes of the Tax Act (which currently includes the TSX), the Securities generally will not constitute taxable Canadian property of a Non-Resident Holder, unless (a) at any time during the 60-month period immediately preceding the disposition or deemed disposition of the Securities: (i) 25% or more of the issued shares of any class or series of the share capital of Gibraltar Growth were owned by, or belonged to, one or any combination of (x) the Non-Resident Holder, (y) persons with whom the Non-Resident Holder did not deal at arm's length (for purposes of the Tax Act), and (z) partnerships in which the Non-Resident Holder or a person referred to in (y) holds a membership interest directly or indirectly through one or more partnerships, and (ii) more than 50% of the fair market value of the Class B Shares was derived directly or indirectly from one or any combination of: (A) real or immovable property situated in Canada, (B) "Canadian resource property" (as defined in the Tax Act), (C) "timber resource property" (as defined in the Tax Act) and (D) options in respect of, or interests in, or for civil law rights in, property described in any of (A) through (C) above, whether or not such property exists; or (b) the Securities are deemed under the Tax Act to be taxable Canadian property.

If the Securities are taxable Canadian property to a Non-Resident Holder, any capital gain realized on the disposition or deemed disposition of such Securities may not be subject to Canadian federal income tax pursuant to the terms of an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident. Non-Resident Holders whose Securities are taxable Canadian property should consult their own tax advisors.

## ***Eligibility for Investment***

Upon Closing, the Securities will be qualified investments for a trust governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), deferred profit sharing plan, registered education savings plan ("RESP"), registered disability savings plan ("RDSP") or tax-free savings account ("TFSA") (collectively, "**Plans**"), provided that:

- (a) in the case of Class B Shares, the Class B Shares are then listed on a designated stock exchange in Canada for purposes of the Tax Act (which currently includes the TSX); and



- (b) in the case of the Warrants:
  - (i) the Warrants are then listed on a designated stock exchange for purposes of the Tax Act (which currently includes the TSX); or
  - (ii) the Class B Shares are qualified investments as described in (a) above, provided that Gibraltar Growth is not, and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of the Plan.

Notwithstanding the foregoing, the holder of a TFSA or the annuitant under an RRSP or RRIF will be subject to a penalty tax in respect of Securities held in the TFSA, RRSP or RRIF, if such securities are prohibited investments for the TFSA, RRSP or RRIF. The Securities will generally be "prohibited investments" for a TFSA, RRSP or RRIF if the holder of the TFSA or the annuitant under the RRSP or RRIF does not deal at arm's length with Gibraltar Growth for purposes of the Tax Act, or the holder or annuitant has a "significant interest" (as defined in subsection 207.01(4) the Tax Act) in Gibraltar Growth. If certain Proposed Amendments announced on March 22, 2017 are enacted as proposed, the prohibited investment rules will extend to trusts governed by RESPs and RDSPs. Holders who intend to hold Securities in a Plan should consult their own tax advisors as to whether the Class B Shares or Warrants will be prohibited investments in their particular circumstances.

### MATERIAL CONTRACTS

Following Closing, the following will be the material contracts of Gibraltar Growth, other than contracts entered into in the ordinary course:

- (a) the Purchase Agreement;
- (b) the Voting Support Agreement;
- (c) the Forfeiture and Transfer Restrictions Agreement and Undertaking, as amended; and
- (d) the Warrant Agreement.

Copies of the above material contracts are or will be available following the Closing on Gibraltar Growth's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### CONTRACTUAL RIGHT OF ACTION

Original purchasers of Class A Restricted Voting Shares and Warrants from the underwriters of the IPO will have a contractual right of action for rescission or damages against Gibraltar Growth (as well as a contractual right of action for damages alone against (a) the directors of Gibraltar Growth as of the deposit deadline applicable to the redemption of the Class A Restricted Voting Shares (the "**Redemption Election Deadline**"), and (b) every person or company who signs this prospectus, which for greater certainty, includes each of the Sponsor, Fred Mannella and Kei Izawa as promoters of Gibraltar Growth (collectively, the "**signatories**")). In the event that the LXR Acquisition is completed and if this prospectus or any amendment hereto contains a misrepresentation (as defined in the *Securities Act* (Ontario)), provided that the exercise of either such remedy occurs not later than (a) in the case of an action for rescission, 180 days after the Redemption Election Deadline, or (b) in the case of an action for damages, the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the Redemption Election Deadline, a purchaser who purchased Class A Restricted Voting Shares and Warrants in connection with the IPO shall, in respect of such Warrants and in respect of any Class B Shares received upon the conversion of the Class A Restricted Voting Shares upon Closing, be entitled to, in addition to any other remedy available at the time to such holder, (i) as against Gibraltar Growth, in the case of rescission, the amount paid for the applicable Class A Restricted Voting Shares and/or Warrants, as applicable, upon surrender of such securities; and (ii) as against Gibraltar Growth, the directors of Gibraltar Growth, and the signatories, in the case of a damages election, their proven damages.

In addition, the following additional provisions apply to actions against the directors of Gibraltar Growth and the signatories: (a) each has a due diligence defence and the other defences and rights contemplated in section

130 of the *Securities Act* (Ontario) and at law; and (b) each is entitled to be indemnified by Gibraltar Growth to the maximum extent permitted by law.

This contractual right of action for rescission or damages will, subject to the foregoing, be consistent with the statutory right of rescission or damages described under section 130 of the *Securities Act* (Ontario). In no case shall the amount recoverable exceed the original purchase price of the Class A Restricted Voting Units. In addition, for non-residents of Canada, the contractual right shall be subject to the same interpretational or constitutional defences, if any, as would apply to a claim against a resident Canadian issuer under section 130 of the *Securities Act* (Ontario), and, as a result, the argument that non-residents are not entitled to take advantage of the contractual right shall not be precluded.

## **CERTIFICATE OF GIBRALTAR GROWTH CORPORATION AND PROMOTERS**

May 12, 2017

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by securities legislation of each of the provinces and territories of Canada.

(signed) “*Camillo di Prata*”

Camillo di Prata  
Co-Chief Executive Officer And Director

(signed) “*Jeremy Stepak*”

Jeremy Stepak  
Chief Financial Officer

### **ON BEHALF OF THE BOARD OF DIRECTORS**

(signed) “*Joseph Mimran*”

Joseph Mimran  
Chair and Co-Chief Executive Officer

(signed) “*James Haggarty*”

James Haggarty  
Director

### **GIBRALTAR OPPORTUNITY, INC. AND FRÉDÉRICK MANNELLA AND KEI IZAWA, AS PROMOTERS**

(signed) “*Camillo di Prata*”

Camillo di Prata  
Co-Chief Executive Officer, Gibraltar Opportunity, Inc.

(signed) “*Frédérick Mannella*”

Frédérick Mannella

(signed) “*Kei Izawa*”

Kei Izawa

**APPENDIX A**  
**GIBRALTAR GROWTH FINANCIAL STATEMENTS**

**(See attached)**



## **AUDITED FINANCIAL STATEMENTS**

**As at December 31, 2016 and 2015  
and for the year-ended December 31, 2016  
and the period from inception on June 11, 2015 to December 31, 2015**  
*(All figures expressed in Canadian dollars)*

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The financial statements of Gibraltar Growth Corporation (the “**Company**”), the accompanying notes thereto and other financial information contained in the Company’s management’s discussion and analysis are the responsibility of, and have been prepared by management. These financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, include management’s best estimates and judgments. Management has reviewed the financial information presented throughout the documents accompanying these financial statements and has ensured it is consistent with the financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit Committee, which is comprised of directors, none of whom are employees of the Company, reviews the interim and annual financial statements and management’s discussion and analysis of the Company and recommends them for approval by the Board of Directors. The Audit Committee reports its findings to the Board of Directors before the financial statements are approved by the Board.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders of the Company to examine the financial statements and provide an independent professional opinion as to their conformity with International Financial Reporting Standards. The auditor has full and unrestricted access to the Audit Committee to discuss the audit and related matters.

(Signed)  
Joseph Mimran  
Co-Chief Executive Officer

(Signed)  
Camillo di Prata  
Co-Chief Executive Officer

(Signed)  
Jeremy Stepak  
Chief Financial Officer

Toronto, Canada  
March 31, 2017



March 31, 2017

## **Independent Auditor's Report**

### **To the Shareholders of Gibraltar Growth Corporation**

We have audited the accompanying financial statements of Gibraltar Growth Corporation, which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinions.

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*PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gibraltar Growth Corporation as at December 31, 2016 and 2015 and its financial performance and its cash flows for the year ended December 31, 2016 and the period from inception on June 11, 2015 to December 31, 2015 in accordance with International Financial Reporting Standards.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Gibraltar Growth Corporation's ability to continue as a going concern.

**(Signed) "PricewaterhouseCoopers LLP"**

**Chartered Professional Accountants, Licensed Public Accountants**



**GIBRALTAR GROWTH CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2016**

*(All figures expressed in Canadian dollars)*

|  | Note(s) | 2016                  | 2015                  |
|--|---------|-----------------------|-----------------------|
| <b>ASSETS</b>  |         |                       |                       |
| <b>Current</b>   |         |                       |                       |
| Cash   |         | \$ 346,855            | \$ 796,873            |
| Accounts receivable and prepayments                          |         | 186,221               | 100,654               |
| Restricted cash and cash equivalents held in escrow          | 5       | 105,097,682           | 104,610,555           |
| <b>TOTAL ASSETS</b>  |         | <b>\$ 105,630,758</b> | <b>\$ 105,508,082</b> |
| <b>LIABILITIES</b>   |         |                       |                       |
| <b>Current</b>   |         |                       |                       |
| Accounts payable and accrued liabilities                     |         | \$ 603,561            | \$ 129,285            |
| Amounts due to related parties                               | 6       | 151,581               | 30,000                |
| Deferred underwriters' commission                            | 9       | 3,657,500             | 3,657,500             |
| Class A Restricted Voting Shares subject to redemption       | 1,7     | 102,828,000           | 99,588,500            |
| <b>TOTAL LIABILITIES</b>                                     |         | <b>\$ 107,240,642</b> | <b>\$ 103,405,285</b> |
| <b>SHAREHOLDERS' DEFICIENCY/EQUITY</b>                       |         |                       |                       |
| Share capital  | 8       | \$ 4,070,680          | \$ 4,070,680          |
| Warrants   | 8       | 1,016,660             | 1,016,660             |
| Deficit  |         | (6,697,224)           | (2,984,543)           |
|  |         | <b>\$ (1,609,884)</b> | <b>\$ 2,102,797</b>   |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY/EQUITY</b> |         | <b>\$ 105,630,758</b> | <b>\$ 105,508,082</b> |

*The accompanying notes are an integral part of these financial statements.*

Approved by the Board of Directors

(Signed)  
Joseph Mimran  
Director

(Signed)  
Camillo di Prata  
Director

**GIBRALTAR GROWTH CORPORATION**  
**STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016 AND**  
**FOR THE PERIOD FROM INCEPTION ON JUNE 11, 2015 TO DECEMBER 31, 2015**

*(All figures expressed in Canadian dollars, except share and per share amounts)*

|  | Note | For the year<br>ended<br>December 31,<br>2016 | From inception<br>on June 11, 2015<br>to December 31,<br>2015 |
|--|------|---|---|
| <b>ITEMS IN NET LOSS</b>   |      |   |   |
| Interest income  |      | \$ 487,127                                    | \$ 110,556  |
| Transaction costs  | 9    | -   | (6,851,256)   |
| General and administrative expenses  | 10   | (960,308)                                     | (110,343)   |
| Net unrealized (loss) / gain on changes in fair value of financial liabilities   | 7    | (3,239,500)                                   | 3,866,500   |
| <b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR/PERIOD</b>                       |      | <b>\$ (3,712,681)</b>                         | <b>\$ (2,984,543)</b>   |
| <b>BASIC AND DILUTED LOSS PER SHARE</b>  |      |   |   |
|  | 11   | \$ (1.52)                                     | \$ (1.84)   |
| <b>Weighted average number of Class B shares outstanding - basic and diluted</b> | 11   | <b>2,447,736</b>                              | <b>1,622,193</b>  |

*The accompanying notes are an integral part of these financial statements.*

**GIBRALTAR GROWTH CORPORATION**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY/EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2016 AND**  
**FOR THE PERIOD FROM INCEPTION ON JUNE 11, 2015 TO DECEMBER 31, 2015**

*(All figures expressed in Canadian dollars, except for number of Class B Shares issued and outstanding and number of Warrants issued and outstanding)*

|  | Note | Class B Shares   |                     | Warrants          |                     | Deficit               | Total                 |
|--|------|------------------|---------------------|-------------------|---------------------|-----------------------|-----------------------|
|  |      | Number           | Amount              | Number            | Amount              |                       |                       |
| Balance on inception, June 11, 2015        |      | -                | \$ -                | -                 | \$ -                | \$ -                  | \$ -                  |
| Issuance of Class B Share to Sponsor       | 1, 8 | 1                | \$ 10               | -                 | -                   | -                     | 10                    |
| Issuance of Class B Shares to Founders     | 8    | 2,984,374        | \$ 25,000           | -                 | -                   | -                     | 25,000                |
| Issuance of Class B Units to Founders      | 8    | 411,250          | \$ 4,071,375        | 411,250           | \$ 41,125           | -                     | 4,112,500             |
| Issuance of Warrants pursuant to Offering  | 7,8  | -                | -                   | 10,450,000        | \$ 1,045,000        | -                     | 1,045,000             |
| Forfeiture of Class B Shares from Founders | 8,16 | (269,062)        | -                   | -                 | -                   | -                     | -                     |
| Transaction costs                          | 9    | -                | \$ (25,705)         | -                 | \$ (69,465)         | -                     | (95,170)              |
| Net loss for the period                    |      | -                | -                   | -                 | -                   | (2,984,543)           | (2,984,543)           |
| <b>Balance, December 31, 2015</b>          |      | <b>3,126,563</b> | <b>\$ 4,070,680</b> | <b>10,861,250</b> | <b>\$ 1,016,660</b> | <b>\$ (2,984,543)</b> | <b>\$ 2,102,797</b>   |
| Net loss for the year                      |      | -                | -                   | -                 | -                   | (3,712,681)           | (3,712,681)           |
| <b>Balance, December 31, 2016</b>          |      | <b>3,126,563</b> | <b>\$ 4,070,680</b> | <b>10,861,250</b> | <b>\$ 1,016,660</b> | <b>\$ (6,697,224)</b> | <b>\$ (1,609,884)</b> |

*The accompanying notes are an integral part of these financial statements.*

**GIBRALTAR GROWTH CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016 AND**  
**FOR THE PERIOD FROM INCEPTION ON JUNE 11, 2015 TO DECEMBER 31, 2015**

*(All figures expressed in Canadian dollars)*

|  | Note      | For the<br>year ended<br>December 31, 2016 | From inception on<br>June 11, 2015 to<br>December 31, 2015 |
|--|-----------|--|--|
| <b>OPERATING ACTIVITIES</b>  |           |  |  |
| Net loss and comprehensive loss for the year                                   | \$        | (3,712,681)                                | \$ (2,984,543)   |
| Non-cash items included in net loss and other adjustments:                     |           |  |  |
| Interest earned on restricted cash and cash equivalents held in escrow         | 5         | (487,127)                                  | (110,556)  |
| Transaction costs associated with financing activities                         | 9         | -  | 6,851,256  |
| Net unrealized loss/(gain) on changes in fair value of financial liabilities   | 7         | 3,239,500                                  | (3,866,500)  |
| Changes in non-cash working capital:   |           |  |  |
| Accounts receivable and prepayments  |           | (85,567)                                   | (100,654)  |
| Accounts payable and accrued liabilities                                       |           | 474,276                                    | 129,285  |
| Amounts due to related party   | 6         | 121,581                                    | 30,000   |
| <b>CASH USED IN OPERATING ACTIVITIES</b>                                       | <b>\$</b> | <b>(450,018)</b>                           | <b>\$ (51,712)</b>   |
| <b>INVESTING ACTIVITIES</b>  |           |  |  |
| Proceeds on maturity of restricted cash and cash equivalents held in           |           | -  | -  |
| Investment in restricted cash and cash equivalents held in escrow              | 5         | -  | (104,500,000)  |
| <b>CASH USED IN INVESTING ACTIVITIES</b>                                       | <b>\$</b> | <b>-</b>                                   | <b>\$ (104,500,000)</b>                                    |
| <b>FINANCING ACTIVITIES</b>  |           |  |  |
| Proceeds of sale of Class B Share to Sponsor                                   | 1,8       | -  | 10   |
| Proceeds from sale of Class B Shares to Founders                               | 8         | -  | 25,000   |
| Proceeds from sale of Class B Units to Founders                                | 8         | -  | 4,112,500  |
| Proceeds from sale of Class A Restricted Voting Shares                         | 7         | -  | 104,500,000  |
| Transaction costs associated with issuance of Class A Restricted Voting Shares | 9         | -  | (3,230,331)  |
| Transaction costs associated with issuance of Class B Shares to Founders       | 9         | -  | (25,705)   |
| Transaction costs associated with issuance of Warrants                         | 9         | -  | (32,889)   |
| <b>CASH PROVIDED FOR BY FINANCING ACTIVITIES</b>                               | <b>\$</b> | <b>-</b>                                   | <b>\$ 105,348,585</b>                                      |
| <b>NET (DECREASE)/INCREASE IN CASH DURING THE YEAR</b>                         | <b>\$</b> | <b>(450,018)</b>                           | <b>\$ 796,873</b>  |
| <b>CASH, BEGINNING OF YEAR/PERIOD</b>  |           | 796,873                                    | -  |
| <b>CASH, END OF YEAR/PERIOD</b>  | <b>\$</b> | <b>346,855</b>                             | <b>\$ 796,873</b>  |

*The accompanying notes are an integral part of these financial statements.*

Cash flows include the following amounts:

|                       |    |         |    |         |
|-----------------------|----|---------|----|---------|
| Interest paid         | \$ | -       | \$ | -       |
| Interest received     | \$ | 444,756 | \$ | 110,556 |
| Income taxes paid     | \$ | -       | \$ | -       |
| Income taxes received | \$ | -       | \$ | -       |

## Gibraltar Growth Corporation

### Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

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#### 1. Organization and Nature of Operations

Gibraltar Growth Corporation is a special purpose acquisition corporation incorporated on June 11, 2015 under the laws of the Province of Ontario (Canada) for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination (a “**Qualifying Acquisition**”). The Company’s sponsor is Gibraltar Opportunity, Inc. (the “**Sponsor**”), a wholly-owned subsidiary of Gibraltar & Company, Inc. (“**Gibraltar**”). Gibraltar is a private investment management company that empowers exceptional entrepreneurs and companies to create long-term value. The Company’s head office is 130 Adelaide Street West, Suite 1700, Toronto, Ontario, Canada, M5H 3P5.

On June 11, 2015, the Sponsor purchased one Class B Share of the Company for proceeds of \$10. On August 7, 2015 the Company’s founders, including the Sponsor, directors and advisory board members (collectively, the “**Founders**”) purchased a total of 2,984,374 Class B Shares for \$25,000 at a price of \$0.008 per Class B Share (the “**Founders’ Shares**”).

On October 2, 2015, the Company closed its initial public offering (“**Offering**”) of 10,000,000 Class A Restricted Voting Units at a price of \$10.00 per Class A Restricted Voting Unit for gross proceeds of \$100,000,000. On October 29, 2015, the underwriters for the Offering (“**Underwriters**”) exercised their over-allotment option to purchase an additional 450,000 Class A Restricted Voting Units, at a price of \$10.00 per Class A Restricted Voting Unit for gross proceeds of \$4,500,000. After these two closings, a total of 10,450,000 Class A Restricted Voting Units had been issued for total gross proceeds of \$104,500,000, which were transferred to the Company’s escrow agent and were subsequently invested in short-term Government of Canada Treasury Bills.

On October 2, 2015, the Company’s Class A Restricted Voting Units commenced trading on the Toronto Stock Exchange (“**TSX**”) under the symbol “GBG.UN”. On November 11, 2015, the Company’s Class A Restricted Voting Units separated into Class A Restricted Voting Shares and Warrants both of which trade on the TSX under the symbols “GBG.A” and “GBG.WT”, respectively.

Concurrent with the closing of the Class A Restricted Voting Units, on October 2, 2015, the Founders purchased 400,000 Class B Units (“**Class B Units**”) at an offering price of \$10.00 for a total of \$4,000,000. Further, on October 29, 2015, the Founders purchased an additional 11,250 Class B Units in connection with the exercise by the Underwriters of the over-allotment option at an offering price of \$10.00 for a total of \$112,500.

Due to the partial exercise of the over-allotment option, and as a requirement pursuant to the Offering and a related forfeiture agreement, the Founders forfeited an aggregate of 269,062 Founders’ Shares. As a result, following the exercise of the over-allotment option and forfeiture of the Founders’ Shares, the Founders own a total of 2,715,313 Class B Shares and 411,250 Class B Units. Each Class B Unit consists of one Class B Share and one Warrant. Each Warrant entitles the holder to purchase one Class B Share of the Company at a price of \$11.50 during the period commencing on the closing date of a Qualifying Acquisition and ending five years thereafter.

Each Class A Restricted Voting Unit of the Company consisted of one Class A Restricted Voting Share and one share purchase warrant (“**Warrant**”). Following a Qualifying Acquisition, each Class A Restricted Voting Share will be automatically converted into one Class B Share. Each Warrant will become

## Gibraltar Growth Corporation

### Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

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exercisable commencing 30 days after the completion of a Qualifying Acquisition, and is exercisable to purchase one Class B Share at an exercise price of \$11.50. Each Warrant will expire on the day that is five years after the completion of a Qualifying Acquisition or may expire earlier if a Qualifying Acquisition is not completed. Once the Warrants become exercisable, the Company may accelerate the expiry date of the outstanding Warrants by providing 30 days' notice if the closing price of the Class B Shares equals or exceeds \$24.00 per Class B 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.

Upon closing of the Offering and the issuance of Class A Restricted Voting Units pursuant to the exercise of the over-allotment option, the Company placed \$104,500,000 (or \$10.00 per Class A Restricted Voting Unit sold) in an escrow account with the Company's escrow agent (the "**Escrow Account**"). Subject to applicable laws, none of the funds held in the Escrow Account will be released until the earliest of: (i) the closing of a Qualifying Acquisition, (ii) a redemption (on the closing of a Qualifying Acquisition or on an extension of the permitted timeline, or an automatic redemption of, Class A Restricted Voting Shares), (iii) the Company's wind-up; and (iv) the requirement of the Company to pay taxes on the interest or certain other amounts earned on the escrow funds and for payment of certain expenses. The escrowed funds will also be used to pay the deferred Underwriters' commission, which will be payable by the Company to the Underwriters upon the closing of a Qualifying Acquisition. After deducting the expenses of the Offering, any remaining net proceeds from the issuance of Class A Restricted Voting Units and Class B Units not held in the Escrow Account may be used by the Company to pay for business, legal and accounting due diligence costs for prospective acquisitions as well as the continuing general and administrative expenses of the Company.

In connection with any Qualifying Acquisition, the Company will seek shareholder approval at a shareholders' meeting called for such purpose. Regardless of whether shareholders vote for or against, or do not vote on, any proposed Qualifying Acquisition, holders of Class A Restricted Voting Shares may elect to redeem all or a portion of their Class A Restricted Voting Shares at a per-share price, payable in cash, equal to their per-share amount deposited in the Escrow Account, including interest or other amounts earned and net of applicable taxes payable on such interest and other amounts earned and net of direct expenses related to the redemption. Notwithstanding the foregoing redemption right, each holder of Class A Restricted Voting Shares, together with any affiliate of such holder or other person with whom such holder or affiliate is acting jointly or in concert, will not be permitted to redeem more than an aggregate of 15% of the number of Class A Restricted Voting Shares issued and outstanding following the closing of a Qualifying Acquisition. The Founders shall not be entitled to redeem any Class B Shares of the Company purchased by them, including any Class B Shares forming part of the Class B Units purchased.

Absent relief from the TSX, a Qualifying Acquisition (or any number of Qualifying Acquisitions) must have a minimum fair market value equal to 80% of the assets held in the Escrow Account (excluding the deferred Underwriters' commission and applicable taxes payable on interest and other amounts earned in the Escrow Account). Where the Qualifying Acquisition is comprised of more than one acquisition, these acquisitions are expected to close concurrently and are subject to the same shareholder vote at a shareholder's meeting.

The placement of funds in an escrow account may not protect those funds from third party claims. As the Company will not have access to the escrowed funds, the Company may not have the financial resources to defend a potential claim, nor may the Company have the ability to sue to enforce a potential claim. Although the Company will seek, where practicable, to have material vendors, service providers, prospective target businesses or other entities with which we do business execute agreements to waive

## Gibraltar Growth Corporation

### Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

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any right, title, interest or claim of any kind in or to any monies held in the Escrow Account, such parties may not execute such agreements, or even if they execute such agreements, they may not be prevented from bringing claims against the Escrow Account.

By way of 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 Class B 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).

Following completion of a Qualifying Acquisition, the Founders cannot sell or transfer their shares until the earlier of: (i) one year following the completion of a Qualifying Acquisition; and (ii) the closing share price of the Class B 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). In lieu of any entitlement of the Class A Restricted Voting Shares to participate in a take-over bid made for other securities of the Company, prior to the closing of a Qualifying Acquisition, each holder of the Founders' Shares will agree, by way of formal agreement, except if required due to the structuring of a Qualifying Acquisition, in which case such restriction will apply to the securities received in connection with a Qualifying Acquisition, not to transfer any of their Class B Units until a date that is 30 days after the closing of a Qualifying Acquisition.

The Board of Directors of the Company authorized these audited financial statements ("**Financial Statements**") for issuance on March 31, 2017.

## 2. Basis of Presentation and Going Concern Assumption

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), and with interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting.

These financial statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Company will continue its operations for the foreseeable future, and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The going concern basis is appropriate unless management either intends to liquidate the Company or cease trading, or has no realistic alternative but to do so.

If the Company is unable to complete a Qualifying Acquisition by July 2, 2017 (being 21 months from closing of the Offering), it will redeem 100% of the issued and outstanding Class A Restricted Voting Shares using the cash and cash equivalents held in escrow. The permitted timeline may be extended up

## Gibraltar Growth Corporation

### Notes to Financial Statements

**For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015**

*(All Figures Expressed in Canadian Dollars)*

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to 36 months, with the approval of the holders of Class A Restricted Voting Shares by ordinary resolution and the consent of the TSX, if required. As at December 31, 2016, the Company has negative working capital (defined as Cash plus Accounts Receivable and Prepayments less Accounts Payable and Accrued Liabilities less Amounts Due to Related Parties) of \$222,066. This negative working capital position was remedied by the Sponsor in February of 2017 (see note 17, Subsequent Events). The Company's ability to continue as a going concern is dependent upon the continued support of its Sponsor and upon the completion of a Qualifying Acquisition or on the approval of an extension of the permitted timeline should a Qualifying Acquisition not be completed prior to July 2, 2017. There can be no assurance that the Company will be successful in any of these endeavors.

These uncertainties cast significant doubt upon the Company's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue as a going concern. If the Corporation is not able to continue as a going concern, the Corporation may be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements. These differences could be material.

The Company continues to actively pursue opportunities that would constitute its Qualifying Acquisition and is currently in advanced negotiations with one business. However, no definitive agreement has been entered into at this time with respect to a Qualifying Acquisition, and no assurance can be given that discussions, including those that may be on-going, will result in an agreement or that the Company will be able to complete a Qualifying Acquisition.

These financial statements have been prepared under the historical cost convention, except for the carrying value of Class A Restricted Voting Shares subject to redemption, which are measured at fair value as determined at each reporting date.

#### **Accounting Standards Issued but not yet Adopted**

The Company has not early adopted the following accounting standard, which is not yet effective:

*IFRS 9, Financial Instruments ("IFRS 9")* - IFRS 9 replaces IAS 39. IFRS 9 determines whether a financial asset is measured at amortized cost or fair value. This standard assesses how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. IFRS 9 requires one impairment approach to be used, replacing the impairment approaches currently provided in IAS 39. The effective date is for annual periods beginning on or after January 1, 2018.

The Company is currently assessing the impact that IFRS 9 would have on the Company's financial statements

The Company does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on these Financial Statements.



**Gibraltar Growth Corporation**

**Notes to Financial Statements**

**For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015**

*(All Figures Expressed in Canadian Dollars)*

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**3. Summary of Significant Accounting Policies**

**Financial Instruments**

The Company's financial instruments include cash, accounts receivable, restricted cash and cash equivalents held in escrow, accounts payable and accrued liabilities, due to Related Parties, Class A Restricted Voting Shares subject to redemption and deferred Underwriters' commission.

## Gibraltar Growth Corporation

### Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

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Classification of financial instruments in these Financial Statements depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of financial instruments at initial recognition.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or are assigned to third parties and the Company has transferred substantially all risks and rewards of ownership in respect of the asset. Financial liabilities are derecognized when the related obligation is discharged, cancelled or when it expires.

#### *Classification of Financial Assets*

Financial assets are classified at fair value through profit or loss, or as loans and receivables. Cash, accounts receivable and restricted cash and cash equivalents held in escrow are classified as loans and receivables and accounted for at amortized cost.

#### *Classification of Financial Liabilities*

Other financial liabilities are recognized at amortized cost using the effective interest rate method. Other financial liabilities include accounts payable and accrued liabilities, due to Related Parties and deferred Underwriters' commission. These amounts are initially measured at the amount required to be paid, less, where material, a discount to reduce the liabilities to fair value.

The Company's Class A Restricted Voting Shares include certain redemption rights that are considered by the Company to be outside of the Company's control and subject to uncertain future events. Accordingly, the Company has classified its "Class A Restricted Voting Shares subject to redemption" as financial liabilities at fair value through profit or loss. Transaction costs related to financial liabilities classified or designated as financial liabilities at fair value through profit or loss are expensed as incurred in the statements of net loss and comprehensive loss.

All financial instruments recognized at fair value in the statement of financial position are classified into one of three levels in the fair value hierarchy as follows:

- Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
- Level 3 – valuation techniques with significant unobservable market inputs.

#### *Impairment of Financial Assets at Amortized Cost*

The Company assesses whether there is objective evidence that a recorded financial asset is impaired at each financial statement reporting date. Impairment exists if one or more events have occurred after the initial recognition of the asset and those events have objectively given rise to an expected negative impact on the estimated future cash flows of the financial asset that can be reliably estimated. The Company recognizes impairment if the expected undiscounted future cash flows is less than the carrying amount of the asset. This difference is recognized as the impaired amount and is recorded through profit or loss. An impairment of a financial asset carried at amortized cost is reversed in subsequent periods if

## **Gibraltar Growth Corporation**

### **Notes to Financial Statements**

**For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015**

*(All Figures Expressed in Canadian Dollars)*

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the amount of the loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognized.

#### **Foreign Currency Translation**

The Company's functional and reporting currency is Canadian Dollars. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the reporting date. Gains and losses arising on settlement of foreign currency denominated transactions or balances are included in profit or loss. To date, the Company's transactions in any currency other than the Canadian dollar have not been material.

#### **Interest**

The Company is required to invest the cash proceeds from the issuance of its Class A Restricted Voting Shares subject to redemption in short-term Government of Canada securities with maturity of 180 days or less. Interest income from interest bearing instruments is recognized in the statement of net loss and comprehensive loss using the effective interest rate method.

#### **Income Taxes**

The Company follows the balance sheet liability method to provide for income taxes. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their underlying tax bases. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized within statements of net loss and comprehensive loss in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent future recovery is probable.

#### **Per Share Information**

Basic earnings or loss per Class B Share is computed by dividing the net earnings or loss attributable to shareholders by the weighted average number of shares outstanding during the period. The Founders' Shares that are contingently subject to forfeiture are excluded from the determination of the weighted average number of shares outstanding until the date such shares are no longer subject to forfeiture. The determination of the weighted average number of shares outstanding excludes the effect of Class A Restricted Voting Shares subject to possible redemption as such shares are classified as debt instruments. Diluted earnings per share, where applicable, is calculated by adjusting the weighted average number of shares outstanding for dilutive instruments by applying the treasury stock method.

## **4. Critical Accounting Judgments, Estimates and Assumptions**

The preparation of these financial statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, and items in net income or loss, and the related disclosure of contingent assets and liabilities, if any. The Company evaluates its estimates on an ongoing basis. Such estimates are based on various assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net

## Gibraltar Growth Corporation

### Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

#### Fair Value of Financial Instruments

Certain financial instruments are recorded in the Company's statement of financial position at values that are representative of, or approximate their fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price. Changes in the underlying trading value may significantly affect the amount of net earnings or loss for a particular period. Furthermore, the quoted market price of a financial liability may not be equal to the amount that the Company may have to pay in settlement of the underlying obligation, should such obligation become immediately payable.

The Company reviews assumptions relating to financial instruments on an ongoing basis to ensure that the basis for determination of fair value is appropriate.

#### Warrant Valuation

Pursuant to the Company's offering of Class A Restricted Voting Units and Class B Units (notes 7 and 8), the Company issued warrants (note 8). The Company applies an option-pricing model to measure the fair value of the warrants issued. Application of the option-pricing model requires estimates in expected dividend yields, expected volatility in the underlying assets and the expected life of the warrant. These estimates may ultimately be different from amounts subsequently realized, resulting in an overstatement or understatement of net earnings or loss.

#### Income Tax

The determination of the Company's income taxes and other tax assets and liabilities requires interpretation of complex laws and regulations. Judgment is required in determining whether deferred income tax assets should be recognized on the statement of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing laws in each applicable jurisdiction. Future taxable income is also significantly dependent upon the Company completing a Qualifying Acquisition, the underlying structure of a Qualifying Acquisition, and the resulting nature of operations. To the extent that future cash flows and/or the probability, structure and timing, and the nature of operations of a future Qualifying Acquisition differ significantly from estimates made, the ability of the Company to realize a deferred tax asset could be materially impacted.

## 5. Restricted Cash and Cash Equivalents Held in Escrow

At December 31, 2016 and December 31, 2015, the carrying value of the Company's cash in Government of Canada Treasury Bills approximated its fair value given this investment's short-term nature.

|   | 2016        | 2015           |
|---|-------------|----------------|
| \$104,684,483 – 0.469% Government of Canada Treasury Bill due February 25, 2016 | \$ -        | \$ 104,609,211 |
| \$105,055,312 – 0.475% Government of Canada Treasury Bill due February 9, 2017  | 105,055,312 | -              |

## Gibraltar Growth Corporation

### Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

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|                  |           |                    |           |                    |
|------------------|-----------|--------------------|-----------|--------------------|
| Accrued interest |           | 42,370             |           | 1,344              |
| <b>Total</b>     | <b>\$</b> | <b>105,097,682</b> | <b>\$</b> | <b>104,610,555</b> |

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During the year ended December 31, 2016, the Company received interest of \$444,756 (December 31, 2015: \$110,556).

#### 6. Due to Related Parties

Commencing on the closing date of the Offering, October 2, 2015, the Company entered into an administrative services agreement with the Sponsor, pursuant to which it will pay the Sponsor at total of \$10,000 per month, plus applicable taxes for an initial term of 21 months (subject to possible extension) for the provision of office space, utilities and administrative support. This agreement will terminate upon the completion of a Qualifying Acquisition. As at December 31, 2016, the Company had incurred \$150,000 (December 31, 2015: \$30,000) in respect of this agreement, the entire amount of which remains unpaid. Amounts due to Sponsor are currently non-interest bearing and are payable no later than the date of the consummation of a Qualifying Acquisition. Due to the short-term nature of this arrangement, the carrying value of the amounts due to Sponsor approximates their fair value. In addition, during the year ended December 31, 2016, \$1,581 (December 31, 2015: \$Nil) of out-of-pocket expenses were incurred and are due to various related parties.

At December 31, 2016, the Sponsor, together with the Company's senior officers and directors owned 2,883,189 (December 31, 2015: 2,883,189) Class B Shares of the Company, representing approximately 22% of the Company's issued and outstanding shares, including the Company's Class A Restricted Voting Shares.

In the year ended December 31, 2016 and the period ended December 31, 2015, there was no remuneration paid to the Company's directors or officers.

#### 7. Class A Restricted Voting Shares Subject to Redemption

##### *Authorization*

The Company is authorized to issue an unlimited number of Class A Restricted Voting Shares. The holders of Class A Restricted Voting Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares.

##### *Voting Rights*

Holders of Class A Restricted Voting Shares are not entitled to vote on, or receive notice of meeting materials in respect of customary annual general meeting matters, including the election and removal of directors and auditors. The holders of the Class A Restricted Voting Shares are, however, entitled to vote on and receive notice of meeting materials on all other matters requiring shareholder approval, including approval of a proposed Qualifying Acquisition.

##### *Redemption Rights*

Holders of Class A Restricted Voting Shares are entitled to redeem their shares, subject to certain conditions, and are entitled to receive the escrow proceeds from the Escrow Account in the event that the Company does not complete a Qualifying Acquisition within the time period outlined in Note 1. In

## Gibraltar Growth Corporation

### Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

circumstances where a Qualifying Acquisition is not completed, upon such redemption, the Class A Restricted Voting shareholder's rights as a shareholder would be completely extinguished.

#### Classification

The Class A Restricted Voting Shares are subject to redemption at the option of the holder. Because of these redemption rights, the Company considers these financial instruments to be outside of its control and subject to uncertain future events. Accordingly, the Class A Restricted Voting Shares have been classified as a financial liability at fair value through profit and loss within the statement of financial position. Until a Qualifying Acquisition occurs, the Company will reflect the Class A Restricted Voting Shares as a financial liability due to their redemption rights. At each future reporting date, changes in fair value will be recorded with the corresponding movement being recorded through profit or loss represented in "net unrealized gain/loss on changes in fair value of financial liabilities".

The fair value of the Company's Class A Restricted Voting Shares is determined by reference to its quoted market price on the TSX on the reporting date. As at December 31, 2016, the closing trading price of the Company's Class A Restricted Voting Shares was \$9.84 per share. The following is a summary of the issuance of Class A Restricted Voting Shares subject to redemption:

|   | CLASS A RESTRICTED<br>VOTING SHARES |                       |
|---|-------------------------------------|-----------------------|
|   | Number                              | Amount                |
| <b>Outstanding, June 11, 2015</b>   | -                                   | \$ -                  |
| <b>Transactions from June 11, 2015 to December 31, 2015</b>                               |                                     |                       |
| Issuance of Class A Restricted Voting Units pursuant to Offering                          | 10,000,000                          | \$ 100,000,000        |
| Issuance of Class A Restricted Voting Units pursuant to exercise of over-allotment option | 450,000                             | \$ 4,500,000          |
| <b>Subtotal</b>   | <b>10,450,000</b>                   | <b>104,500,000</b>    |
| Adjusted for:   |                                     |                       |
| Allocation of proceeds from issuance of Class A Restricted Voting Units to Warrants       | -                                   | (1,045,000)           |
| Change in fair value  | -                                   | (3,866,500)           |
| <b>Outstanding, December 31, 2015</b>   | <b>10,450,000</b>                   | <b>99,588,500</b>     |
| Adjusted for:   |                                     |                       |
| Change in fair value  | -                                   | 3,239,500             |
| <b>Outstanding, December 31, 2016</b>   | <b>10,450,000</b>                   | <b>\$ 102,828,000</b> |

## 8. Shareholders' Deficit/(Equity)

#### Authorization

The Company is authorized to issue an unlimited number of Class B Shares without nominal or par value. The holders of Class B Shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares.

#### Voting Rights

Holders of Class B Shares are entitled to vote at all meetings of shareholders and on all matters requiring a shareholder vote, with the exception of a vote to approve an extension of the permitted timeline to 36

# Gibraltar Growth Corporation

## Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

months within which the Company is required to complete its Qualifying Acquisition. Only holders of Class A Restricted Voting Shares are entitled to vote to extend the permitted timeline.

### Redemption Rights

Holders of Class B Shares do not have any redemption rights with respect to their Class B Shares, or rights to distributions from the Escrow Account if the Company fails to complete a Qualifying Acquisition within the permitted timeline.

### Founders' Shares subject to Forfeiture

By agreement, 25% of the Founders' Shares held by each of the Founders (the "Founders' Forfeiture Shares"), will be subject to forfeiture by the Founders on the fifth anniversary of the closing of a Qualifying Acquisition unless the closing price of the Class B Shares exceeds \$13.00 for any 20 trading days within a 30-trading day period at any time following the closing of a Qualifying Acquisition. The Founders' Forfeiture Shares will be subject to transfer restrictions until such time as the above conditions are met, at which point they will become subject to the same restrictions on transfer, assignment or sale as all other Founders' Shares. The following is a summary of the issuance of Class B Shares:

|   | CLASS B SHARES   |                     |
|---|------------------|---------------------|
|   | Number           | Amount              |
| <b>Outstanding, June 11, 2015</b>                                       | -                | \$ -                |
| Issuance of Class B Share to Sponsor                                    | 1                | 10                  |
| <b>Transactions from June 11, 2015 to December 31, 2015</b>             |                  |                     |
| Issuance of Class B Shares to Founders                                  | 2,984,374        | 25,000              |
| Issuance of Class B Units pursuant to Offering                          | 400,000          | 4,000,000           |
| Issuance of Class B Units pursuant to exercise of over-allotment option | 11,250           | 112,500             |
| Forfeiture of Class B Shares (note 1)                                   | (269,062)        | -                   |
| Subtotal  | 3,126,563        | \$ 4,137,510        |
| Adjusted for:   |                  |                     |
| Allocation of proceeds from issuance of Class B Units to Warrants       | -                | (41,125)            |
| Transaction costs   | -                | (25,705)            |
| <b>Outstanding, December 31, 2016 and December 31, 2015</b>             | <b>3,126,563</b> | <b>\$ 4,070,680</b> |

The following is a summary of the Warrants issued and outstanding:

|  | WARRANTS          |                     |
|--|-------------------|---------------------|
|  | Number            | Amount              |
| <b>Outstanding, June 11, 2015</b>  | -                 | \$ -                |
| <b>Transactions from June 11, 2015 to December 31, 2015</b>                                    |                   |                     |
| From issuance of Class A Restricted Voting Units pursuant to Offering                          | 10,000,000        | 1,000,000           |
| From issuance of Class A Restricted Voting Units pursuant to exercise of over-allotment option | 450,000           | 45,000              |
| From issuance of Class B Units in private placements   | 411,250           | 41,125              |
| Subtotal   | 10,861,250        | \$ 1,086,125        |
| Adjusted for:  |                   |                     |
| Transaction costs  | -                 | (69,465)            |
| <b>Outstanding, December 31, 2016 and December 31, 2015</b>                                    | <b>10,861,250</b> | <b>\$ 1,016,660</b> |

## Gibraltar Growth Corporation

### Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

The Warrants are not exercisable by the holder until 30 days after the Company completes a Qualifying Acquisition. Following a Qualifying Acquisition, each Warrant will entitle the holder to purchase one Class B Share at an exercise price of \$11.50, subject to normal anti-dilution adjustments, for a five-year period following completion by the Company of a Qualifying Acquisition. Warrants expire if a Qualifying Acquisition is not completed.

#### 9. Transaction Costs and Deferred Underwriting Commission

Transaction costs are directly related to the Offering, exercise of the over-allotment option and the issuance of Class B Shares, and consist principally of underwriting, legal, accounting, printing, filing and other costs. Transaction costs incurred from inception to December 31, 2015 were allocated during 2015 between shareholders' equity and expenses within the statements of net loss and comprehensive loss on the following basis:

|                                   | CLASS A<br>RESTRICTED<br>VOTING<br>SHARES | CLASS B<br>SHARES | WARRANTS         | TOTAL               |
|-----------------------------------|---|-------------------|------------------|---------------------|
| Underwriters' commission          | \$ 2,586,375                              | \$ -              | \$ 26,125        | \$ 2,612,500        |
| Deferred Underwriters' commission | 3,620,925                                 | -                 | 36,575           | 3,657,500           |
| Professional fees                 | 348,968                                   | 13,930            | 3,665            | 366,563             |
| Printing                          | 49,344                                    | 1,970             | 518              | 51,832              |
| Other                             | 245,644                                   | 9,805             | 2,582            | 258,031             |
| <b>Total</b>                      | <b>\$ 6,851,256</b>                       | <b>\$ 25,705</b>  | <b>\$ 69,465</b> | <b>\$ 6,946,426</b> |

The Company's Underwriters are entitled to a commission equal to \$6,270,000 representing 6.0% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering and exercise of the over-allotment option. The Company paid \$2,612,500, representing \$0.25 per Class A Restricted Voting Unit, to the Underwriters in connection with the Offering and over-allotment option. The balance of the Underwriters' commission of \$3,657,500, or \$0.35 per Class A Restricted Voting Unit will be released to the Underwriters from the Escrow Account upon completion of a Qualifying Acquisition. As Underwriters' commission relates entirely to the issuance of Class A Restricted Voting Units, the portion applicable to the Class A Restricted Voting Shares was expensed through transaction costs. Transaction costs related to Class B Shares and warrants issued were charged against shareholders' equity.

There were no transaction costs incurred during the year ended December 31, 2016.

#### 10. General and Administrative Expenses by Nature

|                           | For the year<br>ended December<br>31, 2016 | From inception on<br>June 11, 2015 to<br>December 31, 2015 |
|---------------------------|--|--|
| Professional fees         | \$ 690,749                                 | \$ 33,750  |
| Office and other expenses | 164,057                                    | 56,120   |
| Public company costs      | 71,752                                     | 12,373   |
| Insurance                 | 33,750                                     | 8,100  |
| <b>Total</b>              | <b>\$ 960,308</b>                          | <b>\$ 110,343</b>  |



# Gibraltar Growth Corporation

## Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

### 11. Net Loss Per Share

|  | For the year<br>ended December<br>31, 2016 | From inception on<br>June 11, 2015 to<br>December 31, 2015 |
|--|--|--|
| Net loss attributable to owners of Class B Shares              | \$ (3,712,681)                             | \$ (2,984,543)   |
| Weighted average number of Class B Shares outstanding for year | 2,447,736                                  | 1,622,193  |
| <b>Basic and diluted loss per share</b>                        | <b>\$ (1.52)</b>                           | <b>\$ (1.84)</b>   |

Net loss per share is computed by dividing the net loss incurred during the year by the weighted average number of Class B Shares outstanding during the year. The calculation of the net loss per share does not include the effect of Class A Restricted Voting Shares, as the Class A Restricted Voting Shares have been classified in these Financial Statements as financial liabilities.

The Company did not take into effect any dilutive securities in calculating the net loss per share because it reported a net loss in the relevant year. As a result, diluted loss per share is the same as the basic loss per share for the year.

### 12. Financial Instruments

#### Fair Value Measurements

The table below summarizes the assets and liabilities that are included at their fair values in the Company's statement of financial position as at December 31, 2016. These assets and liabilities have been categorized into hierarchical levels, according to the significance and reliability of the inputs used in determining fair value measurements.

| Carrying Value<br>As at<br>December 31, 2016                    | Fair Value as at December 31, 2016                                      |   |  |
|---|---|---|--|
|   | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Recurring Measurements</b>                                   |   |   |  |
| <b>Financial Liabilities</b>                                    |   |   |  |
| Class A Restricted Voting Shares subject to redemption (note 7) | \$ 102,828,000  | \$ -  | \$ -   |

### 13. Income Taxes

The income tax recovery amount on pre-tax losses differs from the income tax recovery amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.5%, as a result of the following items:

## Gibraltar Growth Corporation

### Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

|  | For the year<br>ended December<br>31, 2016 | From inception on<br>June 11 to<br>December 31, 2015 |
|--|--|--|
| Loss before tax at statutory rate of 26.5%               | \$ (983,860)                               | \$ (790,904)   |
| Effect on taxes of:                                      |  |  |
| Non-deductible expenses                                  | 157,653                                    | 331  |
| Unrealized change in fair value of financial liabilities | 858,468                                    | (1,024,623)  |
| Change in unrecognized temporary differences             | (32,261)                                   | 1,815,196  |
| <b>Total</b>   | \$ -                                       | \$ -   |

Deferred tax assets are only recognized in the financial statements if management has determined that it is probable that such deferred tax assets may be recovered. The recoverability of deferred tax assets is dependent on the nature, terms and conditions of a Qualifying Acquisition that is to be completed in the future, causing uncertainty in the ability of the Company to benefit from any deferred tax assets. Accordingly, management believes that the following deductible temporary differences do not currently meet the criteria for recognition within the Company's Statement of Financial Position:

|                                   | 2016             | 2015                |
|-----------------------------------|------------------|---------------------|
| Tax loss carry forwards           | \$ 901,224       | \$ 365,176          |
| Deferred Underwriters' commission | 3,657,500        | 3,657,500           |
| Transaction costs                 | 2,263,502        | 2,921,286           |
| <b>TOTAL</b>                      | <b>6,822,226</b> | <b>\$ 6,943,962</b> |

At December 31, 2016, the Company had estimated non-capital losses of \$901,224 (December 31, 2015: \$365,176), which may be carried forward to reduce taxable income derived in future years. These non-capital losses will expire in 2036 (December 31, 2015: 2035).

#### 14. Financial Risk Management

The Company is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The Company's overall risk management strategy seeks to minimize potential adverse effects of the Company's financial performance.

**Market Risk** - Market risk is the risk that a material loss arises from fluctuations in a financial instrument's fair value. For purposes of this disclosure, the Company segregates market risk into three categories: fair value risk, interest rate risk and currency risk, which are discussed in further detail below.

**Fair Value Risk** - Fair value risk is the potential for loss from an adverse movement in market prices. The Company is exposed to fair value risk in respect to its Class A Restricted Voting Shares, which are carried in the Financial Statements at their fair value. An approximate 1% absolute change in the fair value of the Class A Restricted Voting Shares would result an approximate \$1,030,000 change to shareholders' deficiency/equity.

**Interest Rate Risk** - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Company is exposed to interest rate risk

## Gibraltar Growth Corporation

### Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

(All Figures Expressed in Canadian Dollars)

on cash and cash equivalents held in escrow. Due to the short-term nature of the Company's financial instruments, management of the Company believes that its exposure to interest rate risk is nominal.

**Currency Risk** - Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates relative to the Company's functional currency, the Canadian dollar. As the Company currently does not transact in a meaningful way in any currency other than the Canadian dollar, management believes that this risk is minimal.

**Credit Risk** - Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash, accounts receivable and restricted cash and cash equivalents held in escrow. The Company's maximum exposure to credit risk is equal to the carrying value of these financial instruments.

## 15. Capital Management

The Company's primary objective in managing capital is to ensure capital preservation in order to benefit from qualified acquisition opportunities as they arise. The Company defines the capital that it manages as its Shareholders' (Deficit)/Equity and its Class A Restricted Voting Shares subject to redemption.

|  | 2016 |             | 2015 |            |
|--|------|-------------|------|------------|
| Shareholders' (deficit) / equity                       | \$   | (1,609,884) | \$   | 2,102,797  |
| Class A Restricted Voting Shares subject to redemption |      | 102,828,000 |      | 99,588,500 |

As at December 31, 2016, \$346,855 (December 31, 2015: \$796,873) was held within the Company's operating bank accounts. If the Company requires additional funding for ongoing expenses or costs in connection with a potential Qualifying Acquisition, the Company may seek funding by way of unsecured loans from its Sponsor, which loans would, unless approved otherwise by the TSX, bear interest at no more than prime rate plus 1%. Otherwise, and subject to any relief granted by the TSX, the Company may seek to raise additional funds through a rights offering of shares available to its shareholders, in accordance with the requirements of applicable securities legislation, and subject to placing the required funds raised in the Escrow Account in accordance with applicable TSX rules. Other than the foregoing, the Company will not be able to obtain any form of debt or equity financing other than in accordance with applicable securities laws and only with the consent of the TSX. There is no assurance that the Company's plans to raise capital or to consummate a Qualifying Acquisition will be successful.

## 16. Commitments and Contingencies

As outlined in note 6, the Company entered into an administrative services agreement with the Sponsor, a related party, pursuant to which it will pay the Sponsor at total of \$10,000 per month, plus applicable taxes for an initial term of 21 months (subject to possible extension) for the provision of office space and administrative support. This agreement will terminate upon the completion of a Qualifying Acquisition.

As outlined in note 1, 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 Class B 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

## Gibraltar Growth Corporation

### Notes to Financial Statements

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015

*(All Figures Expressed in Canadian Dollars)*

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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).

#### **17. Subsequent Events**

On February 9, 2017 the Company's Board of Directors approved a plan to further capitalize the Company with \$350,000 to cover for existing and anticipated short term expenses and eliminate the negative working capital position of the Company at year end. On February 23, 2017 the Company received cash proceeds of \$350,000 in return for the issuance of an unsecured loan from its Sponsor (the "Sponsor Loan"). The Sponsor Loan bears interest at prime plus 1% and matures on July 2, 2018 or upon the completion of a Qualifying Acquisition or upon wind-up of the Company and is commensurate and in-line with the terms of such a funding as contemplated by the Company's prospectus. At the sole option of the Sponsor, the Sponsor Loan may be repaid in Class B shares, subject to TSX consent. The Company continues to actively pursue opportunities that would constitute its Qualifying Acquisition and is currently in advanced negotiations with one business. However, no definitive agreement has been entered into at this time with respect to a Qualifying Acquisition, and no assurance can be given that discussions, including those that may be on-going, will result in an agreement or that the Company will be able to complete a Qualifying Acquisition.

**APPENDIX B**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF GIBRALTAR GROWTH**

**(See attached)**



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**As at December 31, 2016 and 2015  
and for the year-ended December 31, 2016  
and the period from inception on June 11, 2015 to December 31, 2015**  
*(All figures expressed in Canadian dollars)*

## **Gibraltar Growth Corporation Management's Discussion and Analysis**

### **GENERAL**

The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited financial statements (the “**Financial Statements**”) of Gibraltar Growth Corporation (the “**Company**” or “**our**”) as of December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015, and the accompanying notes thereto. This Management's Discussion and Analysis (“**MD&A**”) has been prepared with an effective date of March 31, 2017. The Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards (“**IFRS**”). The Canadian dollar is the functional and reporting currency for purposes of preparing these Financial Statements. All dollar amounts within this report are expressed in Canadian dollars.

In addition to reviewing this report, readers are encouraged to read the Company's public filings, including the Annual Information Form, on SEDAR at [www.sedar.com](http://www.sedar.com).

### **CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute “forward-looking statements” for the purpose of applicable Canadian securities legislation. These statements reflect our management's expectations with respect to future events, the Company's financial performance and business prospects. All statements other than statements of historical fact are forward-looking statements. The use of the words “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intends”, “may”, “might”, “plan”, “possible”, “potential”, “predict”, “project”, “should”, “would”, and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated or implied in such forward-looking statements. The forward looking information contained in this MD&A is presented for the purpose of assisting shareholders in understanding the Company's strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. Circumstances affecting the Company may change rapidly. Except as may be required by applicable law, the Company does not undertake any obligation to update publicly or revise any such forward looking statements, whether as a result of new information, future events or otherwise. Unless otherwise indicated, these statements speak only as of the date of this MD&A.

Actual results could differ materially from those anticipated in forward-looking statements stated within the MD&A.

### **ABOUT GIBRALTAR GROWTH CORPORATION**

Gibraltar Growth Corporation is a special purpose acquisition corporation incorporated on June 11, 2015 under the laws of the Province of Ontario (Canada) for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination (a “**Qualifying Acquisition**”). The Company's sponsor is Gibraltar Opportunity, Inc. (the “**Sponsor**”), a wholly-owned subsidiary of Gibraltar & Company, Inc. (“**Gibraltar**”). Gibraltar is a private investment management company that empowers exceptional entrepreneurs and companies to create long-term value.

In the period since inception to December 31, 2016, the Company's management team has identified several potential acquisition opportunities but has not yet identified an acquisition candidate that meets all of its investment priorities. The Company's intention is to complete a Qualifying Acquisition with cash from the proceeds of its initial public offering (as outlined below), by issuing additional capital stock, with proceeds from bank debt, or by using a combination of cash, stock and debt, as may be appropriate.

## INITIAL PUBLIC OFFERING

On June 11, 2015, the Sponsor purchased one Class B Share of the Company for proceeds of \$10. On August 7, 2015 the Company's founders, including the Sponsor, directors and advisory board members (collectively, the "**Founders**") purchased a total of 2,984,374 Class B Shares for \$25,000 at a price of \$0.008 per Class B Share (the "**Founders' Shares**").

On October 2, 2015, the Company closed its initial public offering ("**Offering**") of 10,000,000 Class A Restricted Voting Units ("**Class A Restricted Units**") at a price of \$10.00 per Class A Restricted Voting Unit for gross proceeds of \$100,000,000. On October 29, 2015, the underwriters for the Offering ("**Underwriters**") exercised their over-allotment option to purchase an additional 450,000 Class A Restricted Voting Units, at a price of \$10.00 per Class A Restricted Voting Unit for gross proceeds of \$4,500,000. After these two closings, a total of 10,450,000 Class A Restricted Voting Units had been issued for total gross proceeds of \$104,500,000, which were transferred to the Company's escrow agent and were subsequently invested in short-term Government of Canada Treasury Bills.

Concurrent with the closing of the Class A Restricted Units, on October 2, 2015, the Founders purchased 400,000 Class B Units ("**Class B Units**") at an offering price of \$10.00 for a total of \$4,000,000. Further, on October 29, 2015, the Founders purchased an additional 11,250 Class B Units in connection with the exercise by the Company's Underwriters of the over-allotment option at an offering price of \$10.00 for a total of \$112,500.

Due to the partial exercise of the over-allotment option, and as a requirement pursuant to the Offering and a related forfeiture agreement, the Founders forfeited an aggregate of 269,062 Founders' Shares. As a result, following the exercise of the over-allotment option and forfeiture of the Founders' Shares, the Founders own a total of 2,715,313 Class B Shares and 411,250 Class B Units. Each Class B Unit consists of one Class B Share and one Warrant. Each Warrant entitles the holder to purchase one Class B Share of the Company at a price of \$11.50 during the period commencing on the closing date of a Qualifying Acquisition and ending five years thereafter.

On October 2, 2015, the Company's Class A Restricted Voting Units commenced trading on the Toronto Stock Exchange ("**TSX**") under the symbol "GBG.UN". On November 11, 2015, the Company's Class A Restricted Voting Units separated into Class A Restricted Voting Shares and Warrants both of which trade on the TSX under the symbols "GBG.A" and "GBG.WT", respectively.

Each Class A Restricted Voting Unit of the Company consisted of one Class A Restricted Voting Share and one share purchase warrant ("**Warrant**"). Following a Qualifying Acquisition, each Class A Restricted Voting Share will be automatically converted into one Class B Share. Each Warrant will become exercisable commencing 30 days after the completion of a Qualifying Acquisition, and is exercisable to purchase one Class B Share at an exercise price of \$11.50. Each Warrant will expire on the day that is five years after the completion of a Qualifying Acquisition or may expire earlier if a Qualifying Acquisition is not completed. Once the Warrants become exercisable, the Company may accelerate the expiry date of the outstanding Warrants by providing 30 days' notice if the closing price of the Class B Shares equals or exceeds \$24.00 per Class B 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.

Upon closing of the Offering and the issuance of Class A Restricted Voting Units pursuant to the exercise of the over-allotment option, the Company placed \$104,500,000 (or \$10.00 per Class A Restricted Voting Unit sold) in an escrow account with the Company's escrow agent (the "**Escrow Account**"). Subject to applicable laws, none of the funds held in the Escrow Account will be released until the earliest of: (i) the closing of a Qualifying Acquisition, (ii) a redemption (on the closing of a Qualifying Acquisition or on an extension of the permitted timeline, or an automatic redemption of, Class A Restricted Voting Shares), (iii) the Company's wind-up; and (iv) the requirement of the Company to pay taxes on the interest or certain other amounts earned on the escrow funds and for payment of certain expenses. The escrowed funds will also be used to pay the deferred Underwriters' commission, which will be payable by the Company to the Underwriters upon the closing of a Qualifying Acquisition. After deducting the expenses of the Offering, any remaining net proceeds from the



issuance of Class A Restricted Voting Units and Class B Units not held in the Escrow Account may be used by the Company to pay for business, legal and accounting due diligence costs for prospective acquisitions as well as the continuing general and administrative expenses of the Company.

In connection with any Qualifying Acquisition, the Company will seek shareholder approval at a shareholders' meeting called for such purpose. Regardless of whether shareholders vote for or against, or do not vote on, any proposed Qualifying Acquisition, holders of Class A Restricted Voting Shares may elect to redeem all or a portion of their Class A Restricted Voting Shares at a per-share price, payable in cash, equal to their per-share amount deposited in the Escrow Account, including interest or other amounts earned and net of applicable taxes payable on such interest and other amounts earned and net of direct expenses related to the redemption. Notwithstanding the foregoing redemption right, each holder of Class A Restricted Voting Shares, together with any affiliate of such holder or other person with whom such holder or affiliate is acting jointly or in concert, will not be permitted to redeem more than an aggregate of 15% of the number of Class A Restricted Voting Shares issued and outstanding following the closing of a Qualifying Acquisition. The Founders shall not be entitled to redeem any Class B Shares of the Company purchased by them, including any Class B Shares forming part of the Class B Units purchased.

As noted within the final prospectus of the Company dated September 25, 2015, absent relief from the TSX, a Qualifying Acquisition (or any number of Qualifying Acquisitions) must have a minimum fair market value equal to 80% of the assets held in the Escrow Account (excluding the deferred Underwriters' commission and applicable taxes payable on interest and other amounts earned in the Escrow Account). Where the Qualifying Acquisition is comprised of more than one acquisition, these acquisitions are expected to close concurrently and would be subject to the same shareholder vote at a shareholder's meeting. If, after redemptions, debt or the Company's capital stock is used as consideration to consummate a Qualifying Acquisition, the remaining proceeds held in the escrow account may be used as working capital to finance the operations of the target business or businesses, make other acquisitions and/or pursue a growth strategy.

If the Company is unable to complete a Qualifying Acquisition within 21 months of the Offering, it will redeem 100% of the issued and outstanding Class A Restricted Voting Shares for an amount per share, payable in cash, equal to the pro-rata portion of: (A) the escrow account, including any interest and other amounts earned thereon, less (B) an amount equal to the total of (i) any applicable taxes payable by the Corporation on such interest and other amounts earned in the escrow account, (ii) any taxes of the Corporation (including under Part VI.1 of the Tax Act) arising in connection with the redemption of the Class A Restricted Voting Shares, and (iii) up to a maximum of \$50,000 of interest and other amounts earned to pay actual and expected Winding-Up expenses and certain other related costs. The permitted timeline may be extended up to 36 months, with the approval of the holders of Class A Restricted Voting Shares by ordinary resolution and the consent of the TSX, if required.

The placement of funds in an escrow account may not protect those funds from third party claims. As the Company will not have access to the escrowed funds, the Company may not have the financial resources to defend a potential claim, nor may the Company have the ability to sue to enforce a potential claim. Although the Company will seek, where practicable, to have material vendors, service providers, prospective target businesses or other entities with which we do business execute agreements to waive any right, title, interest or claim of any kind in or to any monies held in the Escrow Account, such parties may not execute such agreements, or even if they execute such agreements, they may not be prevented from bringing claims against the Escrow Account.

By way of 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 Class B 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).

Following completion of a Qualifying Acquisition, the Founders cannot sell or transfer their shares until the earlier of: (i) one year following the completion of a Qualifying Acquisition; and (ii) the closing share price of the Class B 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). In lieu of any entitlement of the Class A Restricted Voting Shares to participate in a take-over bid made for other securities of the Company, prior to the closing of a Qualifying Acquisition, each holder of the Founders' Shares will agree, by way of formal agreement, except if required due to the structuring of a Qualifying Acquisition, in which case such restriction will apply to the securities received in connection with a Qualifying Acquisition, not to transfer any of their Class B Units until a date that is 30 days after the closing of a Qualifying Acquisition.

## SELECTED FINANCIAL INFORMATION

Below is the Company's statement of loss and comprehensive loss for the year ended December 31, 2016 and the period from inception on June 11, 2015 to December 31, 2015.

*(All figures expressed in Canadian dollars, except share and per share amounts)*

|  | For the year ended<br>December 31, 2016 | From inception on<br>June 11, 2015 to<br>December 31, 2015 |
|--|---|--|
| <b>ITEMS IN NET LOSS</b>   |   |  |
| Interest income  | \$ 487,127                              | \$ 110,556   |
| Transaction costs  | -                                       | (6,851,256)  |
| General and administrative   | (960,308)                               | (110,343)  |
| Net unrealized (loss)/gain on changes in fair value of financial liabilities     | (3,239,500)                             | 3,866,500  |
| <b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>                              | <b>\$ (3,712,681)</b>                   | <b>\$ (2,984,543)</b>                                      |
| <b>BASIC AND DILUTED LOSS PER SHARE</b>  | <b>\$ (1.52)</b>                        | <b>\$ (1.84)</b>   |
| <b>Weighted average number of Class B shares outstanding - basic and diluted</b> | <b>2,447,736</b>                        | <b>1,622,193</b>   |

## RESULTS OF OPERATIONS

For the year ended December 31, 2016, the Company realized a net loss of \$3,712,681 (period from inception on June 11, 2015 to December 31, 2015: \$2,984,543). This represents a loss of \$1.52 (period from inception on June 11, 2015 to December 31, 2015: \$1.84) on a per share basis.

### Interest Income

For the year December 31, 2016, the Company earned interest income of \$487,127 (period from inception on June 11, 2015 to December 31, 2015: \$110,556) relating to its investment of the proceeds from the Offering in short-term Government of Canada Treasury Bills.

### General and Administrative Expenses

The following is a summary of general and administrative expenses incurred for the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015.

|                           | For the year ended<br>December 31, 2016 | From inception on<br>June 11, 2015 to<br>December 31, 2015 |
|---------------------------|---|--|
| Professional fees         | \$ 690,749                              | \$ 33,750  |
| Office and other expenses | 164,057                                 | 56,120   |
| Public company costs      | 71,752                                  | 12,373   |
| Insurance                 | 33,750                                  | 8,100  |
| <b>Total</b>              | <b>\$ 960,308</b>                       | <b>\$ 110,343</b>  |

### Net Unrealized Loss on Changes in Fair Value of Financial Liabilities

For the year ended December 31, 2016, the Company recorded an unrealized loss of \$3,239,500 (December 31, 2015: an unrealized gain of \$3,866,500) from the change in fair value of the Class A Restricted Voting Shares.

### SELECTED ANNUAL BALANCE SHEET INFORMATION

| <b>As at</b>  | <b>31-Dec-16</b>      | <b>31-Dec-15</b>      |
|---|-----------------------|-----------------------|
| Restricted cash and cash equivalents held in escrow:        |                       |                       |
| Government of Canada Treasury Bills                         | \$ 105,097,682        | \$ 104,610,555        |
| Per Class A Restricted Voting Shares, subject to redemption | \$ 10.06              | \$ 10.01              |
| Number of Class A shares outstanding                        | 10,450,000            | 10,450,000            |
| Cash  | \$ 346,855            | \$ 796,873            |
| Accounts receivable and prepayments                         | 186,221               | 100,654               |
| <b>TOTAL ASSETS</b>   | <b>\$ 105,630,758</b> | <b>\$ 105,508,082</b> |
| <b>LIABILITIES</b>  |                       |                       |
| Accounts payable and accrued liabilities                    | \$ 603,561            | \$ 129,285            |
| Amounts due to related parties                              | 151,581               | 30,000                |
| Deferred underwriters' commission                           | 3,657,500             | 3,657,500             |
| Class A Restricted Voting Shares subject to redemption      | 102,828,000           | 99,588,500            |
| <b>TOTAL LIABILITIES</b>                                    | <b>\$ 107,240,642</b> | <b>\$ 103,405,285</b> |

### SELECTED QUARTERLY STATEMENT OF NET LOSS AND COMPREHENSIVE LOSS INFORMATION

| <b>For the three-months ended</b>                                     | <b>31-Dec-16</b>    | <b>30-Sep-16</b>      | <b>30-Jun-16</b>    | <b>31-Mar-16</b>    |
|---|---------------------|-----------------------|---------------------|---------------------|
| <b>ITEMS IN NET LOSS</b>  |                     |                       |                     |                     |
| Interest income   | \$ 119,378          | \$ 126,375            | \$ 125,511          | \$ 115,863          |
| General and administrative expenses                                   | (548,726)           | (67,330)              | (49,640)            | (294,612)           |
| Net unrealized loss on changes in fair value of financial liabilities | (313,500)           | (1,672,000)           | (1,045,000)         | (209,000)           |
| <b>Net loss and comprehensive loss</b>                                | <b>\$ (742,848)</b> | <b>\$ (1,612,955)</b> | <b>\$ (969,129)</b> | <b>\$ (387,749)</b> |
| <b>Basic and diluted loss per share</b>                               | <b>\$ (0.30)</b>    | <b>\$ (0.66)</b>      | <b>\$ (0.40)</b>    | <b>\$ (0.16)</b>    |

| <b>For the three-months ended</b>                                     | <b>31-Dec-15</b>      | <b>30-Sep-15</b>    | <b>30-Jun-15</b> |
|---|-----------------------|---------------------|------------------|
| <b>ITEMS IN NET LOSS</b>  |                       |                     |                  |
| Interest income   | \$ 110,556            | -                   | \$ -             |
| Transaction costs   | (6,561,561)           | (289,695)           | -                |
| General and administrative expenses                                   | (110,343)             | -                   | -                |
| Net unrealized gain on changes in fair value of financial liabilities | 3,866,500             | -                   | -                |
| <b>Net loss and comprehensive loss</b>                                | <b>\$ (2,694,848)</b> | <b>\$ (289,695)</b> | <b>\$ -</b>      |
| <b>Basic and diluted loss per share</b>                               | <b>\$ (1.10)</b>      | <b>\$ (0.16)</b>    | <b>\$ -</b>      |

The Class A Restricted Voting Shares of the Company are subject to redemption at the option of the holder. Because of these redemption rights, the Class A Restricted Voting Shares have been classified as a financial liability at fair value through profit and loss within the statement of financial position. At each reporting date, changes in fair value are recorded with the corresponding movement being recorded through profit or loss represented in “net unrealized gain/loss on changes in fair value of financial liabilities”.

Throughout the year, this change in fair value in each period, tended to be the item with the most significant amount of fluctuation. This is because the fair value of the Company’s Class A Restricted Voting Shares is determined by reference to its quoted market price on the TSX on the reporting date. Because the Class A Restricted Voting Shares are classified as a liability, increases in their quoted market price actually lead to an increased liability and thus fair value losses (vs. gains) in the statement of operations. Accordingly in 2016, with a generally upward trend in the share price from quarter-end to quarter-end, the Company recorded significant and unpredictable losses on these securities.

#### **LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION**

As of December 31, 2016, the Company had a total of \$105,055,312 (December 31, 2015: \$104,609,211) invested in Government of Canada Treasury Bills with a maturity date of February 9, 2017 and bearing an interest rate of 0.42%. Accrued interest on this investment as of December 31, 2016 totaled \$42,370 (December 31, 2015: \$1,344). In accordance with the terms of the Offering, all amounts raised through the issuance of the Class A Restricted Voting Units were deposited into the Escrow Account and can only be released upon certain prescribed conditions, as noted earlier on this MD&A.

As of December 31, 2016, the Company had a total of \$346,855 (December 31, 2015: \$796,873) in cash within its operating bank accounts. Cash held outside of the escrow account is used to fund the Company’s ongoing operations and pay for expenses including professional fees, general and administration expenses related to being a public company and other costs, such as legal and accounting fees related to pursuing and negotiating a Qualifying Acquisition. Management is very mindful of its cash resources and always strives to efficiently manage administrative and operational spending. The Company expects to generate negative cash flows from its activities on a quarterly basis until a Qualifying Acquisition has been completed and the Company generates revenue.

As at December 31, 2016, the Company has negative working capital (defined as Cash plus Accounts Receivable and Prepayments less Accounts Payable and Accrued Liabilities less Amounts Due to Related Parties) of \$222,066. This negative working capital position was remedied by the Sponsor in February of 2017 by means of a Sponsor Loan for \$350,000, commensurate and in-line with the terms of such a funding as contemplated by the Company’s prospectus. The Company’s ability to continue as a going concern is dependent upon the continued support of its Sponsor and upon the completion of a Qualifying Acquisition or on the approval of an extension of the permitted timeline should a Qualifying Acquisition not be completed prior to July 2, 2017. There can be no assurance that the Company will be successful in any of these endeavors.

The Company continues to actively pursue opportunities that would constitute its Qualifying Acquisition and is currently in advanced negotiations with one business. However, no definitive agreement has been entered into at this time with respect to a Qualifying Acquisition, and no assurance can be given that discussions, including those that may be on-going, will result in an agreement or that the Company will be able to complete a Qualifying Acquisition.

If the Company requires additional funding for ongoing expenses or costs in connection with a potential Qualifying Acquisition, the Company may seek funding by way of further unsecured loans from its Sponsor, which loans would, unless approved otherwise by the TSX, bear interest at no more than prime rate plus 1%. Otherwise, and subject to any relief granted by the TSX, the Company may seek to raise additional funds through a rights offering of shares available to its shareholders, in accordance with the requirements of applicable securities legislation, and subject to placing the required funds raised in the escrow account in accordance with applicable TSX rules. Other than the foregoing, the Company will not be able to obtain any form of debt or equity financing other than in accordance with applicable securities laws and only with the consent of the TSX. There is no assurance that any plans to raise capital would be successful.

The Company has not entered into any off-balance sheet financing arrangements and has not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets. Further, the Company has no contractual or purchase type of obligations other than those reported in the Company's financial statements as of December 31, 2016 and as of December 31, 2015.

#### **SUMMARY OF SHARES AND WARRANTS OUTSTANDING**

The following table sets forth information regarding the issued and outstanding shares and warrants of the Company as at March 31, 2017:

|                                  | TOTAL             |
|----------------------------------|-------------------|
| Class A Restricted Voting Shares | 10,450,000        |
| Class B Shares                   | 3,126,563         |
| Warrants                         | 10,861,250        |
| <b>Total</b>                     | <b>24,437,813</b> |

#### **RELATED PARTIES AND RELATED PARTY TRANSACTIONS**

Commencing on the closing date of the Offering, October 2, 2015, the Company entered into an administrative services agreement with the Sponsor, pursuant to which it will pay the Sponsor at total of \$10,000 per month, plus applicable taxes for an initial term of 21 months (subject to possible extension) for the provision of office space, utilities and administrative support. This agreement will terminate upon the completion of a Qualifying Acquisition. As at December 31, 2016, the Company had incurred \$150,000 (December 31, 2015: \$30,000) in respect of this agreement, the entire amount of which remains unpaid. This amount is included in General and Administrative Expenses on the Statement of Net Loss and Comprehensive Loss. Amounts due to Sponsor are currently non-interest bearing and are payable no later than the date of the consummation of a Qualifying Acquisition. Due to the short-term nature of this arrangement, the carrying value of the amounts due to Sponsor approximates their fair value. In addition, during the year ended December 31, 2016, \$1,581 (December 31, 2015: \$Nil) of out-of-pocket expenses were incurred and are due to various related parties.

At December 31, 2016, the Sponsor, together with the Company's senior officers and directors owned 2,883,189 (December 31, 2015: 2,883,189) Class B Shares of the Company, representing approximately 22% of the Company's issued and outstanding shares, including the Company's Class A Restricted Voting Shares.

For the year ended December 31, 2016 and for the period from inception on June 11, 2015 to December 31, 2015, there has been no remuneration paid to the Company's directors or officers.

#### **CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT ACCOUNTING POLICIES**

The preparation of the Company's financial statements requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Company's reported amounts of assets, liabilities, and items in net income or loss, and the related disclosure of contingent assets and liabilities, if any. The Company evaluates its estimates on an ongoing basis. Such estimates are based on various assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

A summary of the significant judgments and estimates made by management, including evaluation of the going concern assumption, and a summary of the significant accounting policies used in the preparation of its financial information is provided within the Company's December 31, 2016 audited financial statements.

#### **NEW IFRS ACCOUNTING PRONOUNCEMENTS**

The Company has not early adopted the following accounting standard, which is not yet effective:

*IFRS 9, Financial Instruments ("IFRS 9")* - IFRS 9 replaces IAS 39. IFRS 9 determines whether a financial asset is measured at amortized cost or fair value. This standard assesses how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. IFRS 9 requires one impairment approach to be used, replacing the impairment approaches currently provided in IAS 39. The effective date is for annual periods beginning on or after January 1, 2018.

The Company is currently assessing the impact that IFRS 9 would have on the Company's financial statements.

#### **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are designed to provide reasonable, but not absolute, assurance that all material information is obtained, analyzed and reported to senior management on a timely basis in order for management to make reasonable decisions regarding public disclosure.

The Company's certifying officers, the Co-Chief Executive Officers and the Chief Financial Officer, have reviewed the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on their review, they have concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Regulators, were effective and provide reasonable assurance that information required to be disclosed in interim, annual and special filings are submitted under Canadian securities laws and are recorded, processed, summarized and reported in a timely fashion.

#### **COMMITMENTS AND CONTINGENCIES**

The Company entered into an administrative services agreement with the Sponsor, pursuant to which it will pay the Sponsor at total of \$10,000 per month, plus applicable taxes for an initial term of 21 months (subject to possible extension) for the provision of office space and administrative support. This agreement will terminate upon the completion of a Qualifying Acquisition.

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 Class B 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).

#### **MANAGING RISK**

Except as otherwise disclosed in this MD&A and in the Company's Audited Financial Statements for the year ended December 31, 2016, there have been no significant changes to the nature and scope of the risks faced by the Company as further described in the final prospectus of the Company dated September 25, 2015, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Interested parties when evaluating the Company's performance and its outlook should consider these business risks.

Dated: March 31, 2017, Toronto, Ontario

**APPENDIX C**  
**LXR FINANCIAL STATEMENTS**

**(See attached)**

Consolidated financial statements

**LXR Produits de Luxe International Inc.**

December 31, 2016



## Independent auditors' report

To the Shareholders of  
**LXR Produits de Luxe International Inc.**

We have audited the accompanying consolidated financial statements of **LXR Produits de Luxe International Inc.**, which comprise the consolidated statements of financial position as at December 31, 2016, 2015 and 2014, and January 1, 2014, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years ended December 31, 2016, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **LXR Produits de Luxe International Inc.** as at December 31, 2016, 2015 and 2014, and January 1, 2014, and its financial performance and its cash flows for the years ended December 31, 2016, 2015 and 2014, in accordance with International Financial Reporting Standards.

*Ernst & Young LLP<sup>1</sup>*

Montréal, Canada  
May 12, 2017

<sup>1</sup> CPA auditor, CA, public accountancy permit no. A112179



**LXR Produits de Luxe International Inc.**

**Consolidated statements of financial position**

As at

|  | December 31,<br>2016 | December 31,<br>2015 | December 31,<br>2014 | January 1,<br>2014 |
|--|----------------------|----------------------|----------------------|--------------------|
|  | \$                   | \$                   | \$                   | \$                 |
| <b>Assets [notes 9 and 11]</b>                           |                      |                      |                      |                    |
| <b>Current</b>   |                      |                      |                      |                    |
| Cash   | 938,966              | 909,858              | 213,208              | 469,857            |
| Accounts receivable [note 5]                             | 2,462,213            | 1,065,522            | 1,234,316            | 743,686            |
| Investment tax credits receivable                        | —                    | 144,178              | 55,142               | —                  |
| Income tax receivable                                    | 31,924               | 42,917               | 20,000               | —                  |
| Inventory  | 6,871,597            | 2,518,984            | 2,409,012            | 2,534,638          |
| Prepaid expenses and deposits                            | 340,520              | 194,228              | 203,424              | 241,668            |
| <b>Total current assets</b>                              | <b>10,645,220</b>    | <b>4,875,687</b>     | <b>4,135,102</b>     | <b>3,989,849</b>   |
| Property and equipment, net [notes 6, 9 and 11]          | 1,000,913            | 490,724              | 362,126              | 1,229,821          |
| Intangible assets, net [note 7]                          | 256,917              | 323,595              | 345,312              | 83,814             |
| Investments and other assets [note 8]                    | 112,682              | 276,623              | 160,420              | —                  |
|  | <b>12,015,732</b>    | <b>5,966,629</b>     | <b>5,002,960</b>     | <b>5,303,484</b>   |
| <b>Liabilities and shareholders' equity (deficiency)</b> |                      |                      |                      |                    |
| <b>Current</b>   |                      |                      |                      |                    |
| Credit facility [note 9]                                 | 3,399,362            | 1,483,123            | 1,947,243            | 590,031            |
| Accounts payable and accrued liabilities [note 10]       | 4,017,524            | 2,109,541            | 434,091              | 467,721            |
| Income tax payable                                       | —                    | 64,128               | —                    | 121,000            |
| Deferred revenues  | —                    | 122,512              | —                    | —                  |
| Derivative financial instruments [note 19]               | —                    | —                    | 74,937               | 66,717             |
| Current portion of long-term debt [note 11]              | 2,841,026            | 2,373,568            | 2,271,324            | 444,357            |
| Preferred shares [note 12]                               | 300,000              | 300,000              | 300,000              | 300,000            |
| <b>Total current liabilities</b>                         | <b>10,557,912</b>    | <b>6,452,872</b>     | <b>5,027,595</b>     | <b>1,989,826</b>   |
| Loan payable to a commonly controlled company [note 11]  | —                    | 111,856              | —                    | —                  |
| Long-term debt [note 11]                                 | 187,727              | 216,087              | 239,214              | 2,819,067          |
| Convertible redeemable preferred shares [note 12]        | 30,226,003           | —                    | —                    | —                  |
| Deferred income taxes [note 14]                          | 178,243              | 14,489               | 26,190               | 10,869             |
| <b>Total liabilities</b>                                 | <b>41,149,885</b>    | <b>6,795,304</b>     | <b>5,292,999</b>     | <b>4,819,762</b>   |
| <b>Shareholders' equity (deficiency)</b>                 |                      |                      |                      |                    |
| Share capital [note 13]                                  |                      |                      |                      |                    |
| Capital stock  | 100                  | 100                  | 100                  | 100                |
| Retained earnings (deficit)                              | (28,961,429)         | (644,411)            | (213,709)            | 483,622            |
| Accumulated other comprehensive loss                     | (172,824)            | (184,364)            | (76,430)             | —                  |
| <b>Total shareholders' equity (deficiency)</b>           | <b>(29,134,153)</b>  | <b>(828,675)</b>     | <b>(290,039)</b>     | <b>483,722</b>     |
|  | <b>12,015,732</b>    | <b>5,966,629</b>     | <b>5,002,960</b>     | <b>5,303,484</b>   |
| Commitments and contingencies [note 23]                  |                      |                      |                      |                    |
| Subsequent events [note 24]                              |                      |                      |                      |                    |

See accompanying notes

On behalf of the Board:

Director

Director

# LXR Produits de Luxe International Inc.

## Consolidated statements of loss and comprehensive loss

Years ended December 31

|  | 2016                | 2015       | 2014       |
|--|---------------------|------------|------------|
|  | \$                  | \$         | \$         |
| <b>Net revenue</b>   | <b>21,890,810</b>   | 15,325,739 | 12,938,404 |
| Cost of sales  | <b>14,965,438</b>   | 11,025,507 | 9,303,271  |
| <b>Gross profit</b>  | <b>6,925,372</b>    | 4,300,232  | 3,635,133  |
| Selling, general and administrative expenses <i>[note 15]</i>                    | <b>6,127,350</b>    | 3,989,095  | 3,381,453  |
| Amortization and depreciation expenses   | <b>224,329</b>      | 235,128    | 253,413    |
| <b>Results from operating activities</b>   | <b>573,693</b>      | 76,009     | 267        |
| Finance costs <i>[note 22]</i>   | <b>1,473,986</b>    | 477,056    | 612,470    |
| Foreign exchange loss (gain)   | <b>(193,639)</b>    | 101,610    | (22,590)   |
| Share of loss in an associate <i>[note 8]</i>                                    | <b>499,007</b>      | —          | —          |
| Non-recurring gain on loss of control of a subsidiary                            | <b>(363,948)</b>    | —          | —          |
| Loss (gain) on change in fair value of derivative financial instruments          | —                   | (74,937)   | 8,220      |
| Change in fair value of convertible redeemable preferred shares <i>[note 12]</i> | <b>17,277,928</b>   | —          | —          |
| Convertible redeemable preferred shares dividends <i>[note 12]</i>               | <b>661,442</b>      | —          | —          |
| Change in fair value of warrants <i>[note 12]</i>                                | <b>9,582,300</b>    | —          | —          |
| <b>Loss before income taxes</b>  | <b>(28,363,383)</b> | (427,720)  | (597,833)  |
| Income tax expense (recovery) <i>[note 14]</i>                                   |                     |            |            |
| Current  | <b>(210,119)</b>    | 14,683     | (808)      |
| Deferred   | <b>163,754</b>      | (11,701)   | 15,321     |
|  | <b>(46,365)</b>     | 2,982      | 14,513     |
| <b>Net loss</b>  | <b>(28,317,018)</b> | (430,702)  | (612,346)  |
| <b>Other comprehensive income (loss)</b>   |                     |            |            |
| Cumulative translation adjustment  | <b>11,540</b>       | (107,934)  | (76,430)   |
| <b>Comprehensive loss</b>  | <b>(28,305,478)</b> | (538,636)  | (688,776)  |
| <b>Loss per share <i>[note 17]</i></b>   |                     |            |            |
| Basic and fully diluted  | <b>(28.31)</b>      | (0.43)     | (0.61)     |
| Weighted average number of shares outstanding – basic and fully diluted          | <b>1,000,000</b>    | 1,000,000  | 1,000,000  |

See accompanying notes

**LXR Produits de Luxe International Inc.**

**Consolidated statements of changes in shareholders' equity (deficiency)**

Years ended December 31

|  | Share<br>capital<br>\$ | Retained<br>earnings<br>(deficit)<br>\$ | Cumulated<br>translation<br>adjustment<br>\$ | Total<br>shareholders'<br>equity<br>(deficiency)<br>\$ |
|--|------------------------|---|--|--|
| <b>Balance, January 1, 2014</b>        | 100                    | 483,622                                 | —  | 483,722  |
| Net loss for the year 2014             | —                      | (612,346)                               | —  | (612,346)  |
| Cumulative translation adjustment      | —                      | —                                       | (76,430)                                     | (76,430)   |
| Repurchase of minority interest        | —                      | (84,985)                                | —  | (84,985)   |
| <b>Balance as at December 31, 2014</b> | 100                    | (213,709)                               | (76,430)                                     | (290,039)  |
| Net loss for the year 2015             | —                      | (430,702)                               | —  | (430,702)  |
| Cumulative translation adjustment      | —                      | —                                       | (107,934)                                    | (107,934)  |
| <b>Balance as at December 31, 2015</b> | 100                    | (644,411)                               | (184,364)                                    | (828,675)  |
| Net loss for the year 2016             | —                      | (28,317,018)                            | —  | (28,317,018)   |
| Cumulative translation adjustment      | —                      | —                                       | 11,540                                       | 11,540   |
| <b>Balance as at December 31, 2016</b> | 100                    | (28,961,429)                            | (172,824)                                    | (29,134,153)   |

*See accompanying notes*

# LXR Produits de Luxe International Inc.

## Consolidated statements of cash flows

Years ended December 31

|   | 2016               | 2015             | 2014             |
|---|--------------------|------------------|------------------|
|   | \$                 | \$               | \$               |
| <b>Operating activities</b>   |                    |                  |                  |
| Net loss for the year   | (28,317,018)       | (430,702)        | (612,346)        |
| Non-cash items:   |                    |                  |                  |
| Depreciation of property and equipment                                  | 114,113            | 78,607           | 186,351          |
| Amortization of intangible assets                                       | 110,216            | 156,521          | 67,062           |
| Amortization of deferred financing costs [note 22]                      | 372,429            | 44,271           | 66,064           |
| Deferred income taxes   | 163,754            | (11,701)         | 15,321           |
| Unrealized foreign exchange gain (loss) on non-monetary assets          | (86,520)           | (28,843)         | 13,778           |
| Change in fair value of redeemable preferred shares [note 12]           | 17,277,928         | —                | —                |
| Convertible redeemable preferred shares dividends                       | 661,442            | —                | —                |
| Change in fair value of warrants  | 9,582,300          | —                | —                |
| Interest accretion expense on subordinated debt                         | 473,072            | 38,743           | 125,560          |
| Non-recurring gain on loss of control of a subsidiary                   | (363,948)          | —                | —                |
| Share of loss in an associate [note 8]                                  | 499,007            | —                | —                |
| Loss (gain) on change in fair value of derivative financial instruments | —                  | (74,937)         | 8,220            |
|   | 486,775            | (228,041)        | (129,990)        |
| Net change in non-cash working capital balances related to operations   | (4,137,111)        | 2,034,677        | (609,255)        |
| <b>Cash flows provided by (used in) operating activities</b>            | <b>(3,650,336)</b> | <b>1,806,636</b> | <b>(739,245)</b> |
| <b>Investing activities</b>   |                    |                  |                  |
| Acquisition of intangible assets  | (170,064)          | (171,165)        | (328,560)        |
| Acquisition of property and equipment                                   | (637,175)          | (169,110)        | (307,749)        |
| Disposition of property and equipment                                   | —                  | —                | 5,691            |
| <b>Cash flows used in investing activities</b>                          | <b>(807,239)</b>   | <b>(340,275)</b> | <b>(630,618)</b> |
| <b>Financing activities</b>   |                    |                  |                  |
| Net increase (decrease) in credit facility                              | 2,390,620          | (464,120)        | 1,357,212        |
| Proceeds from issuance of long-term debt                                | 272,574            | 230,629          | 273,886          |
| Repayment of long-term debt   | (369,499)          | (229,877)        | (300,083)        |
| Payment of financing costs  | (541,715)          | (136,129)        | (47,593)         |
| Proceeds from issuance of redeemable preferred shares                   | 2,704,332          | —                | —                |
| Repurchase of shares in a subsidiary, net of shares cost of \$1         | —                  | —                | (80,000)         |
| <b>Cash flows provided by (used in) financing activities</b>            | <b>4,456,312</b>   | <b>(599,497)</b> | <b>1,203,422</b> |
| <b>Effect of exchange rate changes on cash</b>                          | <b>30,371</b>      | <b>(170,214)</b> | <b>(90,208)</b>  |
| <b>Net increase (decrease) in cash during the year</b>                  | <b>29,108</b>      | <b>696,650</b>   | <b>(256,649)</b> |
| Cash, beginning of year   | 909,858            | 213,208          | 469,857          |
| <b>Cash, end of year</b>  | <b>938,966</b>     | <b>909,858</b>   | <b>213,208</b>   |
| <b>Supplementary information (as reported in operating activities)</b>  |                    |                  |                  |
| Income taxes paid (received)  | (172,022)          | (13,472)         | 140,192          |
| Interest paid   | 458,721            | 346,719          | 354,805          |

See accompanying notes

## LXR Produits de Luxe International Inc.

### Notes to consolidated financial statements

December 31, 2016, 2015, 2014 and January 1, 2014

#### 1. Corporate information

The consolidated financial statements of LXR Produits de Luxe International Inc. (the "Company") for the years ended December 31, 2016, 2015 and 2014 were authorized for issue in accordance with a resolution of the Board of Directors on May 12, 2017. The Company is incorporated and domiciled in Canada. The registered head-office is located at 40 Jean-Talon Street W., Montréal, Québec, Canada, H2R 2W5.

The Company was founded in 2010 by Frederick Mannella and Kei Izawa (the "Founding Shareholders") and operates primarily as an omni-channel retailer of pre-owned branded luxury accessories, selling mainly to customers in Canada, the United States, and commencing in 2016, Germany. The Company also sells pre-owned branded luxury accessories on-line (see notes 8(i) and 24) and through traditional wholesale channels. In 2016, it operated out of office locations in Montréal and Tokyo.

#### 2. Summary of significant accounting policies

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). For all periods up to and including the year ended December 31, 2015, the Company prepared its financial statements in accordance with Canadian accounting standards for private enterprises. These consolidated financial statements for the year ended December 31, 2016 are the first the Company has prepared in accordance with IFRS. Refer to note 25 for information on how the Company adopted IFRS.

Accordingly, the Company has prepared consolidated financial statements which comply with IFRS applicable for periods beginning on or after January 1, 2014 as described in the accounting policies below. In preparing these consolidated financial statements, the Company's opening financial position was prepared as at January 1, 2014, the Company's date of transition to IFRS (the "Transition Date").

The consolidated financial statements have been prepared on a historical cost basis, except for warrants, convertible redeemable preferred shares and foreign currency derivatives.

#### Basis of consolidation

The consolidated financial statements include the accounts of the Company, and the following wholly-owned subsidiaries:

| Name   | Ownership                |
|--|--------------------------|
| LXR Canada Inc.  | 100%                     |
| LXR Luxe, Inc.   | 100%                     |
| Groupe Global LXR Inc. and its wholly-owned subsidiary LXR & Co Inc. to June 10, 2016 – see note 8 and note 24 | 100% until June 10, 2016 |

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions, balances and unrealized gains or losses have been eliminated upon consolidation. The Company has no interests in special purpose entities.

## **LXR Produits de Luxe International Inc.**

### **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings (deficit), as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities

#### **Functional and presentation currency**

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent Company and the primary economic environment in which the Company operates.

For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

## **LXR Produits de Luxe International Inc.**

### **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

#### **Foreign currency translation**

Revenues, expenses and non-monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the financial position date. Unrealized and realized translation gains and losses are reflected in net income (loss).

The assets and liabilities of the Company's U.S. wholly owned subsidiary, whose functional currency is the U.S. dollar, are translated into Canadian dollars at the exchange rates in effect at the financial position date. Revenues and expenses are translated at average exchange rates for the period. Differences arising from the exchange rate changes are included in OCI in the cumulative translation adjustment account.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in OCI in the cumulative translation account and reclassified from equity to net income (loss) on disposal of the net investment.

#### **Cash**

Cash on the financial position comprises cash at banks and on hand.

#### **Inventory valuation**

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Costs include the cost of purchase and transportation costs that are directly incurred to bring the inventories to their present location and duty. Net realizable value is the estimated selling price of inventory in the ordinary course of business, less any estimated selling costs.

#### **Property and equipment**

Property and equipment are initially recorded at cost and are depreciated over their useful economic life. Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly related to bringing the asset to a working condition for its intended use. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate. All repair and maintenance costs are recognized in net income (loss) as incurred.

Depreciation of an asset begins once it becomes available for use. Depreciation is charged to income on the following bases:

|                         |     |                   |
|-------------------------|-----|-------------------|
| Furniture and equipment | 20% | Declining balance |
| Computer equipment      | 33% | Declining balance |
| Rolling stock           | 30% | Declining balance |

Leasehold improvements are depreciated on a straight-line basis over the lesser of the useful economic life and the initial term of the leases, plus one renewal option period, not to exceed three years.



## **LXR Produits de Luxe International Inc.**

### **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

Any gain or loss arising on the disposal or derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in net income (loss) when the asset is derecognized.

#### **Intangible assets**

Intangible assets consist of computer software and website costs. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets are initially recorded at cost. Intangible assets with finite lives are amortized over their useful economic lives. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life are considered to modify the amortization period and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in net income (loss) as the expense category that is consistent with the function of the intangible assets.

|          |              |                   |
|----------|--------------|-------------------|
| Software | 1 to 3 years | Declining balance |
| Website  | 3 years      | Declining balance |

Any gain or loss arising on the disposal or derecognition of the intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset) is included in net income (loss) when the intangible asset is derecognized.

Expenditures incurred during the development phase of the website are capitalized as intangible assets when they meet the following criteria: the technical feasibility of completing the intangible asset has been demonstrated, the Company has the intention to use the asset, adequate technical, financial and other resources are available to complete the development, ability to measure reliably the expenditure attributable to the intangible asset during its development and commercialize the asset that will generate future economic benefits for the Company. When the aforementioned criteria are not met, expenditures incurred during the development phase are expensed as incurred.

#### **Leases**

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed.

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. The Company carries on its operations in premises under leases of varying terms and renewal options, which are accounted for as operating leases. Payments under an operating lease are recognized in net income (loss) on a straight-line basis over the term of the lease. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as a deferred lease credit. Contingent (sales-based) rentals are recognized as an expense when incurred through selling, general and administrative expenses.

## **LXR Produits de Luxe International Inc.**

### **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

#### **Store opening and store closing costs**

Store opening costs and store closing costs are expensed as incurred.

#### **Investment in an associate**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Company's investment in an associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of the associate is presented as part of the Company's OCI. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate or joint venture.

The Company recognizes its share of the losses of the associate until its share of losses equals its interest in the associate. Once the investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The financial statements of the associate are prepared for the same reporting period as the Company.

#### **Impairment**

##### *i. Impairment of financial assets*

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

### *ii. Impairment of non-financial assets*

The Company assesses, at each reporting date, whether there is an indication that an item of property and equipment or an intangible asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or corporate assets.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years or the lease term if shorter.

Based on the management of operations, the Company has defined each of the commercial premises in which it carries out its activities as a CGU, although where appropriate these premises are aggregated at a district or regional level to form a CGU.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased and if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited to the extent that an asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. Such reversal is recognized in net loss.

### *iii. Impairment of investment in associate*

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment. At each reporting date, the Company determines whether there is objective evidence that the investment is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its respective carrying value, then recognizes the loss in the statement of loss and comprehensive loss.

### **Derivative financial instruments and hedge accounting**

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

## **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

### **Provisions**

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of loss net of any reimbursement. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### **Share capital**

#### *i. Common shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

#### *ii. Preferred shares*

Preferred shares are classified as a financial liability if they are redeemable on a specific date or at the option of the shareholders. Dividends thereon are recognized as interest expense in net loss as accrued.

#### *iii. Convertible redeemable preferred shares*

Convertible redeemable preferred shares issued by the Company also comprise convertible preferred shares that can be converted to common shares at the option of the holders.

The component parts of compound financial instruments (convertible redeemable preferred shares) issued by the Company are usually classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements. Usually, the conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is classified as an equity instrument. Since the instrument does not meet the fixed for fixed criteria for bifurcation, the conversion option is classified as a separate other financial liability.

The Company designated the entire compound instrument as a financial liability at fair value through profit or loss.

When and if the conversion option is exercised, the preferred shares will be transferred to share capital.

Transaction costs that relate to the issue of the preferred shares such as legal fees, that are directly attributable to the incurrence of financial liabilities are recorded as a reduction of the preferred shares proceeds.

## **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

### **Stock-based compensation**

The Company has a stock option plan for employees and directors from which options to purchase common shares are issued. Options may not be granted with an exercise price of less than the fair value of the options at the grant date. The awards have no cash settlement alternatives. The vesting requirements are typically service-based and the options normally have a contractual life of 10 years.

The fair value of stock-based compensation awards granted to employees is measured at the grant date using the Black-Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the option, the expected volatility (based on weighted average historical volatility adjusted for changes expected based on publicly available information), the weighted average expected life of the option (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

The value of the compensation expense is recognized over the vesting period of the stock options as an expense included in selling, general and administrative expenses, with a corresponding increase to contributed surplus in equity. The amount recognized as an expense is adjusted to reflect the Company's best estimate of the number of awards that will ultimately vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Any consideration paid by plan participants on the exercise of stock options and the previously recognized compensation cost of the options exercised included in contributed surplus are credited to share capital.

### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenues are recorded net of discounts, rebates, estimated returns and sales taxes. These are generally recorded at the retail point of sale for retail and e-commerce sales. There are no discounts or rebates in the wholesale channel. The Company recognizes revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The Company's revenue includes sales through the retail stores, sales through the Company's e-Commerce channel and revenue from wholesale operations and hybrid stores.

#### *i. Retail Stores and e-Commerce sales*

Revenue from Retail Stores is recognized when the goods are delivered to the customer, which is generally at the point of sale. Revenue from e-Commerce sales is recognized upon receipt of the goods by the customer. The Company's provides customers with a minimal right to return within a specified period for store credit only. Accumulated experience is used to estimate and provide for such returns.

## **LXR Produits de Luxe International Inc.**

### **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

#### *ii. Wholesale and Hybrid Store sales*

Revenue from wholesale clients and Hybrid Store sales are recognized upon shipment of the merchandise. The Company does not generally grant right of returns to wholesale customers. Note the Company does not allow returns for cash (store credit only), and for a short period only after the sale, so all returns are considered in the December 31, 2016 financial statements.

#### **Income taxes**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except to the extent that they relate to items recognized directly in equity or in OCI.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial position date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Company uses the liability method of accounting for deferred income taxes, which requires the establishment of deferred income tax assets and liabilities for all temporary differences caused when the tax bases of assets and liabilities differ from their carrying amounts reported in the consolidated financial statements. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The Company recognizes deferred income tax assets for unused tax losses and deductible temporary differences only to the extent that, in management's opinion, it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax assets and liabilities are recognized on the consolidated statements of financial position under non-current assets or liabilities irrespective of the expected dates of realization or settlement.

#### **Earnings (loss) per share**

Basic earnings per share are calculated using the weighted average number of shares outstanding during the period.

The diluted earnings (loss) per share are calculated by adjusting the weighted average number of shares outstanding to include additional shares issued from the assumed conversion of preferred shares and the exercise of stock options, if dilutive. For stock options, the number of additional shares is calculated by assuming that the proceeds from such exercises, as well as the amount of unrecognized stock-based compensation which is considered to be assumed proceeds, are used to purchase common shares at the average market price during the reporting period.

## **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized depending on their classification with changes in subsequent measurements being recognized in income or loss or in OCI.

The Company has made the following classifications:

- Cash, convertible redeemable preferred shares, warrants and derivative financial instruments are classified as “fair value through profit or loss”, and measured at fair value. Changes in fair value are recorded in net loss.
- Accounts receivable are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, loan payable to a commonly controlled company, credit facility and long-term debt are classified as “Other Financial Liabilities”. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

### **Government grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

## **3. Changes in accounting principles**

### **Standards issued but not yet effective**

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

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

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

### **4. Significant accounting judgments, estimates and assumptions**

The preparation of the consolidated financial statements in conformity with IFRS requires the Company to make judgments, apart from those involving estimation, in applying accounting policies that affect the recognition and measurement of assets, liabilities, revenues and expenses. Actual results may differ from the judgments made by the Company. Information about judgments that have the most significant effect on recognition and measurement of assets, liabilities, revenues and expenses are discussed below. Information about significant estimates is discussed in the following section.

#### **Critical judgments and estimates in applying accounting policies**

##### *i. Compound financial instrument and embedded derivatives*

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

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

##### *ii. Income taxes*

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

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



## LXR Produits de Luxe International Inc.

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The Company recognizes deferred income tax assets for unused tax losses and deductible temporary differences only to the extent that, in management's opinion, it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### 5. Accounts receivable

|  | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ | January 1,<br>2014<br>\$ |
|--|----------------------------|----------------------------|----------------------------|--------------------------|
| Trade  | 1,683,209                  | 879,978                    | 1,100,235                  | 355,591                  |
| Trade receivable from an associate<br>(Groupe Global LXR Inc.) | 397,575                    | —                          | —                          | —                        |
| Less: allowance for doubtful accounts                          | (10,890)                   | —                          | —                          | —                        |
|  | 2,069,894                  | 879,978                    | 1,100,235                  | 355,591                  |
| Sales tax receivable from a foreign<br>jurisdiction            | 331,180                    | 150,450                    | 99,080                     | 300,135                  |
| Other  | 61,139                     | 35,094                     | 35,001                     | 87,960                   |
|  | 2,462,213                  | 1,065,522                  | 1,234,316                  | 743,686                  |

Trade receivables are non-interest bearing and are generally due on terms of up to 30 days.

As at December 31, 2016, trade receivables of an initial value of \$76,440 (2015 – \$38,420; 2014 – \$519,880; and January 1, 2014 – \$11,103) were past due but not impaired.

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**6. Property and equipment**

|                                       | Land      | Building  | Furniture<br>and<br>equipment | Computer<br>equipment | Rolling<br>stock | Leasehold<br>improvements | Total       |
|---------------------------------------|-----------|-----------|-------------------------------|-----------------------|------------------|---------------------------|-------------|
|                                       | \$        | \$        | \$                            | \$                    | \$               | \$                        | \$          |
| <b>Cost</b>                           |           |           |                               |                       |                  |                           |             |
| Balance, January 1, 2014              | 277,350   | 748,500   | 100,915                       | 56,556                | 60,796           | 76,490                    | 1,320,607   |
| Acquisitions                          | —         | —         | 56,247                        | 20,478                | —                | 231,024                   | 307,749     |
| Disposals                             | (277,350) | (748,500) | —                             | —                     | (5,691)          | (111,484)                 | (1,143,025) |
| Cumulative translation<br>adjustment  | —         | —         | 12,545                        | 1,902                 | —                | 9,121                     | 23,568      |
| Balance, December 31, 2014            | —         | —         | 169,707                       | 78,936                | 55,105           | 205,151                   | 508,899     |
| Acquisitions                          | —         | —         | 9,063                         | 8,199                 | —                | 151,848                   | 169,110     |
| Cumulative translation<br>adjustment  | —         | —         | 35,577                        | 7,751                 | —                | 21,401                    | 64,729      |
| Balance, December 31, 2015            | —         | —         | 214,347                       | 94,886                | 55,105           | 378,400                   | 742,738     |
| Acquisitions                          | —         | —         | 15,309                        | 20,341                | 54,553           | 546,972                   | 637,175     |
| Disposals                             | —         | —         | —                             | —                     | (55,105)         | —                         | (55,105)    |
| Cumulative translation<br>adjustment  | —         | —         | —                             | 4,758                 | —                | 6,727                     | 11,485      |
| <b>Balance, December 31,<br/>2016</b> | —         | —         | 229,656                       | 119,985               | 54,553           | 932,099                   | 1,336,293   |

|                                   | Land | Building | Furniture<br>and<br>equipment | Computer<br>equipment | Rolling<br>stock | Leasehold<br>improvements | Total     |
|-----------------------------------|------|----------|-------------------------------|-----------------------|------------------|---------------------------|-----------|
|                                   | \$   | \$       | \$                            | \$                    | \$               | \$                        | \$        |
| <b>Accumulated depreciation</b>   |      |          |                               |                       |                  |                           |           |
| Balance, January 1, 2014          | —    | 31,763   | 15,532                        | 30,417                | 18,300           | 13,990                    | 110,002   |
| Depreciation                      | —    | 10,685   | 29,561                        | 10,902                | 9,974            | 125,229                   | 186,351   |
| Disposals                         | —    | (42,448) | —                             | —                     | —                | (111,484)                 | (153,932) |
| Cumulative translation adjustment | —    | —        | 1,334                         | 645                   | —                | 2,373                     | 4,352     |
| Balance, December 31, 2014        | —    | —        | 46,427                        | 41,964                | 28,274           | 30,108                    | 146,773   |
| Depreciation                      | —    | —        | 24,316                        | 12,657                | 4,919            | 36,715                    | 78,607    |
| Cumulative translation adjustment | —    | —        | 12,761                        | 4,020                 | —                | 9,853                     | 26,634    |
| Balance, December 31, 2015        | —    | —        | 83,504                        | 58,641                | 33,193           | 76,676                    | 252,014   |
| Depreciation                      | —    | —        | 16,609                        | 14,638                | 10,827           | 72,039                    | 114,113   |
| Disposals                         | —    | —        | —                             | —                     | (34,481)         | —                         | (34,481)  |
| Cumulative translation adjustment | —    | —        | 2,772                         | —                     | —                | 962                       | 3,734     |
| <b>Balance, December 31, 2016</b> | —    | —        | 102,885                       | 73,279                | 9,539            | 149,677                   | 335,380   |

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|                                   | Land     | Building | Furniture<br>and<br>equipment | Computer<br>equipment | Rolling<br>stock | Leasehold<br>improvements | Total            |
|-----------------------------------|----------|----------|-------------------------------|-----------------------|------------------|---------------------------|------------------|
|                                   | \$       | \$       | \$                            | \$                    | \$               | \$                        | \$               |
| <b>Net carrying value</b>         |          |          |                               |                       |                  |                           |                  |
| Balance, January 1, 2014          | 277,350  | 716,737  | 96,595                        | 27,396                | 42,496           | 69,247                    | 1,229,821        |
| Balance, December 31, 2014        | —        | —        | 123,281                       | 36,972                | 26,831           | 175,042                   | 362,126          |
| Balance, December 31, 2015        | —        | —        | 130,844                       | 36,244                | 21,912           | 301,731                   | 490,724          |
| <b>Balance, December 31, 2016</b> | <b>—</b> | <b>—</b> | <b>126,771</b>                | <b>51,829</b>         | <b>45,014</b>    | <b>777,269</b>            | <b>1,000,913</b> |

Furniture and equipment include artwork that is not amortized.

### 7. Intangible assets

|   | Software      | Website          | Total            |
|---|---------------|------------------|------------------|
|   | \$            | \$               | \$               |
| <b>Cost</b>                                   |               |                  |                  |
| Balance, January 1, 2014                      | 11,178        | 76,419           | 87,597           |
| Acquisitions                                  | —             | 328,560          | 328,560          |
| Disposals                                     | (9,284)       | —                | (9,284)          |
| Cumulative translation adjustment             | 86            | 22,212           | 22,298           |
| Balance, December 31, 2014                    | 1,980         | 427,191          | 429,171          |
| Acquisitions                                  | 14,541        | 156,624          | 171,165          |
| Cumulative translation adjustment             | —             | 30,377           | 30,377           |
| Balance, December 31, 2015                    | 16,521        | 614,192          | 630,713          |
| Acquisitions                                  | <b>1,179</b>  | <b>168,885</b>   | <b>170,064</b>   |
| Deconsolidation upon loss of control (note 8) | —             | <b>(314,266)</b> | <b>(314,266)</b> |
| Cumulative translation adjustment             | —             | <b>(116,883)</b> | <b>(116,883)</b> |
| <b>Balance, December 31, 2016</b>             | <b>17,700</b> | <b>351,928</b>   | <b>369,628</b>   |
| <b>Accumulated amortization</b>               |               |                  |                  |
| Balance, January 1, 2014                      | 3,868         | 11,157           | 15,025           |
| Amortization                                  | —             | 67,062           | 67,062           |
| Disposals                                     | 3,230         | —                | 3,230            |
| Cumulative translation adjustment             | 14            | 4,988            | 5,002            |
| Balance, December 31, 2014                    | 652           | 83,207           | 83,859           |
| Amortization                                  | 458           | 156,063          | 156,521          |
| Cumulative translation adjustment             | —             | 66,731           | 66,731           |
| Balance, December 31, 2015                    | 1,110         | 306,001          | 307,111          |
| Amortization                                  | <b>525</b>    | <b>109,691</b>   | <b>110,216</b>   |
| Deconsolidation upon loss of control (note 8) | —             | <b>(239,734)</b> | <b>(239,734)</b> |
| Cumulative translation adjustment             | —             | <b>(64,882)</b>  | <b>(64,882)</b>  |
| <b>Balance, December 31, 2016</b>             | <b>1,635</b>  | <b>111,076</b>   | <b>112,711</b>   |

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|                                   | Software<br>\$ | Website<br>\$  | Total<br>\$    |
|-----------------------------------|----------------|----------------|----------------|
| <b>Net carrying value</b>         |                |                |                |
| Balance, January 1, 2014          | 7,382          | 76,432         | 83,814         |
| Balance, December 31, 2014        | 1,328          | 343,984        | 345,312        |
| Balance, December 31, 2015        | 15,411         | 308,184        | 323,595        |
| <b>Balance, December 31, 2016</b> | <b>16,065</b>  | <b>240,852</b> | <b>256,917</b> |

The company recorded nil (2015 – \$89,382; 2014 – \$55,142) of government assistance against website cost for eligible expenses claimed for investment tax credits.

#### 8. Investments and other assets

|   | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ | January 1,<br>2014<br>\$ |
|---|----------------------------|----------------------------|----------------------------|--------------------------|
| Investment in an associate – Groupe Global LXR Inc. (i)                   | —                          | —                          | —                          | —                        |
| Investment in a commonly controlled company – Les Immeubles LXR Inc. (ii) | <b>112,682</b>             | 112,682                    | 112,682                    | —                        |
| Loan receivable from a commonly controlled company                        | —                          | 32,461                     | 47,738                     | —                        |
| Deferred costs, unamortized ( <i>note 9</i> )                             | —                          | 131,480                    | —                          | —                        |
|   | <b>112,682</b>             | 276,623                    | 160,420                    | —                        |

##### (i) Investment in an associate

On June 10, 2016, the Company ceded control of one of its wholly-owned subsidiaries and the entity through which it operates its on-line business, Groupe Global LXR Inc. ("Global"), since Global issued 1,751,336 convertible redeemable preferred voting shares of its share capital, representing 63.7% of the issued share capital of Global at the time, for total consideration of \$875,668 in cash. The Preferred shares accrue cumulative dividends quarterly at an annual rate of 6%. The Preferred shares are voting and convertible at the option of the holders into Class A common shares of Global and are mandatorily redeemable on June 17, 2019, at their initial share price of \$0.50 plus any unpaid dividends.

Upon the loss of control, the Company derecognized the assets and liabilities of Global and recognized the investment retained in Global at its fair value.

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The change in the investment in Global is detailed as follows:

|   | <b>2016</b> |
|---|-------------|
|   | <b>\$</b>   |
| Carrying value of the investment on June 10, 2016                   | 499,007     |
| Share of net loss for the 204-day period ended on December 31, 2016 | (499,007)   |
|   | <u>—</u>    |

The following table shows the condensed consolidated financial information regarding Global as at December 31, 2016:

|  | <b>2016</b>        |
|--|--------------------|
|  | <b>\$</b>          |
| <b>Statement of financial position</b>   |                    |
| Current assets   | 1,056,366          |
| Non-current assets   | 144,562            |
| Current liabilities  | 722,364            |
| Convertible redeemable preferred shares recorded at fair value through profit and loss | 4,075,949          |
| Net deficiency   | <u>(3,597,385)</u> |
| <b>Statement of loss and comprehensive loss</b>  |                    |
| Revenues   | 580,345            |
| Operating loss   | (496,973)          |
| Net loss and comprehensive loss  | (3,626,554)        |
| Share of net loss  | <u>(1,305,559)</u> |

On January 7, 2017, the Company re-acquired control of Global by purchasing the total 67.8% outstanding share interests of Global that it did not own, for total consideration of \$3,945,347 through the issuance of 69,434 convertible redeemable preferred shares of the Company—see note 24, Subsequent Events. The re-acquisition transaction will take effect as of January 1, 2017. The ownership interest repurchased represents the ownership interest of 63.7% lost on June 10, 2016 and additional ownership corresponding to shares issued from cumulative dividends on the convertible redeemable shares paid in kind by Global.

The preferred shares issued by Global have the same characteristics of the preferred shares issued by the Company. Accordingly, Global convertible redeemable preferred shares are recorded as a financial liability at fair value through profit or loss using the consideration value of the transaction described above and recorded the change in fair value through net loss.

Since the share of loss exceeds the carrying value of the investment, the Company reduced its investment in Global to nil and discontinued recognizing its share of further losses.

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#### **(ii) Investment in a commonly controlled company**

On May 15, 2014, the Company transferred its land, building and related mortgage to Les Immeubles LXR Inc., ("Immeuble") a company controlled by the Founding Shareholders. At the date of the transfer, the net book value of the land and building were respectively \$277,350 and \$706,052 and the related mortgage obligation amounted to \$870,720. The Company retained a preferred share investment in Immeuble of \$112,682 in exchange for the net assets transferred. The preferred shares are redeemable and retractable, and are entitled to a non-cumulative dividend if and when declared by the directors of Immeuble.

#### **9. Credit facility**

On January 15, 2016, the Company entered into a new credit agreement with Newstar Business Credit LLC, which subsequently changed its name to Sterling National Bank ("Sterling") (the "Facility"). As part of this agreement, the Company has available a revolving term loan of an authorized amount of US\$6,000,000 (\$8,056,200), subject to a maximum based on the borrowing base calculated as a percentage of eligible accounts receivable and eligible inventory as defined in the agreement, and a term capital expenditure loan facility with a maximum available amount of US\$350,000 (\$469,945) for the purpose of purchasing eligible equipment, as defined in the agreement (*note 11*).

The loans bear interest at the lesser of (a) the LIBOR rate (1.09% as at December 31, 2016) plus an applicable margin of 5% or (b) the maximum rate of the interest permitted to be charged under the Texas Finance Code (5.00% as at December 31, 2016). A commitment fee of 0.5% of the unused portion of the revolving term loan is also due. The loans mature on January 15, 2019.

The Facility is collateralized by substantially all of the assets of the Company as well as those of the commonly controlled company, and by personal guarantees from the Founding Shareholders. The Facility requires the Company to meet certain financial covenants, which were not met as at December 31, 2015. On June 9, 2016, the Company amended its Facility with Sterling, to remediate the breach of certain financial covenants and release Group Global LXR Inc. and LXR & Co. as borrower and guarantor following the equity transaction described below.

As at December 31, 2016, the Company used US\$2,885,040 (\$3,873,743) under the Facility. The remaining credit facility availability as at December 31, 2016, subject to the borrowing based calculation, amounts to US\$176,167 (\$236,539).

As at December 31, 2016, unamortized financing costs recorded as reduction of the Facility amount to \$474,381. As at December 31, 2015, the Company incurred \$131,480 that was recorded in other assets and which was not amortized since the Facility was not yet disbursed.

The Facility requires that certain financial covenants be maintained, which were not all met as at December 31, 2016. On April 12, 2017, the Company amended its credit agreement with Sterling, to remediate the breach of certain financial covenants. Under the terms of the amended agreement, the maximum authorized amount under the revolving term loan is reduced to US\$4,500,000 and the maturity date of the loan is August 31, 2017. The amended Facility also does not allow further advances under the term capital expenditure loan facility.

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Prior to January 15, 2016, the Company's credit facility was with a Chartered Canadian bank. Under this credit facility, the Company had an operating facility of the lesser of \$2,000,000 and a percentage of eligible accounts receivable and inventory, as defined in the agreement, bearing interest based on (a) the bank's Canadian prime rate (2.7% as at December 31, 2015; 2.70% as at December 31, 2014; and 3.00 % as at January 1, 2014) plus an applicable margin of 3.00% or (b) the bank's U.S. base rate (4.00% as at December 31, 2015; 4.00% as at December 31, 2014; and 3.75% as at January 1, 2014) plus an applicable margin of 3.00%. An annual stand-by fee rate of 0.5% on the unused portion of the operating facility was also due and payable monthly. The operating facility was available by way of cash advances on demand or by way of letters of guarantee or commercial letters, and was repayable on demand. As at December 31, 2015, amounts in US\$814,536 and \$355,805 were drawn down by way of variable rate cash advances (US\$1,404,547 and \$317,828 as at December 31, 2014 and US\$366,708 and \$200,000 as at January 1, 2014).

Under this agreement, the Company also had a credit facility available and used in entering into future foreign exchange transactions which remained unused as at December 31, 2015, 2014 and January 1, 2014. The risk of exposure on these transactions cannot exceed \$250,000 at any time. Finally, the Company had an authorized on demand credit card facility in the amount of \$60,000.

The operating facility and the credit card facility were collateralized by a first-rank movable hypothec of \$2,060,000 on all present and future inventories and claims of LXR Canada Inc. as well as a first-rank movable hypothec on all present and future property, corporeal and incorporeal, of the Company, its parent, LXR & Co., LXR Luxe, Inc. and companies under common control. These facilities were also guaranteed by personal guarantees from each of the Founding Shareholders to a maximum of \$500,000 and by a guarantee from Export Development Canada ("EDC") of \$1,000,000. The credit facilities available to issue letters of guarantee or letters of credit and to enter into future foreign exchange transactions were also fully guaranteed by EDC.

#### 10. Accounts payable and accrued liabilities

|  | <b>December 31,<br/>2016</b> | <b>December 31,<br/>2015</b> | <b>December 31,<br/>2014</b> | <b>January 1,<br/>2014</b> |
|--|------------------------------|------------------------------|------------------------------|----------------------------|
|  | <b>\$</b>                    | <b>\$</b>                    | <b>\$</b>                    | <b>\$</b>                  |
| Accounts payable and accrued liabilities | <b>3,941,708</b>             | 2,066,408                    | 429,636                      | 423,985                    |
| Government remittances                   | <b>75,816</b>                | 43,133                       | 4,455                        | 43,736                     |
|  | <b>4,017,524</b>             | 2,109,541                    | 434,091                      | 467,721                    |

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#### 11. Long-term debt

|   | December, 31<br>2016<br>\$ | December, 31<br>2015<br>\$ | December, 31<br>2014<br>\$ | January 1,<br>2014<br>\$ |
|---|----------------------------|----------------------------|----------------------------|--------------------------|
| Subordinated debt of \$1,500,000<br>from the Business Development<br>Bank of Canada ("BDC") (i) | 1,495,644                  | 1,500,000                  | 1,500,000                  | 1,500,000                |
| Bonus payment (i)   | 637,375                    | 164,303                    | 125,560                    | —                        |
| Less: unamortized financing fees<br>and transaction costs                                       | —                          | 42,173                     | 80,400                     | 97,935                   |
|   | 2,133,019                  | 1,622,130                  | 1,545,160                  | 1,402,065                |
| Term loans from Investissement<br>Québec ("IQ") (iii)   | 369,944                    | 575,561                    | 553,750                    | 748,750                  |
| Less: unamortized financing fees<br>and transaction costs                                       | —                          | 2,919                      | 4,170                      | 6,000                    |
|   | 369,944                    | 572,642                    | 549,580                    | 742,750                  |
| Term loans from BDC (ii)  | 106,508                    | 173,023                    | 227,761                    | 170,806                  |
| Less: unamortized financing fees<br>and transaction costs                                       | —                          | 750                        | 894                        | —                        |
|   | 106,508                    | 172,273                    | 226,867                    | 170,806                  |
| Term capital expenditure loan (iv)  | 228,778                    | —                          | —                          | —                        |
| Mortgage of \$900,000 from BDC (vi)   | —                          | —                          | —                          | 890,720                  |
| Loan from Caisse Populaire<br>Desjardins (v)  | —                          | 22,610                     | 30,995                     | 38,868                   |
| Other term loans (vii)  | 190,504                    | 200,000                    | 157,936                    | 18,215                   |
| Total long-term debt  | 3,028,753                  | 2,589,655                  | 2,510,538                  | 3,263,424                |
| Current portion   | 2,841,026                  | 2,373,568                  | 2,271,324                  | 444,357                  |
|   | 187,727                    | 216,087                    | 239,214                    | 2,819,067                |

#### (i) Subordinated debt with BDC

On August 15, 2013, the Company, through its wholly-owned subsidiary LXR Canada Inc., obtained financing of \$1,500,000 from BDC in the form of an unsecured debt maturing on August 15, 2018. The subordinated debt bears an annual interest rate of 8.75% and interest is payable monthly. The subordinated debt is repayable by one final principal repayment on maturity together with any interest and expenses then payable. The Company may prepay at any time all or part of the principal outstanding provided that all interest and expenses are paid at the time of the principal repayment. Additional capital repayments up to a maximum amount of \$300,000 per year are required under certain conditions, including the generation of consolidated Excess Available Funds as defined in the agreement. As at December 31, 2016, 2015 and 2014 and, January 1, 2014, there were no required excess additional cash repayments.



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Upon maturity, the Company is also required to remit an additional compensation in the form of a bonus payment which shall represent 1.2% of the Company's consolidated value as defined in a formula in the agreement. Under the terms of the agreement, the Company is also required to remit monthly a royalty of 0.30% of consolidated annual sales. The Company determined the fair value of the bonus and royalty payment on inception using estimated revenues at maturity date and discounted the bonus and royalty payment using the effective interest rate of 11.92%. Each fiscal year, the Company estimates the bonus contractual cash flow payment at maturity and adjusts the carrying value of the subordinated debt through a cumulative catch-up adjustment recorded in finance costs. As at December 31, 2016, the Company recorded an estimated bonus obligation of \$637,375 (2015 – \$164,303; 2014 – \$125,560) per the agreement.

The subordinated debt is collateralized by the following:

Second ranking hypothec of \$1,500,000 on the land and building located at 30-40 Jean-Talon West, owned by Les Immeubles LXR Inc., a company controlled by the Founding Shareholders of the Company, and all present and future rents and income, including all present and future moveable property physically attached or joined to the land and building and insurance indemnity related to these assets. The net book value of the land and building as at December 31, 2016 was \$952,145.

First rank moveable hypothec of up to a maximum amount of \$1,500,000 on the universality of all present and future moveable and incorporeal assets of the Company and its wholly-owned subsidiary, LXR Canada Inc., including the intellectual property.

Hypothec on the universality of all present and future moveable and incorporeal assets of the Company's subsidiaries, LXR & Co. and LXR Luxe, Inc., including the intellectual property.

This facility is also collateralized by a subordinated hypothec rank on other security granted on movable assets, claims, accounts receivable and inventories, first ranking movable hypothec on the rights resulting from the shareholders' life insurance policy, and by shareholders' personal guarantees of \$375,000.

Les Immeubles LXR Inc., a commonly controlled company, is also a corporate guarantor to the subordinated debt.

The subordinated debt requires that certain financial covenants be maintained on a consolidated basis, which were not all met for the year ended December 31, 2016. On April 12, 2017, the Company obtained a confirmation from BDC, waiving its rights, arising from the breach of the covenants, to demand repayment for a period of more than one year from the financial position date. Through issuance of the waiver, the Company and BDC amended the subordinated agreement to fix the bonus payment to 1.2% of \$60,000,000 which is payable at the earlier of the maturity date or the successful closing of the contemplated transaction (*note 24*).

The financial covenants were also not met for the years ended December 31, 2015 and 2014. The Company obtained a confirmation from BDC waiving its rights, arising from the breach of the covenants, to demand repayment for a period of more than one year from the financial position date.

Since the waivers for each of the years ended on December 31, 2016, 2015 and 2014 were received after the financial position date but prior to the issuance of the consolidated financial statements, the subordinated debt is presented as a current liability on the consolidated statements of financial position.

## LXR Produits de Luxe International Inc.

### Notes to consolidated financial statements

December 31, 2016, 2015, 2014 and January 1, 2014

#### (ii) Term loans with BDC

(a) The Company, through its wholly-owned subsidiary, LXR Canada Inc., has entered into the following term loans with BDC:

- (i) Term loan of \$115,000 bearing interest at the bank's base rate (4.70% as at December 31, 2016 and 2015; 5.00% as at December 31, 2014) plus an applicable margin of 4%. The loan is repayable by one principal payment of \$2,015 and fifty-nine monthly principal payments of \$1,915. The loan matures on August 15, 2017. As at December 31, 2016, the long-term debt obligation under this loan amounted to \$15,320 (2015 – \$38,300; 2014 – \$61,280).
- (ii) Term loan of \$50,000 bearing interest at the bank's base rate (4.70% as at December 31, 2016 and 2015; 5.00% as at December 31, 2014) plus an applicable margin of 1%. The loan is repayable by one principal payment of \$1,120 and forty-seven monthly principal payments of \$1,040. The loan matured on November 23, 2016 and was fully repaid (2015 – \$11,440; 2014 – \$23,920).
- (iii) Term loan of \$25,000 bearing interest at the bank's base rate (4.70% as at December 31, 2016 and 2015; 5.00% as at December 31, 2014) plus an applicable margin of 2.5%. The loan is repayable by one principal payment of \$515 and fifty-nine monthly principal payments of \$415. The loan matures on October 23, 2018. As at December 31, 2016, the long-term debt obligation under this loan amounted to \$9,130 (2015 – \$14,110; 2014 – \$19,090).
- (iv) Term loan of \$100,000 bearing interest at the bank's base rate (4.70% as at December 31, 2016 and 2015; 5.00% as at December 31, 2014) plus an applicable margin of 2.25%. The loan is repayable by one principal payment of \$815 and eighty-three monthly principal payments of \$1,195. The loan matures on May 23, 2021. As at December 31, 2016, the long-term debt obligation under this loan amounted to \$63,335 (2015 – \$77,675; 2014 – \$92,015).

The term loans are collateralized by a first-ranking hypothec on the universality of all present and future assets of the Company's wholly-owned subsidiary, LXR Canada Inc., and by personal guarantees from each of the Founding Shareholders. The Company and its subsidiaries are also collectively and severally liable for all the term loans.

(b) The Company has also entered into the following term loans:

- (i) Term loan of \$33,300 bearing interest at the bank's base rate (4.70% as at December 31, 2016 and 2015; 5.00% as at December 31, 2014) plus an applicable margin of 1%. The loan is repayable by forty-eight monthly principal payments of \$694. The loan matures on May 23, 2017. As at December 31, 2016, the long-term debt obligation under this loan amounted to \$4,163 (2015 – \$9,724; 2014 – \$18,049).
- (ii) Term loan of \$50,000 bearing interest at the bank's base rate (4.70% as at December 31, 2016 and 2015; 5.00% as at December 31, 2014) plus an applicable margin of 1%. The loan is repayable by one principal payment of \$1,120 and forty-seven monthly principal payments of \$1,040. The loan matures on November 23, 2017. As at December 31, 2016, the long-term debt obligation under this loan amounted to \$14,560 (2015 – \$21,774; 2014 – \$13,407).

The term loans are collateralized by personal guarantees from the Founding Shareholders.

## **LXR Produits de Luxe International Inc.**

### **Notes to consolidated financial statements**

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The Company is not subject to any financial covenants requirements under the term loan agreements in (b) above.

#### **(iii) Term loans with IQ**

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

- (a) Term loan of \$300,000 bearing interest at the bank's prime rate (2.80% as at December 31, 2016 and 2015; 3% as at December 31, 2014) plus an applicable margin of 3%. The loan is repayable by forty-eight monthly principal payments of \$6,250 with a 12-month moratorium from June 1, 2015 to May 31, 2016. The loan matures on November 30, 2017. As at December 31, 2016, the long-term debt obligation under this loan amounted to \$68,750 (2015 – \$112,500).

The loan is collateralized by a first rank moveable hypothec of up to a maximum amount of \$360,000 on the universality of all present and future moveable and incorporeal assets of the Company's subsidiary, LXR Canada Inc., and by personal guarantees from a Founding Shareholder amounting to \$75,000.

- (b) Term loan of \$600,000 bearing interest at the bank's prime rate (2.80% as at December 31, 2016 and 2015; 3% as at December 31, 2014) plus an applicable margin of 3%. The loan is repayable by sixty monthly principal payments of \$10,000 with a 12-month moratorium from June 1, 2015 to May 31, 2016. The loan matures on April 30, 2019. As at December 31, 2016, the long-term debt obligation under this loan amounted to \$290,000 (2015 – \$360,000).

The loan is collateralized by a first rank moveable hypothec of up to a maximum amount of \$720,000 on the universality of all present and future moveable and incorporeal assets of LXR Canada Inc. and by personal guarantees from a Founding Shareholder amounting to \$300,000.

- (c) Term loan of \$225,000 bearing interest at the bank's prime rate (2.80% as at December 31, 2016 and 2015) plus an applicable margin of 2.15%. The loan serves to finance investment tax credits receivable for 2014 and 2015, thus is repayable upon their respective receipt. The loan matures on June 30, 2016 and June 30, 2017 for the years 2014 and 2015, respectively. As at December 31, 2016, the long-term debt obligation under this loan amounted to \$11,194 (2015 – \$103,061).

The loan is collateralized by a hypothec of \$225,000 as well as an additional hypothec of \$45,000 on the balance of accounts receivable and investment tax credits of LXR Canada Inc. and by personal guarantees from a Founding Shareholder.

These term loans require that certain financial covenants be maintained by LXR Canada Inc., which were not all met as at December 31, 2016. On May 9, 2017, the Company obtained confirmation from IQ waiving its rights, arising from the breach of the covenants, to demand repayment for a period of more than one year from the financial position date. The financial covenants were also not met for the years ended December 31, 2015 and 2014. The Company obtained a confirmation from IQ waiving its rights, arising from the breach of the covenants, to demand repayment for a period of more than one year from the financial position date. Since the waivers for each the years ended on December 31, 2016, 2015 and 2014 were received after the financial position date but prior to the issuance of the consolidated financial statements, the term loans are presented as a current liability on the consolidated statements of financial position.

## LXR Produits de Luxe International Inc.

### Notes to consolidated financial statements

December 31, 2016, 2015, 2014 and January 1, 2014

#### (iv) Term capital expenditure loan

On January 15, 2016, the Company entered into a new credit facility agreement (*note 9*). Within this new credit facility agreement, the Company obtained a term capital expenditure loan facility in the amount of US\$350,000 for the purpose of purchasing eligible equipment. This loan bears interest at the lesser of (a) the LIBOR rate (1.09% as at December 31, 2016) plus an applicable margin of 5% or (b) the maximum rate of the interest permitted to be charged under the Texas Finance Code (5.00% as at December 31, 2016). The loan is repayable by thirty-six equal monthly payments. During the year, the Company drew down \$180,409 under this loan to finance capital expenditures.

#### (v) Term loan with Caisse Populaire Desjardins

Term loan of \$43,785 bearing interest at 7.59%. The loan is repayable by sixty monthly payments, principal and interest of \$879. Fully repaid in 2016.

#### (vi) Mortgage with BDC

On May 15, 2014, the Company transferred its mortgage to Les Immeubles LXR Inc., a company controlled by the Founding Shareholders of the Company. The Company continues to guarantee the mortgage on the building having a balance payable of \$860,720 as at December 31, 2016. (*note 8*)

#### (vii) Other term loans

The Company has a term loan of \$150,000 from a director, bearing interest at a fixed rate of 16%. The loan was repaid on February 14, 2017, was unsecured and required no financial covenants to be maintained.

Term loan of \$47,554 bearing interest at 5.99%. The loan is repayable by sixty monthly payments, principal and interest of \$919. The loan matures on February 28, 2021, is unsecured and requires no financial covenants to be maintained.

The Company also had a term loan of \$50,000, bearing interest at a fixed rate of 10% which was fully repaid on March 24, 2016.

During the year ended December 31, 2015, the Company fully repaid the term loans with CDEC and Canadian Youth Business Foundation of \$6,061 and \$1,875, respectively.

Principal repayments are due approximately as follows:

|      | \$               |
|------|------------------|
| 2017 | 2,841,026        |
| 2018 | 90,106           |
| 2019 | 77,234           |
| 2020 | 10,568           |
| 2021 | 9,819            |
|      | <u>3,028,753</u> |

## LXR Produits de Luxe International Inc.

### Notes to consolidated financial statements

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#### 12. Preferred shares

##### Issued

Unlimited number of the following classes of shares:

|  | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ | January 1,<br>2014<br>\$ |
|--|----------------------------|----------------------------|----------------------------|--------------------------|
| 351,667 Convertible redeemable preferred shares                      | 19,982,261                 | —                          | —                          | —                        |
| 11,641 Dividend payable in convertible redeemable preferred shares   | 661,442                    | —                          | —                          | —                        |
| 195,100 Warrants to purchase convertible redeemable preferred shares | 9,582,300                  | —                          | —                          | —                        |
|  | 30,226,003                 | —                          | —                          | —                        |
| 300,000 Class E preferred shares                                     | 300,000                    | 300,000                    | 300,000                    | 300,000                  |

On June 10, 2016, the Company issued 351,667 voting convertible redeemable preferred shares, representing 26% of the Company's share capital, to a group of unrelated investors as part of the first closing of an equity financing offering, for total consideration of \$2,704,333 (the "Seed Preferred Share Financing"). The Seed Preferred Share Financing was extended to January 31, 2017 to accommodate potential additional closings. The preferred shares are convertible at the option of the holders into Class A common shares of the Company at a rate of 1 Class A common share for 1 preferred share and are mandatorily redeemable on June 17, 2019, at their initial share price of \$7.69 plus any unpaid annual cumulative dividends of 6%. The preferred shares are mandatorily convertible to Class A common shares upon certain triggering events, as defined in the agreement.

The Company designated the convertible redeemable preferred shares as a financial liability at fair value through profit or loss. Accordingly, the Company recorded an increase in fair value of \$17,277,928 as at December 31, 2016 resulting from the increase in the Company's valuation. The fair value of the Company and of the resulting preferred shares was determined by using the most recent equity transaction entered into by the Company with non-related parties and was established at an enterprise value of \$81,500,000 or \$56.82 per share (*note 24*).

On March 31, 2017, the Board of Directors approved a payment in kind of the unpaid cumulative dividends of 6% as at December 31, 2016 in the normal course and in accordance with the terms of the preferred shares shareholders' agreement. The Company issued 11,641 of convertible redeemable preferred shares, and, consistent with the fair value valuation methodology applied to that financial instrument, recorded an amount of \$661,442 as dividend payable on such shares.

The Company granted warrants for the purchase of convertible redeemable preferred shares. The warrants expire on January 31, 2017 and entitle the holder to purchase up to 195,100 Preferred shares of the Company at a share price of \$7.69 (*note 24*). As at December 31, 2016, consistent with the fair value valuation methodology applied to the convertible redeemable preferred shares, the Company recorded the fair value of the outstanding warrants at \$49.13 per warrant.

## LXR Produits de Luxe International Inc.

### Notes to consolidated financial statements

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On January 1, 2012, the Company issued 300,000 Class E preferred shares to a Founding Shareholder. These preferred shares are retractable and redeemable at a fixed redemption price of \$300,000 and bear no rate of dividends.

#### 13. Capital stock

##### Issued

An unlimited number of the following classes of shares with no par value:

Class A common shares, voting and fully participating

|                                 | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ | January 1,<br>2014<br>\$ |
|---------------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
| 1,000,000 Class A common shares | 100                        | 100                        | 100                        | 100                      |

On June 10, 2016, the Company's Board of Directors approved a 10,000 for 1 split on Class A common shares. The accompanying consolidated financial statements have been adjusted to reflect the share split.

##### Stock-based compensation

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

The Company did not grant any awards under its Plan as at December 31, 2016 or previously.

#### 14. Income taxes

A reconciliation of the statutory income tax rate to the effective tax rate is as follows:

|  | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|--|----------------------------|----------------------------|----------------------------|
| Income tax at statutory rate of 19%  | (5,389,043)                | (81,267)                   | (113,588)                  |
| Impact of foreign tax rate differences   | (9,652)                    | 22,654                     | (51,467)                   |
| Valuation allowance on previously recognized deferred tax assets               | (11,750)                   | (114,775)                  | 115,562                    |
| Permanent differences  | 102,300                    | (1,712)                    | 12,741                     |
| Accrual to return  | (1,841)                    | (7,361)                    | (14,996)                   |
| Non-deductible change in fair value of convertible redeemable preferred shares | 5,229,117                  | —                          | —                          |
| Other  | 34,504                     | 185,443                    | 66,261                     |
|  | (46,365)                   | 2,982                      | 14,513                     |

## LXR Produits de Luxe International Inc.

### Notes to consolidated financial statements

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The tax effects of temporary differences and net operating losses that give rise to deferred income tax assets and liabilities are as follows:

|  | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|--|----------------------------|----------------------------|----------------------------|
| <b>Deferred income tax assets</b>                                |                            |                            |                            |
| Financing fees   | 20,405                     | 6,241                      | 4,376                      |
| <b>Total deferred income tax assets</b>                          | <b>20,405</b>              | <b>6,241</b>               | <b>4,376</b>               |
| <b>Deferred income tax liabilities</b>                           |                            |                            |                            |
| Carrying values of property and equipment in excess of tax basis | 684                        | 9,002                      | 15,192                     |
| Tax payable on investment tax credits                            | 11,728                     | 11,728                     | 15,374                     |
| Non-deductible reserve and others                                | 186,236                    | —                          | —                          |
| <b>Total deferred income tax liabilities</b>                     | <b>198,648</b>             | <b>20,730</b>              | <b>30,566</b>              |
| <b>Net deferred income tax assets (liabilities)</b>              | <b>(178,243)</b>           | <b>(14,489)</b>            | <b>(26,190)</b>            |

As at December 31, 2016, the Company's U.S. subsidiary has accumulated losses amounting to US\$267,865 which expire during the years 2032 to 2035. These tax losses have not been recorded in the consolidated financial statements.

#### 15. Selling, general and administrative expenses

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

|   | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|---|----------------------------|----------------------------|----------------------------|
| Wages, salaries and employee benefits     | 4,376,215                  | 2,685,201                  | 1,847,954                  |
| Head office rent expense                  | 136,000                    | 120,000                    | 48,750                     |
| Store related opening and closing costs   | 279,465                    | 70,646                     | 233,533                    |
| Other selling, general and administrative | 1,335,670                  | 1,113,248                  | 1,251,216                  |
|   | <b>6,127,350</b>           | <b>3,989,095</b>           | <b>3,381,453</b>           |

## LXR Produits de Luxe International Inc.

### Notes to consolidated financial statements

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#### 16. Related party transactions

In the normal course of its operations, the Company enters into transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties. In addition to the related party transactions and balances disclosed elsewhere in these consolidated financial statements, significant transactions and balances between related parties are as follows:

|  | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|--|----------------------------|----------------------------|----------------------------|
| <b>Transactions with a commonly controlled company</b>             |                            |                            |                            |
| Rental expense paid to a company controlled by common shareholders | 136,000                    | 120,000                    | 48,750                     |
| <b>Transactions with an associate</b>                              |                            |                            |                            |
| Sales to Group Global LXR Inc.                                     | 549,783                    | —                          | —                          |

#### Transactions with key management personnel

The compensation earned by key management in aggregate was as follows:

|  | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|--|----------------------------|----------------------------|----------------------------|
| Wages, salaries, bonuses and consulting fees | 147,385                    | 104,974                    | 87,096                     |

#### 17. Earnings (loss) per share

Basic earnings (loss) per share ("EPS") amounts are calculated by dividing the profit (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit (loss) attributable to ordinary equity holders of the parent (after adjusting for dividends, accretion interest on the mandatorily redeemable preference shares and gain/loss from embedded derivative on preferred shares) by the weighted average number of ordinary shares outstanding during the year 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 years ended December 31, 2016, 2015 and 2014, as a result of the net loss during those years, the warrants and convertible redeemable preferred shares are anti-dilutive.



## LXR Produits de Luxe International Inc.

### Notes to consolidated financial statements

December 31, 2016, 2015, 2014 and January 1, 2014

#### 18. Segment information

The Company has determined that it conducts its activities in a single industry segment as an omni-channel retailer, being the only operating segment it uses to evaluate performance and allocate resources by the Chief Executive Officer (the chief operation decision maker). The single operating segment includes all sales channels accessed by the Company's customers, including sales through the Company's retail stores, wholesale partners and online through its website. With respect to geographic areas, the Corporation's continuing operations are mainly in Canada and United States, and commencing in 2016, Germany.

The following table summarizes revenue by geography for the year ended:

|               | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|---------------|----------------------------|----------------------------|----------------------------|
| Canada        | 4,692,521                  | 4,749,332                  | 7,989,774                  |
| United States | 16,208,203                 | 10,576,407                 | 4,948,630                  |
| Germany       | 990,086                    | —                          | —                          |
| <b>Total</b>  | <b>21,890,810</b>          | <b>15,325,739</b>          | <b>12,938,404</b>          |

#### 19. 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.

##### 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 74% and 5% of the Company's sales are in U.S. dollars and in Euros, respectively. 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, Euros and Japanese Yen. 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:

|   | December 31, 2016 |               |                      | December 31, 2015 |                |                      |
|---|-------------------|---------------|----------------------|-------------------|----------------|----------------------|
|   | US<br>\$          | Euro<br>€     | Japanese<br>Yen<br>¥ | US<br>\$          | Euro<br>€      | Japanese<br>Yen<br>¥ |
| Cash (bank overdraft)                       | 549,760           | 29,027        | 8,157,676            | (295,052)         | 100            | 14,690,708           |
| Accounts receivable                         | 736,979           | 76,189        | 28,798,174           | 292,509           | (703)          | 74,756               |
| Accounts payable and<br>accrued liabilities | (286,573)         | (47,860)      | (270,362,261)        | (170,333)         | (1,815)        | (133,578,841)        |
|   | <b>1,000,166</b>  | <b>57,356</b> | <b>(233,406,411)</b> | <b>(172,876)</b>  | <b>(2,418)</b> | <b>(118,813,377)</b> |

## LXR Produits de Luxe International Inc.

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|   | December 31, 2014 |           |                      | January 1, 2014 |           |                      |
|---|-------------------|-----------|----------------------|-----------------|-----------|----------------------|
|   | US<br>\$          | Euro<br>€ | Japanese<br>Yen<br>¥ | US<br>\$        | Euro<br>€ | Japanese<br>Yen<br>¥ |
| Cash (bank overdraft)                       | (1,367,530)       | 58,839    | 9,333,980            | (260,331)       | 41,301    | 21,233,429           |
| Accounts receivable                         | 351,531           | 90,763    | —                    | 369,492         | (219)     | —                    |
| Accounts payable and<br>accrued liabilities | (136,420)         | (11,273)  | (3,314,377)          | (128,284)       | 40        | (12,223,925)         |
|   | (1,152,419)       | 138,329   | 6,019,603            | (19,123)        | 41,122    | 9,009,504            |

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 and comprehensive loss in the amount of approximately \$67,000. 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 \$150,000.

#### Market risk – interest rate risk

Interest rate risk is the risk that the fair value of 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 bears interest at variable interest rates.

Based on the currently outstanding revolving term loan and total long-term debt bearing interest at variable rates as at December 31, 2016, if interest rates had interest rates changed by 100 basis points, assuming that all other variables had remained the same, the impact would have increased or decreased finance costs by approximately \$30,000.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due. The Company's liquidity follows a seasonal 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 (except government remittances), credit facility, long-term debt, convertible redeemable preferred shares and operating lease commitments.

The Company expects that its trade and other payables will be discharged within 90 days.

## LXR Produits de Luxe International Inc.

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

|  | Maturing in<br>under 1 year<br>\$ | Maturing in<br>1 to 5 years<br>\$ | Total<br>\$       |
|--|-----------------------------------|-----------------------------------|-------------------|
| Credit facility                          | 3,399,362                         | —                                 | <b>3,399,362</b>  |
| Accounts payable and accrued liabilities | 3,941,708                         | —                                 | <b>3,941,708</b>  |
| Long-term debt                           | 2,841,026                         | 187,727                           | <b>3,028,753</b>  |
| Preferred shares                         | 300,000                           | —                                 | <b>300,000</b>    |
| Convertible redeemable preferred shares  | —                                 | 30,226,003                        | <b>30,226,003</b> |
|  | <b>10,482,096</b>                 | <b>30,413,730</b>                 | <b>40,895,826</b> |

The Company manages its risk of failing to discharge its financial liabilities in a timely manner by factoring its operating requirements and through the use of various financing sources, as needed.

The subordinated debt, the IQ term loans and the credit facility require that certain financial covenants be maintained on a consolidated basis, which were not all met for the year ended December 31, 2016. Accordingly, the subordinated debt and the IQ term loans have been classified as current liabilities.

#### 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 customers who pay by credit card and receivables from other companies for sales of wholesale products. Credit card payments have minimal credit risk and corporate receivables are closely monitored. In addition, a portion of the total trade accounts receivable is insured against possible losses.

As at December 31, 2016, five retail partners accounted for respectively 11%, 15%, 17%, 20% and 27%, for an aggregate of 91% of total trade accounts receivable. As at December 31, 2015, two retail partners accounted for 18% and 40%, for an aggregate 57%, and two wholesale clients accounted each for 15% of total trade accounts receivable. As at December 31, 2014, one retail partner accounted for 33% of total trade accounts receivable. In 2016, sales realized through three major retail partners represented 75% of total revenue. Pursuant to their respective terms, trade accounts receivable are aged as follows:

|                    | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|--------------------|----------------------------|----------------------------|----------------------------|
| 0 – 30 days        | <b>1,179,312</b>           | 461,633                    | 885,683                    |
| 31- 60 days        | <b>449,810</b>             | 374,420                    | 147,203                    |
| 61- 90 days        | <b>27,363</b>              | 32,866                     | 19,710                     |
| 91 days – 120 days | <b>26,724</b>              | 11,059                     | 47,639                     |
|                    | <b>1,683,209</b>           | <b>879,978</b>             | <b>1,100,235</b>           |

## LXR Produits de Luxe International Inc.

### Notes to consolidated financial statements

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Based on past experience, the Company believes that no significant allowance for doubtful accounts is necessary in respect of trade accounts receivable as current trade receivables and 31-60 days old receivables together represent 97% of total gross trade accounts receivable (2015 – 95%). 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.

#### Fair values

Financial assets and financial liabilities, except for convertible redeemable preferred shares, are measured on an ongoing basis at fair value or amortized cost. Convertible redeemable preferred shares are measured at fair value to profit and loss. The disclosures in the "Financial instruments" section of note 2 describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

The carrying amount of the credit facility and various term loans approximate their fair value given their near-term maturity and due to a floating rate that could currently be obtained by the Company for loans with similar conditions and maturities.

The classification of other financial instruments, as well as their carrying values and fair values, are shown in the tables below:

|   | December 31, 2016 |            | December 31, 2015 |            |
|---|-------------------|------------|-------------------|------------|
|   | Carrying value    | Fair value | Carrying value    | Fair value |
|   | \$                | \$         | \$                | \$         |
| <b>Financial liabilities</b>                                |                   |            |                   |            |
| Convertible redeemable preferred shares                     | 20,643,703        | 20,643,703 | —                 | —          |
|   |                   |            |                   |            |
|   | 2014              |            | January 1, 2014   |            |
|   | Carrying value    | Fair value | Carrying value    | Fair value |
|   | \$                | \$         | \$                | \$         |
| <b>Financial liabilities</b>                                |                   |            |                   |            |
| Financial derivative liability embedded in preferred shares | 74,937            | 74,937     | 66,717            | 66,717     |

## **Notes to consolidated financial statements**

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The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Accordingly, the estimated fair values are not necessarily indicative of the amounts the Company could realize or would pay in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

- The estimated fair value of long-term debt bearing variable rates is considered to approximate its carrying value (Level 2).
- The estimated fair value of convertible redeemable preferred shares was determined by using an arms'-length transaction price (*note 24*) (Level 2).
- The estimated fair value of forward contracts is determined using forward exchange rates at the end of the reporting period (Level 2).

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly (i.e., as prices) or indirectly (i.e., derived from prices) observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs that are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the years ended December 31, 2016, 2015 and 2014 and January 1, 2014.

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In addition, the Company may be a party to derivative financial instruments to mitigate its currency risk. The foreign currency derivatives recognized in the consolidated statements of financial position in 2014 were contracted to hedge anticipated future purchases in Japanese Yen. The Company has elected not to apply hedge accounting. However, the Company believes that these derivatives hedged the related foreign currency risk in these transactions. The table below summarizes the derivative financial instruments:

| Maturity                                  | 2016            |            | 2015            |            | 2014            |            |
|---|-----------------|------------|-----------------|------------|-----------------|------------|
|   | Notional amount | Fair value | Notional amount | Fair value | Notional amount | Fair value |
|   | US\$            | C\$        | US\$            | C\$        | US\$            | C\$        |
| <b>Liabilities</b>                        |                 |            |                 |            |                 |            |
| J.P.Y. futures contract January 30, 2015  | —               | —          | —               | —          | 400,000         | 42,863     |
| J.P.Y. futures contract February 27, 2015 | —               | —          | —               | —          | 300,000         | 32,074     |
|   | —               | —          | —               | —          | 700,000         | 74,937     |

At the consolidated financial position date, the fair value of the forward contracts transactions was determined with reference to a quotation from a derivatives dealer which the Company accepts as the fair value of this instrument. The fair values of futures contracts are determined with reference to quotes from banking institutions.

### 20. Management of capital

As at December 31, the Company's capital is as follows:

|   | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|---|----------------------------|----------------------------|----------------------------|
| Credit facility                               | 3,399,362                  | 1,483,123                  | 1,947,243                  |
| Current portion of long-term debt             | 2,841,026                  | 2,373,568                  | 2,271,324                  |
| Long-term debt                                | 187,727                    | 216,087                    | 239,214                    |
| Loan payable to a commonly controlled company | —                          | 111,856                    | —                          |
| Convertible redeemable preferred shares       | 30,226,003                 | —                          | —                          |
| Shareholders' deficiency                      | (28,961,329)               | (644,311)                  | (213,609)                  |
| <b>Total capital under management</b>         | <b>7,692,789</b>           | <b>3,540,323</b>           | <b>4,244,172</b>           |

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its organic growth, to establish a strong capital base so as to maintain investor, creditor and to provide an adequate return to shareholders.

The Company's primary uses of capital are to finance increases in non-cash working capital along with capital expenditures for its store expansion program.

## LXR Produits de Luxe International Inc.

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The Company currently funds these requirements from cash flows from operations as well as its financial resources, which include cash balance, the Facility (*note 9*), long-term debt (*note 11*) and through its issuances of convertible redeemable preferred shares (*note 12*). The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements.

The Company is subject to certain financial and non-financial covenants related to its Credit Facility and long-term debt agreements, all of which were not met as at December 31, 2016. Subsequent to year-end, the Company obtained confirmation from its lenders waiving their rights, arising from the breach of the covenants, to demand repayment for a period of more than one year from the financial position date, with the exception of the Credit Facility for which the Company agreed to amend the maturity date to August 31, 2017 (*note 9*). There have been no changes with respect to the overall capital risk management strategy during the years ended December 31, 2016, 2015 and 2014.

#### 21. Guarantees

Some agreements to which the Company is party, specifically those related to debt agreements, preferred share issuances and the leasing of its premises, include indemnification provisions that may require the Company to make payments to a third party for breach of fundamental representation and warranty terms in the agreements, with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material obligations. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at December 31, 2016, management does not believe that these indemnification provisions would require any material cash payment by the Company, and insurance coverage, estimated by management to be reasonable and sufficient, exists in order to minimize the previously mentioned risks.

The Company indemnifies its directors and officers against claims reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers as well as those of its subsidiary.

#### 22. Finance costs

|   | December 31,<br>2016<br>\$ | December 31,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|---|----------------------------|----------------------------|----------------------------|
| Credit facility   | 327,406                    | 133,006                    | 162,129                    |
| Subordinated debt   | 186,570                    | 185,759                    | 173,147                    |
| Accretion expense on subordinated debt bonus ( <i>note 11</i> ) | 473,072                    | 38,743                     | 125,560                    |
| Long-term debt  | 114,509                    | 75,277                     | 85,570                     |
| Amortization of financing fees and transaction costs            | 372,429                    | 44,271                     | 66,064                     |
|   | <b>1,473,986</b>           | <b>477,056</b>             | <b>612,470</b>             |

## LXR Produits de Luxe International Inc.

### Notes to consolidated financial statements

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#### 23. Commitments and contingencies

##### a) Commitments

The Company has various operating leases for their warehouse, retail stores and head office. The annual minimum payments under these operating leases are as follows:

|      | \$      |
|------|---------|
| 2017 | 776,877 |
| 2018 | 532,132 |
| 2019 | 149,248 |

The schedule above includes commitments from a company controlled by the Founding Shareholders in the amount of \$125,700, \$128,679 and \$131,748 for 2017 to 2019 respectively.

These leases have varying terms and renewal rights. In many cases, rent expense is based on a percentage of sales obtained by the Company in the leased premises. Contingent (sales-based) rentals are recognized in income or loss in the period in which they are incurred. For the year ended December 31, 2016 the Company has recognized in net loss contingent rent amounting to \$3,276,506 (December 31, 2015 – \$2,523,042; 2014 – \$923,597).

##### b) Contingencies

In April 2017, an informal claim was received by the Company totaling approximately \$1.1 million related to a terminated financing arrangement for the services of a financial advisor in the search of private equity capital. Management believes that the claim is without merit, intends to defend itself vigorously, and therefore no provision has been recorded in the consolidated financial statements.

#### 24. Subsequent events

On January 7, 2017, as part of a strategic decision to better integrate the Company's omni-channel strategy and improve the reporting of its entire operations, the Company re-acquired control of an associate, Groupe Global LXR Inc. by repurchasing the 67.8% interest of Global that it did not own for total consideration of \$3,945,347 through the issuance of 69,434 convertible redeemable preferred shares of the Company. The share exchange ratio for this transaction was set with a fair value for the Company of \$82.5 million.



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Prior to the ceding of control on June 10, 2016 (*note 8*), Global had been a wholly-owned subsidiary of the Company since inception and historically, the results of its operations and its assets and liabilities had been consolidated with those of the Company. Accordingly, with the exception of the period from June 10 to December 31, 2016 where the Company did not control Global, on a pro-forma basis, had the Company controlled Global for the complete 2016 year, the condensed consolidated statement of loss and comprehensive loss for the year ended December 31, 2016 and working capital as at December 31, 2016 would have been presented as follows:

|  |            |
|--|------------|
|  | \$         |
| <b>Revenue</b>                               | 22,353,152 |
| Cost of sales                                | 15,424,823 |
| <b>Gross profit</b>                          | 6,928,329  |
| Selling, general and administrative expenses | 6,519,564  |
| Amortization and depreciation expense        | 290,725    |
| <b>Results from operating activities</b>     | 118,040    |
|  | \$         |
| Current assets                               | 11,303,978 |
| Current liabilities                          | 10,882,701 |
| <b>Working capital</b>                       | 421,277    |

On April 13, 2017, the shareholders of Group Global and the shareholders of LXR approved the sale of Group Global to LXR.

On January 30, 2017, the Company issued 130,039 preferred shares at \$7.69 per share for proceeds of \$1 million, pursuant to the exercise of share purchase warrants disclosed in note 12.

On February 16, 2017, as part of the Company's newly-instituted employee stock option program, the Board approved 62,434 options to purchase Class A common shares at \$7.69 per common share. The options vest at 25 % on the first anniversary of the grant and yearly thereafter (on each anniversary of such date) to the fourth anniversary of the grant, and shall remain exercisable up to February 16, 2027. While the Board of Directors formally approved the ESOP in February 2017, the Company actually created the ESOP plan and allocated the ESOP to key employees and directors in 2016.

On April 13, 2017, Gibraltar Growth and the shareholders of LXR entered into a purchase agreement which provides for the acquisition by Gibraltar Growth of the Company. As a result of the acquisition, upon closing, LXR will become a wholly-owned subsidiary of Gibraltar Growth.

As at the date hereof, the Company is in discussions with potential lenders to replace the existing Credit Facilities with new credit facilities.

## **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

### **25. Adoption of International Financial Reporting Standards**

The Company is a private enterprise that has elected to adopt IFRS as of January 1, 2014.

These consolidated financial statements, for the year ended December 31, 2016, are the first the Company has prepared in accordance with IFRS. For periods up to December 31, 2015, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting policies in line with accounting standards for private enterprises ("Canadian GAAP").

The Company adopted IFRS effective December 31, 2014 with a transition date of January 1, 2014 ("transition date"). Accordingly, the Company has prepared consolidated financial statements which comply with IFRS applicable for periods ending on or after January 1, 2014 using the accounting policies set out in note 2.

In preparing these consolidated financial statements, the Company's opening consolidated statement of financial position was prepared as at January 1, 2014, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Canadian GAAP consolidated statement of financial position as at January 1, 2014 and its previously published Canadian GAAP consolidated financial statements as at and for the years ended December 31, 2015 and December 31, 2014.

IFRS 1 generally requires that an entity apply all IFRS standards effective at the end of its first IFRS reporting year retrospectively. However, IFRS 1 does include certain mandatory exemptions and limited optional exemptions from this general requirement. The following mandatory exemptions apply to the Company:

#### **Estimates**

Estimates made in accordance with IFRS at transition date are consistent with those determined under Canadian GAAP, except where they were impacted by a difference in accounting policy. Hindsight is not used to create or revise estimates.

In addition, the Company has elected to use the following optional exemptions:

#### **Fair Value or Revaluation as Deemed Cost**

IFRS 1 provides a choice between measuring property and equipment at its fair value on transition date and using those amounts as deemed cost, or using the historical valuation under the previous GAAP. The Company has elected not to apply this exemption. The Company will continue to apply the cost model for property, plant and equipment and will not restate property, plant and equipment to fair value under IFRS.

# LXR Produits de Luxe International Inc.

## Notes to consolidated financial statements

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### Cumulative Translation Differences

IFRS 1 provides an optional exemption such that the cumulative translation differences for all foreign operations are deemed to be zero at January 1, 2014. The Company elected to apply this exemption.

| Explanation   | Canadian<br>GAAP<br>balance<br>\$ | IFRS<br>classification<br>\$ | IFRS<br>adjustments<br>\$ | IFRS balance<br>\$ |
|---|-----------------------------------|------------------------------|---------------------------|--------------------|
| <b>December 31, 2014</b>  |                                   |                              |                           |                    |
| Revenue   | 12,938,404                        | —                            | —                         | 12,938,404         |
| Cost of sales (f)   | 8,379,674                         | 923,597                      | —                         | 9,303,271          |
| Gross profit  | 4,558,730                         | (923,597)                    | —                         | 3,635,133          |
| Selling, general and administrative expenses (f)                | 4,558,463                         | (1,177,010)                  | —                         | 3,381,453          |
| Amortization and depreciation expense                           | —                                 | 253,413                      | —                         | 253,413            |
| <b>Results from operating activities</b>                        | 267                               | —                            | —                         | 267                |
| Finance costs (c)   | 587,384                           | (53,840)                     | 78,926                    | 612,470            |
| Foreign exchange loss (gain) (a)                                | —                                 | 53,840                       | (76,430)                  | (22,590)           |
| Loss on change in fair value of derivative financial instrument | 8,220                             | —                            | —                         | 8,220              |
| <b>Loss before income taxes</b>                                 | (595,337)                         | —                            | (2,496)                   | (597,833)          |
| Income tax expense (recovery)                                   |                                   |                              |                           |                    |
| Current   | (808)                             | —                            | —                         | (808)              |
| Deferred (b)  | —                                 | —                            | 15,321                    | 15,321             |
|   | (808)                             | —                            | 15,321                    | 14,513             |
| <b>Net loss</b>   | (594,529)                         | —                            | (17,817)                  | (612,346)          |
| Cumulative translation adjustment (a)                           | —                                 | —                            | (76,430)                  | (76,430)           |
| <b>Net loss and comprehensive loss</b>                          | (594,529)                         | —                            | (94,247)                  | (688,776)          |
| <b>December 31, 2015</b>  |                                   |                              |                           |                    |
| Revenue   | 15,325,739                        | —                            | —                         | 15,325,739         |
| Cost of sales (f)   | 8,502,465                         | 2,523,042                    | —                         | 11,025,507         |
| Gross profit  | 6,823,274                         | (2,523,042)                  | —                         | 4,300,232          |
| Selling and general administrative expenses (f)                 | 6,747,265                         | (2,758,170)                  | —                         | 3,989,095          |
| Amortization and depreciation expenses                          | —                                 | 235,128                      | —                         | 235,128            |
| <b>Results from operating activities</b>                        | 76,009                            | —                            | —                         | 76,009             |
| Finance costs (c)   | 438,313                           | —                            | 38,743                    | 477,056            |
| Foreign exchange loss (gain) (a)                                | 300,667                           | —                            | (199,057)                 | 101,610            |
| Gain on change in fair value of derivative financial instrument | (74,937)                          | —                            | —                         | (74,937)           |
| <b>Loss before income taxes</b>                                 | (588,034)                         | —                            | 160,314                   | (427,720)          |
| Income tax expense (recovery)                                   |                                   |                              |                           |                    |
| Current   | 14,683                            | —                            | —                         | 14,683             |
| Deferred (b)  | —                                 | —                            | (11,701)                  | (11,701)           |
|   | 14,683                            | —                            | (11,701)                  | 2,982              |
| <b>Net loss</b>   | (602,717)                         | —                            | 172,015                   | (430,702)          |
| Cumulative translation adjustment (a)                           | —                                 | —                            | (107,934)                 | (107,934)          |
| <b>Net loss and comprehensive loss</b>                          | (602,717)                         | —                            | 64,081                    | (538,636)          |

# LXR Produits de Luxe International Inc.

## Notes to consolidated financial statements

December 31, 2016, 2015, 2014 and January 1, 2014

### Reconciliation of consolidated statement of financial position as at January 1, 2014

| Explanation                                 | Canadian<br>GAAP<br>balance<br>\$ | IFRS<br>classification<br>\$ | IFRS<br>adjustments<br>\$ | IFRS balance<br>\$ |
|---|-----------------------------------|------------------------------|---------------------------|--------------------|
| <b>January 1, 2014</b>                      |                                   |                              |                           |                    |
| <b>Assets</b>                               |                                   |                              |                           |                    |
| <b>Current</b>                              |                                   |                              |                           |                    |
| Cash  | 469,857                           | —                            | —                         | 469,857            |
| Accounts receivable                         | 743,686                           | —                            | —                         | 743,686            |
| Inventories                                 | 2,534,638                         | —                            | —                         | 2,534,638          |
| Prepaid expenses and deposits               | 241,668                           | —                            | —                         | 241,668            |
| <b>Total current assets</b>                 | <b>3,989,849</b>                  | <b>—</b>                     | <b>—</b>                  | <b>3,989,849</b>   |
| Property and equipment                      | 1,229,821                         | —                            | —                         | 1,229,821          |
| Intangible assets                           | 83,814                            | —                            | —                         | 83,814             |
|   | <b>5,303,484</b>                  | <b>—</b>                     | <b>—</b>                  | <b>5,303,484</b>   |
| <b>Liabilities and shareholder's equity</b> |                                   |                              |                           |                    |
| <b>Current</b>                              |                                   |                              |                           |                    |
| Credit facility                             | 590,031                           | —                            | —                         | 590,031            |
| Accounts payable and accrued liabilities    | 467,721                           | —                            | —                         | 467,721            |
| Income taxes payable                        | 121,000                           | —                            | —                         | 121,000            |
| Current portion of long-term debt           | 444,357                           | —                            | —                         | 444,357            |
| Derivative financial instrument             | 66,717                            | —                            | —                         | 66,717             |
| Preferred shares                            | —                                 | —                            | 300,000                   | 300,000            |
| <b>Total current liabilities</b>            | <b>1,689,826</b>                  | <b>—</b>                     | <b>300,000</b>            | <b>1,989,826</b>   |
| Long-term debt                              | 2,819,067                         | —                            | —                         | 2,819,067          |
| Deferred income taxes                       | —                                 | —                            | 10,869                    | 10,869             |
|   | <b>4,508,893</b>                  | <b>—</b>                     | <b>310,869</b>            | <b>4,819,762</b>   |
| <b>Shareholder's equity</b>                 |                                   |                              |                           |                    |
| Share capital                               |                                   |                              |                           |                    |
| Capital stock                               | 100                               | —                            | —                         | 100                |
| Retractable preferred shares                | 1                                 | —                            | (1)                       | —                  |
| Retained earnings                           | 794,490                           | —                            | (310,868)                 | 483,622            |
| <b>Total shareholders' equity</b>           | <b>794,591</b>                    | <b>—</b>                     | <b>(310,869)</b>          | <b>483,722</b>     |
|   | <b>5,303,484</b>                  | <b>—</b>                     | <b>—</b>                  | <b>5,303,484</b>   |

# LXR Produits de Luxe International Inc.

## Notes to consolidated financial statements

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### Reconciliation of consolidated statement of financial position as at December 31, 2014

| Explanation  | Canadian<br>GAAP<br>balance<br>\$ | IFRS<br>Classification<br>\$ | IFRS<br>adjustments<br>\$ | IFRS balance<br>\$ |
|--|-----------------------------------|------------------------------|---------------------------|--------------------|
| <b>December 31, 2014</b>                                     |                                   |                              |                           |                    |
| <b>Assets</b>  |                                   |                              |                           |                    |
| <b>Current</b>   |                                   |                              |                           |                    |
| Cash   | 213,208                           | —                            | —                         | 213,208            |
| Accounts receivable  | 1,234,316                         | —                            | —                         | 1,234,316          |
| Investment tax credit receivable                             | 55,142                            | —                            | —                         | 55,142             |
| Income tax receivable  | 20,000                            | —                            | —                         | 20,000             |
| Inventories  | 2,409,012                         | —                            | —                         | 2,409,012          |
| Prepaid expenses and deposits                                | 203,424                           | —                            | —                         | 203,424            |
| <b>Total current assets</b>                                  | <b>4,135,102</b>                  | <b>—</b>                     | <b>—</b>                  | <b>4,135,102</b>   |
| Loan receivable from a commonly<br>controlled company        | 47,738                            | (47,738)                     | —                         | —                  |
| Investments and other assets                                 | 112,682                           | 47,738                       | —                         | 160,420            |
| Property and equipment                                       | 362,126                           | —                            | —                         | 362,126            |
| Intangible assets  | 345,312                           | —                            | —                         | 345,312            |
|  | <b>5,002,960</b>                  | <b>—</b>                     | <b>—</b>                  | <b>5,002,960</b>   |
| <b>Liabilities and shareholder's equity<br/>(deficiency)</b> |                                   |                              |                           |                    |
| <b>Current</b>   |                                   |                              |                           |                    |
| Credit facility  | 1,947,243                         | —                            | —                         | 1,947,243          |
| Accounts payable and accrued liabilities                     | 434,091                           | —                            | —                         | 434,091            |
| Income taxes payable   | —                                 | —                            | —                         | —                  |
| Current portion of long-term debt (e)                        | 287,014                           | —                            | 1,984,310                 | 2,271,324          |
| Derivative financial instrument                              | 74,937                            | —                            | —                         | 74,937             |
| Preferred shares (d)   | —                                 | —                            | 300,000                   | 300,000            |
| <b>Total current liabilities</b>                             | <b>2,743,285</b>                  | <b>—</b>                     | <b>2,284,310</b>          | <b>5,027,595</b>   |
| Long-term debt (c and e)                                     | 2,097,964                         | 46,634                       | (1,905,384)               | 239,214            |
| Other long-term liabilities (c)                              | 46,634                            | (46,634)                     | —                         | —                  |
| Deferred income taxes (b)                                    | —                                 | —                            | 26,190                    | 26,190             |
|  | <b>4,887,883</b>                  | <b>—</b>                     | <b>405,116</b>            | <b>5,292,999</b>   |
| <b>Shareholders' equity (deficiency)</b>                     |                                   |                              |                           |                    |
| <b>Share capital</b>   |                                   |                              |                           |                    |
| Capital stock  | 100                               | —                            | —                         | 100                |
| Retractable preferred shares (d)                             | 1                                 | —                            | (1)                       | —                  |
| Retained earnings (deficit)                                  | 114,976                           | —                            | (328,685)                 | (213,709)          |
| Accumulated other comprehensive loss (a)                     | —                                 | —                            | (76,430)                  | (76,430)           |
| <b>Total shareholders' equity (deficiency)</b>               | <b>115,077</b>                    | <b>—</b>                     | <b>(405,116)</b>          | <b>(290,039)</b>   |
|  | <b>5,002,960</b>                  | <b>—</b>                     | <b>—</b>                  | <b>5,002,960</b>   |

# LXR Produits de Luxe International Inc.

## Notes to consolidated financial statements

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### Reconciliation of consolidated statement of financial position as at December 31, 2015

| Explanation  | Canadian<br>GAAP<br>balance<br>\$ | IFRS<br>classification<br>\$ | IFRS<br>adjustments<br>\$ | IFRS balance<br>\$ |
|--|-----------------------------------|------------------------------|---------------------------|--------------------|
| <b>December 31, 2015</b>                                 |                                   |                              |                           |                    |
| <b>Assets</b>  |                                   |                              |                           |                    |
| <b>Current</b>   |                                   |                              |                           |                    |
| Cash   | 909,858                           | —                            | —                         | 909,858            |
| Accounts receivable                                      | 1,065,522                         | —                            | —                         | 1,065,522          |
| Investment tax credit receivable                         | 144,178                           | —                            | —                         | 144,178            |
| Income tax receivable                                    | 42,917                            | —                            | —                         | 42,917             |
| Inventories  | 2,518,984                         | —                            | —                         | 2,518,984          |
| Prepaid expenses and deposits                            | 194,228                           | —                            | —                         | 194,228            |
| <b>Total current assets</b>                              | <b>4,875,687</b>                  | <b>—</b>                     | <b>—</b>                  | <b>4,875,687</b>   |
| Loan receivable from a commonly controlled company       | 32,454                            | (32,454)                     | —                         | —                  |
| Deferred charges   | 131,480                           | (131,480)                    | —                         | —                  |
| Investments and other assets                             | 112,682                           | 163,934                      | —                         | 276,616            |
| Property and equipment (a)                               | 452,629                           | —                            | 38,095                    | 490,724            |
| Intangible assets (a)                                    | 270,574                           | —                            | 53,028                    | 323,602            |
|  | <b>5,875,506</b>                  | <b>—</b>                     | <b>91,123</b>             | <b>5,966,629</b>   |
| <b>Liabilities and shareholders' equity (deficiency)</b> |                                   |                              |                           |                    |
| <b>Current</b>   |                                   |                              |                           |                    |
| Credit facility  | 1,483,123                         | —                            | —                         | 1,483,123          |
| Accounts payable and accrued liabilities                 | 2,109,541                         | —                            | —                         | 2,109,541          |
| Income taxes payable                                     | 64,128                            | —                            | —                         | 64,128             |
| Deferred revenues  | 122,512                           | —                            | —                         | 122,512            |
| Current portion of long-term debt (e)                    | 298,855                           | —                            | 2,074,713                 | 2,373,568          |
| Preferred shares (d)                                     | —                                 | —                            | 300,000                   | 300,000            |
| <b>Total current liabilities</b>                         | <b>4,078,159</b>                  | <b>—</b>                     | <b>2,374,713</b>          | <b>6,452,872</b>   |
| Loan payable to a commonly controlled company            | 111,856                           | —                            | —                         | 111,856            |
| Long-term debt (c and e)                                 | 2,126,497                         | 46,634                       | (1,957,044)               | 216,087            |
| Other long-term liabilities (c)                          | 46,634                            | (46,634)                     | —                         | —                  |
| Deferred income taxes (b)                                | —                                 | —                            | 14,489                    | 14,489             |
|  | <b>6,363,146</b>                  | <b>—</b>                     | <b>483,818</b>            | <b>6,795,304</b>   |
| <b>Shareholders' equity (deficiency)</b>                 |                                   |                              |                           |                    |
| <b>Share capital</b>                                     |                                   |                              |                           |                    |
| Capital stock  | 100                               | —                            | —                         | 100                |
| Retractable preferred shares (d)                         | 1                                 | —                            | (1)                       | —                  |
| Deficit  | (487,741)                         | —                            | (156,670)                 | (644,411)          |
| Accumulated other comprehensive loss (a)                 | —                                 | —                            | (184,364)                 | (184,364)          |
| <b>Total shareholders' equity (deficiency)</b>           | <b>(487,640)</b>                  | <b>—</b>                     | <b>(341,035)</b>          | <b>(828,675)</b>   |
|  | <b>5,875,506</b>                  | <b>—</b>                     | <b>91,123</b>             | <b>5,966,629</b>   |

## **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

### **Material adjustments to consolidated statements of cash flows**

IFRS requires cash flows from interest received and paid, and income taxes paid, to be disclosed directly in the consolidated statement of cash flows. Under Canadian GAAP, the Company disclosed interest and income taxes paid as supplementary information in the consolidated financial statements. This has resulted in a change to the presentation of the consolidated statements of cash flows for all periods presented in these consolidated financial statements. There are no material differences between the Company's consolidated statements of cash flows presented under IFRS and the consolidated statements of cash flows presented under Canadian GAAP.

### **Notes to the reconciliations of shareholders' equity (deficiency), and statements of net loss and comprehensive loss**

The preceding are reconciliations of the consolidated financial statements previously presented under Canadian GAAP to the consolidated financial statements prepared under IFRS. Items identified as "IFRS adjustments" are required as the accounting treatment under Canadian GAAP differs from the treatment under IFRS. Items identified as "IFRS reclassifications" are solely presentation reclassifications required to present the previous Canadian GAAP consolidated financial statement line items on a consistent basis with that of the IFRS presentation. Details on the nature of both types of changes are described below.

#### **(a) Foreign currency translation**

Under IFRS, the Company recognizes translation differences on foreign operations in other comprehensive income (loss) and accumulated other comprehensive income (loss). Cumulative currency translation differences for all foreign operations are deemed to be nil as at January 1, 2014. The resulting adjustment was recognized against retained earnings (deficit).

#### **(b) Deferred tax**

Under Canadian GAAP, the Company elected to account for income taxes using the tax payable method instead of the future income tax method, as prescribed by IFRS. The change from the tax payable method to future income tax method, including the various transitional adjustments, led to different temporary differences. According to the accounting policies in Notes 2 and 14, the Company has to account for such differences. Deferred tax adjustments are recognized in correlation to the underlying transaction either in retained earnings (deficit) or a separate component of equity (deficiency).

#### **(c) Subordinated debt**

Under IFRS, the bonus and royalty payment are accounted for as a financial liability that is required to be accounted for at fair value at inception. The bonus and royalty payments related interest accretion expense is recorded through net loss using the effective interest method over the expected life of the instrument compared to straight-line interest accretion method under Canadian GAAP. The bonus and royalty payments estimates are revised annually, and the Company adjusts accordingly the carrying amount of the subordinated debt to reflect actual and revised estimated cash flows. The Company recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognized in statement of loss and comprehensive loss as finance costs.

## **Notes to consolidated financial statements**

December 31, 2016, 2015, 2014 and January 1, 2014

### **(d) Preferred shares**

Under Canadian GAAP, certain redeemable preferred shares issued in tax planning arrangements are allowed to be presented in equity at their exchange amount rather than in liabilities at fair value at inception. The retractable preferred shares financial instrument includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash at the option of the instrument holder at any time. Accordingly, the retractable preferred shares are classified as a financial liability at their redemption value of \$300,000.

### **(e) Long-term debt**

Under Canadian GAAP, when an entity breaches a provision of a long-term debt arrangement, it could still classify the debt arrangement through long-term liabilities in the event that the creditor has waived before the issuance of the financial statements, in writing, or subsequently lost, the right, arising from violation of the covenant at the balance sheet date, to demand repayment for a period of more than one year from the balance sheet date. Under IFRS, when an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current in its statement of financial position. This treatment applies, even if the Company obtains a waiver of the breach in writing from the creditor after the balance sheet date but before the issuance of the financial statements. Accordingly, the Company classified its long-term debt for which there existed a breach of the covenants at the balance sheet date as current liabilities.

### **(f) Cost of sales**

Under Canadian GAAP, contingent rental expenses were presented as a component of selling, general and administrative expenses. Upon IFRS transition, and to align presentation of the consolidated statements of loss with the industry, the Company presented contingent rental expense as a component of cost of sales.



**APPENDIX D**  
**LXRANDCO PRO FORMA FINANCIAL STATEMENTS**

**(See attached)**

## Pro Forma Consolidated Financial Statements

### **LXRandCo, Inc.**

Unaudited

Statement of Financial Position as at December 31, 2016

Statement of Operations for the year-ended December 31, 2016

(Assuming 50% Class A Restricted Voting Share Redemptions)

LXRandCo, Inc.  
**Consolidated Pro Forma Statement of Financial Position**  
Expressed in Canadian dollars  
(unaudited)

|  | <b>LXR Produits de Luxe<br/>International Inc.<br/>at December 31, 2016</b> | <b>Gibraltar Growth<br/>Corporation<br/>at December 31, 2016</b> | <b>Adjustments made<br/>to LXR and Gibraltar Growth<br/>Prior to Acquisition</b> | <b>Note</b> | <b>Adjustments made to<br/>reflect the Acquisition<br/>of Gibraltar Growth</b> | <b>Note</b> | <b>LXRandCo<br/>Pro Forma Consolidated<br/>at December 31, 2016</b> |
|--|---|--|--|-------------|--|-------------|---|
| <b>ASSETS</b>  |   |  |  |             |  |             |   |
| <b>Current</b>   |   |  |  |             |  |             |   |
| Cash   | \$ 938,966  | \$ 346,855   | \$ 23,395,000  | 2a          | \$ (5,000,000)   | 3c          | \$ 69,014,083   |
|  |   |  | (3,657,500)  | 2b          | (300,000)  | 3a          |   |
|  |   |  | 105,097,682  | 2c          |  |             |   |
|  |   |  | (52,459,000)   | 2d          |  |             |   |
|  |   |  | (151,581)  | 2g          |  |             |   |
|  |   |  | 803,661  | 2h          |  |             |   |
| Accounts Receivable and Prepayments                    | 2,462,213   | 186,221  | 22,653   | 2h          |  |             | 2,671,087   |
| Income Tax Receivable                                  | 31,924  | --   | 99,395   | 2h          |  |             | 131,319   |
| Inventory  | 6,871,597   | --   | 127,717  | 2h          |  |             | 6,999,314   |
| Prepaid Expenses and Deposits                          | 340,520   | --   | 2,907  | 2h          |  |             | 343,427   |
| Restricted cash and cash equivalents held in escrow    | --  | 105,097,682  | (105,097,682)  | 2c          |  |             | 0   |
| <b>Total Current Assets</b>                            | <b>10,645,220</b>   | <b>105,630,758</b>   | <b>(31,816,748)</b>  |             | <b>(5,300,000)</b>   |             | <b>79,159,230</b>   |
| Property and equipment, net                            | 1,000,913   | --   | 1,608  | 2h          |  |             | 1,002,521   |
| Intangible assets, net                                 | 256,917   | --   | 135,399  | 2h          |  |             | 392,316   |
| Goodwill   | --  | --   | 3,466,816  | 2h          |  |             | 5,337,260   |
|  |   |  | 1,870,444  | 2i          |  |             |   |
| Investments and other assets                           | 112,682   | --   | 7,555  | 2h          |  |             | 120,237   |
| <b>TOTAL ASSETS</b>                                    | <b>\$ 12,015,732</b>  | <b>\$ 105,630,758</b>  | <b>\$ (26,334,926)</b>   |             | <b>\$ (5,300,000)</b>  |             | <b>\$ 86,011,564</b>  |
| <b>LIABILITIES</b>                                     |   |  |  |             |  |             |   |
| <b>Current</b>   |   |  |  |             |  |             |   |
| Credit Facility  | 3,399,362   | --   |  |             |  |             | 3,399,362   |
| Accounts payable and accrued liabilities               | 4,017,524   | 603,561  | 4,737,500  | 2f          |  |             | 9,699,712   |
|  |   |  | 341,127  | 2h          |  |             |   |
| Amounts due to related parties                         | --  | 151,581  | (151,581)  | 2g          |  |             | 381,237   |
|  |   |  | 381,237  | 2h          |  |             |   |
| Deferred underwriters' commission                      | --  | 3,657,500  | (3,657,500)  | 2b          |  |             | 0   |
| Class A Restricted Voting Shares subject to redemption | --  | 102,828,000  | 1,672,000  | 2e          |  |             | 0   |
|  |   |  | (52,250,000)   | 2d          |  |             |   |
|  |   |  | (52,250,000)   | 2e          |  |             |   |
| Income tax payable                                     | --  | --   |  |             |  |             | 0   |
| Current portion of long-term debt                      | 2,841,026   | --   |  |             |  |             | 2,841,026   |
| Preferred shares                                       | 300,000   | --   |  |             | (300,000)  | 3a          | 0   |
| <b>Total current liabilities</b>                       | <b>10,557,912</b>   | <b>107,240,642</b>   | <b>(101,177,217)</b>   |             | <b>(300,000)</b>   |             | <b>16,321,337</b>   |
| Long term debt   | 187,727   | --   |  |             |  |             | 187,727   |
| Deferred income taxes                                  | 178,243   | --   |  |             |  |             | 178,243   |
| Convertible redeemable preferred shares                | 30,226,003  | --   |  |             | (30,226,003)   | 3b          | 0   |
| <b>Total liabilities</b>                               | <b>41,149,885</b>   | <b>107,240,642</b>   | <b>(101,177,217)</b>   |             | <b>(30,526,003)</b>  |             | <b>16,687,307</b>   |
| <b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>               |   |  |  |             |  |             |   |
| Share Capital  | 100   | 4,070,680  | 23,395,000   | 2a          | 108,515,639  | 3c          | 142,687,089   |
|  |   |  | 52,250,000   | 2e          | (79,715,680)   | 3c          |   |
|  |   |  | 3,945,347  | 2h          | 30,226,003   | 3b          |   |
| Warrants   | --  | 1,016,660  |  |             | 3,199,390  | 3d          | 4,216,050   |
| Retained earnings (deficit)                            | (28,961,429)  | (6,697,224)  | (1,672,000)  | 2e          | 13,315,724   | 3c,3d       | (77,406,057)  |
|  |   |  | (209,000)  | 2d          |  |             |   |
|  |   |  | (4,737,500)  | 2f          | (50,315,073)   | 3c          |   |
|  |   |  | 1,870,444  | 2i          |  |             |   |
| Accumulated other comprehensive loss                   | (172,824)   | --   |  |             |  |             | (172,824)   |
| <b>Total equity</b>                                    | <b>(29,134,153)</b>   | <b>(1,609,884)</b>   | <b>74,842,291</b>  |             | <b>25,226,003</b>  |             | <b>69,324,257</b>   |
|  | <b>\$ 12,015,732</b>  | <b>\$ 105,630,758</b>  | <b>\$ (26,334,926)</b>   |             | <b>\$ (5,300,000)</b>  |             | <b>\$ 86,011,564</b>  |

The accompanying notes are integral part of these pro forma consolidated financial statements

**LXRandCo, Inc.**  
**Pro Forma Consolidated Statement of Operations**  
**For the year-ended December 31, 2016**  
**Expressed in Canadian dollars**  
(unaudited)

|  | <b>LXR Produits de Luxe<br/>International Inc.</b> | <b>Gibraltar Growth<br/>Corporation</b> | <b>Adjustments</b>   | <b>Note</b> | <b>LXRandCo<br/>Pro Forma Consolidated</b> |
|--|--|---|----------------------|-------------|--|
| Net revenue  | \$ 21,890,810                                      | \$ -                                    | \$ 580,511           | 4c          | \$ 22,471,321                              |
| Cost of sales  | 14,965,438   |   | 452,519              | 4c          | 15,417,957                                 |
| Gross Profit   | 6,925,372  | 0                                       | 127,992              |             | 7,053,364                                  |
| Selling, general and administrative                                      | 6,127,350  | 960,308                                 | 593,308              | 4c          | 7,680,966                                  |
| Amortization and depreciation expenses                                   | 224,329  |   |                      |             | 224,329                                    |
| Results from operating activities  | 573,693  | (960,308)                               | (465,316)            |             | (851,931)                                  |
| Interest expense (income)  |  | (487,127)                               |                      |             | (487,127)                                  |
| Net unrealized loss on changes in fair value of<br>financial liabilities |  | 3,239,500                               | (3,239,500)          | 4a          | 0  |
| Finance costs  | 1,473,986  |   | 31,657               | 4c          | 1,505,643                                  |
| Foreign exchange loss (gain)   | (193,639)  |   |                      |             | (193,639)                                  |
| Share of loss in an associate  | 499,007  |   | (499,007)            | 4c          | 0  |
| Non-recurring gain on loss of control of a subsidiary                    | (363,948)  |   | 363,948              | 4c          | 0  |
| Change in fair value of convertible redeemable<br>preferred shares       | 17,277,928   |   | (17,277,928)         | 4b          | 0  |
| Convertible redeemable preferred shares dividends                        | 661,442  |   | (661,442)            | 4b          | 0  |
| Change in fair value of warrants   | 9,582,300  |   | (9,582,300)          | 4b          | 0  |
| Loss before income taxes   | (28,363,383)                                       | (3,712,681)                             | 30,399,256           |             | (1,676,808)                                |
| Income tax expense (recovery)  |  |   |                      |             |  |
| Current  | (210,119)  |   | (99,395)             | 4c          | (309,514)                                  |
| Deferred   | 163,754  |   | 0                    | 4c          | 163,754                                    |
|  | (46,365)   | 0                                       | (99,395)             |             | (145,760)                                  |
| <b>Net income (loss) for the period</b>                                  | (28,317,018)                                       | (3,712,681)                             | 30,498,651           |             | (1,531,048)                                |
| <b>Other comprehensive loss</b>  |  |   |                      |             |  |
| Cumulative translation adjustment  | 11,540   |   |                      |             | 11,540                                     |
| Comprehensive loss   | <u>\$ (28,305,478)</u>                             | <u>\$ (3,712,681)</u>                   | <u>\$ 30,498,651</u> |             | <u>\$ (1,519,508)</u>                      |
| <b>Basic and diluted loss per share</b>                                  |  | \$ (1.52)                               |                      |             | \$ (0.09)                                  |
| Weighted average number of Class B shares outstanding                    |  |   |                      |             |  |
| - basic and diluted  |  | 2,447,736                               |                      |             | 17,780,083                                 |

The accompanying notes are integral part of these pro forma consolidated financial statements

## **1. Transaction Background and Basis of Presentation**

Gibraltar Growth Corporation ("**Gibraltar Growth**") is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation that will qualify as its "qualifying acquisition". Gibraltar Growth received \$100,000,000 of proceeds from its initial public offering which was completed on October 2, 2015 and an additional \$4,500,000 from the partial exercise of the underwriters' over-allotment option. The total proceeds of \$104,500,000 were placed in an escrow account with Equity Financial Trust Corporation immediately following the initial public offering and will be released upon consummation of the qualifying acquisition in accordance with the terms and conditions of the Escrow Agreement.

On April 13, 2017, Gibraltar Growth and Frederick Mannella, Kei Izawa, Gibraltar & Company, Gibraltar Ventures Fund One Limited Partnership, and certain other private investors (collectively, the "**Vendors**") entered into a share purchase agreement (the "**Purchase Agreement**") which provides for the acquisition by Gibraltar Growth of all the issued and outstanding shares of LXR Produits de Luxe Internationale Inc. ("**LXR**") (the "**LXR Acquisition**"). As a result of the LXR Acquisition, LXR will become a wholly-owned subsidiary of Gibraltar Growth. The LXR Acquisition constitutes Gibraltar Growth's qualifying acquisition which is subject to shareholder approval. Following the closing of the LXR Acquisition (the "**Closing**"), Gibraltar Growth will be the surviving legal entity. A Voting Trust Agreement will give the Vendors control of a majority of the voting shares of the combined entity, and the composition of the combined entity's senior management team will largely resemble that of LXR's current management. Following the Closing, it is Gibraltar Growth's intention to rename itself as LXRandCo, Inc.

While Gibraltar Growth is the legal acquirer of LXR, LXR was identified as the acquirer for accounting purposes. As Gibraltar Growth does not meet the definition of a business under IFRS prior to the acquisition, the acquisition is outside the scope of IFRS 3, Business Combinations, and it is accounted for as a share-based payment transaction in accordance with IFRS 2, Share-based Payments ("**IFRS 2**"). The consolidated entity, reflected in the unaudited pro forma consolidated statements of operations and financial position (the "**Pro Forma Consolidated Financial Statements**") as LXRandCo, Inc. ("**LXRandCo**") is considered to be a continuation of LXR with the net identifiable assets of Gibraltar Growth deemed to have been acquired by LXR in exchange for shares of LXR. Under IFRS 2, the transaction is measured at the fair value of the shares deemed to have been issued by LXR in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of LXR acquiring 100% of Gibraltar Growth. Any difference in the fair value of the shares deemed to have been issued by LXR and the fair value of Gibraltar Growth's identifiable net assets represents a service received by LXR.

Pursuant to the Purchase Agreement, Gibraltar Growth will repay and/or effectively assume indebtedness (net of cash on hand) of LXR (including the redemption and cancellation of certain outstanding preferred shares of LXR in the amount of \$300,000), which totals approximately \$6,400,000 as at December 31, 2016 and will issue to the Vendors and reserve for option holders an aggregate 7,607,347 Class B Shares of Gibraltar Growth at \$10.00 per Class B Share as the equity consideration at Closing. The actual number of Class B Shares to be issued and reserved for issuance is subject to adjustments, including for the actual amount of net indebtedness at Closing as well as customary working capital adjustments. In addition, subject to redemption levels of Gibraltar Growth's Class A Restricted Voting Shares ("**Class A Restricted Voting Shares**"), in lieu of up to 500,000 Class B Shares, Gibraltar Growth will instead pay up to a maximum of \$5,000,000 to Frederick Mannella and Kei Izawa in cash (the "**Cash Consideration**") at Closing.

Subject to Closing, in consideration for their commitments, subscribers under the Private Placement will receive a commitment fee payable in Class B Shares of Gibraltar Growth equal to 10% of their subscription amount (the “**Commitment Fee**”) upon Closing. Although the Commitment Fee is payable in newly issued Class B Shares, the founders and sponsor of Gibraltar Growth (collectively, the “**Founders**”) have agreed to forfeit a portion of the Class B Shares issued to the Founders as part of Gibraltar’s Growth’s original Initial Public Offering in an amount equal to the amount of Class B Shares issued in satisfaction of the Commitment Fee such that the payment of the Commitment Fee will not dilute existing shareholders of Gibraltar Growth.

The unaudited pro forma consolidated statement of financial position as at December 31, 2016 gives effect to the LXR Acquisition as though it had occurred on December 31, 2016, and has been prepared from LXR’s audited Financial Statements for the period ended December 31, 2016 (the “**LXR Audited Financial Statements**”) and Gibraltar Growth’s audited Financial Statements for the period ended December 31, 2016 (the “**Gibraltar Growth Audited Financial Statements**”).

The unaudited pro forma consolidated statement of operations for the year ended December 31, 2016 gives effect to the LXR Acquisition as if it had occurred on January 1, 2016 and has been prepared from the LXR Audited Financial Statements and the Gibraltar Growth Audited Financial Statements.

Both the Gibraltar Growth Audited Financial Statements and the LXR Audited Financial Statements were prepared in accordance with International Financial Reporting Standards (“**IFRS**”). The accounting policies used in the preparation of these unaudited pro forma consolidated financial statements are consistent with those as set out in the LXR Audited Financial Statements. Accounting policy differences between LXR and Gibraltar Growth may be identified after consummation of the LXR Acquisition as Gibraltar Growth finalizes its accounting policies.

The Pro Forma Consolidated Financial Statements should be read in conjunction with the financial statements of Gibraltar Growth and LXR noted above. The Pro Forma Consolidated Financial Statements include adjustments to give effect to the events that are directly attributable to the LXR Acquisition, that are factually supportable, and that are expected to have a continuing impact on the combined entities.

Management has made certain assumptions it believes to be reasonable in respect of Gibraltar Growth’s acquisition of all of the issued and outstanding shares of LXR within the Pro Forma Consolidated Financial Statements. The Pro Forma Consolidated Financial Statements are for illustrative and information purposes only and may not be indicative of the operating results or the financial condition that actually would have been achieved if the LXR Acquisition had been in effect on the dates indicated. The Pro Forma Consolidated Financial Statements may also not be indicative of the results that may be obtained in the future. Any potential synergies that may be realized and integration costs that may be incurred upon consummation of the transaction have been excluded from the Pro Forma Consolidated Financial Statements. In addition to the pro forma adjustments considered, various other factors may have an effect on the financial condition and results of operations after the completion of the LXR Acquisition.

## **2. Adjustments to the Pro Forma Consolidated Statement of Financial Position**

The adjustments contained in the unaudited pro forma consolidated statement of financial position reflect estimates and assumptions by management of Gibraltar Growth based on currently available information.

As a special purpose acquisition corporation, the 10,450,000 issued and outstanding Class A Restricted Voting Shares of Gibraltar Growth are subject to possible redemption by shareholders upon a qualifying acquisition. The redemption of Class A Restricted Voting Shares that may occur in connection with the LXR Acquisition

cannot be known until the time of the meeting of shareholders of Gibraltar Growth to vote on the LXR Acquisition. The adjustments in the Pro Forma Consolidated Financial Statements have been prepared assuming a redemption level of 50%. The 50% redemption level is an assumption for illustrative purposes only. The actual redemption level could be materially different.

The adjustments presented in the Pro Forma Consolidated Statement of Financial Position relate to the following items:

- a) At Closing, Gibraltar Growth will complete a private placement equity financing involving the issuance of 2,500,000 Class B Shares, at a purchase price of \$10.00 per Class B Share, net of related estimated transaction fees of \$1,605,000 for net proceeds of \$23,395,000.
- b) Reflects the portion of the funds released from escrow used to settle the deferred underwriters' commission of \$3,657,000.
- c) Reflects the reclassification of the investment in Canadian Government securities of \$105,097,682 released from escrow and converted into cash.
- d) Reflects the portion of the funds released from escrow used to settle the redemptions at an amount per share equal to the pro rata portion of the escrowed funds available, including interest earned thereon, net of a provision for income taxes and redemption-related expenses. Assumes a redemption level of 50%, or 5,225,000 of the Class A Restricted Voting Shares.
- e) Reflects the financial impact of the 50% redemption level at Closing whereby: the total Class A Restricted Voting Shares liability is remeasured to \$10.00 per share, that being the fair market value per share for Class A shareholders as determined by the Private Placement, resulting in an increase to the Class A Restricted Voting Shares liability of \$1,672,000; the remaining Class A Restricted Voting Shares which were not redeemed, are converted into Class B Shares on a one-for-one basis. The converted Class B Shares are recorded at a fair value of \$52,250,000 which represents a total of 5,225,000 Class A Restricted Voting Shares exchanged for Class B Shares.
- f) Reflects an increase in accounts payable by \$4,737,500 related to the estimated acquisition-related transaction costs.
- g) Reflects that immediately prior to Closing, \$151,581 due to a Gibraltar Growth related party as part of an administrative services agreement is settled.
- h) Reflects the impact of the re-acquisition of Group Global LXR Inc. ("**Group Global**") by LXR. Group Global was a wholly owned subsidiary until LXR sold a 67.8% interest on June 10, 2016. LXR subsequently reacquired control of Group Global on January 1, 2017.

The preliminary purchase price allocation for the reacquisition of Group Global, applied to the Group Global consolidated statement of financial position as at December 31, 2016, is summarized as follows:

**LXRandCo, Inc.****Notes to Pro Forma Consolidated Financial Statements****December 31, 2016***Unaudited*

|  |                  |
|--|------------------|
| <b>Fair Value Consideration</b>                      |                  |
| Consideration paid in shares                         | \$ 3,945,347     |
| <b>LXR Net Assets</b>                                | <b>Total</b>     |
| Cash   | 803,661          |
| Accounts receivable                                  | 22,653           |
| Inventory  | 127,717          |
| Prepaid expenses & deposits                          | 2,907            |
| Income taxes receivable                              | 99,395           |
| <b>Current Assets</b>                                | <b>1,056,333</b> |
| Loans receivable from companies under common control | 7,555            |
| Property and equipment                               | 1,608            |
| Intangibles  | 135,399          |
| <b>Long Term Assets</b>                              | <b>144,562</b>   |
| Accounts payable and accrued liabilities             | 341,127          |
| Loan payable to related parties                      | 381,237          |
| <b>Current Liabilities</b>                           | <b>722,364</b>   |
|  | -                |
| <b>Other Liabilities</b>                             | <b>-</b>         |
| <b>Net Assets Acquired</b>                           | <b>478,531</b>   |
| <i>Goodwill</i>                                      | 3,466,816        |

- i) Reflects the remeasurement of LXR's previously held equity interest in Group Global on the acquisition of control. As a result, the equity investment was remeasured at fair value and resulted in an increase in goodwill and an adjustment to retained earnings of \$1,870,444. This fair valuation gain was not included in the pro forma consolidated statement of operations because it was determined to be non-indicative of the go-forward continuing normal course operations of the business.

### **3. Adjustments to the Pro Forma Consolidated Statement of Financial Position Relating to the LXR Acquisition at Closing**

Reflects the deemed fair value of shares issued to acquire Gibraltar Growth. The Purchase Agreement sets out the specific purchase price and form of consideration to be paid by Gibraltar for LXR in the form of shares. The Purchase Price is also used to determine the deemed fair value of the shares that LXR would have had to issue to satisfy the ratio of ownership interests in the combined entity to be the same as if the transaction had taken the form of LXR acquiring 100% of the shares of Gibraltar Growth (the "**Deemed Fair Value**"). The Deemed Fair Value is impacted by levels of redemptions of Class A Restricted Voting Shares of Gibraltar Growth. At a redemption level of 50% of the outstanding Class A Restricted Voting Shares, the Deemed Fair Value for Gibraltar Growth for accounting purposes would be \$108,515,639.

- a) Reflects the repayment and cancellation by LXR of the LXR Class E Preferred Shares held by Frederick Mannella in the amount of \$300,000 pursuant to the Purchase Agreement.
- b) Reflects the exchange of LXR's convertible redeemable preferred shares for Class B shares of Gibraltar Growth.
- c) Reflects the following which takes place at Closing:



- 
- i. The payment of a cash component of consideration to the Vendors as determined by the Purchase Agreement and as a function of the level of redemption of Class A Restricted Voting Shares;
  - ii. The elimination of the components of Gibraltar Growth's shareholders' equity as the accounting acquiree;
  - iii. The deemed cost of the LXR shares issued for the accounting-basis acquisition of 100% of the issued and outstanding shares of Gibraltar Growth;
  - iv. The cost in service in respect of the public nature of the LXR Acquisition as determined by the deemed value of the shares issued by LXR relative to the value of the net assets of Gibraltar Growth.
- d) The 10,861,250 Warrants of GG will remain outstanding following the LXR Acquisition. The pro-forma adjustment reflects the revaluation of warrants at fair value to \$4,216,050 at Closing using the Black-Scholes model; assumptions include exercise price \$11.50; market price of \$10.00, estimated volatility of 10.8% of LXR and risk free rate of 1.1%. This has been treated as a cost in service in respect of the public nature of the LXR Acquisition.

#### 4. Adjustments to the Pro Forma Consolidated Statements of Operations

- a) Reflects the removal of the change in fair value of the Class A Restricted Voting Shares of Gibraltar Growth, which following the Closing are either settled or reclassified to equity.
- b) Reflects the removal of the changes in fair value of LXR's convertible redeemable preferred shares and preferred share dividends and removal of the changes in fair value of warrants to purchase such preferred shares. Upon Closing, the convertible redeemable preferred shares and warrants will be exchanged for Class B shares of Gibraltar Growth.
- c) Reflects the impact of the acquisition of control of Group Global. This adjustment includes the results of operations of Group Global for the period from June 11, 2016 to December 31, 2016 in the consolidated results of LXR. In addition, this adjustment eliminates the one-time gain from the loss of control of Group Global as well as the share in loss of associate for the period from June 11, 2016 to December 31, 2016.

#### 5. Earnings per Share

Net loss per share is computed by dividing the net loss incurred during the period by the weighted average number of Class B Shares outstanding during the period. This calculation does not take into account the effect of any dilutive securities such as warrants in calculating the net loss per share as the exercise price of those securities of \$11.50 per share exceeds the current market price of \$10.00. As a result, diluted loss per share is the same as basic loss per share for the period.

| Description  | For the<br>year-ended<br>December 31, 2016 |
|--|--|
| Weighted average shares outstanding                                  | 2,447,736                                  |
| Less: Forfeiture of original Class B shares as Commitment Fee        | (250,000)                                  |
| Add: Conversion of Class A Shares to Class B Shares                  | 5,225,000                                  |
| Add: Issuance of Class B Shares to LXR Shareholders                  | 7,607,347                                  |
| Add: Issuance from Purchase of Class B Shares from Private Placement | 2,500,000                                  |
| Add: Transfer of Class B shares for Commitment Fee                   | 250,000                                    |

**LXRandCo, Inc.**  
**Notes to Pro Forma Consolidated Financial Statements**  
**December 31, 2016**  
*Unaudited*

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| Description  | For the<br>year-ended<br>December 31, 2016 |
|--|--|
| Total Weighted Average No. of Class B Shares Outstanding | 17,780,083                                 |

The pro forma financial statements reflect the net new issuance of 15,332,347 Class B Shares upon Closing comprised of a) the conversion of 5,225,000 Class A Shares to Class B Shares; b) the issuance of 7,607,347 Class B Shares to the Vendors pursuant to the Purchase Agreement; and c) the issuance of 2,500,000 Class B Shares per the Private Placement. The number of Class B Shares issued reflects an assumed redemption rate of 50% by the holders of Class A Restricted Voting Shares.

## **6. Subsequent Event Considerations**

On February 9, 2017, Gibraltar Growth's Board of Directors approved a plan to further capitalize the Gibraltar Growth for existing and anticipated short term expenses and eliminate a negative working capital position of the Company at year end. On February 23, 2017, the Company received cash proceeds of \$350,000 in return for the issuance of an unsecured loan from its Sponsor (the "**Sponsor Loan**"). The Sponsor Loan bears interest at prime plus 1% and matures on July 2, 2018 or upon the completion of a Qualifying Acquisition or upon wind-up of the Gibraltar Growth and is commensurate and in-line with the terms of such a funding as contemplated by the Gibraltar Growth's Initial Public Offering prospectus. This loan plus accrued interest is not reflected in the pro-forma consolidated financial statements because it will be settled upon Closing.

On January 30, 2017, LXR issued 130,039 preferred shares at \$7.69 per share for proceeds of \$1,000,000, pursuant to the exercise of share purchase warrants disclosed in note 12.

On February 16, 2017, as part of LXR's newly-instituted employee stock option program, the Board approved 62,334 options to purchase Class A common shares at \$7.69 per common share. The options vest at 25 % on the first anniversary of the grant and yearly thereafter (on each anniversary of such date) to the fourth anniversary of the grant, and shall remain exercisable up to February 16, 2027. While the Board of Directors formally approved the ESOP in February 2017, LXR actually created the ESOP plan and allocated the ESOP to key employees and directors in 2016.

Pro Forma Consolidated Financial Statements

**LXRandCo, Inc.**

Unaudited

Statement of Financial Position as at December 31, 2016

Statement of Operations for the year-ended December 31, 2016

(Assuming 100% Class A Restricted Voting Share Redemptions)

LXRandCo, Inc.  
**Consolidated Pro Forma Statement of Financial Position**  
Expressed in Canadian dollars  
(unaudited)

|  | <b>LXR Produits de Luxe<br/>International Inc.<br/>at December 31, 2016</b> | <b>Gibraltar Growth<br/>Corporation<br/>at December 31, 2016</b> | <b>Adjustments made<br/>to LXR and Gibraltar Growth<br/>Prior to Acquisition</b> | <b>Note</b> | <b>Adjustments made to<br/>reflect the Acquisition<br/>of Gibraltar Growth</b> | <b>Note</b> | <b>LXRandCo<br/>Pro Forma Consolidated<br/>at December 31, 2016</b> |
|--|---|--|--|-------------|--|-------------|---|
| <b>ASSETS</b>  |   |  |  |             |  |             |   |
| <b>Current</b>   |   |  |  |             |  |             |   |
| Cash   | \$ 938,966  | \$ 346,855   | \$ 23,395,000  | 2a          | \$ -   | 3c          | \$ 21,555,083   |
|  |   |  | (3,657,500)  | 2b          | (300,000)  | 3a          |   |
|  |   |  | 105,097,682  | 2c          |  |             |   |
|  |   |  | (104,918,000)  | 2d          |  |             |   |
|  |   |  | (151,581)  | 2g          |  |             |   |
|  |   |  | 803,661  | 2h          |  |             |   |
| Accounts Receivable and Prepayments                    | 2,462,213   | 186,221  | 22,653   | 2h          |  |             | 2,671,087   |
| Income Tax Receivable                                  | 31,924  | --   | 99,395   | 2h          |  |             | 131,319   |
| Inventory  | 6,871,597   | --   | 127,717  | 2h          |  |             | 6,999,314   |
| Prepaid Expenses and Deposits                          | 340,520   | --   | 2,907  | 2h          |  |             | 343,427   |
| Restricted cash and cash equivalents held in escrow    | --  | 105,097,682  | (105,097,682)  | 2c          |  |             | 0   |
| <b>Total Current Assets</b>                            | <b>10,645,220</b>   | <b>105,630,758</b>   | <b>(84,275,748)</b>  |             | <b>(300,000)</b>   |             | <b>31,700,230</b>   |
| Property and equipment, net                            | 1,000,913   | --   | 1,608  | 2h          |  |             | 1,002,521   |
| Intangible assets, net                                 | 256,917   | --   | 135,399  | 2h          |  |             | 392,316   |
| Goodwill   | --  | --   | 3,466,816  | 2h          |  |             | 5,337,260   |
|  |   |  | 1,870,444  | 2i          |  |             |   |
| Investments and other assets                           | 112,682   | --   | 7,555  | 2h          |  |             | 120,237   |
| <b>TOTAL ASSETS</b>                                    | <b>\$ 12,015,732</b>  | <b>\$ 105,630,758</b>  | <b>\$ (78,793,926)</b>   |             | <b>\$ (300,000)</b>  |             | <b>\$ 38,552,564</b>  |
| <b>LIABILITIES</b>                                     |   |  |  |             |  |             |   |
| <b>Current</b>   |   |  |  |             |  |             |   |
| Credit Facility  | 3,399,362   | --   |  |             |  |             | 3,399,362   |
| Accounts payable and accrued liabilities               | 4,017,524   | 603,561  | 4,737,500  | 2f          |  |             | 9,699,712   |
|  |   |  | 341,127  | 2h          |  |             |   |
| Amounts due to related parties                         | --  | 151,581  | (151,581)  | 2g          |  |             | 381,237   |
|  |   |  | 381,237  | 2h          |  |             |   |
| Deferred underwriters' commission                      | --  | 3,657,500  | (3,657,500)  | 2b          |  |             | 0   |
| Class A Restricted Voting Shares subject to redemption | --  | 102,828,000  | 1,672,000  | 2e          |  |             | 0   |
|  |   |  | (104,500,000)  | 2d          |  |             |   |
|  |   |  | 0  | 2e          |  |             |   |
| Income tax payable                                     | --  | --   |  |             |  |             | 0   |
| Current portion of long-term debt                      | 2,841,026   | --   |  |             |  |             | 2,841,026   |
| Preferred shares                                       | 300,000   | --   |  |             | (300,000)  | 3a          | 0   |
| <b>Total current liabilities</b>                       | <b>10,557,912</b>   | <b>107,240,642</b>   | <b>(101,177,217)</b>   |             | <b>(300,000)</b>   |             | <b>16,321,337</b>   |
| Long term debt   | 187,727   | --   |  |             |  |             | 187,727   |
| Deferred income taxes                                  | 178,243   | --   |  |             |  |             | 178,243   |
| Convertible redeemable preferred shares                | 30,226,003  | --   |  |             | (30,226,003)   | 3b          | 0   |
| <b>Total liabilities</b>                               | <b>41,149,885</b>   | <b>107,240,642</b>   | <b>(101,177,217)</b>   |             | <b>(30,526,003)</b>  |             | <b>16,687,307</b>   |
| <b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>               |   |  |  |             |  |             |   |
| Share Capital  | 100   | 4,070,680  | 23,395,000   | 2a          | 56,265,634   | 3c          | 90,437,084  |
|  |   |  | 0  | 2e          | (27,465,680)   | 3c          |   |
|  |   |  | 3,945,347  | 2h          | 30,226,003   | 3b          |   |
| Warrants   | --  | 1,016,660  |  |             | 3,199,390  | 3d          | 4,216,050   |
| Retained earnings (deficit)                            | (28,961,429)  | (6,697,224)  | (1,672,000)  | 2e          | 13,524,724   | 3c,3d       | (72,615,053)  |
|  |   |  | (418,000)  | 2d          |  |             |   |
|  |   |  | (4,737,500)  | 2f          | (45,524,068)   | 3c          |   |
|  |   |  | 1,870,444  | 2i          |  |             |   |
| Accumulated other comprehensive loss                   | (172,824)   | --   |  |             |  |             | (172,824)   |
| <b>Total equity</b>                                    | <b>(29,134,153)</b>   | <b>(1,609,884)</b>   | <b>22,383,291</b>  |             | <b>30,226,003</b>  |             | <b>21,865,257</b>   |
|  | <b>\$ 12,015,732</b>  | <b>\$ 105,630,758</b>  | <b>\$ (78,793,926)</b>   |             | <b>\$ (300,000)</b>  |             | <b>\$ 38,552,564</b>  |

The accompanying notes are integral part of these pro forma consolidated financial statements

**LXRandCo, Inc.**  
**Pro Forma Consolidated Statement of Operations**  
**For the year-ended December 31, 2016**  
**Expressed in Canadian dollars**  
(unaudited)

|  | <b>LXR Produits de Luxe<br/>International Inc.</b> | <b>Gibraltar Growth<br/>Corporation</b> | <b>Adjustments</b>   | <b>Note</b> | <b>LXRandCo<br/>Pro Forma Consolidated</b> |
|--|--|---|----------------------|-------------|--|
| Net revenue  | \$ 21,890,810                                      | \$ -                                    | \$ 580,511           | 4c          | \$ 22,471,321                              |
| Cost of sales  | 14,965,438   |   | 452,519              | 4c          | 15,417,957                                 |
| Gross Profit   | 6,925,372  | 0                                       | 127,992              |             | 7,053,364                                  |
| Selling, general and administrative                                      | 6,127,350  | 960,308                                 | 593,308              | 4c          | 7,680,966                                  |
| Amortization and depreciation expenses                                   | 224,329  |   |                      |             | 224,329                                    |
| Results from operating activities  | 573,693  | (960,308)                               | (465,316)            |             | (851,931)                                  |
| Interest expense (income)  |  | (487,127)                               |                      |             | (487,127)                                  |
| Net unrealized loss on changes in fair value of<br>financial liabilities |  | 3,239,500                               | (3,239,500)          | 4a          | 0  |
| Finance costs  | 1,473,986  |   | 31,657               | 4c          | 1,505,643                                  |
| Foreign exchange loss (gain)   | (193,639)  |   |                      |             | (193,639)                                  |
| Share of loss in an associate  | 499,007  |   | (499,007)            | 4c          | 0  |
| Non-recurring gain on loss of control of a subsidiary                    | (363,948)  |   | 363,948              | 4c          | 0  |
| Change in fair value of convertible redeemable<br>preferred shares       | 17,277,928   |   | (17,277,928)         | 4b          | 0  |
| Convertible redeemable preferred shares dividends                        | 661,442  |   | (661,442)            | 4b          | 0  |
| Change in fair value of warrants   | 9,582,300  |   | (9,582,300)          | 4b          | 0  |
| Loss before income taxes   | (28,363,383)                                       | (3,712,681)                             | 30,399,256           |             | (1,676,808)                                |
| Income tax expense (recovery)  |  |   |                      |             |  |
| Current  | (210,119)  |   | (99,395)             | 4c          | (309,514)                                  |
| Deferred   | 163,754  |   | 0                    | 4c          | 163,754                                    |
|  | (46,365)   | 0                                       | (99,395)             |             | (145,760)                                  |
| <b>Net income (loss) for the period</b>                                  | (28,317,018)                                       | (3,712,681)                             | 30,498,651           |             | (1,531,048)                                |
| <b>Other comprehensive loss</b>  |  |   |                      |             |  |
| Cumulative translation adjustment  | 11,540   |   |                      |             | 11,540                                     |
| Comprehensive loss   | <u>\$ (28,305,478)</u>                             | <u>\$ (3,712,681)</u>                   | <u>\$ 30,498,651</u> |             | <u>\$ (1,519,508)</u>                      |
| <b>Basic and diluted loss per share</b>                                  |  | \$ (1.52)                               |                      |             | \$ (0.12)                                  |
| Weighted average number of Class B shares outstanding                    |  |   |                      |             |  |
| - basic and diluted  |  | 2,447,736                               |                      |             | 12,555,083                                 |

The accompanying notes are integral part of these pro forma consolidated financial statements

## 1. Transaction Background and Basis of Presentation

Gibraltar Growth Corporation ("**Gibraltar Growth**") is a special purpose acquisition corporation incorporated under the laws of the Province of Ontario for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Corporation that will qualify as its "qualifying acquisition". Gibraltar Growth received \$100,000,000 of proceeds from its initial public offering which was completed on October 2, 2015 and an additional \$4,500,000 from the partial exercise of the underwriters' over-allotment option. The total proceeds of \$104,500,000 were placed in an escrow account with Equity Financial Trust Corporation immediately following the initial public offering and will be released upon consummation of the qualifying acquisition in accordance with the terms and conditions of the Escrow Agreement.

On April 13, 2017, Gibraltar Growth and Frederick Mannella, Kei Izawa, Gibraltar & Company, Gibraltar Ventures Fund One Limited Partnership, and certain other private investors (collectively, the "**Vendors**") entered into a share purchase agreement (the "**Purchase Agreement**") which provides for the acquisition by Gibraltar Growth of all the issued and outstanding shares of LXR Produits de Luxe Internationale Inc. ("**LXR**") (the "**LXR Acquisition**"). As a result of the LXR Acquisition, LXR will become a wholly-owned subsidiary of Gibraltar Growth. The LXR Acquisition constitutes Gibraltar Growth's qualifying acquisition which is subject to shareholder approval. Following the closing of the LXR Acquisition (the "**Closing**"), Gibraltar Growth will be the surviving legal entity. A Voting Trust Agreement will give the Vendors control of a majority of the voting shares of the combined entity, and the composition of the combined entity's senior management team will largely resemble that of LXR's current management. Following the Closing, it is Gibraltar Growth's intention to rename itself as LXRandCo, Inc.

While Gibraltar Growth is the legal acquirer of LXR, LXR was identified as the acquirer for accounting purposes. As Gibraltar Growth does not meet the definition of a business under IFRS prior to the acquisition, the acquisition is outside the scope of IFRS 3, Business Combinations, and it is accounted for as a share-based payment transaction in accordance with IFRS 2, Share-based Payments ("**IFRS 2**"). The consolidated entity, reflected in the unaudited pro forma consolidated statements of operations and financial position (the "**Pro Forma Consolidated Financial Statements**") as LXRandCo, Inc. ("**LXRandCo**") is considered to be a continuation of LXR with the net identifiable assets of Gibraltar Growth deemed to have been acquired by LXR in exchange for shares of LXR. Under IFRS 2, the transaction is measured at the fair value of the shares deemed to have been issued by LXR in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of LXR acquiring 100% of Gibraltar Growth. Any difference in the fair value of the shares deemed to have been issued by LXR and the fair value of Gibraltar Growth's identifiable net assets represents a service received by LXR.

Pursuant to the Purchase Agreement, Gibraltar Growth will repay and/or effectively assume indebtedness (net of cash on hand) of LXR (including the redemption and cancellation of certain outstanding preferred shares of LXR in the amount of \$300,000), which totals approximately \$6,400,000 as at December 31, 2016 and will issue to the Vendors and reserve for option holders an aggregate 7,607,347 Class B Shares of Gibraltar Growth at \$10.00 per Class B Share as the equity consideration at Closing. The actual number of Class B Shares to be issued and reserved for issuance is subject to adjustments, including for the actual amount of net indebtedness at Closing as well as customary working capital adjustments. In addition, subject to redemption levels of Gibraltar Growth's Class A Restricted Voting Shares ("**Class A Restricted Voting Shares**"), in lieu of up to 500,000 Class B Shares, Gibraltar Growth will instead pay up to a maximum of \$5.0 million to Frederick Mannella and Kei Izawa in cash (the "**Cash Consideration**") at Closing.

Subject to Closing, in consideration for their commitments, subscribers under the Private Placement will receive a commitment fee payable in Class B Shares of Gibraltar Growth equal to 10% of their subscription amount (the “**Commitment Fee**”) upon Closing. Although the Commitment Fee is payable in newly issued Class B Shares, the founders and sponsor of Gibraltar Growth (collectively, the “**Founders**”) have agreed to forfeit a portion of the Class B Shares issued to the Founders as part of Gibraltar’s Growth’s original Initial Public Offering in an amount equal to the amount of Class B Shares issued in satisfaction of the Commitment Fee such that the payment of the Commitment Fee will not dilute existing shareholders of Gibraltar Growth.

The unaudited pro forma consolidated statement of financial position as at December 31, 2016 gives effect to the LXR Acquisition as though it had occurred on December 31, 2016, and has been prepared from LXR’s audited Financial Statements for the period ended December 31, 2016 (the “**LXR Audited Financial Statements**”) and Gibraltar Growth’s audited Financial Statements for the period ended December 31, 2016 (the “**Gibraltar Growth Audited Financial Statements**”).

The unaudited pro forma consolidated statement of operations for the year ended December 31, 2016 gives effect to the LXR Acquisition as if it had occurred on January 1, 2016 and has been prepared from the LXR Audited Financial Statements and the Gibraltar Growth Audited Financial Statements.

Both the Gibraltar Growth Audited Financial Statements and the LXR Audited Financial Statements were prepared in accordance with International Financial Reporting Standards (“**IFRS**”). The accounting policies used in the preparation of these unaudited pro forma consolidated financial statements are consistent with those as set out in the LXR Audited Financial Statements. Accounting policy differences between LXR and Gibraltar Growth may be identified after consummation of the LXR Acquisition as Gibraltar Growth finalizes its accounting policies.

The Pro Forma Consolidated Financial Statements should be read in conjunction with the financial statements of Gibraltar Growth and LXR noted above. The Pro Forma Consolidated Financial Statements include adjustments to give effect to the events that are directly attributable to the LXR Acquisition, that are factually supportable, and that are expected to have a continuing impact on the combined entities.

Management has made certain assumptions it believes to be reasonable in respect of Gibraltar Growth’s acquisition of all of the issued and outstanding shares of LXR within the Pro Forma Consolidated Financial Statements. The Pro Forma Consolidated Financial Statements are for illustrative and information purposes only and may not be indicative of the operating results or the financial condition that actually would have been achieved if the LXR Acquisition had been in effect on the dates indicated. The Pro Forma Consolidated Financial Statements may also not be indicative of the results that may be obtained in the future. Any potential synergies that may be realized and integration costs that may be incurred upon consummation of the transaction have been excluded from the Pro Forma Consolidated Financial Statements. In addition to the pro forma adjustments considered, various other factors may have an effect on the financial condition and results of operations after the completion of the LXR Acquisition.

## 2. Adjustments to the Pro Forma Consolidated Statement of Financial Position

The adjustments contained in the unaudited pro forma consolidated statement of financial position reflect estimates and assumptions by management of Gibraltar Growth based on currently available information.

As a special purpose acquisition corporation, the 10,450,000 issued and outstanding Class A Restricted Voting Shares of Gibraltar Growth are subject to possible redemption by shareholders upon a qualifying acquisition. The redemption of Class A Restricted Voting Shares that may occur in connection with the LXR Acquisition

cannot be known until the time of the meeting of shareholders of Gibraltar Growth to vote on the LXR Acquisition. The adjustments in the Pro Forma Consolidated Financial Statements have been prepared assuming a redemption level of 100%. The 100% redemption level is an assumption for illustrative purposes only. The actual redemption level could be materially different.

The adjustments presented in the Pro Forma Consolidated Statement of Financial Position relate to the following items:

- a) At Closing, Gibraltar Growth will complete a private placement equity financing involving the issuance of 2,500,000 Class B Shares, at a purchase price of \$10.00 per Class B Share, net of related estimated transaction fees of \$1,605,000 for net proceeds of \$23,395,000.
- b) Reflects the portion of the funds released from escrow used to settle the deferred underwriters' commission of \$3,657,000.
- c) Reflects the reclassification of the investment in Canadian Government securities of \$105,097,682 released from escrow and converted into cash.
- d) Reflects the portion of the funds released from escrow used to settle the redemptions at an amount per share equal to the pro rata portion of the escrowed funds available, including interest earned thereon, net of a provision for income taxes and redemption-related expenses. Assumes a redemption level of 100%, or 10,450,000 of the Class A Restricted Voting Shares.
- e) Reflects the financial impact of the 100% redemption level at Closing whereby: the total Class A Restricted Voting Shares liability is remeasured to \$10.00 per share, that being the fair market value per share for Class A shareholders as determined by the Private Placement, resulting in an increase to the Class A Restricted Voting Shares liability of \$1,672,000; the Class A Restricted Voting Shares which were not redeemed, are converted into Class B Shares on a one-for-one basis. The converted Class B Shares are recorded at a fair value of \$nil which represents a total of nil Class A Restricted Voting Shares exchanged for Class B Shares.
- f) Reflects an increase in accounts payable by \$4,737,500 related to the estimated acquisition-related transaction costs.
- g) Reflects that immediately prior to Closing, \$151,581 due to a Gibraltar Growth related party as part of an administrative services agreement is settled.
- h) Reflects the impact of the re-acquisition of Group Global LXR Inc. ("**Group Global**") by LXR. Group Global was a wholly owned subsidiary until LXR sold a 67.8% interest on June 10, 2016. LXR subsequently reacquired control of Group Global on January 1, 2017.

The preliminary purchase price allocation for the reacquisition of Group Global, applied to the Group Global consolidated statement of financial position as at December 31, 2016, is summarized as follows:



**LXRandCo, Inc.****Notes to Pro Forma Consolidated Financial Statements****December 31, 2016***Unaudited*

|  |                  |
|--|------------------|
| <b>Fair Value Consideration</b>                      |                  |
| Consideration paid in shares                         | \$ 3,945,347     |
| <b>LXR Net Assets</b>                                | <b>Total</b>     |
| Cash   | 803,661          |
| Accounts receivable                                  | 22,653           |
| Inventory  | 127,717          |
| Prepaid expenses & deposits                          | 2,907            |
| Income taxes receivable                              | 99,395           |
| <b>Current Assets</b>                                | <b>1,056,333</b> |
| Loans receivable from companies under common control | 7,555            |
| Property and equipment                               | 1,608            |
| Intangibles  | 135,399          |
| <b>Long Term Assets</b>                              | <b>144,562</b>   |
| Accounts payable and accrued liabilities             | 341,127          |
| Loan payable to related parties                      | 381,237          |
| <b>Current Liabilities</b>                           | <b>722,364</b>   |
| <b>Other Liabilities</b>                             | <b>-</b>         |
| <b>Net Assets Acquired</b>                           | <b>478,531</b>   |
| <i>Goodwill</i>                                      | 3,466,816        |

- i) Reflects the remeasurement of LXR's previously held equity interest in Group Global on the acquisition of control. As a result, the equity investment was remeasured at fair value and resulted in an increase in goodwill and an adjustment to retained earnings of \$1,870,444. This fair valuation gain was not included in the pro forma consolidated statement of operations because it was determined to be non-indicative of the go-forward continuing normal course operations of the business.

### **3. Adjustments to the Pro Forma Consolidated Statement of Financial Position Relating to the LXR Acquisition at Closing**

Reflects the deemed fair value of shares issued to acquire Gibraltar Growth. The Purchase Agreement sets out the specific purchase price and form of consideration to be paid by Gibraltar for LXR in the form of shares. The Purchase Price is also used to determine the deemed fair value of the shares that LXR would have had to issue to satisfy the ratio of ownership interests in the combined entity to be the same as if the transaction had taken the form of LXR acquiring 100% of the shares of Gibraltar Growth (the "**Deemed Fair Value**"). The Deemed Fair Value is impacted by levels of redemptions of Class A Restricted Voting Shares of Gibraltar Growth. At a redemption level of 100% of the outstanding Class A Restricted Voting Shares, the Deemed Fair Value for Gibraltar Growth for accounting purposes would be \$56,265,634.

- a) Reflects the repayment and cancellation by LXR of the LXR Class E Preferred Shares held by Frederick Mannella in the amount of \$300,000 pursuant to the Purchase Agreement.
- b) Reflects the exchange of LXR's convertible redeemable preferred shares for Class B shares of Gibraltar Growth.
- c) Reflects the following which takes place at Closing:

- 
- i. The payment of a cash component of consideration to the Vendors as determined by the Purchase Agreement and as a function of the level of redemptions of Class A Restricted Voting Shares;
  - ii. The elimination of the components of Gibraltar Growth's shareholders' equity as the accounting acquiree;
  - iii. The deemed cost of the LXR shares issued for the accounting-basis acquisition of 100% of the issued and outstanding shares of Gibraltar Growth;
  - iv. The cost in service in respect of the public nature of the LXR Acquisition as determined by the deemed value of the shares issued by LXR relative to the value of the net assets of Gibraltar Growth.
- d) The 10,861,250 Warrants of GG will remain outstanding following the LXR Acquisition. The pro-forma adjustment reflects the revaluation of warrants at fair value to \$4,216,050 at Closing using the Black-Scholes model; assumptions include exercise price \$11.50, market price of \$10.00, estimated volatility of 10.8% of LXR and risk free rate of 1.1%. This has been treated as a cost in service in respect of the public nature of the LXR Acquisition.

#### 4. Adjustments to the Pro Forma Consolidated Statements of Operations

- a) Reflects the removal of the change in fair value of the Class A Restricted Voting Shares of Gibraltar Growth, which following the Closing are either settled or reclassified to equity.
- b) Reflects the removal of the changes in fair value of LXR's convertible redeemable preferred shares and preferred share dividends and removal of the changes in fair value of warrants to purchase such preferred shares. Upon Closing, the convertible redeemable preferred shares and warrants will be exchanged for Class B shares of Gibraltar Growth.
- c) Reflects the impact of the acquisition of control of Group Global. This adjustment includes the results of operations of Group Global for the period from June 11, 2016 to December 31, 2016 in the consolidated results of LXR. In addition, this adjustment eliminates the one-time gain from the loss of control of Group Global as well as the share in loss of associate for the period from June 11, 2016 to December 31, 2016.

#### 5. Earnings per Share

Net loss per share is computed by dividing the net loss incurred during the period by the weighted average number of Class B Shares outstanding during the period. This calculation does not take into account the effect of any dilutive securities such as warrants in calculating the net loss per share as the exercise price of those securities of \$11.50 per share exceeds the current market price of \$10.00. As a result, diluted loss per share is the same as basic loss per share for the period.

| Description  | For the<br>year-ended<br>December 31, 2016 |
|--|--|
| Weighted average shares outstanding                                  | 2,447,736                                  |
| Less: Forfeiture of original Class B shares as Commitment Fee        | (250,000)                                  |
| Add: Conversion of Class A Shares to Class B Shares                  | -  |
| Add: Issuance of Class B Shares to LXR Shareholders                  | 7,607,347                                  |
| Add: Issuance from Purchase of Class B Shares from Private Placement | 2,500,000                                  |
| Add: Transfer of Class B shares for Commitment Fee                   | 250,000                                    |

**LXRandCo, Inc.**  
**Notes to Pro Forma Consolidated Financial Statements**  
**December 31, 2016**  
*Unaudited*

| Description  | For the<br>year-ended<br>December 31, 2016 |
|--|--|
| Total Weighted Average No. of Class B Shares Outstanding | 12,555,083                                 |

The pro forma financial statements reflect the net new issuance of 10,107,347 Class B Shares upon Closing comprised of a) the conversion of nil Class A Shares to Class B Shares; b) the issuance of 7,607,347 Class B Shares to the Vendors pursuant to the Purchase Agreement; and c) the issuance of 2,500,000 Class B Shares per the Private Placement. The number of Class B Shares issued reflects an assumed redemption rate of 100% by the holders of Class A Restricted Voting Shares.

## **6. Subsequent Event Considerations**

On February 9, 2017, Gibraltar Growth's Board of Directors approved a plan to further capitalize the Gibraltar Growth for existing and anticipated short term expenses and eliminate a negative working capital position of the Company at year end. On February 23, 2017, the Company received cash proceeds of \$350,000 in return for the issuance of an unsecured loan from its Sponsor (the "**Sponsor Loan**"). The Sponsor Loan bears interest at prime plus 1% and matures on July 2, 2018 or upon the completion of a Qualifying Acquisition or upon wind-up of the Gibraltar Growth and is commensurate and in-line with the terms of such a funding as contemplated by the Gibraltar Growth's Initial Public Offering prospectus. This loan plus accrued interest is not reflected in the pro-forma consolidated financial statements because it will be settled upon Closing.

On January 30, 2017, LXR issued 130,039 preferred shares at \$7.69 per share for proceeds of \$1,000,000, pursuant to the exercise of share purchase warrants disclosed in note 12.

On February 16, 2017, as part of LXR's newly-instituted employee stock option program, the Board approved 62,334 options to purchase Class A common shares at \$7.69 per common share. The options vest at 25 % on the first anniversary of the grant and yearly thereafter (on each anniversary of such date) to the fourth anniversary of the grant, and shall remain exercisable up to February 16, 2027. While the Board of Directors formally approved the ESOP in February 2017, LXR actually created the ESOP plan and allocated the ESOP to key employees and directors in 2016.

**APPENDIX E**  
**CHARTER OF THE AUDIT COMMITTEE**  
**OF GIBRALTAR GROWTH CORPORATION**

**Section 1           PURPOSE**

The audit committee (the “**Audit Committee**”) is a committee of the board of directors (the “**Board**”) of Gibraltar Growth Corporation (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:
  - (i) the Charter of the Audit Committee;
  - (ii) the composition of the Audit Committee;
  - (iii) the relevant education and experience of each member of the Audit Committee;
  - (iv) the external auditor services and fees; and
  - (v) 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.

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.

**APPENDIX C**  
**VALUATION REPORT**  
**(See attached)**



April 13, 2017

Independent Committee of the Board of Directors  
Gibraltar Growth Corporation  
130 Adelaide Street West, Suite 1700  
Toronto, ON M5H 3P5

Attention: Mr. James Haggerty, Chair of the Independent Committee

Dear Sir,

Blair Franklin Capital Partners Inc. ("Blair Franklin") understands that Gibraltar Growth Corporation ("Gibraltar" or the "Company") is considering an acquisition of LXR Produits de Luxe Internationale Inc. ("LXR" or the "Target") as its Qualifying Acquisition (the "Transaction"). We further understand that Gibraltar & Company, Inc. ("Gibraltar & Co"), the parent of Gibraltar's sponsor, Gibraltar Opportunity, Inc., has an 8% ownership interest in LXR, a fund managed by Gibraltar & Co, Gibraltar Ventures Fund One Limited Partnership ("Gibraltar Ventures"), has an additional 11% ownership interest in LXR and an officer of Gibraltar & Co owns 0.2% of LXR. Concurrently with the Transaction, Gibraltar received commitments for a \$25 million private placement from a number of institutions pursuant to which Gibraltar Opportunity, Inc. and certain business associates of Gibraltar & Co committed to \$3 million of the private placement.

Blair Franklin understands that the Transaction is not subject to the minority approval and formal valuation requirements of Multilateral Instrument 61-101 (the "Rules") as Gibraltar was granted exemptive relief to allow it to calculate its "market capitalization" based on its outstanding Class A restricted voting shares. As such, the Company qualifies for an exemption from the minority approval and formal valuation requirements of the Rules given the fair market value of the consideration to the related parties does not exceed 25% of Gibraltar's market capitalization. The terms of the Transaction are more fully described in a preliminary non-offering long form prospectus dated April 17, 2017 that has been filed by the Company with the securities regulatory authority in each province and territory of Canada.

The Independent Committee of the Board of Directors of the Company (the "Committee") has selected and retained Blair Franklin to prepare and deliver to the Committee a written formal valuation of the Target (the "Valuation").

**Blair Franklin Capital Partners Inc.**

Bay Adelaide Centre, East Tower, 22 Adelaide Street West, Suite 2430, Toronto, Ontario, M5H 4E3  
T. 416.368.1211 [www.blairfranklin.com](http://www.blairfranklin.com)

**Engagement**

The Committee initially contacted Blair Franklin regarding the potential assignment on March 31, 2017. Blair Franklin was formally engaged by the Committee pursuant to an agreement between the Company and Blair Franklin (the “Engagement Letter”) dated April 3, 2017. The Engagement Letter provides for the payment of a fee equal to \$225,000 for delivery of the Valuation, which is not contingent upon conclusions in the Valuation, or upon the completion of the Transaction. In addition, Blair Franklin is to be reimbursed for its reasonable out-of-pocket expenses and has been indemnified by the Company in respect of certain matters relating to its engagement. Blair Franklin consents to the inclusion of this letter in its entirety and summaries thereof (provided such summaries are in a form acceptable to Blair Franklin) in a supplementary material change report and/or a final long form non-offering prospectus to be filed by the Company and to the filing thereof, as necessary, by the Company with the securities commissions or similar regulatory authorities in each province and territory of Canada.

**Relationship with Interested Parties**

Neither Blair Franklin nor any of its affiliated entities (as such term is defined for the purposes of the Rules): (i) is an associated or affiliated entity or issuer insider (as such terms are defined for the purposes of the Rules) of Gibraltar, LXR, or any of their respective associates or affiliates (collectively, the “Interested Parties”); (ii) is an advisor to any of the Interested Parties in connection to the Transaction; or (iii) is a member of a soliciting dealer group formed in respect of the Transaction. Blair Franklin has not been engaged to provide any financial advisory services nor has it participated in any financing involving the Interested Parties within the past two years, other than the services provided under the Engagement Letter and as described herein. There are no understandings, agreements or commitments between Blair Franklin and the Interested Parties with respect to any future business dealings. Blair Franklin may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Interested Parties.

Blair Franklin is of the view that it is independent of all Interested Parties in the Transaction (as such terms are defined for the purposes of the Rules).

**Credentials of Blair Franklin**

Blair Franklin is an independent investment bank providing a full range of merger and acquisition, divestiture, valuation and financial restructuring services. The Valuation expressed herein represents the opinion of Blair Franklin and the form and content herein has been approved for release by a committee of its principals, each of whom is experienced in mergers, acquisitions, divestitures, and valuation matters.

**Scope of Review**

In connection with the Valuation, Blair Franklin reviewed, considered, and relied upon (without attempting to verify independently the completeness or accuracy thereof) or carried out, among other things, the following:

1. Public filings of the Company including but not limited to prospectuses, annual reports, quarterly reports, annual information forms and other material documents;
2. Documents provided by the Company with respect to the Transaction and LXR;
3. Documents provided by the Company with respect to the concurrent \$25 million financing including the signed subscription agreements and list of subscribers;
4. Access to the electronic data room provided by the Company;
5. LXR financial forecast prepared by the Company in concert with LXR management (“Management”) (the “Management Forecast”);
6. Agreements with key retailers;
7. Agreements with LXR’s key suppliers;
8. Debt agreements;
9. Insurance contracts;
10. Academic studies;
11. Equity research and general industry reports; and
12. Discussions with the management of the Company and LXR as well as with the Committee and with counsel to the Committee.

Blair Franklin has not, to the best of its knowledge, been denied access by the Company, LXR or any of its respective associates or affiliates to any information requested by Blair Franklin.

### **Prior Valuations**

The Company has represented to Blair Franklin that there have not been any prior valuations (as defined in the Rules) of the Target in the preceding 24-month period.

### **Assumptions and Limitations**

With the Committee’s approval and as provided for in the Engagement Letter, Blair Franklin has relied upon, without independent verification, all financial and other information that was obtained by Blair Franklin from public sources or that was provided to Blair Franklin by the Company or any of its respective associates, affiliates, advisors or otherwise. Blair Franklin has assumed that this information is complete and accurate and does not omit any material fact or any fact necessary to be stated to make this information not misleading. The Valuation is conditional upon such completeness and accuracy. In accordance with the terms of Blair Franklin’s engagement, but subject to the exercise of its professional judgment, Blair Franklin has not conducted any independent investigation to verify the completeness or accuracy of this information. With respect to the financial forecasts, projections, estimates or other forward-looking information provided to Blair Franklin and used in its analysis, Blair Franklin has assumed, subject to the exercise of its professional judgment, that they have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of management of the Company as to the matters covered thereby.

Senior officers of LXR have separately represented to Blair Franklin, in certificates provided to Blair Franklin, (the “Officer’s Certificates”), amongst other things: (i) that (except for forecasts, projections or estimates) the information, opinions and other materials (the “Information”) provided to Blair Franklin by or on behalf of LXR was complete and correct in all material respects as at the date the Information was prepared or provided to Blair Franklin; and (ii) that, other than as disclosed in the Information, there has been no material change in the financial condition, assets, liabilities or prospects of LXR. Senior officers of LXR also represented to Blair Franklin, in their respective Officer’s Certificates, that the Information which constitutes forecasts, projections or estimates was prepared using assumptions that were, in their respective opinions, reasonable in the circumstances.

The Valuation is based upon the securities markets, economic, general business and financial conditions prevailing today and the conditions and prospects, financial and otherwise, of the Target, as they were reflected in the Information reviewed by Blair Franklin. In its analysis and in preparing the Valuation, Blair Franklin has made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of Blair Franklin, the Company, Target, or any of their respective associates or affiliates.

The Valuation has been provided for the use of the Committee and for inclusion in the supplementary material change report and/or final long form non-offering prospectus to be filed by the Company (together with summaries thereof in a form acceptable to Blair Franklin and the Board) and may not be used by any other person or relied upon by any other person without the express written consent of Blair Franklin.

The Valuation is given as of the date hereof and Blair Franklin disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuation which may come or be brought to Blair Franklin’s attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter after the date hereof, Blair Franklin reserves the right to change, modify or withdraw the Valuation.

Blair Franklin believes that its analyses must be considered as a whole and that selecting portions of its analyses and specific factors, without considering all factors and analyses together, could create a misleading view of the considerations underlying the Valuation. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analyses or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Valuation should not be considered as a recommendation to any shareholder of the Company as to whether or not to vote in favour of the Transaction.

## **LXR Overview**

LXR is an early-stage, high growth, vintage luxury products omni-channel retailer which specializes in the sale of pre-owned authentic handbags and accessories in North America and Europe. LXR operates in the pre-owned vintage luxury personal goods segment of the global luxury personal goods market. The company seeks to capitalize on the demand of aspirational buyers seeking luxury products and accessories that might otherwise be unavailable to them due to price, accessibility and other factors.

Founded in 2010 by Frederick Mannella (Chief Executive Officer) and Kei Izawa (Chief Operating Officer), LXR is based in Montréal with an office in Tokyo, Japan. Key executives of Gibraltar will continue to have an ongoing role in LXR. Jeremy Stepak, Chief Financial Officer of Gibraltar, will serve as Chief Financial Officer of LXR on an interim basis. Cam di Prata, current Co-Chief Executive Officer and director of Gibraltar, will assume the role of Executive Chairman and will continue as a director of the resulting company. Joe Mimran, current Chairman, Co-Chief Executive Officer and director of Gibraltar, will continue as a director of the resulting company and will lead LXR's International Business Development Committee, a board committee focused on executing LXR's growth plan. As at December 31, 2016, the Company had 175 employees.

LXR sells its products through a retail network of stores located in major department stores, wholesales operations and its e-Commerce channel. The company has a retail network located in major department stores in Canada, the United States and Europe. At the end of 2016, LXR had 46 stores consisting of 33 retail model stores and 13 hybrid model stores under a test-pilot program launched in December 2016. The company anticipates adding additional retail partners in 2017.

LXR's value proposition is compelling to department stores given its small footprint, limited capital cost and high revenue per square foot (typically over \$2,000 per square foot). LXR maintains control over all aspects of merchandise planning, product sourcing and inventory management, and product preparation. Products sold by the company are comprised of sought after designer brands including Hermès, Chanel, Louis Vuitton, Gucci, Prada, Ferragamo, Miu Miu, Cartier, Dior, and Chloé, amongst others. Although LXR sells products across a broad price range, including very high end items, most products are priced from a few hundred to the thousand dollar range.

LXR has an in-house authentication protocol to ensure all products meet the company's standards. Products are sourced through relationships with third party suppliers and directly from consumers online and in select retail locations. Currently, the vast majority of products are sourced in the well-established Japanese wholesale supplier market, however, LXR plans to increase purchases directly from consumers to as much as half of the supply. The condition of products and other factors dictate pricing which can be discounted on average by 50% of the MSRP. LXR guarantees the authenticity of the products it sells.

In June 2014, LXR launched its first retail store-in-store model with major department store retailers shifting its growth away from its previous wholesale model. Since that time, LXR has experienced high revenue growth with revenue growing from \$12.9 million in 2014 to \$21.9 million in 2016. Adjusted EBITDA grew from \$0.5 million to \$1.1 million over the same period. The following table provides an overview of LXR's historical financial performance.

| <i>(in millions of CAD)</i>                | <b>F2014</b>    | <b>F2015</b>    | <b>F2016</b>     |
|--|-----------------|-----------------|------------------|
| <b>Revenue</b>                             | <b>\$12.94</b>  | <b>\$15.33</b>  | <b>\$21.89</b>   |
| Cost of Sales                              | (\$9.30)        | (\$11.03)       | (\$14.97)        |
| <b>Gross Profit</b>                        | <b>\$3.64</b>   | <b>\$4.30</b>   | <b>\$6.93</b>    |
| Selling, General & Administrative Expenses | (\$3.38)        | (\$3.99)        | (\$6.13)         |
| Amortization & Depreciation Expenses       | (\$0.25)        | (\$0.24)        | (\$0.22)         |
| <b>Operating Income</b>                    | <b>\$0.00</b>   | <b>\$0.08</b>   | <b>\$0.57</b>    |
| Other Expenses <sup>(1)</sup>              | (\$0.60)        | (\$0.35)        | (\$27.79)        |
| <b>Loss Before Income Taxes</b>            | <b>(\$0.60)</b> | <b>(\$0.43)</b> | <b>(\$28.36)</b> |
| Income Tax Expenses                        | (\$0.01)        | (\$0.00)        | \$0.05           |
| <b>Net Loss</b>                            | <b>(\$0.61)</b> | <b>(\$0.43)</b> | <b>(\$28.32)</b> |
| Cumulative Translation Adjustment          | (\$0.08)        | (\$0.11)        | \$0.01           |
| <b>Comprehensive Loss</b>                  | <b>(\$0.69)</b> | <b>(\$0.54)</b> | <b>(\$28.31)</b> |
| <b>Adjusted EBITDA<sup>(2)</sup></b>       | <b>\$0.49</b>   | <b>\$0.38</b>   | <b>\$1.08</b>    |
| <i>Adjusted EBITDA Margin</i>              | <i>3.8%</i>     | <i>2.5%</i>     | <i>4.9%</i>      |

(1) F2016 value includes change in fair value of redeemable preferred shares and warrants

(2) Adjusted EBITDA includes adjustments for non-recurring, store opening, store closing and other costs of \$233,533, \$70,646 and \$279,465, in F2014, F2015 and F2016, respectively

LXR continues to expand its e-Commerce offering and had over 70,000 active subscribers at the end of 2016. LXR is seeking to become a leading global omni-channel retailer of branded pre-owned vintage luxury products. Digital sales are anticipated to comprise a growing portion of the Company's revenue going forward. LXR ships its e-Commerce offerings directly from stores, its offices in Montréal or Japan or its leased warehouse space in New Jersey. LXR believes that shipping most of its products directly to stores minimizes warehousing costs and ultimately allows most of its inventory to be showcased in its retail network.

LXR believes it has the opportunity to expand its retail network by 76 and 83 stores in 2017 and 2018, respectively, increasing LXR's retail network to 205 stores by the end of 2018. Furthermore, LXR believes it is well positioned to achieve its stated growth targets and expand its retail network to approximately 495 to 530 stores by the end of 2021. The growth is predicated on Management's assumption of achieving reasonable penetration in a targeted network of retail partners as well as the anticipated opening of up to 25 flagship, standalone LXR retail locations across the globe beginning in 2019. By the end of 2021, Management estimates run-rate<sup>3</sup> revenue will grow to between \$400 million to \$450 million and run-rate adjusted EBITDA will grow to between \$50 million to \$60 million achieving adjusted run-rate EBITDA margins of between 12% and 15%. Furthermore, LXR anticipates that e-Commerce revenue will represent approximately 20% of net revenue by 2021.

<sup>3</sup> Run-rate is used in the context of discussing LXR's financial outlook for 2021 and represents Management's estimate of the sum of net revenue or adjusted EBITDA from retail networks, e-Commerce and wholesale activities for the year, assuming that stores, excluding those that are scheduled for closure, have been operating for 12 months in any given year, and have achieved their estimated long-run normalized revenue productivity target.



## Definition of Fair Market Value

For purposes of the Valuation, fair market value means the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, where each is acting at arm's length with the other and under no compulsion to act.

## Approach to Value

The Valuation is based upon the methodologies and assumptions Blair Franklin considered appropriate in the circumstances for the purposes of arriving at an opinion as to the range of fair market values of LXR. The fair market value of LXR was analyzed on a going concern basis.

## Valuation Methodologies

For the purposes of arriving at the en-bloc value of LXR, Blair Franklin principally considered the following methodologies which are further discussed herein:

- Discounted Cash Flow Approach (“DCF Approach”) whereby we discounted to present value the projected unlevered free cash flows (“UFCFs”) of LXR and a terminal value for LXR under three separate cases.
- Market Observations Approach (“Market Observations Approach”) which included: (i) reviewing publicly-available information related to comparable precedent retail and online transactions in North America and Europe over the past five years; (ii) reviewing publicly-available information related to recent comparable venture-capital financing transactions for high-growth online vintage retailers over the past five years; and (iii) comparable trading multiples of publicly traded retailers and consumer product companies.
- Transaction Value Considerations (“Transactions Considerations Approach”) whereby we reviewed the implied value of LXR based upon: (i) Gibraltar’s acquisition of a minority stake of LXR in June 2016; (ii) the proposed acquisition price; and (iii) the implied value based on the \$25 million private placement completed in connection with the Transaction.

Blair Franklin has applied the greatest weight to the DCF Approach and Transaction Considerations Approach in performing the Valuation, and to a lesser extent, the Market Observations Approach.

## DCF Approach

Blair Franklin’s DCF Approach involved discounting to present value: (i) the forecasted UFCFs of LXR for the period from June 30, 2017 through December 31, 2021 (the “Forecast Period”); and (ii) an estimate of terminal value for LXR as of December 31, 2021.

The DCF Approach requires that certain assumptions be made regarding, among other things, future UFCFs, discount rates and terminal values. As a part of its DCF Approach, Blair Franklin reviewed the cash flows from the Management Forecast in detail including assumptions by store on sales, inventory, operating expenses and capital expenditures. Discussions were held with

both Management and Gibraltar to clarify assumptions underlying their respective analyses and understand developments with respect to the business. Our analysis has been built up on a store-by-store basis to recognize the potential growth of the business.

Upon review of the Management Forecast and following discussions with Management, Blair Franklin arrived at its own view on UFCFs for LXR and developed a cash flow model for the years ending December 31, 2017 to December 31, 2021. The terminal value was estimated by applying a terminal multiple to terminal year EBITDA then discounting to present value the implied terminal value, using the same discount rate used to discount the corresponding projected free cash flows. Blair Franklin developed three separate cases for the DCF Approach further discussed herein.

### *Business Observations*

Blair Franklin believes LXR has a compelling value proposition given its exciting concept and great growth potential supported by a strong board and management team as evidenced by the early operating and financial results. However, any forecast of LXR over the next several years must deal with the challenges of its limited operational and financial history due to the recent shift in strategy from a wholesale model to an omni-channel strategy including a retail network of store-in-stores, wholesale operations and e-Commerce activities.

In order to achieve the expected growth, LXR must be able to: (i) significantly increase its product sourcing while moving towards a more client-focused sourcing model; and (ii) develop relationships and profitable business arrangements with a number of large department store chains which themselves are facing significant challenges; all while going from a relatively small Montréal-based company to a much larger more global company. Although early results have been impressive, only three stores have over two years of financial history. As such, there is no empirical evidence supporting Management's plan for positive same store sales growth. Furthermore, not all locations have been successful and LXR has closed several stores. Finally, the locations of many of the stores to be opened in 2017 and 2018 are still being determined and many of the locations will be operated on a different operating and financial model than the initial stores.

In valuing LXR, we have therefore reviewed three cases: Management's Base Case, a Blair Franklin Base Case and a Blair Franklin Downside Case. The following table provides a summary of the historical financials compared to the F2021 forecast values in each case based on the assumptions further discussed herein.

| <i>(in millions of CAD)</i>     | Historical |         |         | F2021 Forecast            |                        |                            |
|---------------------------------|------------|---------|---------|---------------------------|------------------------|----------------------------|
|                                 | F2014      | F2015   | F2016   | Management <sup>(1)</sup> | BF Base <sup>(1)</sup> | BF Downside <sup>(1)</sup> |
| Number of Stores <sup>(2)</sup> | 2          | 14      | 34      | 530                       | 480                    | 283                        |
| Revenue                         | \$12.94    | \$15.33 | \$21.89 | \$392.08                  | \$331.43               | \$177.80                   |
| Adjusted EBITDA                 | \$0.49     | \$0.38  | \$1.08  | \$40.51                   | \$27.32                | \$16.00                    |

*(1) Full year actuals not run-rate values*

*(2) Permanent stores*

### *Adjusted Management Case*

Blair Franklin developed a DCF based on the Management Forecast with select adjustments to key assumptions for its “Adjusted Management Case”. The Management Forecast estimates run-rate revenue will grow to between \$400 million to \$450 million and run-rate adjusted EBITDA will grow to between \$50 million to \$60 million by 2021E. The estimated 2021E revenue is predicated on the expansion of the retail network to over 500 stores, including 20 to 25 standalone flagship stores, and growing e-Commerce revenue to approximately 20% of net revenue.

Blair Franklin’s Adjusted Management Case adjusted the Management Forecast for retail and standalone stores for 2019E to 2021E based on the average revenue per store multiplied by the average number of stores for a given period rather than the anticipated number of stores at year-end as in Management’s Forecast. Given Management used a detailed, store-by-store approach in developing the 2017E to 2018E forecast and higher level approach for the 2019E to 2021E period, Blair Franklin increased the estimated corporate costs in the later years given the uncertainty in achieving Management’s 15% target EBITDA margin. Working capital and capital expenditure assumptions on a per store basis were similar to the assumptions in Blair Franklin’s Base Case. Blair Franklin selected a terminal multiple range of 7.0x to 9.0x and a discount rate range of 24.0% to 26.0% for the Adjusted Management Case (further described in the following pages). The following table below illustrates the sensitivity of the implied enterprise value across a range of terminal EBITDA multiples and discount rate assumptions in the Adjusted Management Case:

|                   |       | Discount Rate |                |                |                |         |
|-------------------|-------|---------------|----------------|----------------|----------------|---------|
|                   |       | 27.0%         | 26.0%          | 25.0%          | 24.0%          | 23.0%   |
| Terminal Multiple | 6.0x  | \$86.7        | \$90.1         | \$93.5         | \$97.2         | \$101.0 |
|                   | 7.0x  | \$102.3       | <b>\$106.2</b> | \$110.2        | \$114.4        | \$118.8 |
|                   | 8.0x  | \$117.9       | \$122.3        | <b>\$126.9</b> | \$131.7        | \$136.7 |
|                   | 9.0x  | \$133.5       | \$138.4        | \$143.6        | <b>\$148.9</b> | \$154.5 |
|                   | 10.0x | \$149.1       | \$154.6        | \$160.3        | \$166.2        | \$172.4 |

The Adjusted Management Case DCF Approach provides a selected value range of \$110 million to \$150 million for LXR.

### *Base Case*

Blair Franklin was provided with the Management Forecast for the period of January 1, 2017 through to December 31, 2021. Management used a store-by-store approach (no location information was provided) in developing the 2017E to 2018E forecast and higher level approach for the 2019E to 2021E period. Blair Franklin reviewed the Management Forecast, held discussions with Management and exercised its judgment to modify the forecast for purposes of the DCF Approach to develop its Base Case (“Base Case”). The principal variations between the Base Case used for our DCF Approach and the Management Forecast are set out below:

- Sales from retail and standalone stores are based on average revenue per store multiplied by the average number of stores for a given period rather than the anticipated number of stores at year-end;
- Reduced store growth by 10% to account for potential closure of uneconomic new stores but did not include opening costs for these stores;
- Discounted growth of online sales – assumed slower growth in online sales reducing the forecast e-Commerce CAGR by 27%;
- Reduced average store margin by 2% based on the expected split of hybrid vs. traditional retail stores;
- Discounted margins for online and standalone retail segment by 2%; and
- Increased corporate G&A – assumed G&A costs at the same dollar-level as Management’s Forecast despite the reduction in revenue.

Blair Franklin’s Base Case forecast still exhibits aggressive growth, although it is below the Management Forecast. Additional key DCF assumptions include average inventory of \$100,000 per new store, capital expenditures of \$37,500 per new store, online and corporate capital expenditures of \$2 million per year, additional non-store inventory based on a percentage of revenue and other working capital items (accounts receivable, prepaids and accounts payable) assumed to be consistent with historical ratios.

#### *Weighted Average Cost of Capital (“WACC”)*

The discount rate used in our Base Case DCF rate is based on the WACC and was calculated according to the following steps:

- Cost of Equity: The Capital Asset Pricing model was used to determine the cost of equity. The risk free rate was gleaned from the 10-year Government of Canada bond yield. A small cap premium was used, together with Blair Franklin’s professional judgment, to account for the micro-cap nature of the stock. In addition, a firm specific growth premium was added to provide for the unique risks attributable to the business and the uncertainty surrounding the forecast financials of LXR.
- Cost of Debt: The cost of debt was determined based upon the indicative annual interest costs on a \$25 million revolving line of credit facility proposed by a Canadian bank in April 2017 and an estimated blended tax rate of 30% given the various jurisdictions in which the business operates.

Given the cost of debt and equity, the WACC was calculated using a long-term target debt to equity ratio based on the average net debt to equity ratio of selected publicly traded comparable companies. Consequently, Blair Franklin is of the opinion that the optimal capital structure for LXR is 10% debt, 90% equity due to the overall business risk.

Based on market data, discussions with management and Blair Franklin’s understanding of LXR’s risk profile, the selected discount rate applied to our UFCFs in the Base Case was 24% to 26%.

### *Terminal Value*

The implied terminal value is based on Blair Franklin's forecast of EBITDA in the future, and is also highly dependent on the assumed terminal EBITDA multiple applied to forecast 2021E EBITDA. The multiples used are based on trading multiples for the most relevant comparable companies, review of precedent transactions, and Blair Franklin's understanding of retail pricing parameters.

In performing the DCF Approach, Blair Franklin applied a terminal multiple of 8.0x forecast 2021E EBITDA of approximately \$27 million to arrive at a terminal value for the business in the Base Case. The table below illustrates the sensitivity of the implied enterprise value across a range of terminal EBITDA multiples and discount rate assumptions in the Base Case:

|                   |       | Discount Rate |        |        |        |        |
|-------------------|-------|---------------|--------|--------|--------|--------|
|                   |       | 27.0%         | 26.0%  | 25.0%  | 24.0%  | 23.0%  |
| Terminal Multiple | 6.0x  | \$46.1        | \$48.1 | \$50.1 | \$52.2 | \$54.5 |
|                   | 7.0x  | \$56.0        | \$58.3 | \$60.7 | \$63.2 | \$65.8 |
|                   | 8.0x  | \$65.9        | \$68.5 | \$71.3 | \$74.1 | \$77.1 |
|                   | 9.0x  | \$75.8        | \$78.8 | \$81.9 | \$85.1 | \$88.5 |
|                   | 10.0x | \$85.7        | \$89.0 | \$92.4 | \$96.0 | \$99.8 |

Based on a terminal multiple range of 7.0x to 9.0x and a discount rate range of 24.0% to 26.0%, the Base DCF Approach provides a selected value range of \$60 million to \$85 million for LXR.

### *Downside Case*

In the Downside Case, Blair Franklin reduced retail store growth by 60% and reduced the number of estimated standalone stores by 50% from the Base Case. Average revenue per store was reduced by 25% from the Base Case. Given the reduction in store growth and average revenue, Blair Franklin reduced corporate costs by 50% from the Base Case to adjust for the reduced overhead requirement given slower than anticipated revenue growth. Non-store capital expenditures was increased by 25% to reflect higher than estimated technology costs related to the growth of the e-Commerce platform (no change in revenue from the Base Case) and higher corporate capital expenditures. Working capital and capital expenditure assumptions on a per store basis were unchanged from Blair Franklin's Base Case.

Given the more conservative approach of the Downside Case and reduced growth expectations, Blair Franklin selected a WACC of 15% to reflect the reduced risk of achieving the Downside Case forecast and increased the terminal EBITDA multiple to 9.0x given the additional future growth prospects of the business compared to the Base Case. The following table illustrates the sensitivity of the implied enterprise value across a range of terminal EBITDA multiples and discount rate assumptions in the Downside Case:

|                   |       | Discount Rate |        |        |        |        |
|-------------------|-------|---------------|--------|--------|--------|--------|
|                   |       | 17.0%         | 16.0%  | 15.0%  | 14.0%  | 13.0%  |
| Terminal Multiple | 7.0x  | \$41.1        | \$43.0 | \$45.0 | \$47.0 | \$49.2 |
|                   | 8.0x  | \$49.1        | \$51.3 | \$53.6 | \$56.0 | \$58.5 |
|                   | 9.0x  | \$57.1        | \$59.6 | \$62.2 | \$64.9 | \$67.8 |
|                   | 10.0x | \$65.1        | \$67.9 | \$70.8 | \$73.9 | \$77.1 |
|                   | 11.0x | \$73.2        | \$76.2 | \$79.5 | \$82.9 | \$86.4 |

The Downside DCF Approach provides a selected value range of \$50 million to \$75 million for LXR.

### *Summary of Valuation Analysis using the DCF Approach*

The following table summarizes the value of LXR resulting from the three cases in the DCF Approach:

| (in millions of CAD)                     | DCF Approach Value Range |          |               |
|--|--------------------------|----------|---------------|
|  | Low                      | -        | High          |
| Adjusted Management Case                 | \$110.0                  | -        | \$150.0       |
| Base Case                                | \$60.0                   | -        | \$85.0        |
| Downside Case                            | \$50.0                   | -        | \$75.0        |
| <b>Selected DCF Approach Value Range</b> | <b>\$50.0</b>            | <b>-</b> | <b>\$85.0</b> |

Applying Blair Franklin's selected cases, range of discount rates and terminal multiples to the free cash flows yields a selected en-bloc value of LXR between \$50 million to \$85 million under the DCF Approach.

### **Market Observations Approach**

Given the early stage of LXR, its unique business model and the limited financial history, it is difficult for Blair Franklin to use more traditional metrics for comparables public companies or precedent transactions to estimate the value of LXR. Blair Franklin did not rely on EBITDA or earnings multiples in our Market Observations Approach given that: (i) the low historical profitability of the business does not reflect its long-term potential; and (ii) future estimates of profitability are subject to forecasting challenges previously discussed on page 8.

### *Precedent Transactions & Recent Venture Capital Financings*

Blair Franklin reviewed traditional retail transactions, online retail transactions and recent venture capital financing transactions for high-growth online vintage retailers over the past five years.

The retail transactions analyzed were mainly selected based on the characteristics of the assets involved although company sizes and operations are not all directly comparable to the LXR. The majority of the precedent transactions reviewed are significantly larger in size than LXR, included established brands and had a longer history of operations, albeit at varying levels of profitability, and generally did not include the level of growth anticipated at LXR. When considering the precedent transactions, Blair Franklin considered enterprise value to revenue as the primary valuation multiple given the growth profile of LXR.

The most comparable competitors to LXR are privately-held, high-growth vintage e-commerce retailers many of which, such as the RealReal, Vestiare Collective, Vinted and Poshmark, have recently completed venture capital financings whereby the implied multiples from their post-money valuations and high-level revenue estimates provide an indicative range of how LXR may be valued in the market. While these online resellers provide comparable products to LXR, they are not omni-channel retailers (all online) and generally operate under a consignment model rather than purchasing inventory at wholesale. Furthermore, because these companies are private, information on valuation metrics is difficult to obtain and may not be reliable.

The range of multiples is fairly wide across all precedents reviewed due to their varying size, operations, strategy, growth potential, competitive position in the marketplace and geographical differences. The average implied enterprise value to revenue multiple of the selected precedent transactions reviewed was 2.6x trailing revenue and reflects en-bloc values. The average implied enterprise value to revenue multiple of the venture capital transactions reviewed was 2.1x trailing revenue but does not reflect en-bloc values given these transactions were for the acquisition of minority positions.

### ***Comparable Companies***

Blair Franklin reviewed a number of publicly traded retailers and identified four distinct groupings to determine comparable multiples for the valuation of LXR given there are no public “pure-play” omni-channel vintage retailers in North America:

- 1) Branded Global High-End Luxury Accessories Companies;
- 2) Handbags & Accessories Companies;
- 3) Select High Growth Retail & Consumer Companies; and
- 4) Japanese Resellers.

The analyzed companies were mainly selected based on the characteristics of their operations. None of the companies compete with LXR in the luxury vintage market in North America and Europe. LXR’s closest comparables such as the RealReal, Fashionphile, Trendlee, Vinted, Threadup, Poshmark, and Vestiare Collective are all private.

|  | Average EV / Revenue |          |             |
|--|----------------------|----------|-------------|
|  | LTM                  | -        | 2017E       |
| Branded Global High-End Luxury Accessories | 2.9x                 | -        | 2.8x        |
| Handbags & Accessories                     | 1.1x                 | -        | 1.1x        |
| Select High Growth Retail & Consumer       | 2.8x                 | -        | 2.3x        |
| Japanese Resellers                         | 0.6x                 | -        | 0.7x        |
| <b>Global Average</b>                      | <b>2.2x</b>          | <b>-</b> | <b>2.1x</b> |

The range of multiples between the categories is fairly wide due to the varying size, operations, strategy, growth potential, competitive position in the marketplace and geographical differences of the selected companies. While LXR resells products from the high-end luxury comparables, their core “aspirational” customer lies between the high-end and lower-end comparables such as in the Handbag & Accessories segment in the value spectrum with greater overlap between the lower-end customer moving up the value chain. We note that the averages for the comparable companies displayed in the table above do not reflect en-bloc valuation metrics.

#### *Summary of Valuation Analysis using the Market Observations Approach*

Given the previously discussed lack of historical profitability and uncertain growth prospects of the business, Blair Franklin did consider but did not rely heavily on the revenue multiples from the Market Observations Approach. The revenue multiples observed were applied to the estimated trailing twelve month revenue for the business for the period ended March 31, 2017. We considered but did not rely on forward looking multiples given forecasting challenges and challenges in finding comparable precedent transactions and publicly traded companies to LXR. After reviewing the limited precedents, venture capital financings and publicly-traded comparables, Blair Franklin determined that a trailing revenue multiple of 2.0x to 3.0x was appropriate. In selecting our range, we considered the 2.6x average of the precedents, which represents en-bloc values, as well the 2.1x and 2.2x averages for the recent venture capital financings and comparable companies analysis, respectively, which do not reflect en-bloc values. The following table provides an overview of the selected value range for the Market Observations Approach.

| <i>(in millions of CAD)</i>     | Implied Value Range |          |               |
|---------------------------------|---------------------|----------|---------------|
|                                 | Low                 | -        | High          |
| <b>EV / REVENUE</b>             |                     |          |               |
| EV / LTM Revenue                | 2.0x                | -        | 3.0x          |
| LXR LTM Revenue <sup>(1)</sup>  | \$24.7              | -        | \$24.7        |
| <b>Average Enterprise Value</b> | <b>\$49.4</b>       | <b>-</b> | <b>\$74.2</b> |

*(1) Preliminary value based on internal information provided by Management*

The Market Observations Approach provides a selected value range of \$50 million to \$75 million for LXR.



## Transaction Considerations Approach

### *June 2016 Transaction*

In June 2016, Gibraltar & Co assisted LXR with raising approximately \$3.6 million in growth capital at which time Gibraltar Ventures, a private equity fund managed by an operating subsidiary of Gibraltar & Co, invested in LXR and Groupe Global, the Company's e-Commerce subsidiary. Based upon the capital invested, the structure of the investment and the outstanding debt at the time, we have estimated the implied value of LXR from this transaction, as of June 2016, was between \$12.5 million and \$17.5 million. This range reflects the acquisition of a minority stake and does not reflect any tangible benefits brought to LXR by the investor group. Since then, LXR has grown substantially and its growth prospects have been greatly expanded in part due to the investor group.

### *Transaction*

Gibraltar is proposing acquiring 100% of LXR as its qualifying acquisition pursuant to a purchase and sale agreement for a stated aggregate purchase price of \$82.5 million. Consideration for the Transaction is composed primarily of shares of the resulting company issued at a deemed price of \$10 per share. If the shares are valued at the \$9.09 price implied by the private placement, then the purchase price would be adjusted to \$75.6 million. Despite Gibraltar's prior investment and status as a related-party, the Transaction is an arm's-length transaction with two separate parties acting in their own self-interest. As a result, the aggregate acquisition price of \$75.6 million to \$82.5 million provides an implied valuation at which sophisticated parties are willing to transact and represents an en-bloc value of LXR.

### *Private Placement*

As previously mentioned, the Company has received commitments for a \$25 million private placement of 2.5 million Class B shares at \$10.00 per share from a number of institutions pursuant to which Gibraltar Opportunity, Inc., and certain business associates of Gibraltar & Co. have committed to subscribe for 300,800 Class B shares for gross proceeds of \$3 million. The enterprise value implied by the financing provides a benchmark for where informed, sophisticated investors are valuing the business. We include this implied valuation in our value analysis as it may provide a meaningful proxy of where the market might value the business if it were publicly traded today.

The financing at \$10.00 per Class B share combined with the commitment fee equal to 10% of the subscribed amount provides an implied valuation of \$9.09 per Class B share post-Transaction. Assuming this \$9.09 per Class B share value of the Company, 50% of existing Gibraltar shareholders redeem their shares and an estimated warrant value of \$1.00 per warrant, the implied enterprise value of LXR is approximately \$116 million as detailed in the following table:

|                                   | Current    | Pro Forma            |
|-----------------------------------|------------|----------------------|
| Class A Shares, IPO               | 10,450,000 | 5,225,000            |
| Class B Shares, Founders          | 3,126,563  | 2,876,563            |
| LXR Shareholders                  |            | 7,607,347            |
| Financing                         |            | 2,750,000            |
| Total Shares                      | 13,576,563 | 18,458,910           |
| Warrants                          | 10,861,250 | 10,861,250           |
| Equity capitalization             |            | \$167,808,273        |
| Estimated warrant value           |            | \$10,861,250         |
| <b>Total Equity Value</b>         |            | <b>\$178,669,523</b> |
| Plus: Net IPO Cash                |            | \$48,891,341         |
| Plus: Net Cash from Financing     |            | \$23,395,000         |
| Plus: LXR Cash                    |            | \$1,742,627          |
| Plus: Gibraltar Cash              |            | \$346,855            |
| Less: Estimated Transaction Costs |            | (\$4,737,500)        |
| Less: Estimated LXR Debt          |            | (\$6,809,352)        |
| <b>Total Net Cash</b>             |            | <b>\$62,828,971</b>  |
| <b>Implied Enterprise Value</b>   |            | <b>\$115,840,552</b> |

The warrant value of \$1.00 was estimated using a warrant pricing model assuming approximately 45% volatility. This warrant value is backed up by the post-announcement trading value of the warrants which increased to approximately \$1.00 on very low volume following announcement of the Transaction. The net debt adjustments identified in the table above were as per the values provided to Blair Franklin by Management and Gibraltar.

The value implied by the financing is not as reliable as the value established by a liquid market that has reached equilibrium. Furthermore, we are not aware of the process used by the investors in the financing to determine the value of the shares, the value of Gibraltar and implicitly the value of LXR given it is the sole asset of the resulting company. However, the value implied by the financing represents the best indication of value given it provides a benchmark for where informed, sophisticated investors are valuing the business. Based on our assumptions and review of the financing parameters, the implied enterprise value of LXR from the financing is approximately \$110 million to \$120 million. We considered but did not add a premium to the value implied by the financing to reflect an en-bloc value.

### ***Summary of Valuation Analysis using the Transaction Considerations Approach***

The Transaction Considerations Approach provides a set of implied valuations for where informed, sophisticated investors are valuing LXR. The selected bottom end of our range was established between the June 2016 transaction and the Transaction. The selected high end of the range was based on the top end of the valuation range provided by the private placement. The Transaction Considerations Approach provides a selected value range of \$60 million to \$120 million for LXR.

### En-Bloc Value Summary

Based upon the DCF Approach, Market Observations Approach and the Transaction Value Considerations Approach, Blair Franklin believes an appropriate value range for LXR to be \$60 million to \$85 million. The following table provides a summary of the selected value ranges to arrive at the en-bloc value:

| <i>(in millions of CAD)</i> | Selected Value Range |          |               |
|-----------------------------|----------------------|----------|---------------|
|                             | Low                  | -        | High          |
| DCF Approach                | \$50.0               | -        | \$85.0        |
| Market Observations         | \$50.0               | -        | \$75.0        |
| Transaction Considerations  | \$60.0               | -        | \$120.0       |
| <b>Selected Range</b>       | <b>\$60.0</b>        | <b>-</b> | <b>\$85.0</b> |

### Distinctive Material Benefits of the Transaction to the Interested Parties

Blair Franklin reviewed and considered whether any distinctive material value would accrue to the Interested Parties through the Transaction. Blair Franklin concluded that the following benefits would accrue to the Interested Parties:

If the Transaction does not occur and the Company does not make a Qualifying Acquisition before July 2, 2017, the value of the Class B Shares and warrants held by Gibraltar Opportunity, Inc. and the directors of the Company (collectively, the “Founders”) would be \$0 and the Founders would lose their initial investment in the Company. Assuming the \$9.09 implied share price, if the Transaction closed, the Founders’ Class B shares would be valued at approximately \$26.1 million based on the 2,876,563 Class B shares held by the Founders which would not accrue to them should the Transaction not proceed.

### Valuation Conclusion

Based upon and subject to the analyses and assumptions set out herein, Blair Franklin is of the opinion that, as at the date hereof, the fair market value of LXR is in the range of \$60 million to \$85 million.

Yours very truly,

*Blair Franklin Capital Partners Inc.*

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