ROOTS CORPORATION

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

(Fiscal Year Ended February 3, 2018)

The following Management's Discussion and Analysis ("**MD&A**") dated April 17, 2018 is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Roots Corporation (together with its consolidated subsidiaries, referred to herein as "**Roots**", the "**Company**", "**us**", "**we**" or "**our**"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's financial results for the fourth quarter and the fiscal year ended February 3, 2018. This MD&A should be read in conjunction with our audited consolidated financial statements for the fiscal year ended February 3, 2018, including the related notes thereto (the "**Annual Financial Statements**").

Basis of Presentation

Our Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), using the accounting policies described therein. All amounts are presented in thousands of Canadian dollars, unless otherwise indicated.

All references in this MD&A to "**Q4 2017**" are to our fiscal quarter for the 14-week period ended February 3, 2018, and all references to "**Q4 2016**" are to our fiscal quarter for the 13-week period ended January 28, 2017. All references in this MD&A to "**Fiscal 2017**" are to the 53-week fiscal year ended February 3, 2018, and all references to "**Fiscal 2016**" are to the 52-week fiscal year ended January 28, 2017. All references in this MD&A to "**Fiscal 2018**" are to the 52-week fiscal year ending February 2, 2019, and all references to "**Fiscal 2019**" are to the 52-week fiscal year ending February 1, 2020.

Unless otherwise indicated, all comparisons of results for Q4 2017 (14 weeks) are against results for Q4 2016 (13 weeks) and all comparisons of results for Fiscal 2017 (53 weeks) are against results for Fiscal 2016 (52 weeks).

The Annual Financial Statements and this MD&A were reviewed by our Audit Committee and approved by our Board of Directors (the "**Board**") on April 17, 2018.

Certain totals, subtotals, and percentages throughout this MD&A may not reconcile due to rounding. All information in this MD&A referring to per-share amounts, share units or option units are presented as if the Pre-Closing Capital Changes (as defined and discussed under the heading "Share Information – Prior to Completion of the IPO") was implemented at the beginning of the earliest comparable period.

Cautionary Note Regarding Non-IFRS Measures and Industry Metrics

This MD&A makes reference to certain non-IFRS measures including certain metrics specific to the industry in which we operate. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures are not intended to represent, and should not be considered as alternatives to, net income or other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as a measure of liquidity. In addition to our results determined in accordance with IFRS, we use non-IFRS measures including, "Adjusted DTC Gross Profit", "Adjusted DTC Gross Margin", "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", and "Adjusted Net Income per Share". This MD&A also refers to "comparable sales growth", a commonly used metric in our industry but that may be calculated differently compared to other companies. We believe these non-IFRS measures and industry metrics provide useful information to both management and investors in measuring our financial performance and condition and highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures.

Management also uses non-IFRS measures to exclude the impact of certain expenses and income that management does not believe reflect the Company's underlying operating performance and that make comparisons of underlying financial performance between periods difficult. Management also uses non-IFRS measures to measure our core financial and operating performance for business planning purposes and as a component in the determination of incentive compensation for salaried employees. The Company may exclude additional items, from time to time, if it believes doing so would result in a more effective analysis of our underlying operating performance.

"**Adjusted DTC Gross Profit**" is defined as gross profit in our direct-to-consumer ("**DTC**") segment, adjusted for the impact of certain cost of goods sold that are non-recurring, infrequent, or unusual in nature and would make comparisons of underlying financial performance between periods difficult.

"**Adjusted DTC Gross Margin**" is defined as Adjusted DTC Gross Profit, divided by sales in our DTC segment.

"**EBITDA**" is defined as net income before interest expense, income taxes expense (recovery) and depreciation and amortization.

"**Adjusted EBITDA**" is defined as EBITDA, adjusted for the impact of certain income and expenses that are non-recurring, infrequent, or unusual in nature and would make comparisons of underlying financial performance between periods difficult. We believe that Adjusted EBITDA is useful, to both management and investors, in assessing the underlying performance of our ongoing operations and our ability to generate cash flows to fund our cash requirement.

"**Adjusted Net Income**" is defined as net income, adjusted for the impact of certain income and expenses that are non-recurring, infrequent, or unusual in nature, and would make comparisons of underlying financial performance between periods difficult, net of related tax effects. We believe that Adjusted Net Income is useful, to both management and investors, in assessing the underlying performance of our ongoing operations.

“**Adjusted Net Income per Share**” is defined as Adjusted Net Income, divided by the weighted average common shares outstanding during the periods presented. We believe that Adjusted Net Income per Share is useful, to both management and investors, in assessing the underlying performance of our ongoing operations, on a per share basis.

“**comparable sales growth**” is a retail industry metric used to compare the percentage change in sales derived from mature stores and e-commerce, in a certain period, compared to the sales from the same stores and e-commerce, in the same period of the prior year. We believe comparable sales growth helps explain our sales growth in established stores and e-commerce, which may not otherwise be apparent when relying solely on year-over-year sales comparisons. Comparable sales growth is calculated based on sales (net of a provision for returns) from stores that have been opened for at least 52 weeks in DTC segment, including e-commerce sales (net of a provision for returns) in our DTC segment, and excludes sales from stores during periods where the store was undergoing renovation. Comparable sales growth also excludes the impact of foreign currency fluctuations as it is calculated using a U.S. dollar to Canadian dollar exchange rate of 1:1 in all reporting periods. Our comparable sales growth may be calculated differently compared to other companies. Sales during the 53rd week of Fiscal 2017 were compared to sales during the 52nd week of Fiscal 2016.

See “Reconciliation of Non-IFRS Measures” for a reconciliation of certain of the foregoing non-IFRS measures to their most directly comparable measures calculated in accordance with IFRS.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains “forward-looking information” within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our business, financial position, results of operations, business strategy, growth plans and strategies, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

In addition, our assessments of, and targets for, annual sales, Adjusted EBITDA and Adjusted Net Income and certain other measures are considered forward-looking information. See “Financial Outlook” for additional information concerning our strategies, assumptions and market outlook in relation to these assessments.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from these expressed or implied by the forward-looking information, including, without limitation, the factors discussed in the “Risks and

Uncertainties" section of this MD&A and in the "Risk Factors" section of our annual information form dated April 17, 2018 for the fiscal year ended February 3, 2018 (the "**AIF**"). A copy of the AIF can be accessed under our profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com and on our website at www.roots.com. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully.

The purpose of the forward-looking information is to provide the reader with a description of management's current expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking information contained herein. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Furthermore, unless otherwise stated, the forward-looking information contained in this MD&A are made as of the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except (i) as required under applicable securities laws in Canada and (ii) to provide updates in our annual MD&A for each fiscal year up to and including that in respect of Fiscal 2019 on our growth targets disclosed in our final prospectus (the "**Prospectus**") dated October 18, 2017 in respect of our IPO, including to provide information on our growth targets disclosed in such Prospectus, actual results and a discussion of material variances from our growth targets. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Overview

Established in 1973, Roots is an iconic lifestyle brand with a rich Canadian heritage and a portfolio of premium apparel, leather goods, accessories and footwear. The design of our products is driven by global consumer insights, and supported by our flexible sourcing network, proven distribution footprint and Canadian leather manufacturing facility. Through our omni-channel footprint of 116 corporate retail stores in Canada, three corporate retail stores in the United States, 110 partner-operated stores in Taiwan, 32 partner-operated stores in China and our e-commerce platform, we are able to reach a broad cross-section of global consumers. Our products are worn by young professionals, students, families, athletes and entertainment icons.

On October 14, 2015, Searchlight Capital Partners, L.P. ("**Searchlight**") incorporated Roots Corporation under the laws of Canada and its subsidiary, Roots USA Corporation, under the laws of the State of Delaware. Pursuant to a purchase and sale agreement dated October 21, 2015, Roots and its subsidiaries acquired substantially all of the assets of Roots Canada Ltd., Roots U.S.A., Inc., Roots America L.P., entities controlled by our founders Michael Budman and Don Green (the "**Founders**"), and all of the issued and outstanding shares of Roots International ULC, effective December 1, 2015 (the "**Acquisition**").

Initial Public Offering

On October 25, 2017, we successfully completed our initial public offering (the "**IPO**") of our common shares (the "**Shares**") at a price of $12.00 per Share through a secondary sale of Shares by our principal shareholders. Our principal shareholders sold 16,667,000 Shares under the IPO

for total gross proceeds of $200,004 for the selling shareholders. The Company did not receive any of the proceeds from the IPO.

The Shares are listed for trading on the Toronto Stock Exchange ("**TSX**") under the trading symbol "ROOT".

In connection with and immediately prior to closing of the IPO, all outstanding Class A Shares, Class B Shares, options and restricted share units ("**RSUs**") were effectively consolidated on a 0.214193-to-one basis into Shares or securities exercisable for Shares.

Factors Affecting our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. These factors are also subject to a number of inherent risks and challenges, some of which we discuss below. See also the "Risks and Uncertainties" section of this MD&A and the "Risk Factors" section of our AIF.

Our Brand

Roots is an iconic brand with a rich Canadian heritage and a portfolio of premium apparel, leather goods, accessories and footwear products. Our brand is well known in Canada and Taiwan, with growing customer awareness internationally. Maintaining and growing our brand awareness is critical to our continued success. Any loss of brand appeal from factors such as changing consumer trends and increased competition may adversely affect our business and financial results. To address this, we intend to continue our relentless focus on the customer with insights-driven designs, while leveraging recent operational investments, pursuing continued growth in Canada, expanding our United States and international footprint and deepening our leather and footwear product offerings to continue to attract customers in both existing and new markets.

Growth in our Omni-Channel Business

The success of our business is heavily dependent on our ability to continue to drive strong comparable sales in our DTC segment and grow our omni-channel footprint. This includes renovating and expanding our existing corporate retail stores, optimizing our e-commerce capabilities and selectively expanding our store base in both Canada and the United States. Our ability to successfully execute on our omni-channel strategy is an important driver of our longer-term growth.

Growth in the Business of our International Operating Partners

The success of our business is dependent on the performance of our international operating partner's retail operations. Our ability to continue to recognize wholesale sales of Roots-branded products to our partner and to generate royalty revenue from our partner's retail sales of Roots-branded products depends on our partner continuing to grow its business. Our partner's ability to successfully execute on its omni-channel strategy and our ability to support our partner in this growth will impact the performance of our business. In addition, the success of our business is dependent on our ability to develop successful relationships with other international operating partners and support them in the growth of their retail and online sales of Roots-branded products.

Product Development

We are not defined by one product, season, geography, or demographic. With nearly five decades of product leadership, our product range is diversified across seasons and comprised of apparel, leather goods, accessories and footwear. Serving as the foundation of our distinct identity, many of our enduring icons have been in our product assortment for decades and remain favourites among customers today. Our business will be affected by our ability to continue to develop products that resonate with consumers. In this regard, we have made significant investments in our merchandising team and have established a United Brand Range ("**UBR**") initiative, which is a consumer-focused merchandising strategy focused on building a more simplified and scalable product assortment as well as a more consistent presentation that is coordinated across collections and categories, that we expect will help us to continue supporting the growth of our business. We also continue to introduce additional products to help mitigate the seasonal nature of our business and expand our addressable geographic market.

Foreign Exchange

We generate the majority of our revenues in Canadian dollars, while a significant portion of our cost of goods sold is denominated in U.S. dollars, which exposes us to fluctuations in foreign currency exchange rates. This year, we entered into hedging arrangements to help mitigate the risks associated with fluctuations in the U.S. dollar relative to the Canadian dollar. See "Financial Instruments" for a further discussion of our hedging arrangements.

Seasonality

We experience seasonal fluctuations in the financial results of our retail business, as we generate a meaningful portion of our sales and earnings in our third and fourth fiscal quarters. Our working capital requirements generally increase in the periods preceding these peak periods, and it is not uncommon for our EBITDA to be negative in the first two fiscal quarters. The average portion of our annual sales generated during each quarter of a fiscal year over the last three completed fiscal years is outlined in the following table:

First fiscal quarter	15%
Second fiscal quarter	16%
Third fiscal quarter	28%
Fourth fiscal quarter	41%
Annual Total	100%

Segments

We report our results in two segments: (1) DTC and (2) Partners and Other. We measure each reportable operating segment's performance based on sales and segment gross profit. Our DTC segment comprises sales through our corporate retail stores and e-commerce. Our Partners and Other segment consists primarily of the wholesale of Roots-branded products to our international operating partner and the royalties earned on the retail sales of Roots-branded products by our partner. Our Partners and Other segment also consists of royalties earned through the licensing of our brand to select manufacturing partners, the wholesale of Roots-branded products to select retail partners, and the sale of custom Roots-branded products to select business clients.

Our DTC and Partners and Other segments contributed 87.1% and 12.9% of our sales, respectively, in Fiscal 2017 (Fiscal 2016 – 86.7% and 13.3% of our sales, respectively).

Summary of Financial Performance

We refer the reader to the sections entitled “Components of our Results of Operations and Trends Affecting our Business” and “Cautionary Note Regarding Non-IFRS Measures and Industry Metrics” in this MD&A for the definition of the items discussed below and, when applicable, to the section entitled “Reconciliation of Non-IFRS Measures” for reconciliations of non-IFRS measures with the most directly comparable IFRS measure.

The following table summarizes our results of operations for the periods indicated:

CAD $000s (except per share data)	Q4 2017	Q4 2016	Fiscal 2017	Fiscal 2016	Fiscal 2015[1]
Statement of Net Income Data:					
Sales	130,021	111,172	326,057	281,886	61,401
Gross profit	75,766	63,745	181,998	147,153	22,605
Gross margin	58.3%	57.3%	55.8%	52.2%	36.8%
Selling, general and administrative expenses	45,878	37,883	151,867	129,490	25,737
Income (loss) before interest expense and income taxes expense (recovery)	29,888	25,862	30,131	17,663	(3,132)
Net income (loss)	20,861	17,194	17,501	8,185	(3,478)
Basic earnings per share	$0.50	$0.41	$0.42	$0.19	$(0.02)
Diluted earnings (loss) per share	$0.49	$0.41	$0.41	$0.19	$(0.02)
Non-IFRS Measures and Other Performance Measures:					
Corporate stores, end of period	119	117	119	117	114
Comparable sales growth[2]	15.1%	9.3%	12.1%	8.3%	16.8%
Adjusted DTC Gross Profit[2]	72,775	60,303	168,636	139,993	31,115
Adjusted DTC Gross Margin[2]	60.7%	59.2%	59.4%	57.3%	55.8%
Adjusted EBITDA[2]	36,706	31,602	52,634	41,578	13,835
Adjusted Net Income[2]	24,646	20,203	29,137	21,477	8,438
Adjusted Net Income per Share[2]	$0.59	$0.48	$0.69	$0.51	$0.20

Note:

(1) Fiscal 2015 is attributable to the period from October 14, 2015 (date of incorporation) to January 30, 2016. While the financial statements presented are for the period from October 14, 2015 to January 30, 2016, Roots had no financial activity prior to December 1, 2015 (date of the Acquisition).

(2) Comparable sales growth, Adjusted DTC Gross Profit, Adjusted DTC Gross Margin, Adjusted EBITDA, Adjusted Net Income, and Adjusted Net Income per Share are non-IFRS measures. See “Cautionary Note Regarding Non-IFRS Measures and Industry Metrics” for a description of these measures.

Selected Financial Results for Q4 2017 Compared to Q4 2016

- Total sales increased by $18,849, or 17.0%, to $130,021 in Q4 2017, from $111,172 in Q4 2016.
    - DTC sales increased by $17,941, or 17.6%, compared to Q4 2016.
    - Partners and Other sales increased by $908, or 9.8%, in Q4 2017, compared to Q4 2016.
- Comparable sales growth[1] was 15.1% for Q4 2017.
- Gross profit increased by $12,021, or 18.9%, to $75,766 in Q4 2017, from $63,745 in Q4 2016.
    - DTC gross profit increased by $11,400, or 18.9%, to $71,703 in Q4 2017, and as a percentage of sales (“**gross margin**”) increased to 59.9% in Q4 2017, from 59.2% in Q4 2016.

  - Adjusted DTC Gross Profit[1] increased by $12,472, or 20.7%, to $72,775 in Q4 2017, and Adjusted DTC Gross Margin[1] increased to 60.7%, from 59.2% in Q4 2016.

- Selling, general, and administrative expenses ("**SG&A expenses**") increased by $7,995, or 21.1%, to $45,878 in Q4 2017, from $37,883 in Q4 2016.

- Adjusted EBITDA[1] increased by $5,104, or 16.2%, to $36,706 in Q4 2017, from $31,602 in Q4 2016.

- Net income increased by $3,667, or 21.3%, to $20,861 in Q4 2017, from $17,194 in Q4 2016.

- Adjusted Net Income[1] increased by $4,443, or 22.0%, to $24,646 in Q4 2017, from $20,203 in Q4 2016.

- Basic earnings per Share was $0.50 in Q4 2017, up 21.9% from $0.41 in Q4 2016.

- Adjusted Net Income per Share[1] was $0.59 in Q4 2017, up 22.9% from $0.48 in Q4 2016.

Selected Financial Results for Fiscal 2017 Compared to Fiscal 2016

- Total sales increased by $44,171, or 15.7%, to $326,057 in Fiscal 2017, from $281,886 in Fiscal 2016.
  - DTC sales increased by $39,778, or 16.3%, compared to Fiscal 2016.
  - Partners and Other sales increased by $4,393, or 11.7%, compared to Fiscal 2016.

- Comparable sales growth[1] was 12.1% for Fiscal 2017.

- Gross profit increased by $34,845, or 23.7%, to $181,998 in Fiscal 2017, from $147,153 in Fiscal 2016.
  - DTC gross profit increased by $33,346, or $24.8% to $167,546, and gross margin increased to 59.0% in Fiscal 2017, from 57.3% in Fiscal 2016, excluding $5,775 from a fair value step-up of inventory from the Acquisition in Fiscal 2016 (Fiscal 2017: $nil).

  - Adjusted DTC Gross Profit[1] increased by $28,643, or 20.5%, to $168,636 in Fiscal 2017, and Adjusted DTC Gross Margin[1] increased to 59.4% in Fiscal 2017, from 57.3% in Fiscal 2016.

- SG&A expenses increased by $22,377, or 17.3%, to $151,867 in Fiscal 2017, from $129,490 in Fiscal 2016.

- Adjusted EBITDA[1] increased by $11,056, or 26.6%, to $52,634 in Fiscal 2017, from $41,578 in Fiscal 2016. Adjusted EBITDA was 16.1% of sales in Fiscal 2017, increasing from 14.7% of sales in Fiscal 2016.

- Net income increased by $9,316, or 113.8%, to $17,501 in Fiscal 2017, from $8,185 in Fiscal 2016.

- Adjusted Net Income[1] increased by $7,660, or 35.7%, to $29,137 in Fiscal 2017, from $21,477 in Fiscal 2016. Adjusted Net Income was 8.9% of sales in Fiscal 2017, increasing from 7.6% of sales in Fiscal 2016.

- Basic earnings per Share was $0.42 in Fiscal 2017, up 121% from $0.19 in Fiscal 2016.

- Adjusted Net Income per Share[1] was $0.69 in Fiscal 2017, up 35.3% from $0.51 in Fiscal 2016.

Key Operational Developments

Retail stores

We continue to execute on our strategy to grow our store network and optimize our existing retail stores. During Fiscal 2017, we opened eight new stores, relocated four stores, and completed a major renovation on one of our existing stores. In particular, during Q4 2017 we:

- relocated and expanded our store at White Oaks Mall in London, Ontario on November 1, 2017;
- opened our second enhanced experience store, which includes a selection of customizable leather bags and awards jackets, as well as a heritage area, customer lounge and many other features that add to the in-store shopping experience, located at Pacific Centre Mall in Vancouver, British Columbia on November 8, 2017;
- opened a new store at McAllister Place in Saint John, New Brunswick on February 1, 2018; and

- closed three stores to better optimize our real estate portfolio.

The following table summarizes the change in our corporate store count for the periods indicated.

	Q4 2017	Q4 2016	Fiscal 2017	Fiscal 2016
Number of stores, beginning of period	120	116	117	114
New stores	2	2	8	5
Closed stores	3	1	6	2
Number of stores, end of period	**119**	**117**	**119**	**117**
Stores renovated or relocated	1	1	5	8

E-commerce site

In Fiscal 2017, we rolled out our new storefront e-commerce site, introducing various new features and functionality through scheduled phased releases. During the first phases, some of the new features and functionality we introduced included: a new visual design, improved mobile functionality and consumer-facing enhancements that simplify the online ordering process. We completed our third phase rollout in March 2018, which included increased personalization capabilities. We expect to complete our final phase by mid-Fiscal 2018.

Note:

(1) Comparable sales growth, Adjusted DTC Gross Profit, Adjusted DTC Gross Margin, Adjusted EBITDA, Adjusted Net Income, and Adjusted Net Income per Share are non-IFRS measures. See “Cautionary Note Regarding Non-IFRS Measures and Industry Metrics” for a description of these measures.

International Partnerships

We continue to execute on our strategy to grow internationally. During Q4 2017, our international partner opened two new partner-operated stores in Taiwan and three new partner-operated stores in China. In total, we opened 13 net new partner-operated stores in Asia (Taiwan and China) during Fiscal 2017.

Merchandising

We continued to execute against our broader merchandising strategy of bringing better products to our customers, increasing productivity, improving buying and planning as well as bringing the right products to the right stores. Our success on all of these fronts in the quarter are reflected in our top line improvements, expanded gross margins and increased profitability.

Specifically, through our UBR initiative, we continued to build a more simplified and scalable product assortment and consistent presentation across all channels. We reduced unproductive SKUs in categories such as accessories and kids/toddler/baby, notably, resulting in year-over-year sales and profitability gains. We also added SKUs in dresses, for example. As a result, we realized accelerated sales and profitability growth in this category as well. Overall, we achieved a 27% reduction in SKU count in the quarter compared to Q4 Fiscal 2016. We generated increased efficiencies with the consolidation of our supplier base, reducing the number of ongoing suppliers by over 30% since Fiscal 2016, and we decreased our sourcing costs by buying deeper in our successful SKUs.

Components of our Results of Operations and Trends Affecting our Business

In assessing our results of operations and trends affecting our business, we consider a variety of financial and operating measures that affect our operating results.

Sales

Sales in our DTC segment include sales through our corporate retail stores in North America and through our e-commerce operations. Sales to customers through our corporate retail stores are recognized at the time of purchase, net of a provision for returns. E-commerce sales are recognized at the time of delivery, net of a provision for returns. The provision for returns is estimated based on the last 12 months' return rate for retail stores and e-commerce sales, respectively.

Sales in our Partners and Other segment consist primarily of wholesale sales to our international partner and other corporate customers, and royalty revenue earned from the retail sale of Roots-branded products by our international partner and other third-party licensees. Wholesale sales from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customer which, depending on the specific contractual terms of each customer, is either at the time of shipment or receipt. Contractually, our international partner and wholesale partners are unable to return goods purchased from us. Royalty sales are earned and recognized on an accrual basis in accordance with the various contractual agreements, based on the financial results as reported by our international partner and other third-party licensees, and when collectability is reasonably determined.

Gross Profit

Gross profit is our sales less cost of goods sold. Cost of goods sold includes the cost of purchasing our products from manufacturers, including direct purchase costs, freight costs, and duty and non-refundable taxes. For select leather and footwear products manufactured by us in-house, cost of goods sold includes the cost of manufacturing our products, including raw materials, direct labour and overhead, plus freight costs. Cost of goods sold also includes variable distribution centre costs incurred to prepare our inventory for sale. Gross margin measures our gross profit as a percentage of sales.

The primary driver of our cost of goods sold is the cost of purchased products from our manufacturers, which is predominantly sourced in U.S. dollars and Canadian dollars. In Fiscal 2017, we implemented a hedging program to manage our foreign currency risk related to U.S. dollar inventory purchases. See "Financial Instruments".

Selling, General and Administrative Expenses

SG&A expenses consist of selling costs to market and deliver our products to our consumers through our DTC segment, depreciation of store and e-commerce assets, and costs incurred to support the relationships with our retail partners and distributors through our Partners and Other segment. SG&A expenses also include our marketing and brand investment activities, and the corporate infrastructure required to support our ongoing business. In addition, in connection with the IPO, we incurred transaction costs and, going forward, we anticipate an increase to accounting, legal and professional fees associated with operating as a public company that will be reflected in our SG&A expenses.

Selling costs as a percentage of sales is usually higher in the lower-volume first and second quarters of a fiscal year, and lower in the higher-volume third and fourth quarters of a fiscal year because a portion of these costs are relatively fixed. We expect our selling costs to increase as we continue to open new stores, grow our e-commerce business and increase our marketing and brand investment activities.

General and administrative expenses represent costs incurred in our corporate offices, primarily related to personnel costs, including salaries, variable-incentive compensation, benefits, share-based compensation, and marketing costs. It also includes depreciation and amortization expenses for all office support assets and intangible assets.

We have invested heavily to support the growing volume and complexity of our business and anticipate continuing to do so in the future. As we continue to grow, we anticipate that we will be able to scale our investments and leverage our fixed costs.

Foreign exchange gains and losses, excluding changes in the fair value of foreign currency forward contracts (see "Financial Instruments") are recorded in SG&A expenses and comprise translation of monetary assets and liabilities denominated in currencies other than the functional currency of the entity.

Interest Expense

Interest expense relates to our Credit Facilities. See "Indebtedness".

Income Taxes

We are subject to income taxes in the jurisdictions in which we operate and, consequently, income taxes expense or recovery is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. The primary regions that determine the effective tax rate are Canada and the United States. Over the long-term, we expect our annual effective income tax rate to be, on average, approximately 27%, subject to changes to income tax rates and legislation in the jurisdictions in which we operate.

Selected Consolidated Financial Information

The following table summarizes our recent results of operations for the periods indicated. The selected consolidated financial information set out below for Fiscal 2017 and Fiscal 2016 has been derived from our Annual Financial Statements. The selected consolidated financial information set out below for Q4 2017 and Q4 2016 is unaudited.

CAD $000s	Q4 2017	Q4 2016	Fiscal 2017	Fiscal 2016
Sales	**130,021**	**111,172**	**326,057**	**281,886**
Cost of goods sold	54,255	47,427	144,059	134,733
Gross Profit	**75,766**	**63,745**	**181,998**	**147,153**
Selling, general and administrative expenses	45,878	37,883	151,867	129,490
Income before interest expense and income taxes expense	**29,888**	**25,862**	**30,131**	**17,663**
Interest expense	1,197	1,597	5,728	6,112
Income before taxes	**28,691**	**24,265**	**24,403**	**11,551**
Income taxes expense	7,830	7,071	6,902	3,366
Net income	**20,861**	**17,194**	**17,501**	**8,185**
Basic earnings per Share(1)	$0.50	$0.41	$0.42	$0.19

The following table provides selected financial information for the periods indicated:

Consolidated Statement of Financial Position Data:

CAD $000s (except per Share amounts)	As at February 3, 2018	As at January 28, 2017	As at January 30, 2016
Current assets	$49,216	$64,458	$54,403
Non-current assets	293,635	292,985	289,205
Current liabilities	35,759	31,374	27,800
Non-current liabilities	108,119	124,885	123,533
Distributions declared per Share(1)	$0.48	-	-

Note:

(1) Calculated based on the number of outstanding Shares as if the Pre-Closing Capital Changes were implemented at the start of the period. At the time of distribution, prior to the Pre-Closing Capital Changes, the equivalent distributions per Share was $0.10.

Results of Operations

Analysis of Results for Q4 2017 to Q4 2016 and Fiscal 2017 to Fiscal 2016

The following section provides an overview of our financial performance during Q4 2017 compared to Q4 2016 and during Fiscal 2017 compared to Fiscal 2016.

Sales

The following table presents our sales by segment for each of the periods indicated:

CAD $000s	Q4 2017	Q4 2016	% Change	Fiscal 2017	Fiscal 2016	% Change
DTC	119,805	101,864	17.6%	284,131	244,353	16.3%
Partners and Other	10,216	9,308	9.8%	41,926	37,533	11.7%
Total Sales	**130,021**	**111,172**	**17.0%**	**326,057**	**281,886**	**15.7%**

Total sales were $130,021 in Q4 2017 as compared to $111,172 in Q4 2016, representing an increase of $18,849, or 17.0%.

DTC sales increased $17,941, or 17.6%, in Q4 2017 as compared to Q4 2016. The year-over-year growth in DTC sales was primarily driven by comparable sales growth of 15.1%, the opening of two net new stores since Q4 2016 and the benefit of the 53rd week of Fiscal 2017, which accounted for $3,074 in DTC sales.

Sales in the Partners and Other segment increased by $908, or 9.8%, in Q4 2017 as compared to Q4 2016, primarily driven by the opening of 13 net new stores in Asia (Taiwan and China) by our international partner since Q4 2016. The growth in sales in the Partners and Other segment, largely denominated in U.S. dollars, was partially offset by the weaker U.S. dollar as compared to the Canadian dollar in Q4 2017 (average effective exchange rate of 1.26) compared to Q4 2016 (average effective exchange rate of 1.33). If the exchange rate had been 1.33 during the period, Q4 2017 sales in the Partners and Other segment would have increased by $1,354, or 14.5%, as compared to Q4 2016.

Total sales were $326,057 in Fiscal 2017 as compared to $281,886 in Fiscal 2016, representing an increase of $44,171, or 15.7%.

Fiscal 2017 sales in the DTC segment increased by $39,778, or 16.3%, as compared to Fiscal 2016. The year-over-year growth in DTC sales was primarily driven by comparable sales growth of 12.1%, the opening of two net new stores and the benefit of the 53rd week of Fiscal 2017.

Sales in the Partners and Other segment increased by $4,393, or 11.7%, during Fiscal 2017 as compared to Fiscal 2016, primarily driven by the opening of 13 net new stores in Asia (Taiwan and China) by our international partner during Fiscal 2017. The growth in sales in the Partners and Other segment, largely denominated in U.S. dollars, was partially offset by the weaker U.S. dollar as compared to the Canadian dollar during Fiscal 2017 (average effective exchange rate of 1.28) compared to Fiscal 2016 (average effective exchange rate of 1.32). If the exchange rate had been 1.32 during the period, Fiscal 2017 sales in the Partners and Other segment would have increased by $5,308, or 14.1%, as compared to Fiscal 2016.

Gross Profit

The following tables presents our gross profit and gross margin by segment for each of the periods indicated:

CAD $000s	Q4 2017	Q4 2016	% Change	Fiscal 2017	Fiscal 2016	% Change
DTC	71,703	60,303	18.9%	167,564	134,218	24.8%
Partners and Other	4,063	3,442	18.0%	14,434	12,935	11.6%
Total Gross Profit	**75,766**	**63,745**	**18.9%**	**181,998**	**147,153**	**23.7%**

Gross profit as a percentage of sales	Q4 2017	Q4 2016	Fiscal 2017	Fiscal 2016
DTC	59.9%	59.2%	59.0%	54.9%
Partners and Other	39.8%	37.0%	34.4%	34.5%
Total Gross Margin	**58.3%**	**57.3%**	**55.8%**	**52.2%**

Gross profit was $75,766 in Q4 2017, as compared to $63,745 in Q4 2016, representing an increase of $12,021, or 18.9%.

Gross profit in the DTC segment increased $11,400, or 18.9%, in Q4 2017 as compared to Q4 2016. The increase in gross profit in the DTC segment was primarily driven by the sales growth in Q4 2017, a higher gross margin and the benefit of the 53rd week. Gross margin was 59.9% in Q4 2017, up compared to 59.2% in Q4 2016, primarily as a result of product costing, largely as a result of our UBR initiative, favourable foreign exchange rates on goods purchased in U.S. dollars and a more favourable product mix of higher margin items, partially offset by a $1,072 inventory write down related to certain existing footwear raw materials that will be edited out as part of our upcoming footwear re-launch expected in the third quarter of 2018.

Gross profit in the Partners and Other segment increased by 18.0%, or $621, in Q4 2017 as compared to Q4 2016. The growth in gross profit in the Partners and Other segment was primarily driven by an increase in sales to our international operating partner.

Gross profit was $181,998 in Fiscal 2017 as compared to $147,153 in Fiscal 2016, representing an increase of $34,845, or 23.7%.

Gross profit in the DTC segment increased by $33,346, or 24.8%, during Fiscal 2017 as compared to Fiscal 2016. Excluding $5,775 from a fair value step-up of inventory from the Acquisition in Fiscal 2016 (Fiscal 2017: $nil), gross profit in the DTC segment increased $27,571, or 19.7%, during Fiscal 2017 as compared to Fiscal 2016. Excluding the fair value step-up of inventory from the Acquisition, the increase in gross profit in the DTC segment was primarily driven by sales growth during Fiscal 2017, gross margin of 59.0% in Fiscal 2017 as compared to 57.3% in Fiscal 2016 and the impact of the 53rd week. The increase in gross margin was primarily driven by improved product costing, largely as a result of our UBR initiative, favourable foreign exchange rates on goods purchased in U.S. dollars and a more favourable product mix of higher margin items, partially offset by a $1,072 inventory write down related to certain existing footwear raw materials that will be edited out as part of our upcoming footwear re-launch expected in the third quarter of 2018.

Gross profit in the Partners and Other segment increased by or $1,499, or 11.6%, during Fiscal 2017 as compared to Fiscal 2016, primarily driven by growth in sales to our international operating partner.

Selling, General and Administrative Expenses

SG&A expenses were $45,878 in Q4 2017 as compared to $37,883 in Q4 2016, representing an increase of $7,995, or 21.1%. This increase primarily reflects selling costs increasing by $4,000, or 14.6%, in Q4 2017 as compared to Q4 2016, driven by growth in sales, a rise in occupancy costs, higher personnel costs relating to net new store openings, and greater shipping costs from the growth of e-commerce sales. General and administrative costs increased by $3,995, or 38.0%, in Q4 2017 as compared to Q4 2016. Excluding $230 of costs incurred in relation to the IPO during Q4 2017, general and administrative costs increased by $3,765, or 35.9%, primarily driven by higher advertising investments to support branding and increased head office headcount. The increase in SG&A expenses was also driven by the 53rd week in Fiscal 2017.

SG&A expenses were $151,867 during Fiscal 2017 as compared to $129,490 in Fiscal 2016, representing an increase of $22,377, or 17.3%. This increase primarily reflects selling costs increasing by $9,377, or 10.2%, in Fiscal 2017 as compared to Fiscal 2016, driven by the growth in sales, a rise in occupancy costs, higher personnel costs relating to net new store openings, and greater shipping costs from the growth of e-commerce sales. General and administrative costs increased by $13,000, or 34.3%, in Fiscal 2017 as compared to Fiscal 2016. Excluding $3,733 of costs incurred in relation to the IPO in Fiscal 2017, general and administrative costs increased by $9,267, or 24.5%, driven by higher advertising investments to support branding and increased head office headcount. The increase in SG&A expenses was also driven by the 53rd week in Fiscal 2017.

Interest Expense

Interest expense was $1,197 in Q4 2017 as compared to $1,597 in Q4 2016, representing a decrease of $400, or 25.0%. During Fiscal 2017, interest expense was $5,728 as compared to $6,112 in Fiscal 2016, representing a decrease of $384, or 6.3%. The decrease in interest expense related primarily to lower debt from repayment of the Term Credit Facility, and lower effective interest rates charged on the Credit Facilities as a result of the amendments made to the Credit Agreement and lowering our Trailing Leverage Multiple since Fiscal 2016. See “Indebtedness”.

Income Taxes Expense

Income taxes expense was $7,830 in Q4 2017 as compared to $7,071 in Q4 2016, representing an increase of $759, or 10.7%. The effective tax rate for Q4 2017 was 27.3% as compared to 29.1% in Q4 2016. During Fiscal 2017, income taxes expense was $6,902 as compared to $3,366 in Fiscal 2016, representing an increase of $3,536, or 105.1%. The effective income tax rate during Fiscal 2017 was 28.3% as compared to 29.1% in Fiscal 2016. The decrease in the effective income tax rate is primarily attributable to fewer non-deductible expenses incurred in Q4 2017 and Fiscal 2017, as compared to Q4 2016 and Fiscal 2016, respectively.

Net Income

Net income was $20,861 in Q4 2017 as compared to $17,194 in Q4 2016, representing an increase of $3,667, or 21.3%. During Fiscal 2017, net income was $17,501 as compared to $8,185 in Fiscal 2016, representing an increase of $9,316, or 113.8%. The increase in net income results from the factors described above.

Quarterly Financial Information

The following table summarizes the results of our operations for the eight most recently completed fiscal quarters. This unaudited quarterly information, other than comparable sales growth, has been prepared in accordance with IFRS. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year.

CAD $000s (except per Share data)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
(Unaudited)								
Sales	**130,021**	**89,690**	**58,115**	**48,231**	**111,172**	**79,384**	**46,588**	**44,742**
Net Income (Loss)	**20,861**	**4,979**	**(3,226)**	**(5,113)**	**17,194**	**5,903**	**(4,962)**	**(9,950)**
Net Earnings (Loss) per Share:								
Basic earnings per Share[1]	$ 0.50	$ 0.12	$ (0.08)	$ (0.12)	$ 0.41	$ 0.14	$ (0.12)	$ (0.24)
Diluted earnings per Share[1]	$ 0.49	$ 0.12	$ (0.08)	$ (0.12)	$ 0.41	$ 0.14	$ (0.12)	$ (0.24)
Other Performance Measures								
Comparable sales growth.	15.1%	10.1%	16.3%	3.3%	9.3%	2.7%	11.9%	13.3%
Corporate stores, end of period . . .	119	120	120	118	117	116	114	114

Note:

(1) Basic and diluted earnings per Share are presented as if the Pre-Closing Capital Changes had been effected during all periods presented. See "Share Information – Prior to Completion of IPO".

Summary of Non-IFRS Measures

The table below illustrates our Adjusted DTC Gross Profit, Adjusted DTC Gross Margin, EBITDA, Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per Share for the periods presented:

CAD $000s (except per Share data)	Q4 2017	Q4 2016	Fiscal 2017	Fiscal 2016
Adjusted DTC Gross Profit	72,775	60,303	168,636	139,993
Adjusted DTC Gross Margin	60.7%	59.2%	59.4%	57.3%
EBITDA	32,731	28,580	41,017	27,466
Adjusted EBITDA.	36,706	31,602	52,634	41,578
Adjusted Net Income	24,646	20,203	29,137	21,477
Adjusted Net Income per Share[1]	$0.59	$0.48	$0.69	$0.51

Note:

(1) Adjusted Net Income per Share is presented as if the Pre-Closing Capital Changes was effected in all periods presented. See "Share Information – Prior to Completion of IPO".

See "Cautionary Note Regarding Non-IFRS Measures and Industry Metrics".

Reconciliation of Non-IFRS Measures

The tables below provide a reconciliation of DTC gross profit to Adjusted DTC Gross Profit, and net income to EBITDA, Adjusted EBITDA, and Adjusted Net Income for the periods presented:

CAD $000s	Q4 2017	Q4 2016	Fiscal 2017	Fiscal 2016
DTC Gross profit	**71,703**	**60,303**	**167,564**	**134,218**
Add the impact of:				
COGS: Purchase accounting adjustments (a)	-	-	-	5,775
COGS: Write-off of footwear raw materials (b)	1,072	-	1,072	-
DTC Adjusted Gross Profit	**72,775**	**60,303**	**168,636**	**139,993**

CAD $000s	Q4 2017	Q4 2016	Fiscal 2017	Fiscal 2016
Net income	**20,861**	**17,194**	**17,501**	**8,185**
Add the impact of:				
Interest expense	1,197	1,597	5,728	6,112
Income taxes expense	7,830	7,071	6,902	3,366
Depreciation and amortization	2,843	2,718	10,886	9,803
EBITDA	**32,731**	**28,580**	**41,017**	**27,466**
Add the impact of:				
COGS/SG&A: Purchase accounting adjustments (a)	206	358	907	7,096
COGS: Write-off of footwear raw materials (b)	1,072	-	1,072	-
SG&A: IPO transaction costs (c)	230	-	3,733	-
SG&A: Shareholder fees and related costs (d)	6	695	1,223	1,775
SG&A: Acquisition transaction costs (e)	108	10	137	315
SG&A: Fixed asset impairments (f)	1,281	987	1,281	987
SG&A: Legacy stock option expense (g)	443	127	1,026	474
SG&A: Other non-recurring items (h)	373	453	1,391	1,843
SG&A: Non-cash rent adjustments (i)	256	392	847	1,622
Adjusted EBITDA	**36,706**	**31,602**	**52,634**	**41,578**

CAD $000s	Q4 2017	Q4 2016	Fiscal 2017	Fiscal 2016
Net income	**20,861**	**17,194**	**17,501**	**8,185**
Add the impact of:				
COGS/SG&A: Purchase accounting adjustments (a)	206	358	907	7,096
COGS: Write-off of footwear raw materials (b)	1,072	-	1,072	-
SG&A: IPO transaction costs (c)	230	-	3,733	-
SG&A: Shareholder fees and related costs (d)	6	695	1,223	1,775
SG&A: Acquisition transaction costs (e)	108	10	137	315
SG&A: Fixed asset impairments (f)	1,281	987	1,281	987
SG&A: Stock option expense (g)	443	127	1,026	474
SG&A: Other non-recurring items (h)	373	453	1,391	1,843
SG&A: Non-cash rent adjustments (i)	256	392	847	1,622
SG&A: Amortization of intangible assets acquired by Searchlight (j)	1,024	1,033	3,871	3,808
Total adjustments	4,999	4,055	15,488	17,920
Tax effect of adjustments	(1,214)	(1,046)	(3,852)	(4,628)
Adjusted Net Income	**24,646**	**20,203**	**29,137**	**21,477**

Notes:

(a) In connection with the Acquisition, we recognized acquired inventory at fair value in accordance with IFRS 3, *business combinations* ("**IFRS 3**"), which included a mark-up for profit. Recording inventory at fair value in purchase accounting had the effect of increasing inventory and therefore will increase cost of goods sold in subsequent periods as compared to the amounts

we would have recognized if inventory was sold through at cost. This inventory was sold in the period from October 14, 2015 to January 30, 2016, and Fiscal 2016, and has impacted net income and EBITDA during those periods. As a result of the Acquisition, we also recognized an intangible asset for lease arrangements in the amount of $6,310, which is amortized over the life of the leases and included in SG&A expenses. In our view, these costs do not reflect the underlying profitability of the business and would reduce the ability to compare such underlying results to historical periods prior to the Acquisition.

(b) As part of our upcoming footwear re-launch expected in the third quarter of 2018, we are shifting our in-house production to a leading manufacturer of quality footwear products worldwide. As a result, we incurred a one-time write-off against raw material inventory related to certain existing footwear styles that will be edited out of our line as part of the upcoming footwear re-launch. Management is of the view that this write-off is infrequent in nature, and does not reflect the underlying profitability of the business and the inclusion would, therefore, reduce the ability to compare such underlying results to historical periods.

(c) In connection with the IPO, we incurred expenses related to professional fees, legal, consulting, accounting, and travel that would otherwise not have been incurred and are not recurring.

(d) Represents the amount paid pursuant to the management agreement with Searchlight and consulting agreements with the Founders and certain of their family members for ongoing consulting and other services. Subsequent to the IPO, the management agreement and Founder consulting services were terminated, and neither Searchlight nor the Founders and their family members will receive these fees from us in relation thereto going forward. See “Related Party Transactions”.

(e) In connection with the Acquisition, we incurred expenses related to professional fees, legal, consulting, and accounting that would otherwise not have been incurred and are not recurring.

(f) Represents an impairment charge taken against certain leasehold improvements for stores where the forecast cash flows were deemed to be below the carrying value.

(g) Represents non-cash share-based compensation expense in respect of our Legacy Equity Incentive Plan and Legacy Employee Option Plan. The options granted under the Legacy Equity Incentive Plan and the Legacy Employee Option Plan were one-time events as part of putting in place and incentivizing our management team following the Acquisition. No additional options will be granted under the Legacy Equity Incentive Plan and the Legacy Employee Option Plan following the IPO.

(h) Predominately represents expenses incurred in respect of the following matters: (i) one-time recruitment costs incurred as part of the Company’s initial efforts to put in place its current senior management team, namely the Chief Executive Officer (“**CEO**”), the Chief Financial Officer (“**CFO**”) and the Chief Merchandising Officer; (ii) consulting costs in respect of the Company’s UBR initiative relating to a non-recurring project to focus the Roots brand and streamline our product offering; and (iii) consulting fees in respect of the Company’s distribution center capacity and expansion study relating to a project that began in late-2016 and is expected to be completed by 2019. These costs have been identified as one-time costs incurred in conjunction with the Acquisition and the implementation of a new senior management team. Management has determined that each of the above projects are non-recurring or infrequent in nature and, accordingly, such matters do not reflect the underlying profitability of the business and their inclusion would, therefore, reduce the ability to compare such underlying results to historical periods.

(i) Under IFRS, we are required to recognize rent expense on a straight-line basis over the life of the lease. This adjustment removes the portion of the straight-line rent adjustment that is non-cash expense in the applicable financial period.

(j) As a result of the Acquisition, intangibles relating to customer relationships of $7,766 with a useful life of 10 years and licensing arrangements of $25,910 with useful lives ranging from four to 13 years were recognized in accordance with IFRS 3. The amortization expense resulting from the recognition of these intangible assets are non-cash in nature and are a direct result of the Acquisition. If the Acquisition had not occurred, such intangibles would not have been recognized and, consequently, the associated expenses would not have been incurred. Management is of the view that these costs do not reflect the underlying profitability of the business and would, therefore, reduce the ability to compare such underlying results to historical periods prior to the Acquisition.

Financial Condition, Liquidity and Capital Resources

Overview

We principally use our funds for operating expenses, capital expenditures and debt service requirements. We believe that cash generated from operations, together with amounts available under our Credit Facilities, will be sufficient to meet our future operating expenses, capital expenditures and future debt service requirements. In addition, we believe that our capital structure provides us with significant financial flexibility to pursue our future growth strategies. However, our ability to fund operating expenses, capital expenditures and future debt service requirements will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See “Risks and Uncertainties” and “Factors Affecting our Performance” for additional information.

Cash Flows

The following table presents our cash flows for each of the periods presented:

CAD$000s	Q4 2017	Q4 2016	Fiscal 2017	Fiscal 2016
Net cash generated from operating activities	43,790	40,926	29,652	30,068
Net cash generated used in financing activities	(33,577)	(12,388)	(40,856)	(3,913)
Net cash used in investing activities	(3,842)	(4,390)	(12,244)	(12,049)
Change in cash and bank indebtedness	**6,371**	**24,148**	**(23,448)**	**14,106**

Analysis of Cash Flows for Q4 2017 and Fiscal 2017 compared to Q4 2016 and Fiscal 2016

Cash Flows from Operating Activities

For Q4 2017 and Fiscal 2017, cash flows from operating activities totalled $43,790 and $29,652, respectively, compared to $40,926 and $30,068 in Q4 2016 and Fiscal 2016, respectively. The increase in cash flows from operating activities in Q4 2017, compared to Q4 2016, is attributable to higher income levels, partially offset by greater investments in working capital and taxes paid. The decrease in cash flows from operating activities in Fiscal 2017, compared to Fiscal 2016, is attributable to greater investments in working capital and taxes paid, partially offset by higher income levels.

Cash Flows used in Financing Activities

For Q4 2017 and Fiscal 2017, cash flows used in financing activities amounted to $33,577 and $40,856, respectively, compared to $12,388 and $3,913 in Q4 2016 and Fiscal 2016, respectively. This change is driven by the one-time shareholder distribution in the amount of $20,000 in the second quarter of 2017, scheduled repayments on our Term Credit Facility of $9,654 (Fiscal 2016 - $4,163), timing of drawings from our Revolving Credit Facility and subsequent repayments within each period, and voluntary early repayments on our Term Credit Facility in the amount of $10,000 in the fourth quarter of 2017 (Fiscal 2016 - $nil).

Cash Flows used in Investing Activities

For Q4 2017 and Fiscal 2017, cash flows used in investing activities amounted to $3,842 and $12,244, respectively, compared to $4,390 and $12,049 in Q4 2016 and Fiscal 2016, respectively. The changes reflect our continued investment in our DTC segment, primarily through new store openings and renovations and relocations of existing stores.

Indebtedness

On December 1, 2015, the Company entered into a secured credit agreement (the "**Credit Agreemen**t") with a syndicate of lenders to obtain an initial term loan (the "**Term Credit Facility**") for an aggregate principal amount not exceeding $111,000 and a revolving credit loan (the "**Revolving Credit Facility**") not exceeding $25,000, less the aggregate swing line loan of $5,000 (together, the "**Credit Facilities**").

On April 19, 2017, the Company amended the Credit Agreement to increase the availability under the Revolving Credit Facility to an amount not exceeding $50,000, less the aggregate swing line loan of $10,000.

On September 6, 2017, the Company further amended and extended the Credit Facilities. The Credit Facilities, as amended, are comprised of (i) the Revolving Credit Facility in the amount of $50,000 and (ii) an approximately $100,000 Term Credit Facility, both bearing interest in accordance with the Trailing Leverage Multiple and maturing on September 6, 2022.

The Credit Facilities include an accordion feature in the amount of $25,000 and bear interest according to the type of borrowing advanced, which may be based on a reference rate of the U.S. base rate or the Canadian prime rate, plus a margin that ranges from 100 to 225 basis points (bps) or the LIBOR rate or bankers' acceptances rate, plus a margin that ranges from 200 to 325 bps. The applicable margins are derived from our senior leverage ratio, as follows: (i) where the U.S. base rate or a Canadian prime rate is used, the margins range from 100 bps at less than 2.0x senior leverage ratio, to 225 bps at greater than or equal to 3.5x senior leverage ratio; and (ii) where the LIBOR rate or bankers' acceptances rate is used, the margins range from 200 bps at less than 2.0x senior leverage ratio, to 325 bps at greater than or equal to 3.5x senior leverage ratio (the "**Trailing Leverage Multiple**").

The Company has financial and non-financial covenants under the Credit Facilities. The key financial covenants include covenants for consolidated debt to Adjusted EBITDA ratio, total debt to Adjusted EBITDA ratio, and fixed charge coverage ratio. As at the end of Fiscal 2017, the Company was in compliance with such covenants.

The following table sets out the mandatory repayment of the Credit Facilities over the next five years:

CAD $000s	**Term Credit Facility**	**Revolving Credit Facility**
Within 1 year	4,984	-
Within 1 - 2 years	4,984	-
Within 2 - 3 years	4,984	-
Within 3 - 4 years	4,984	-
Within 4 - 5 years	67,247	-
Total	**87,183**	**-**

Contractual Obligations and Off-Balance Sheet Arrangements

The following table summarizes our significant contractual obligations and other obligations as well as our off-balance sheet arrangements as at February 3, 2018:

CAD$000s	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Thereafter	Total
Term Credit Facility [1]	4,984	4,984	4,984	4,984	67,247	-	87,183
Interest commitments relating to long-term debt [2]	3,088	2,908	2,728	2,547	1,401	-	12,672
Net settlement of foreign currency forward contracts [3]	1,241	-	-	-	-	-	1,241
Operating leases [4]	24,312	23,866	21,231	18,299	16,094	52,470	156,272
Finance leases	338	338	153	25	9	-	863
Inventory purchase commitments [5]	63,798	-	-	-	-	-	63,798
Total commitments and obligations	**97,761**	**32,096**	**29,095**	**25,856**	**84,751**	**52,470**	**322,029**

Notes:

(1) The repayment of the Term Credit Facility may occur prior to the mandatory repayment time if certain events occur and/or at the discretion of the Company.

(2) Based on the interest rate in effect as at February 3, 2018, and assuming no prepayments are made to the Term Credit Facility.

(3) Obligation arising from the settlement of outstanding foreign currency forward contracts based on the U.S. dollar-Canadian dollar foreign exchange rate on February 3, 2018 of 1.24.

(4) Operating leases for certain of our premises include renewal options, rent escalation clauses, variable rent, and rent-free periods. The operating lease commitment reflects minimum annual commitments for our operating leases on those premises, excluding renewal options and variable rent.

(5) Inventory purchase commitments reflect the cost of outstanding inventory purchases ordered from our vendors and expected to be received within the period. Inventory purchases are part of the normal course of our business and will be primarily funded through sales in our DTC segment.

Due to the seasonal fluctuations of our retail business (see “Seasonality”), our cash position may be lower during the first two fiscal quarters when working capital requirements peak and will generally increase in the third and fourth quarters. Historically, contractual obligations and commitments during the first two fiscal quarters were funded primarily through draws on our Revolving Credit Facility (see “Indebtedness”), and, to a lesser extent, sales generated from our operations and our management of working capital. In the third and fourth fiscal quarters, we have historically generated sufficient cash flow from operations to fund our remaining contractual obligations and commitments and to repay any draws on our Revolving Credit Facility during the first two fiscal quarters. We will continue to fund our upcoming commitments and obligations through the use of our Revolving Credit Facility and cash flow from operations. We believe that we will continue to generate sufficient cash flow from operations over the course of a fiscal year to fund our contractual obligations and commitments and the cost of our growth and development activities incurred during such fiscal year.

Financial Instruments

Commencing in Fiscal 2017, we have designated foreign currency forward contracts in a cash flow hedge to manage our exposure to certain U.S. dollar denominated purchases. At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and the strategy in undertaking the hedge transaction. At inception and each fiscal quarter-end thereafter, the Company formally assesses effectiveness of the cash flow hedges.

To the extent the hedging relationship is assessed as effective, the change in the fair value of the foreign currency forward contracts, net of taxes, is recognized in other comprehensive income (loss) and presented in accumulated other comprehensive income (loss). Any ineffective portion

of changes in the fair value of the foreign currency forward contracts are recognized immediately in net income.

The fair value of foreign currency forward contracts is determined using a valuation technique that employs the use of market observable inputs and based on the differences between the contract rate and the market rates as at the period-end date, taking into consideration discounting to reflect the time value of money.

As of February 3, 2018, the Company has recorded a derivative liability of $1,233, representing foreign currency forward contracts to buy U.S. $52,315 at an average rate of 1.26. As at February 3, 2018, the exchange rate was 1.24.

All other financial assets and financial liabilities are measured at amortized cost using the effective interest method.

Share Information - Prior to Completion of the IPO

Prior to the completion of the IPO, we were authorized to issue an unlimited number of Class A, B and C Shares, with no par value. The Class A, B and C Shares were identical, except that the aggregate number of votes attached to the Class B Shares, as a class, could at no times exceed 15% of the votes cast at a meeting of shareholders (allocated proportionately among all holders of Class B Shares) and the Class C Shares did not contain voting rights. The Class A, B and C Shares ranked *pari passu* in all respects, including the right to receive dividends and with respect to any distribution of our assets.

Prior to completion of the IPO, there were 156,845,150 Class A Shares, 39,148,787 Class B Shares, and no Class C Shares issued and outstanding. In addition there were 14,069,635 options and 74,627 RSUs, each representing a right to acquire one Class C Share, issued and outstanding.

Pre-Closing Capital Changes

In connection with and immediately prior to closing of the IPO, all outstanding Class A Shares, Class B Shares, options and RSUs were effectively consolidated on a 0.214193-to-one basis into Shares or securities exercisable for Shares.

Current Share Information

Following the closing of the IPO, the Company granted 260,649 options under its Omnibus Incentive Plan (the "**Omnibus Plan**"), comprised of both time-based options and performance-based options. The options have a contractual life of 10 years. During Q4 2017, the Company granted 40,000 time-based options under the Omnibus Plan.

As of February 3, 2018 and April 17, 2018, there were 41,980,500 Shares issued and outstanding and no preferred shares issued and outstanding. In addition, there were 3,314,250 options and 15,985 RSUs outstanding under the Company's Legacy Equity Incentive Plan, Legacy Employee Option Plan, and Omnibus Plan. 212,791 options and 15,985 RSUs were vested as of such date. Each option and RSU is, or will become, exercisable for one Share.

Related Party Transactions

The Company's related parties include key management personnel and key shareholders of the Company, including other entities under common control. Investment funds managed by Searchlight beneficially own approximately 47.7% of the total outstanding Shares and the Founders beneficially own approximately 12.0% of the total outstanding Shares. All transactions as described below are in the normal course of business and have been accounted for at their exchange value.

As of February 3, 2018, we have incurred the following costs in connection with transactions entered into with related parties:

CAD $000s	Q4 2017	Q4 2016	Fiscal 2017	Fiscal 2016
Rent[1]	197	195	786	796
Consulting Fees[2]	-	117	267	567
Reimbursements[2]	6	18	35	148
Monitoring Fees[3]	-	560	921	1,060

Notes:

(1) Our distribution facility and leather factory are each owned by entities controlled by the Founders and certain of their family members. We have entered into lease arrangements in respect of these premises. The leather factory lease terminates on November 30, 2018, with a right to extend the term for two further periods of five years each, and has an annual rent of $250. The distribution facility lease terminates on November 30, 2018, with a right to extend the term for one further period of one year. Annual rent in respect of the distribution facility is $535.

(2) Pursuant to consulting agreements dated December 1, 2015 between the Company and the Founders and certain of the Founders' family members (the "**Consulting Agreements**"), the Founders and certain of their family members are provided with consulting fees, clothing allowances and reimbursement for certain travel, meals and phone expenses. The Consulting Agreements terminated upon completion of the IPO. Accordingly, the Company is no longer required to pay consulting fees or reimbursements of expenses as previously incurred.

(3) In accordance with the Unanimous Shareholder Agreement, the Company paid Searchlight a monitoring fee and reimburses Searchlight for certain out-of-pocket expenses incurred during the year in connection with matters regarding the Company. The Unanimous Shareholder Agreement and, therefore, the monitoring fee and expense reimbursement payable thereunder, terminated upon completion of the IPO.

In April 2016, the Company issued and sold the equivalent of 53,548 Shares to a member of the Company's executive team.

In February 2016, a member of the Company's executive team purchased the equivalent of 214,193 Shares from Searchlight at a price of $4.67 per Share. The purchase was paid for using $500 in cash and a $500 loan from the Company. The $500 loan from the Company is to be repaid at the earlier of six years from the loan date and upon a liquidity sale of the Company. Interest accrues at a rate of 4% per annum and will be payable at the start of each calendar year following the date of the loan. Unpaid interest may be deemed paid by increasing the principal amount outstanding. As at February 3, 2018, the outstanding balance on the loan and accrued interest was $541 (January 28, 2017 – $520).

Financial Outlook

We believe we remain on-track to achieve our previously stated financial targets for Fiscal 2019. We believe we will achieve:

- annual sales between $410,000 and $450,000;
- annual Adjusted EBITDA between $61,000 to $68,000; and
- annual Adjusted Net Income between $35,000 and $40,000.

The aforementioned description of growth expectations is based on management's current strategies, our assumptions and expectations concerning our growth outlook and opportunities, and our assessment of the outlook and opportunities for the business and the retail industry as a whole and may be considered to be forward-looking information for purposes of applicable securities laws in Canada. Readers are cautioned that actual results may vary from those described above. See below and "Forward-Looking Information" and "Risks and Uncertainties" in this MD&A and "Risk Factors" in our AIF for a description of the assumptions underlying the forward-looking information and of the risks and uncertainties that impact our business and that could cause actual results to vary.

Implicit in such forward-looking information is certain current assumptions, relating to, among others: achieving average annual comparable sales growth in line with or above Fiscal 2016, notwithstanding quarterly variations; growing our e-commerce business; the opening of new corporate stores in Canada and the United States; the renovation or expansion of existing corporate stores; the opening of new international partner-operated stores; establishing a presence in new international markets with new international operating partners; increasing investment in marketing initiatives; strategic expansion of our existing product offering in leather and footwear; inflation rates remaining consistent with historical levels; taxation rates remaining consistent with historical levels; and debt repayments remaining consistent with the terms set out in this MD&A. These current assumptions, although considered reasonable by us at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Company, including with respect to our anticipated annual sales, annual Adjusted EBITDA and annual Adjusted Net Income, are subject to a number of risks and uncertainties, including among others those set forth under "Risks and Uncertainties" in this MD&A and "Risk Factors" in our AIF.

Risks and Uncertainties

For a detailed description of risk factors relating to the Company, please refer to the "Risk Factors" section of our AIF, which is available on SEDAR at www.sedar.com.

In addition, we are exposed to a variety of financial risks in the normal course of our business, including foreign currency exchange, interest rate, credit and liquidity risk, as summarized below. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance.

Financial risk management is carried out under practices approved by our Board. This includes identifying, evaluating and hedging financial risks based on the requirements of our organization. Our Board provides guidance for overall risk management, covering many areas of risk including foreign currency exchange risk, interest rate risk, credit risk, and liquidity risk.

Foreign Currency Exchange Risk

Our consolidated financial statements are expressed in Canadian dollars. However, a portion of our operations are denominated in U.S. dollars. Sales and expenses of all foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates which such items are recognized. Appreciating foreign currencies relative to the Canadian dollar in respect of sales will positively impact operating income and net income associated with our foreign operations by increasing our sales and vice versa.

We are also exposed to fluctuations in the prices of U.S. dollar denominated purchases resulting from changes in U.S. dollar exchange rates. A depreciating Canadian dollar relative to the U.S. dollar will have a negative impact on year-over-year changes in reported operating income and net income by increasing the cost of finished goods and raw materials and vice versa. As described above, we enter into certain qualifying foreign currency forward contracts that are designated as cash flow hedges.

Interest Rate Risk

We are exposed to changes in interest rates on our cash and long-term debt. Debt issued at variable rates exposes us to cash flow interest rate risk. Debt issued at fixed rates exposes us to fair value interest rate risk. As of February 3, 2018, we only have variable interest rate debt. Based on the outstanding borrowings as discussed under “Indebtedness”, a one percentage point change in the average interest rate on our borrowings would have changed interest expense by $276 in Q4 2017 and $1,130 in Fiscal 2017. The impact of future interest rate expense resulting from future changes in interest rates will depend largely on the gross amount of our borrowings at such time.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company’s financial instruments that are exposed to concentrations of credit risk are primarily cash, loan receivable, and accounts receivable. The Company limits its exposure to credit risk with respect to cash by dealing with Canadian financial institutions. The Company’s accounts receivable consist primarily of receivables from our business partners from the Partners and Other segment, which are settled in the following fiscal quarter.

Liquidity Risk

Liquidity risk is the risk that we cannot meet a demand for cash or fund our obligations as they come due. We manage liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of our sales, income and working capital needs. The Revolving Credit Facility is also used to maintain liquidity.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its

annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, namely the CEO and CFO, as appropriate to allow timely decisions regarding public disclosure.

An evaluation of the design of the Company's disclosure controls and procedures, as defined under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), was carried out under the supervision of the CEO and CFO and with the participation of the Company's management. Based on that evaluation, the CEO and CFO have concluded that the design and operation of these controls were effective as of February 3, 2018.

Although the Company's disclosure controls and procedures were operating effectively as of February 3, 2018, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the Company's regulatory filings.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing adequate internal control over financial reporting for the Company.

As required by NI 52-109, the CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework and criteria established in "Internal Control – Integrated Framework' published by The Committee of Sponsoring Organizations of the Treadway Commission, 2013". Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the Company's internal controls over financial reporting, as defined by NI 52-109, were effective as at February 3, 2018.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures. Therefore, even when determined to be designed effectively, disclosure controls and internal control over financial reporting can provide only reasonable assurance with respect to disclosure, reporting and financial statement preparation.

Critical Accounting Estimates and Judgments

The Annual Financial Statements have been prepared in accordance with IFRS. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. While our significant accounting policies are more fully described in our Annual Financial Statements, we believe that the following accounting policies and estimates are critical to our business operations and understanding our financial results.

The following are the key judgments and sources of estimation uncertainty that we believe could have the most significant impact on the amounts recognized in our consolidated financial statements.

Inventory valuation

Merchandise inventories are valued at the lower of average cost, using the retail method, and net realizable value, which requires the Company to utilize estimates related to fluctuations in shrinkage, future retail prices, future sell-through of units, seasonality and costs necessary to sell the inventory. The Company records a write-down to reflect management's best estimate of the net realizable value of inventory based on the above factors.

Impairment of non-financial assets

The Company is required to use judgment in determining the grouping of assets to identify their cash generating units ("**CGUs**") for the purpose of testing store related fixed assets. Judgment is further required to determine appropriate groupings of CGUs for the level at which non-store related assets are tested for impairment including intangible assets and goodwill. The Company has determined each store location is a separate CGU for the purpose of fixed assets impairment testing. For purposes of non-store related non-financial assets, CGUs are grouped at the lowest level that these assets are monitored for internal management purposes or the lowest level where cash inflows are generated. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

In determining the recoverable amount, defined as the higher of the value-in-use and the fair value less costs to sell, of a CGU or a group of CGUs, various estimates are used. Value-in-use is determined based on management's best estimate of projected future sales, gross profit margin and earnings which is discounted by using an estimate of industry pre-tax weighted average cost of capital adjusted for the Company's estimated risk profile.

Share-based compensation

The Company measures the value of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based compensation requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. The Company is also required to determine the most appropriate inputs to the valuation model, including estimates and assumptions with respect to expected life, risk-free interest rate, volatility, distribution yield, and forfeiture rate.

Gift card breakage

The Company recognizes revenue from unredeemed gift cards ("gift card breakage") if the likelihood of gift card redemption by the customer is considered to be remote. The Company estimates its average gift card breakage rate based on historical redemption rates. The resulting revenue is recognized over the estimated period of redemption based on historical redemption patterns commencing when the gift card is issued.

Income taxes

The calculation of current and deferred income taxes requires management to make certain judgements regarding the tax rules in jurisdictions where the Company performs activities. Application of judgements is required regarding classification of transactions and in assessing probable outcomes of claimed deductions including expectations of future operating results, the

timing and reversal of temporary differences, and possible audits of income tax and other tax filings by the tax authorities.

New Accounting Standards Adopted in the Year

- In January 2016, the IASB issued amendments to IAS 7, Statements of Cash Flows, which requires specific disclosures for movements in certain liabilities on the statement of cash flows. These amendments are applicable for annual periods beginning on or after January 1, 2017. The Company adopted these amendments and included additional disclosures in Note 9 of its consolidated financial statements.

- In January 2016, the IASB issued "Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12, Income Taxes ("IAS 12"))". The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The Company adopted the amendments to IAS 12 in its consolidated financial statements with no material impacts.

New Accounting Standards and Interpretations Not Yet Adopted

Certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments, and interpretations are provided below.

- In 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("**IFRS 15**"), replacing IAS 18, *Revenue*; IAS 11, *Construction Contracts*; and related interpretations. The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. Based on its preliminary assessment, the Company does not believe the new standard will have a significant impact on the annual revenue recognized.

- In 2016, the IASB issued IFRS 16, *Leases* ("**IFRS 16**"), replacing IAS 17, *Leases*, and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

- In 2016, the IASB issued International Financial Reporting Interpretations Committee ("**IFRIC**") Interpretation 22, *Foreign Currency Transactions and Advance Consideration* ("**Interpretation 22**"), in response to diversity in practice in determining the appropriate exchange rate to use when translating assets, expenses or income, when foreign currency consideration is paid or received in advance of the item to which it relates. Interpretation 22 clarifies that the date of the transaction for the purpose of determining the exchange

rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. Interpretation 22 is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

- In June 2017, the IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* ("**Interpretation 23**") in response to diversity in practice for various issues in circumstances in which there is uncertainty in the application of the tax law.

  Interpretation 23 requires an entity to reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty, measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable), reassess the judgments and estimates applied if facts and circumstances change (e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires), and consider whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution.

  Interpretation 23 is applicable for annual periods beginning on or after January 1, 2019 and may be applied on a fully retrospective basis, if this is possible without the use of hindsight, or on a modified retrospective basis, with an adjustment to equity on initial application. Earlier application is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

Additional Information

Additional information relating to the Company, including the AIF, is available on SEDAR at www.sedar.com. The Company's Shares are listed for trading on the TSX under the symbol "ROOT".