

*A copy of this preliminary prospectus has been filed with the securities regulatory authorities in the Provinces of Ontario, Alberta and British Columbia, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This preliminary prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. See "Plan of Distribution".*

*The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States of America, its territories, possessions or the District of Columbia (the "United States"), and may not be offered, sold or delivered, directly or indirectly, in the United States unless exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws are available. This preliminary prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the U.S. Securities Act). See "Plan of Distribution".*

## PRELIMINARY LONG FORM PROSPECTUS

New Issue

September 27, 2021

### Skyscape Capital Inc.

(To be renamed PesoRama Inc.)

# PESORAMA

Up to \$ ●  
Up to ● Units

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Price: \$● per Unit

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This prospectus (the "**Prospectus**") is being filed with the securities regulatory authorities in the Provinces of Ontario, Alberta and British Columbia to enable Skyscape Capital Inc. (the "**Company**" or "**Skyscape**"), a capital pool company ("**CPC**") pursuant to Policy 2.4 – *Capital Pool Companies* (the "**CPC Policy**") of the Corporate Finance Manual of the TSX Venture Exchange Inc. (the "**Exchange**"), to complete its proposed qualifying transaction (the "**Proposed Qualifying Transaction**" or the "**Transaction**") with PesoRama Inc. ("**PesoRama**").

This Prospectus also qualifies the distribution (the "**Offering**") of up to ● units (the "**Units**") of the Company at a price of \$● per Unit (the "**Offering Price**"). Each Unit consists of one common share in the capital of Skyscape (the "**Skyscape Shares**") and one warrant to purchase Skyscape Shares exercisable at \$● per Skyscape Share (the "**Skyscape Warrants**") for a period of two years from Closing (as defined herein) (the "**Warrant Expiry Date**"). In the event that the volume-weighted average price of the Skyscape Shares on a recognized Canadian stock exchange (which includes the Exchange) is equal to or greater than \$● over a ten (10) consecutive trading day period, the Company may, at its option, within ten (10) business days following such 10-day period, accelerate the Warrant Expiry Date by issuing a press release (a "**Warrant Acceleration Press Release**"), and, in such case, the Warrant Expiry Date shall be deemed to be the date that is thirty (30) days following the issuance of the Warrant Acceleration Press Release.

The Units are being issued pursuant to an agency agreement dated ●, 2021 (the “**Agency Agreement**”) between the Company, PesoRama and Canaccord Genuity Corp. (“**Canaccord**”) pursuant to which Canaccord (in connection with the Offering, the “**Agent**”) has agreed to conduct the Offering on a commercially reasonable efforts basis.

This Prospectus qualifies the distribution of (i) the Skyscape Shares which form part of the Units to be issued pursuant to the Offering, (ii) the Skyscape Warrants which form part of the Units to be issued pursuant to the Offering, (iii) the Compensation Options (as defined herein) (including the Compensation Options granted on exercise of the Over-Allotment Option, if any) described below, and (iv) the additional Skyscape Shares and Skyscape Warrants issuable upon the exercise, if any, by the Agent of the Over-Allotment Option (as defined herein) described below.

The Skyscape Shares are listed on the Exchange under the trading symbol “SKY.P” and have been suspended from trading since June 6, 2019. The Company has applied to list the Skyscape Shares to be issued pursuant to the Proposed Qualifying Transaction on the Exchange. The closing price of the Skyscape Shares on June 5, 2019, being the last trading date prior to the announcement of the Proposed Qualifying Transaction, was \$0.50.

**There is currently no market through which the Skyscape Warrants may be sold, and purchasers may not be able to resell the Skyscape Warrants acquired pursuant to the Offering. This may affect the pricing of the Skyscape Warrants in the secondary markets, the transparency and availability of trading prices and the liquidity of the Skyscape Warrants.**

The Proposed Qualifying Transaction must be approved by the Exchange in accordance with the CPC Policy. Skyscape has not commenced commercial operations and has no assets other than cash and its listing on the Exchange. Except as specifically contemplated in the CPC Policy, until completion of the Proposed Qualifying Transaction, Skyscape has not carried on and will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (as such term is defined in the CPC Policy). See “*Skyscape – General Development of the Business*”.

**No minimum amount of funds must be raised under this Offering. This means that the Company could complete this Offering after raising only a small proportion of the Offering amount set out above.**

	Price to the Public <sup>(1)</sup>	Agent’s Fee <sup>(2)</sup>	Net Proceeds to the Company <sup>(3)</sup>
Per Unit	\$●	\$●	\$●
Total <sup>(4)</sup> .....	\$●	\$●	\$●

- (1) The Offering Price was determined by arm’s length negotiation between the Company and Canaccord, on behalf of the Agent, with reference to the prevailing market price of the Common Shares and the PesoRama Shares (as defined herein).
- (2) The Company has agreed to pay the Agent a cash fee (the “**Agent’s Fee**”) equal to 6.0% of the gross proceeds from the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option). See “*Plan of Distribution*”.
- (3) After deducting the Agent’s Fee, but before deducting the expenses of the Offering (estimated to be approximately \$●), which will be paid from the proceeds of the Offering.
- (4) The Company has granted the Agent an over-allotment option, exercisable in whole or in part, at the sole discretion of the Agent, at any time, and from time to time, at least 48 hours prior to the Closing Date (as defined herein), to purchase up to an additional ●Units at the Offering Price to cover the Agent’s over-allocation position, if any, and for market stabilization purposes (the “**Over-Allotment Option**”). If the Over-Allotment Option is exercised in full, the total “Price to the Public”, “Agent’s Fee” and “Net Proceeds to the Company” will be \$●, \$● and \$●, respectively. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Units issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agent’s over-allocation position acquires those Units under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “*Plan of Distribution*”.
- (5) The Agent shall also be issued compensation options (the “**Compensation Options**”) on the Closing Date equal to 6% of the aggregate number of Units issued by the Company under the Offering. Each Compensation Option will be exercisable for one (1) Skyscape Share, at the Offering Price (subject to any necessary adjustments) for a period of twenty-four (24) months following the Closing Date.

The following table sets out the maximum number of Units to be issued by the Company pursuant to the exercise of the Over-Allotment Option and the maximum number of Skyscape Shares to be issued by the Company to the Agent pursuant to the exercise of the Compensation Options:

<u>Agent's Position</u>	<u>Maximum Number of Securities</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	• Units	Any time prior to 48 hours prior to the Closing Date	\$• per Unit
Compensation Options	• Skyscape Shares (assuming exercise of the Over-Allotment Option)	Until the date that is 24 months following the Closing Date	\$• per Skyscape Share

Unless the context otherwise requires, when used herein, all references to the “Offering” and “Units” includes all Units issuable pursuant to the exercise of the Over-Allotment Option and all references to “Skyscape Shares” and “Skyscape Warrants” includes all Skyscape Shares and Skyscape Warrants underlying the Units issuable pursuant to the exercise of the Over-Allotment Option.

**The Offering is not underwritten or guaranteed by any person or agent.** The price of the Units was determined by negotiation between the Company and Canaccord. The Agent hereby conditionally offers the Units on to the public in the Provinces of Ontario, Alberta and British Columbia, on a commercially reasonable efforts basis, subject to prior sale, if, as and when issued and sold by the Company and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under “*Plan of Distribution*” and subject to the approval of certain legal matters relating to the Offering on behalf of the Company by Chitiz Pathak LLP, on behalf of PesoRama by Irwin Lowy LLP and on behalf of the Agent by DLA Piper (Canada) LLP. **There is no minimum amount of funds that must be raised under the Offering. As a result, the Company could complete this Offering after raising only a small proportion of the offering amount set out above.**

Subscriptions for the Units will be received subject to rejection or allotment, in whole or in part, and the Agent reserve the right to close the subscription books at any time without notice. It is expected that closing of the Offering (the “**Closing**”) will take place on or about ●, 2021, or such other date as the Company and the Agent may agree, but in any event, on or before the date that is not later than 90 days after the date of the receipt for this Prospectus (the date on which Closing occurs being the “**Closing Date**”). See “*Plan of Distribution*”.

Neither the Company nor PesoRama is a “connected issuer” nor a “related issuer” of any of the Agent as defined in National Instrument 33-105 – *Underwriting Conflicts*.

In connection with the Offering, and subject to applicable laws, the Agent may over-allot or effect transactions that are intended to stabilize or maintain the market price of the Skyscape Shares at levels other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See “*Plan of Distribution*”.

Except as otherwise required by law or in accordance with certain regulatory requirements, it is anticipated that the Units will be delivered under the book-based system through CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee and deposited in electronic form, except in certain limited circumstances. A purchaser of Units will receive only a customer confirmation from the Agent or registered dealer from or through whom the Units are purchased and who is a CDS depository service participant (a “**Participant**”). CDS will record the Participants who hold Units on behalf of owners who have purchased Units in accordance with the book-based system. No certificates evidencing the Units will be issued to subscribers, except in certain limited circumstances, and registration will be made in the name of the nominee of CDS. See “*Plan of Distribution*”.

The head and registered office of the Company in Canada is located at 77 King Street West, Suite 700, TD North Tower, Toronto, Ontario, M5K 1G8.

Upon completion of the Proposed Qualifying Transaction, a substantial portion of the assets of the company resulting from the completion of the Proposed Qualifying Transaction (the “**Resulting Issuer**”) will be located outside of Canada. In addition, both Rahim Bhaloo (Executive Chairman) and Abdulmajeed Bawazeer (Chief Strategy Officer) reside outside of Canada, and has appointed Chitiz Pathak LLP, located at 77 King Street West, Suite 700, TD North Tower, Toronto, Ontario, M5K 1G8, for service of process.

Investors are advised that it may not be possible for investors to enforce judgments 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.

Investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Company's securities.

This Prospectus is being filed with the Exchange under the requirements of the CPC Policy in lieu of a filing statement, which is the document that is typically required for Qualifying Transactions. **Neither the Exchange nor any securities regulatory authority has in any way passed upon the merits of the Proposed Qualifying Transaction described in this Prospectus.**

**Investment in the securities of the Company or the Resulting Issuer should be regarded as highly speculative due to the proposed nature of the Company's and the Resulting Issuer's business and their respective present stage of development. The Company does not have a history of earnings nor has it paid any dividends, and it is unlikely to pay dividends in the immediate or foreseeable future.**

There is no assurance that the Company will successfully complete the Proposed Qualifying Transaction with PesoRama, or even if it does, that PesoRama's acquired businesses will be profitable or will succeed. Moreover, additional funds may be required to successfully implement the Resulting Issuer's business plan and the Resulting Issuer may not be able to obtain such financing. If any additional funds are raised through the issuance of Resulting Issuer Shares (as hereafter defined) from the Resulting Issuer's treasury, control of the Resulting Issuer may change and shareholders of the Resulting Issuer may suffer additional dilution. Holders of Resulting Issuer Shares may be unable to enforce Canadian statutory and civil remedies against non-residents.

If the Proposed Qualifying Transaction is completed, the Resulting Issuer will be subject to a number of risks relating to its business. As a result of these risk factors, an investment in securities of the Company or the Resulting Issuer is suitable only to those investors who can afford to risk a loss of their entire investment. See "*Risk Factors – Risk Factors Relating to Skyscape*", "*– Risk Factors Relating to PesoRama*", and "*– Risk Factors Relating to the Resulting Issuer*" and "*Forward-Looking Statements*".

#### AGENT

**CANACCORD GENUITY CORP.  
P.O. Box 516, 161 Bay Street, Suite 3000  
Toronto, ON, Canada M5J 2S1  
Telephone: 416.869.7368 Fax: 800.382.9280**

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## GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise “we”, “us”, “our”, “Skyscape” or the “Company” refers to Skyscape Capital Inc. and its direct and indirect subsidiaries.

Certain capitalized terms and phrases used in this Prospectus are defined in the “*Glossary of Terms*” set forth herein.

Investors should rely only on the information contained in this Prospectus and should not rely on parts of the information contained herein to the exclusion of others. The Company has not authorized any other person to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, including information or statements in media articles about the Company, you should not rely on it. You should assume that the information appearing in this Prospectus is accurate only as of the date of this Prospectus regardless of the time of delivery of this Prospectus. The Company’s business, financial conditions, results of operations and prospects may have changed since that date. The Company does not undertake to update the information contained herein, except as required by applicable securities laws.

## MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this Prospectus concerning PesoRama’s industry and the markets in which it operates, including its general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

Unless otherwise indicated, the estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from PesoRama’s internal research, and include assumptions made by PesoRama which PesoRama has advised the Company it believes to be reasonable based on its knowledge of its industry and markets. PesoRama’s internal research and assumptions have not been verified by any independent source, and neither the Company nor PesoRama has independently verified any third-party information. While the Company and PesoRama believe the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates regarding the Resulting Issuer’s future performance and the future performance of the industry and markets in which the Resulting Issuer operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the headings “*Forward-Looking Statements*” and “*The Resulting Issuer - Risk Factors*”.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains “forward-looking information” within the meaning of applicable Canadian securities legislation, with respect to the Company, PesoRama and the Resulting Issuer. The forward-looking information included in this Prospectus is not based on historical facts, but rather on the expectations of the Company’s management regarding the future growth of the Resulting Issuer, its results of operations, performance, business prospects, and opportunities. This Prospectus uses words such as “will”, “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or similar expressions to identify forward-looking information. Such forward-looking information reflects the current beliefs of the Company’s management, based on information currently available to them.

Forward-looking statements contained in this Prospectus include, without limitation, statements with respect to: (a) completion of the Proposed Qualifying Transaction; (b) the description of the Resulting Issuer that assumes completion of the Proposed Qualifying Transaction; (c) the intention to grow the business and operations of the Resulting Issuer; (d) predictions about the Resulting Issuer’s earnings, revenues, margins, expenses or other financial matters; (e) forecasts of financial condition, results of operations, liquidity position, or working capital requirements; (f) the completion, timing and expected effects of the Proposed Qualifying Transaction and the benefits anticipated to

be received by Skyscape, PesoRama and/or the Resulting Issuer from such transaction; (g) obtaining the necessary regulatory approvals; (h) maintaining regulatory requirements; (i) general business and economic conditions; (j) Skyscape's, PesoRama's or the Resulting Issuer's ability to successfully execute its plans and intentions; (k) the availability of financing on reasonable terms; (l) Skyscape's, PesoRama's or the Resulting Issuer's ability to attract and retain skilled staff; (m) anticipated trends and challenges in PesoRama's business and the market which PesoRama operates; (n) the products and technology offered by PesoRama or the Resulting Issuer's competitors; and (o) that Skyscape's, PesoRama's or the Resulting Issuer's current good relationships with their suppliers, service providers and other third parties will be maintained. Many factors could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this Prospectus. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this Prospectus. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Prospectus are based upon what management currently believes to be reasonable assumptions, neither Skyscape nor PesoRama can assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. Skyscape, PesoRama and the Resulting Issuer assume no responsibility to update forward looking statements, other than as may be required by applicable securities laws.

Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to:

- limited operating history and no assurance of profitability;
- availability of sufficient capital to accomplish all objectives;
- growth-related risks, including capacity constraints and pressure on the Resulting Issuer's internal systems and controls;
- the impact of federal, state, provincial, territorial and other governmental regulation on the Resulting Issuer, relative to other issuers of similar size participating in similar business environments;
- operating and merchandise costs;
- availability of merchandise;
- disruptions to the supply chain, especially where there is heavy reliance on imported goods;
- the impact of the ongoing COVID-19 pandemic;
- the Resulting Issuer's ability to attract new customers;
- the Resulting Issuer's ability to offer a variety of merchandise at a low price point;
- competition in the value retail industry;
- seasonality of the value retail industry;
- accuracy of supply forecasting;
- general economic conditions, interest and tax rates, the availability of consumer credit, disposable consumer income, and unemployment and consumer confidence in future economic conditions;
- the ability of PesoRama to successfully execute its growth strategy;
- the Resulting Issuer's ability to achieve or maintain broad market acceptance of its private brands;
- meeting transparency standards expected by parties active in promoting ethical business practices;
- the extent of uninsured losses that PesoRama may be subject to;
- loss of or ability to attract management and key personnel;
- reliance on information technology systems;

- product liability claims and recalls;
- interpretation of Canadian federal tax aspects, provincial tax aspects and local tax aspects;
- conflicts of interest;
- involvement in legal proceedings, regulatory proceedings and audits, including legal proceedings relating to the Resulting Issuer's intellectual property and use of names and associated designs;
- securities regulatory risks;
- changes to governing legislation;
- the investment plans of PesoRama and the Resulting Issuer not being completed as expected or at all;
- expectations relating to the ability of the Resulting Issuer to raise capital;
- independent experts;
- natural disasters and political unrest;
- disclosure of personal information;
- data security breaches and other cyber security events could negatively affect PesoRama's reputation, credibility and business;
- PesoRama's reliance on payment cards to receive payments, which is subject to payment-related risks;
- employee regulations;
- involvement in litigation;
- global economic and financial deterioration impeding access to capital or increasing the cost of capital;
- ability to obtain necessary permits and licences;
- potential of adverse economic conditions in Mexico;
- depreciation of the Mexican Peso and potential currency controls;
- political and social events in Mexico;
- the payment of dividends; and
- the timing and completion of the Proposed Qualifying Transaction.

Prospective investors are cautioned that the foregoing list is not exhaustive of all factors that could cause actual results to differ materially. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements.

The forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

Forward-looking statements are based on the reasonable assumptions, estimates, opinions and analyses of management made in light of its experience and perception of historical trends, current conditions, expected future developments and other factors management of the Company believes are appropriate, relevant and reasonable in the circumstances at the date that such statements are made. The Company has based the forward looking information in this Prospectus on various material assumptions, including without limitation the following: the Proposed Qualifying Transaction will be completed as contemplated; the Resulting Issuer will sustain or increase profitability, and will be able to fund its operations with existing capital, and/or it will be able to raise additional capital to fund operations; the Resulting Issuer will be able to attract and retain key personnel; the Company will be successful in obtaining all necessary approvals from all applicable regulatory authorities, including the approval of the Exchange with respect to

the Proposed Qualifying Transaction; the general business, economic, financial market, regulatory and political conditions in which the Resulting Issuer operates will remain positive; the general regulatory environment will not change in a manner adverse to the business of the Resulting Issuer; the tax treatment of the Resulting Issuer and its subsidiaries will remain constant and the Resulting Issuer will not become subject to any material legal proceedings; the economy generally; competition; and anticipated and unanticipated costs. The Company cautions that the foregoing list of assumptions is not exhaustive.

Prospective purchasers should not place undue reliance on forward-looking information and statements, including the documents incorporated herein by reference, as statements containing forward-looking information involve significant risks and uncertainties and should not be read as guarantees of future results, performance, achievements, prospects and opportunities. The forward-looking information and statements contained herein are presented for the purposes of assisting prospective purchasers in understanding the Company's and the Resulting Issuer's expected financial and operating performance and the Company's and the Resulting Issuer's plans and objectives and may not be appropriate for other purposes.

The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

### **CURRENCY PRESENTATION AND EXCHANGE RATES**

The Company presents its consolidated financial statements in Canadian dollars. Amounts in this Prospectus are stated in Canadian dollars unless otherwise indicated.

### **TRADEMARKS, TRADENAMES AND SERVICE MARKS**

This Prospectus includes trademarks which are protected under applicable intellectual property laws and are the property of PesoRama solely for convenience. PesoRama trademarks and tradenames referred to in this prospectus may appear without the ® symbol, but such references are not intended to indicate, in any way, that PesoRama will not assert, to the fullest extent under applicable law, PesoRama's rights or the rights of the applicable licensor to these trademarks and tradenames. See "*PesoRama – Narrative Description of the Business – Intellectual Property*". All other trademarks used in this Prospectus are the property of their respective owners.

### **FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS**

The financial statements listed in Schedule "A" and Schedule "B" have been prepared in accordance and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and are included in this Prospectus.

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results could differ from those estimates and these estimates could be material.

#### **Non-IFRS Measures**

This Prospectus makes reference to certain non-IFRS measures including key performance indicators used by management of PesoRama. These measures are not recognized measures under IFRS and 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 PesoRama's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of PesoRama's financial information reported under IFRS. PesoRama uses non-IFRS measures including "EBITA" and "gross margins" which may be calculated differently by other companies. These non-IFRS measures and metrics are used to provide investors with supplemental measures of PesoRama's operating performance and liquidity and thus highlight trends in PesoRama's business that may not otherwise be apparent when relying solely on IFRS measures. PesoRama also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the

evaluation of companies in similar industries. Management of PesoRama also uses non-IFRS measures and metrics in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of executive compensation. For definitions and reconciliations of these non-IFRS measures to the relevant reported measures, please see the “Non-GAAP Measures” section of the PesoRama MD&A.

## PROSPECTUS SUMMARY

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

### **Skyscape**

The full corporate name of the Company is Skyscape Capital Inc. Skyscape was incorporated pursuant to articles of incorporation dated January 9, 2018 under the OBCA. The Company is a CPC, which completed its initial public offering on March 6, 2018, by way of a prospectus dated February 20, 2018. The Skyscape Shares became eligible to commence trading on the Exchange on March 6, 2018. The registered and head office of the Company is located at 77 King Street West, Suite 700, TD North Tower, Toronto, Ontario, M5K 1G8. The Skyscape Shares are listed on the Exchange under the trading symbol “SKY.P”. The Skyscape Shares were halted from trading on the Exchange on June 6, 2019, pending the announcement of the Proposed Qualifying Transaction.

The Company’s principal business is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses with a view to completing a Qualifying Transaction and, once identified and evaluated, to negotiate an acquisition or participation in such assets or businesses. Until the completion of the Proposed Qualifying Transaction, the Company will not carry on business other than the identification and evaluation of assets or businesses in connection with a potential Qualifying Transaction. The Proposed Qualifying Transaction is intended to be the Company’s Qualifying Transaction. For information on the proposed principal business to be conducted following the Proposed Qualifying Transaction, see “*The Resulting Issuer – Business of the Resulting Issuer*”.

### **PesoRama**

The full corporate name of PesoRama is PesoRama Inc. PesoRama was incorporated pursuant to articles of incorporation under the CBCA on October 16, 2017. The head office of PesoRama is located at 217 Queen Street West, Suite 401, Toronto, ON M5V 0R2, with the registered office located at 1900, 520 – 3rd Avenue SW, Calgary, Alberta, T2P 0R3.

PesoRama is a Mexican single price point dollar store retailer. PesoRama launched operations in September 2019 and is currently focused on Mexico City and its surrounding areas targeting high density, high traffic locations. PesoRama’s stores offer consistent merchandise offerings which include items in the following categories: household wares, kitchenware, home cleaning products, home décor products, seasonal products, stationary, toys and games, arts and crafts materials, electronics, souvenirs, novelties, jewelry, clothing, footwear, headwear, costumes, personal care products, health and beauty, cosmetics, food, beverages, snacks, confectionary, pet food and pet accessories, hardware, garden tools and other general merchandise.

See “*PesoRama – Narrative Description of the Business*”.

### **First, Second and Third PesoRama Financing and Debenture Financing**

#### First PesoRama Financing

On September 14, 2018 and October 4, 2018, PesoRama completed tranches one and two, respectively, of the First PesoRama Financing, pursuant to which PesoRama issued an aggregate of: (a) 15,000,000 PesoRama Shares at a price of \$0.40 per PesoRama Share for aggregate gross proceeds of \$6,000,000; and (b) 1,500,000 PesoRama Penalty Rights for no further consideration. Each PesoRama Penalty Right entitled the holder thereof to, for no further consideration, an additional number of PesoRama Shares equal to 10% of the PesoRama Shares purchased by such holder under the First PesoRama Financing, if a PesoRama Liquidity Event did not occur before 5:00 p.m. (Calgary time) on the date that was 12 months following the date the PesoRama Penalty Rights were issued. A PesoRama Liquidity Event did not occur by

such date and, as a result, an aggregate of 1,500,000 PesoRama Shares were issued pursuant to the PesoRama Penalty Rights.

See “*PesoRama – General Development of the Business – First PesoRama Financing*”.

#### Second PesoRama Financing

From March through June, 2019, PesoRama completed the Second PesoRama Financing, pursuant to which 14,021,760 PesoRama units were issued at a price of \$0.75 per PesoRama unit, for aggregate gross proceeds of \$10,516,320. Each PesoRama unit was comprised of one PesoRama Share and one PesoRama Purchase Warrant. Each PesoRama Purchase Warrant entitles the holder thereof to acquire one PesoRama Share at a price of \$1.25 for a period of 24 months following the closing of the Second PesoRama Financing, subject to earlier expiry at the option of PesoRama in certain circumstances. All issued, outstanding and unexercised PesoRama Purchase Warrants issued in connection with the Second PesoRama Financing will, at the time of Closing, be exchanged for Resulting Issuer Purchase Warrants with identical terms as the PesoRama Purchase Warrants surrendered at Closing pursuant to the terms of the Amalgamation Agreement, except that such Resulting Issuer Purchase Warrants shall be exercisable until the date that is 24 months following the date of issuance thereof.

See “*PesoRama – General Development of the Business – Second PesoRama Financing*”.

#### Third PesoRama Financing

On December 23, 2019, PesoRama completed the Third PesoRama Financing, pursuant to which 3,101,000 PesoRama Shares were issued at a price of \$1.00 per PesoRama Share, for aggregate proceeds of \$3,101,000 along with an additional 3,101,000 PesoRama Liquidity Warrants. PesoRama subsequently issued 310,100 PesoRama Shares on the exercise of such PesoRama Liquidity Warrants.

See “*PesoRama – General Development of the Business – Third PesoRama Financing*”.

#### Debenture Financing

On April 1, 2021 PesoRama completed the Debenture Financing, pursuant which PesoRama issued 5,542 units, each comprised of one Debenture in the principal amount of \$1,000 and 50 PesoRama Warrants. Each such PesoRama Warrant entitles the holder to purchase one PesoRama Share at a price of \$1.25 until the earlier of the date which is: (i) 24 months from the date on which the PesoRama Shares are first listed on a recognized Canadian securities exchange; and (ii) five years from the issuance date thereof, subject to adjustment in certain circumstances and provided that, in the event that the volume-weighted average price (VWAP) of the PesoRama Shares on a recognized Canadian stock exchange is equal to or greater than \$2.00 over a 10 consecutive trading day period, PesoRama may, at its option, within 10 business days following such 10-day period, accelerate such expiry date to a date specified in a notice given to the holder, which is not less than 30 days following the date of the notice.

See “*PesoRama – General Development of the Business – Debenture Financing*”.

#### **Proposed Qualifying Transaction and**

The Company has identified the Proposed Qualifying Transaction with PesoRama as an appropriate transaction for the purpose of completing its Qualifying Transaction as required under the CPC Policy. The Proposed Qualifying Transaction will be completed by way of the Amalgamation Agreement, pursuant to which Skyscape will

## Skyscape Name Change

acquire all issued and outstanding PesoRama Shares through a three-cornered amalgamation of PesoRama and Subco, a wholly-owned subsidiary of the Company. The Proposed Qualifying Transaction will constitute a reverse take-over of Skyscape in as much as the former shareholders of Skyscape will own (on a non-diluted basis) approximately 90% of the equity of the Resulting Issuer immediately after the completion of the Proposed Qualifying Transaction. The completion of the Proposed Qualifying Transaction is subject to, among other things, prior satisfaction or waiver of a number of conditions, including the final Exchange acceptance of the Proposed Qualifying Transaction, completion of the Name Change and the satisfaction or waiver of the conditions set forth in the Amalgamation Agreement. PesoRama will have also amalgamated with Subco and the amalgamated company will become a wholly-owned subsidiary of the Resulting Issuer. Upon completion of the Proposed Qualifying Transaction, it is expected that the Resulting Issuer will be listed on the Exchange as a Tier 1 Industrial Issuer. The Proposed Qualifying Transaction is intended to serve as the Company's Qualifying Transaction under the CPC Policy. The Proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction under the CPC Policy and is not a Related Party Transaction under MI 61-101. Consequently, the Proposed Qualifying Transaction does not require the approval of Company Shareholders.

On March 8, 2021, Skyscape and Subco entered into the Amalgamation Agreement with PesoRama, whereby PesoRama has agreed to, among other things, exchange all issued and outstanding PesoRama Shares on the basis of one Skyscape Share for each PesoRama Share (the "Exchange Ratio").

Upon completion of the Amalgamation contemplated by the Amalgamation Agreement, it is expected that shareholders of both Skyscape and PesoRama will hold freely tradable shares of the Resulting Issuer listed on the Exchange, with the exception of: (a) Insiders and certain other shareholders of PesoRama and of the Company who will be subject to escrow provisions under the policies of the Exchange; and (b) shareholders of PesoRama who participated in the First PesoRama Financing or Second PesoRama Financing who are subject to a six month lock-up from the date of the listing of the Resulting Issuer Shares on the Exchange, subject to a Change of Control of the Resulting Issuer. Please see "*The Resulting Issuer – Escrowed Securities*" for more information regarding the voluntary lock-up of certain PesoRama Shares.

It is intended that, immediately prior to the completion of the Amalgamation, the Company will change its name to "PesoRama Inc." (the "Name Change").

See "*The Proposed Qualifying Transaction – The Securities Exchange and the Amalgamation Agreement*".

## The Offering

The Company is offering for sale of up to 10,000,000 Units at a price of \$0.50 per Unit for up to \$5,000,000. The Units are being offered on a commercially reasonable efforts basis pursuant to the Agency Agreement. See "*Plan of Distribution*".

Each Unit consists of one Skyscape Share and Skyscape Warrant exercisable at \$0.50 per Skyscape Share until the Warrant Expiry Date (being a period of two years from Closing). In the event that the volume-weighted average price of the Skyscape Shares on a recognized Canadian stock exchange (which includes the Exchange) is equal to or greater than \$0.50 over a ten (10) consecutive trading day period, the Company may, at its option, within ten (10) business days following such 10-day period, accelerate the Warrant Expiry Date by issuing the Warrant Acceleration Press Release, and, in such case, the Warrant Expiry Date shall be deemed to be the date that is thirty (30) days following the issuance of the Warrant Acceleration Press Release.

The Company has granted the Agent the Over-Allotment Option, exercisable in whole or in part, at the sole discretion of the Agent, at any time, and from time to time, at least 48 hours prior to the Closing Date, to purchase up to an additional ● Units at the Offering Price to cover the Agent’s over-allocation position, if any, and for market stabilization purposes.

In addition to the completion of the Offering, this Prospectus is being filed with the OSC for the purpose of allowing the Company to complete the Proposed Qualifying Transaction. All expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company.

**Agent’s Fees**

Pursuant to the terms and conditions of the Agency Agreement, the Company has agreed pay the Agent the Agent’s Fees equal to 6.0% of the gross proceeds of the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option). The Agent shall also be issued Compensation Options on the Closing Date equal to 6% of the aggregate number of Units issued by the Company under the Offering. Each Compensation Option will be exercisable for one (1) Skyscape Share, at the Offering Price (subject to any necessary adjustments) for a period of twenty-four (24) months following the Closing Date. See “Plan of Distribution”.

**Available Funds**

It is anticipated that upon completion of the Proposed Qualifying Transaction and the Offering, the Resulting Issuer will have approximately \$10,000,000 in Available Funds at Closing. These funds will consist mainly of cash, which will be used as set forth below and under “The Resulting Issuer – Available Funds and Principal Purposes”.

Source of Funds	Available Funds <sup>(1)</sup>
Estimated working capital of PesoRama as at August 31, 2021 <sup>(2)</sup>	\$1,000,000 <sup>(2)</sup>
Estimated working capital (deficit) of the Company as at August 31, 2021	(\$240,000) <sup>(2)</sup>
Estimated net proceeds of the Offering <sup>(1)</sup>	●
<b>Total Funds Available on Completion of the Proposed Qualifying Transaction</b>	<b>●</b>

Notes:

- (1) Assumes gross proceeds of ● from the Offering, less the Agent’s Fees in the amount of ● and the estimated expenses of the Offering of approximately \$500,000.
- (2) Working capital consists of cash and cash equivalents.

**Principal Purposes of Funds**

Upon completion of the Proposed Qualifying Transaction, including giving effect to the Amalgamation, the working capital available to the Resulting Issuer is expected to be approximately ●.

The principal purpose of such funds, after giving effect to the Proposed Qualifying Transaction and for the 12 months thereafter, will be for, among other things, working capital, capital expenditures, marketing and further development costs associated with PesoRama’s retail and distribution networks. It is anticipated that the Resulting Issuer will use such funds as follows:

Principal Use of Available Funds	Amount Assuming Completion of the Proposed Qualifying Transaction (\$)
Capital Expenditures – 12 Retail Store Locations	●

Head Office Infrastructure	•
Increased Inventory Imports to Provide for Additional Retail Store Locations	•
General and Administrative Costs	•
Unallocated Working Capital	•
<b>Total Use of Available Funds</b>	•

See “*The Resulting Issuer – Available Funds and Use of Proceeds – Principal Purposes of Funds*”.

**Directors and Executive Officers of the Resulting Issuer**

Subject to Exchange approval, it is expected that on completion of the Proposed Qualifying Transaction, the following individuals will be the directors and/or executive officers of the Resulting Issuer:

- Rahim Bhaloo, Director and Executive Chairman
- Erica Fattore, Chief Executive Officer and President
- Lynn Chapman, CFO
- Abdulmajeed Bawazeer, Chief Strategy Officer
- Antonio Heredia, Director
- Paul Pathak, Director
- Andrew Parks, Director

See “*PesoRama – Directors and Executive Officers of PesoRama – Biographies*”.

**Interests of Insiders, Promoters or Control Persons**

Except for an aggregate of 468,000 PesoRama Shares, no Insider, Promoter or Control Person of the Company or its Associates and Affiliates (before giving effect to the Proposed Qualifying Transaction) has any interest in PesoRama.

**Conflicts of Interest**

Certain of the directors and officers of Skyscape and PesoRama are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. See “*The Resulting Issuer – Directors and Executive Officers – Conflicts of Interest*” and “*Risk Factors – Risk Factors Relating to PesoRama*”.

**Arm’s Length Transaction**

The Proposed Qualifying Transaction does not constitute a Non-Arm’s Length Qualifying Transaction and does not require the approval of the Company Shareholders. However, the approval of the Company Shareholders of, among other things, the Skyscape Name Change are conditions of closing in favour of PesoRama. Skyscape held the Company Meeting at which such matters were approved.

**Pro-Forma Consolidated Capitalization and Financial Information**

The completion of the Amalgamation will result in the Resulting Issuer having the following securities issued and outstanding:

Designation of Security <sup>(1)</sup>	Amount Authorized or to be Authorized	Amount Outstanding as at the Effective Date and After Giving Effect to the Proposed Qualifying Transaction
Resulting Issuer Shares	Unlimited	•
Debt	N/A	Nil
Resulting Issuer Options	10% of Resulting Issuer Shares	•
Resulting Issuer Purchase Warrants	N/A	•

Resulting Issuer Milestone Warrants	5,650,000	3,275,000
Resulting Issuer Performance Warrants	6,750,000	2,500,000
Resulting Issuer Broker Warrants	N/A	1,622,151
Resulting Issuer Finder Warrants	N/A	259,768
PesoRama Debenture Finder Warrants <sup>(2)</sup>	N/A	5,034

Notes:

- (1) Certain securities of the Resulting Issuer are subject to escrow. See “*The Resulting Issuer – Escrowed Securities*”.
- (2) As compensation for services provided to PesoRama in connection with the Debenture Financing, PesoRama issued PesoRama Debenture Finder Warrants to certain persons, which entitle the holders thereof to purchase the number of PesoRama Shares equal to the product of (a) the quotient obtained by dividing 1,000 by the conversion price (85% of of the PesoRama Share price on the date of conversion date) multiplied by (b) 7 percent, for each warrant exercised at the exercise price per PesoRama Share that is equal to the conversion price. The warrants are exercisable until the date that is 24 months from the date on which the PesoRama Shares (or the Resulting Issuer Shares exchanged therefor) are first listed on a recognized Canadian securities exchange.

The following table sets out the number of Resulting Issuer Shares and percentage of the Resulting Issuer Shares held after giving effect to the Amalgamation and the Offering on an undiluted basis:

	Number of Securities and Percentage Held After Giving Effect to the Amalgamation and the Offering	
	Shares	% of undiluted total
Current Skyscape Shareholders	2,000,000	●%
Current PesoRama Shareholders	●	●%
Shareholders under the Offering	●	●%
<b>Total</b>	●	100%

The following table summarizes selected pro forma financial information for the Resulting Issuer as at [●], as if completion of the Proposed Qualifying Transaction had occurred on [●] for balance sheet purposes. The information is derived from and should be read in conjunction with the Resulting Issuer’s pro forma financial statements and related notes and other financial information included in Schedule “C” in this Prospectus.

Pro-Forma Balance Sheet	Pro-Forma Consolidated
Total Assets	18,587,299
Liabilities	14,243,824
Total Shareholders’ Equity	4,337,475

See Schedule “C” – “*Pro Forma Financial Statements of the Resulting Issuer*”.

## Market for Securities

The Skyscape Shares are listed on the Exchange under the trading symbol “SKY.P”. The closing trading price of the Skyscape Shares as of June 5, 2019, the last day the Skyscape Shares were traded prior to the halt in trading pending the announcement of the Proposed Qualifying Transaction, was \$0.50 per Skyscape Share. It is anticipated

that the Skyscape Shares will resume trading on the Exchange upon completion of the Proposed Qualifying Transaction under the symbol “●”. See “*Skyscape – Prior Sales*”.

No public market currently exists for the PesoRama Shares.

## **Risk Factors**

There are inherent risks associated with the Proposed Qualifying Transaction which will comprise the Resulting Issuer’s business upon Completion of the Qualifying Transaction.

The risks relating to Skyscape include, among other things, the following: (a) Skyscape has a very limited history of operations, is in the early stage of development and, in compliance with the CPC Policy, has conducted no active business and has received no revenues other than interest revenues; (b) there are no assurances that Skyscape will be successful in achieving a return on shareholders’ investment; and (c) the ability of Skyscape to successfully complete a Qualifying Transaction is dependent on the performance of its current directors and officers, who only devote a portion of their time to the business and affairs of Skyscape and who are, or will be, engaged in other projects or businesses.

The risks relating to the Proposed Qualifying Transaction include, among other things, the conditions to the Proposed Qualifying Transaction, including regulatory, final Exchange approval and shareholder approval which may not be satisfied or waived. If the Proposed Qualifying Transaction is not completed, Skyscape may not be able to identify a suitable Qualifying Transaction in the future.

The current business of PesoRama will be the business of the Resulting Issuer upon completion of the Proposed Qualifying Transaction. PesoRama’s future development and operating results may be very different from those expected as at the date of this Prospectus. Readers should carefully consider all such risks. The risks relating to the business of PesoRama include, among other things: (a) PesoRama has limited operating history and there is no assurance that PesoRama will be profitable or that profitability will be sustained; (b) there are no assurances that PesoRama will have access to sufficient funding for future operations or to fulfill its obligations under current agreements; (c) directors, officers and key employees may resign from PesoRama; (d) PesoRama has not generated net profits from operations to date; (e) laws applicable to PesoRama may be changed in a manner which adversely affects PesoRama; (f) factors beyond PesoRama’s control may impact the ability of PesoRama to provide quality merchandise at a low price point which is fundamental to PesoRama’s business; (g) PesoRama may not be able to attract new customers and increase sales; (h) competition in the value retail industry in which PesoRama operates may result in lower prices and lower margins for PesoRama; (i) general economic conditions may affect the level of consumer spending for discretionary items that PesoRama may offer for sale; (j) a failure of information technology systems that PesoRama may rely on for its business may disrupt or have an adverse effect on PesoRama’s business; (k) PesoRama is unable to insure against every risk to which it is exposed; (l) PesoRama may become involved in a number of legal proceedings and litigation which may harm its operations or financial condition, including with respect to infringement and other claims from time to time relating to PesoRama’s intellectual property and use of the names “PesoRama” and “JOI Canadian Stores” and associated designs (m) economic conditions, currency issues and political events within Mexico; and (n) the ongoing COVID-19 pandemic and other natural disasters and political unrest could disrupt PesoRama’s operations and financial results.

For a more fulsome discussion of relevant risk factors, including a discussion respecting the factors set out above and other relevant risk factors, see “*Risk Factors*”.

## GLOSSARY OF TERMS

“**Affiliate**” means a company that is affiliated with another company as described below. A company is an “Affiliate” of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same person.

A company is “controlled” by a person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that person, and
- (b) the voting securities, if voted, entitle the person to elect a majority of the directors of the company.

A person beneficially owns securities that are beneficially owned by:

- (a) a company controlled by that person, or
- (b) an Affiliate of that person or an Affiliate of any company controlled by that person.

“**Agency Agreement**” means agreement with respect to the Offering between the Company and the Agent dated ●, 2021.

“**Agent**” means Canaccord in connection with Offering.

“**Agent’s Fees**” means the cash fee equal to 6.0% of the gross proceeds of the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option).

“**Amalco**” means the continued entity after the amalgamation of PesoRama and Subco.

“**Amalgamation**” means the amalgamation of PesoRama and Subco to form Amalco.

“**Amalgamation Agreement**” means the amalgamation agreement dated March 8, 2021 entered into by the Company, Subco, and PesoRama, pursuant to which the parties have agreed to, among other things, complete the Amalgamation.

“**Anti-Bribery and Anti-Corruption Policy**” has the meaning ascribed thereto in “*Corporate Governance of the Resulting Issuer – Ethical Business Conduct*”.

“**Associate**” when used to indicate a relationship with a Person, means

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him or her to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the Person,
- (c) any trust or estate in which the person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,
- (d) in the case of a Person that is an individual, a relative of that person, including:
  - (i) that person’s spouse or child, or
  - (ii) any relative of the Person or of his or her spouse who has the same residence as that Person; but where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a Member (as such term is defined pursuant to the policies of the Exchange) firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their

relationships in the application of Regulation D of the U.S. Securities Act with respect to that Member firm, Member corporation or holding company.

“**Audit Committee**” means the audit committee established by the Board.

“**Available Funds**” means the funds available to the Resulting Issuer upon completion of the Proposed Qualifying Transaction as set forth under “*The Resulting Issuer – Available Funds and Use of Proceeds*”.

“**Board of Directors**” or “**Board**” means the board of directors of the Company.

“**Board of the Resulting Issuer**” means the board of directors of the Resulting Issuer.

“**Canaccord**” means Canaccord Genuity Corp.

“**CBCA**” means the *Business Corporations Act* (Canada).

“**CEO**” means chief executive officer.

“**CFO**” means chief financial officer.

“**CGN Committee**” means the compensation, corporate governance and nominating committee to be established by the Resulting Issuer.

“**Change of Control**” means: (a) the acquisition by any person or any persons acting jointly or in concert, whether directly or indirectly, of voting securities of the Resulting Issuer which together with all other voting securities of the Resulting Issuer held by such persons, constitute, in the aggregate, more than 50% of the votes attached to all outstanding voting securities of the purchaser; (b) an amalgamation, arrangement, consolidation, merger or other form of business combination of the Resulting Issuer with another person which results in the holders of voting securities of that other person holding, in the aggregate, more than 50% of the votes attached to all outstanding voting securities of the person resulting from the business combination; or (c) the sale, lease, exclusive licence or exchange or other disposition of all or substantially all of the assets of the Resulting Issuer to another person.

“**Closing**” means the completion of the Amalgamation pursuant to the Amalgamation Agreement.

“**Code of Ethics and Business Conduct Policy**” has the meaning ascribed thereto in “*Corporate Governance of the Resulting Issuer - Ethical Business Conduct*”.

“**Company**” or “**Skyscape**” means Skyscape Capital Inc.

“**Company Meeting**” means the annual general and special meeting of the Company Shareholders held on October 23, 2019.

“**Company Shareholders**” means the holders of Skyscape Shares.

“**Company’s MD&A**” means management discussion and analysis of financial condition and results of operations of the Company from incorporation to the year ended December 31, 2018 and the year ended December 31, 2019, together with the interim financial statements for the nine months ended September 30, 2020.

“**Completion of the Qualifying Transaction**” means the date the Final Exchange Bulletin is issued by the Exchange.

“**Consolidated Financial Statements**” means the audited consolidated financial statements of the Company for the years ended December 31, 2019, and December 31, 2020.

“**Control Person**” means (a) a person or company who holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and, if a person or company holds more than 20 per cent of the voting rights attached to all outstanding voting securities of an issuer, the person or company is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer, or (b) each person or company in a combination of persons or companies, acting in concert by virtue of an agreement, arrangement, commitment or understanding, which holds in total a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the

control of the issuer, and, if a combination of persons or companies holds more than 20 per cent of the voting rights attached to all outstanding voting securities of an issuer, the combination of persons or companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer.

“**CPC**” means a corporation (a) that has been incorporated or organized in a jurisdiction in Canada; (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy, and (c) in regard to which the completion of the Proposed Qualifying Transaction has not yet occurred.

“**CPC Escrow Agent**” means TSX Trust Company, in its capacity, as the context requires, as escrow agent for the Skyscape Shares held in escrow under the CPC Escrow Agreement.

“**CPC Escrow Agreement**” means the escrow agreement dated February 20, 2018 among the Company, the CPC Escrow Agent and certain shareholders of the Company pursuant to the CPC Policy.

“**CPC Escrow Shares**” means 1,000,000 Skyscape Shares held in escrow pursuant to Section 11 of the CPC Policy and released in accordance with the applicable provisions of the CPC Escrow Agreement.

“**CPC Policy**” means Exchange Policy 2.4 – *Capital Pool Companies*.

“**Debenture Financing**” means the issuance in several tranches the last of which was on March 22, 2021, of an aggregate principal amount of \$5,542,000 in convertible debenture units, with each such convertible debenture unit consisting of \$1,000 principal amount of Debentures and 50 PesoRama Debenture Warrants, with such Debentures converting into PesoRama Units at a 15% discount to the Offering Price.

“**Debentures**” means the convertible debentures issued pursuant to the Debenture Financing.

“**Exchange**” means the TSX Venture Exchange.

“**Exchange Ratio**” means the exchange of all issued and outstanding PesoRama Shares on the basis of one (1) Skyscape Share for each one (1) PesoRama Share.

“**Final Exchange Bulletin**” means the Exchange bulletin which is issued following closing of the Proposed Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Proposed Qualifying Transaction.

“**First PesoRama Financing**” means the brokered private placement of 15,000,000 PesoRama Shares at a price of \$0.40 per PesoRama Share and 1,500,000 PesoRama Penalty Rights, for aggregate gross proceeds of \$6,000,000, completed on October 4, 2018.

“**First PesoRama Financing Agency Agreement**” means the agency agreement dated September 14, 2018 between Canaccord and PesoRama, entered into in connection with the First PesoRama Financing.

“**Fundamental**” means Fundamental HS, S.C.

“**Fundamental Letter of Intent**” has the meaning ascribed thereto in “*Skyscape- General Development of the Business*”.

“**Insider**” if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of the company that is an insider or subsidiary of the issuer;
- (c) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

“**Letter of Intent**” means the letter of intent entered into on December 10, 2020 between Skyscape and PesoRama, whereby the Company and PesoRama set out the proposed terms pursuant to which Skyscape intends to acquire all of the issued and outstanding PesoRama Shares.

“**MD&A**” means management discussion and analysis.

“**MI 61-101**” means Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions and Related Companion Policy 61-101CP Protection of Minority Security Holders in Special Transactions*.

“**Milestone Warrants**” means warrants to purchase PesoRama Shares exercisable at \$0.05 with no expiration date.

“**MNP**” means MNP LLP, auditor to Skyscape and PesoRama.

“**Named Executive Officers**” or “**NEOs**” means the Company’s CEO and CFO and the next three most highly compensated executive officers of the Company who are currently serving as executive officers, or the three most highly compensated individuals acting in a similar capacity.

“**NI 45-106**” means National Instrument 45-106 – *Prospectus Exemptions*.

“**NI 52-109**” means National Instrument 52-109 – *Certification of Disclosure in Issuer’s Annual and Interim Filings*.

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

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

“**Non-Arm’s Length Qualifying Transaction**” means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the Proposed Qualifying Transaction.

“**OBCA**” means the *Business Corporations Act* (Ontario).

“**Ocean View Trust**” means The Ocean View Trust, a family trust of Rahim Bhaloo, a director and the Executive Chairman of PesoRama.

“**Offering**” means the offering of up to ● Units at a price of \$● per Unit for aggregate gross proceeds of up to \$● pursuant to this Prospectus.

“**Offering Price**” means the price per unit of the Units issued pursuant to the Offering of \$●.

“**OSC**” means the Ontario Securities Commission.

“**Over-Allotment Option**” means the over-allotment option granted to the Agent pursuant to the Offering, exercisable in whole or in part, at the sole discretion of the Agent, at any time, and from time to time, for a period of up to 48 hours prior to the Closing Date, to purchase up to an additional ● Units at the Offering Price to cover the Agent’s over-allocation position, if any, and for market stabilization purposes.

“**PesoRama**” means PesoRama Inc. and, unless otherwise noted or the context indicates otherwise, its direct and indirect subsidiaries.

“**PesoRama Board**” means the board of directors of PesoRama.

“**PesoRama Broker Warrants**” means the outstanding common share purchase broker warrants of PesoRama, entitling the holders to acquire PesoRama Shares.

“**PesoRama Debenture Warrants**” means the common share purchase warrants of PesoRama issued pursuant to the Debenture Financing, with each such warrant entitling the holder to purchase one PesoRama Share for \$1.25 per share for a period ending on the earlier of 24 months from the date of the completion of the Qualifying Transaction and five years from the date of issuance.

**“PesoRama Debenture Finder Warrants”** means the outstanding common share purchase warrants of PesoRama issued to certain persons as compensation for services rendered in connection with the Debenture Financing, which entitle the holders thereof to acquire PesoRama Shares.

**“PesoRama Finder Warrants”** means the outstanding common share purchase finder’s warrants of PesoRama, entitling the holders to acquire PesoRama Shares.

**“PesoRama Liquidity Warrants”** means the 3,101,000 warrants to receive PesoRama Shares issued pursuant to the Third PesoRama Financing that were subsequently issuable for 310,100 PesoRama Shares on December 23, 2020.

**“PesoRama Options”** means the options to purchase PesoRama Shares issued pursuant to the PesoRama Option Plan.

**“PesoRama Option Plan”** means the stock option plan of PesoRama.

**“PesoRama Penalty Rights”** means penalty rights of PesoRama entitling the holders thereof to PesoRama Shares in the event a Liquidity Event does not occur on or before the Right Expiry Time (as such terms are defined in the penalty right certificates).

**“PesoRama Performance Warrants”** means the outstanding performance warrants of PesoRama entitling the holders thereof to receive PesoRama Shares, provided certain contractual conditions are met.

**“PesoRama Preferred Shares”** means the preferred shares in the capital of PesoRama.

**“PesoRama Purchase Warrants”** means the outstanding common share purchase warrants of PesoRama issued pursuant to the Second PesoRama Financing entitling the holders to acquire PesoRama Shares.

**“PesoRama Shareholders”** means the holders of PesoRama Shares.

**“PesoRama Shares”** means the common shares in the capital of PesoRama.

**“PesoRama SubCos”** means Canmex Dollar Stores, S.A de C.V., PesoRama Consulting Services, S.A de C.V., Joi Canadian Stores, S.A de C.V. and PesoRama Stores Services S.A. de C.V.

**“PesoRama Units”** means the units to be issued upon conversion of the Debentures with each PesoRama Unit to be comprised of one PesoRama Share and one PesoRama Warrant.

**“PesoRama Warrants”** means warrants issued pursuant to the Debenture Financing and upon conversion of the Debentures, with such warrants entitling the holder thereof to acquire one PesoRama Share at a price of \$1.25 for a period of 24 months following Closing.

**“Principal”** if used in relation to an issuer, means:

- (a) A person who acted as a Promoter of the issuer within two years or their respective Associates or Affiliates before the initial public offering prospectus or Final Exchange Bulletin;
- (b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of the initial public offering prospectus or Final Exchange Bulletin;
- (c) a 20% holder – a person that holds securities carrying more than 20% of the voting rights attached to the issuer’s outstanding securities immediately before and immediately after the issuer’s initial public offering or immediately after the Final Exchange Bulletin for non-initial public offering transactions; and
- (d) a 10% holder – a person that
  - (i) holds securities carrying more than 10% of the voting rights attached to the issuer’s outstanding securities immediately before and immediately after the issuer’s initial public offering or immediately after the Final Exchange Bulletin for non-initial public offering transactions; and
  - (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries.

In calculating these percentages, include securities that may be issued to the holder under outstanding convertible securities in both the holder's securities and the total securities outstanding.

A company more than 50% held by one or more Principals will be treated as a Principal. (In calculating this percentage, include securities of the entity that may be issued to the Principals under outstanding convertible securities in both the Principal's securities of the entity and the total securities of the entity outstanding.) Any securities of the issuer that this entity holds will be subject to escrow requirements.

A Principal's spouse and their relatives that live at the same address as the Principal will also be treated as Principals and any securities of the issuer they hold will be subject to escrow requirements.

**"Promoter"** has the meaning set out in the *Securities Act* (Ontario).

**"Proposed Qualifying Transaction"** or **"Transaction"** means the reverse takeover of Skyscape by PesoRama to be completed in accordance with the Amalgamation Agreement for the purposes of completing Skyscape's Qualifying transaction, as described in *"The Proposed Qualifying Transaction"*.

**"QT Escrow Agent"** means escrow agent for the QT Escrow Agreement, which shall be a Value Security Escrow Agreement, to be entered into prior to or on completion of the Proposed Qualifying Transaction.

**"QT Escrow Agreement"** means the escrow agreement, which shall be a Value Security Escrow Agreement, in accordance with Exchange Policy– 5.4 - *Escrow, Vendor Consideration and Resale Restrictions* among the Company, the CPC Escrow Agent, certain PesoRama Shareholders who will be Principals of the Resulting Issuer upon completion of the Proposed Qualifying Transaction, and certain other individuals as determined by the Exchange.

**"Qualifying Transaction"** means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, acquisition, merger or arrangement with another company or by other means.

**"Related Party Transaction Policy"** has the meaning ascribed thereto in *"Corporate Governance of the Resulting Issuer – Ethical Business Conduct"*.

**"Release Notice"** means the notice to be delivered to the CPC Escrow Agent by PesoRama and Skyscape upon satisfaction of the Escrow Release Conditions.

**"Resulting Issuer"** means the Company following completion of the Proposed Qualifying Transaction.

**"Resulting Issuer Broker Warrants"** has the meaning ascribed thereto in *"The Resulting Issuer – Description of the Securities"*.

**"Resulting Issuer Compensation Options"** has the meaning ascribed thereto in *"The Resulting Issuer – Description of the Securities"*.

**"Resulting Issuer Debenture Finder Warrants"** means common share purchase warrants of the Resulting Issuer to be issued in exchange for PesoRama Debenture Finder Warrants at the time of Closing, which entitle the holders thereof to acquire Resulting Issuer Shares.

**"Resulting Issuer Finder Warrants"** has the meaning ascribed thereto in *"The Resulting Issuer – Description of the Securities"*.

**"Resulting Issuer Milestone Warrants"** has the meaning ascribed thereto in *"The Resulting Issuer – Description of the Securities"*.

**"Resulting Issuer Option Plan"** means the stock option plan of the Resulting Issuer.

**"Resulting Issuer Options"** has the meaning ascribed thereto in *"The Resulting Issuer – Description of the Securities"*.

**"Resulting Issuer Performance Warrants"** has the meaning ascribed thereto in *"The Resulting Issuer – Description of the Securities"*.

**“Resulting Issuer Preferred Shares”** has the meaning ascribed thereto in *“The Resulting Issuer – Description of the Securities”*.

**“Resulting Issuer Purchase Warrants”** has the meaning ascribed thereto in *“The Resulting Issuer – Description of the Securities”*.

**“Resulting Issuer Shares”** means common shares in the capital of the Resulting Issuer, and, for greater certainty, includes the Skyscape Shares to be issued in exchange for PesoRama Shares at Closing.

**“Second PesoRama Financing”** means the brokered private placement of 10,470,997 units and the non-brokered private placement of 3,550,763 units at a price of \$0.75 per unit, for aggregate gross proceeds of \$10,516,320, completed on June 7, 2019.

**“Second PesoRama Financing Agency Agreement”** means the agency agreement dated March 21, 2019 between Haywood Securities Inc. and PesoRama, entered into in connection with the Second PesoRama Financing.

**“Securities Exchange”** means a transaction that shall occur pursuant to the Amalgamation Agreement concurrently with the closing of the Proposed Qualifying Transaction, whereby holders of PesoRama Shares shall exchange all issued and outstanding PesoRama Shares for Resulting Issuer Shares under the Amalgamation.

**“Significant Assets”** means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the initial listing requirements of the Exchange.

**“SKU”** means stock keeping unit.

**“Skyscape Broker Warrants”** means the broker warrants issued to Canaccord in connection with the Skyscape IPO.

**“Skyscape IPO”** means the initial public offering of Skyscape as completed on March 6, 2018.

**“Skyscape Name Change”** means the amendment to the articles of Skyscape pursuant to which Skyscape will change its name to “PesoRama Inc.” or such other name as may be agreed to by Skyscape and PesoRama, to be completed immediately prior to Closing.

**“Skyscape Option Plan”** means the Company’s stock option plan.

**“Skyscape Options”** means the stock options of the Company issued pursuant to the Stock Option Plan.

**“Skyscape Shares”** means common shares without par value in the capital of the Company.

**“Skyscape Warrants”** means warrants to purchase Skyscape Shares underlying the Units exercisable at \$1.25 for a period of two years from Closing.

**“Subco”** means 11518003 Canada Inc., the wholly-owned subsidiary of the Company.

**“Tier 1 Industrial Issuer”** has the meaning ascribed thereto in the policies of the Exchange.

**“Third PesoRama Financing”** means the brokered private placement of 3,101,100 PesoRama Shares at a price of \$1.00 per PesoRama Shares, for aggregate gross proceeds of \$3,101,000, completed on December 23, 2019.

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

**“Units”** means units of Skyscape consisting of one Skyscape Share and one Skyscape Warrant issued pursuant to the Offering.

**“U.S.”** means the United States of America.

**“U.S. Persons”** has the meaning given to the term in Regulation S under the U.S. Securities Act.

**“U.S. Securities Act”** means United States Securities Act of 1933, as amended.

**“Value Securities”** means securities issued pursuant to a transaction, for which the deemed value of the securities at least equals the value ascribed to the asset, using a valuation method acceptable to the Exchange, or securities which are otherwise determined by the Exchange to be Value Securities and required to be placed in escrow under a Value Security Escrow Agreement.

**“Value Security Escrow Agreement”** has the meaning ascribed thereto in *“The Resulting Issuer – Escrowed Securities”*.

**“Warrant Agent”** means TSX Trust Company.

**“Warrant Indenture”** has the meaning ascribed thereto in *“Plan of Distribution”*.

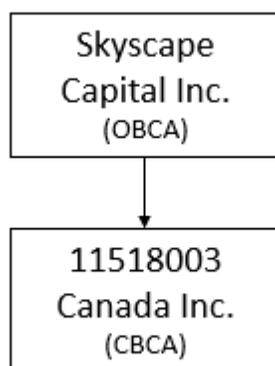
**SKYSCAPE**  
**CORPORATE STRUCTURE**

**Name, Address and Incorporation**

The Company was incorporated as Skyscape Capital Inc. under the OBCA on January 9, 2018. The Company’s head and registered office is located at 77 King Street West, Suite 700, TD North Tower, Toronto, Ontario, M5K 0A1.

**Intercorporate Relationships**

The Company has one wholly-owned subsidiary, Subco. Subco was incorporated as 11518003 Canada Inc. under the CBCA on July 16, 2019 in order to complete the Proposed Qualifying Transaction. See “*The Resulting Issuer – Intercorporate Relationships*”.



**GENERAL DEVELOPMENT OF THE BUSINESS**

**History**

Skyscape is a CPC under the CPC Policy. Prior to completing the Skyscape IPO and listing on the Exchange, Skyscape issued 1,000,000 Skyscape Shares at a price of \$0.25 per Skyscape Share for gross proceeds of \$250,000, all of which are subject to the CPC Escrow Agreement.

On March 6, 2018, Skyscape completed the Skyscape IPO of 1,000,000 Skyscape Shares at a price of \$0.50 per Skyscape Share for gross proceeds of \$500,000. The Skyscape Shares began trading on the Exchange effective March 6, 2018 under the symbol “SKY.P”. Since listing on the Exchange, the principal business of Skyscape has been identifying and evaluating assets or businesses with a view to completing a Qualifying Transaction.

On June 5, 2019, Skyscape entered into a letter of intent with PesoRama and trading in the Skyscape Shares was halted on June 6, 2019. The letter of intent was superseded by an amalgamation agreement dated July 23, 2019 which subsequently expired. A new letter of intent, being the Letter of Intent, was entered into by the parties on December 10, 2020. The Letter of Intent was superseded by the entering into of the Amalgamation Agreement on March 8, 2021. PesoRama is a Mexican value single price point dollar store retailer. PesoRama launched operations in September 2019 and is currently focused on Mexico City and its surrounding areas targeting high density, high traffic locations. See “*The Proposed Qualifying Transaction – Securities Exchange*” and “*The Proposed Qualifying Transaction – Amalgamation Agreement*”.

On November 2, 2020, Skyscape entered into a letter of intent with Fundamental, which was amended by the parties on December 9, 2020 and March 8, 2021 (as amended, the “**Fundamental Letter of Intent**”) to, among other things, add PesoRama as a party. Pursuant to the Fundamental Letter of Intent, Fundamental proposed, together with its co-investors, to purchase subscription receipts, which subscription receipts will be exchangeable upon completion of the Offering into Units, in the amount of a minimum of \$5,000,000 and up to a maximum of \$10,000,000. In connection with this investment and upon completion of the Amalgamation, Fundamental will also be entitled a structuring fee (the “**Structuring Fee**”) equal to up to 5% of the value of the Amalgamation and certain investor rights including representation on the Board of the Resulting Issuer.

The Skyscape Shares will remain halted pending receipt and review of acceptable documentation by the applicable regulatory authorities, including the Exchange, and the closing of the Proposed Qualifying Transaction. It is anticipated that the Skyscape Shares will commence trading on the Exchange in due course upon Closing under the symbol “●”.

Subco was incorporated pursuant to the provisions of the CBCA on July 16, 2019 and has its head office and registered and records office located at 77 King Street West, Suite 700, TD North Tower, Toronto, Ontario, M5K 1G8. Subco is a wholly-owned subsidiary of Skyscape that was incorporated by Skyscape for the purposes of completing the Proposed Qualifying Transaction.

At the Company Meeting held on October 23, 2019, the Company Shareholders approved, among other things, a special resolution to amend Skyscape’s articles of incorporation to give effect to the Skyscape Name Change.

As required by the CPC Policy, Skyscape has not conducted business operations except in connection with the identification and evaluation of potential acquisitions with a view to satisfying the conditions for a Qualifying Transaction, including the evaluation of the Proposed Qualifying Transaction. The Proposed Qualifying Transaction was negotiated at arm’s length and involves arm’s length parties and, therefore, is not a Non-Arm’s Length Qualifying Transaction under the CPC Policy. As a result, the approval of the Company Shareholders is not required as a condition to complete the Proposed Qualifying Transaction.

#### **USE OF AVAILABLE FUNDS**

The net proceeds to the Company from the Offering, before giving effect to any exercise of the Over-Allotment Option, are estimated to be \$● after deducting the payment of the Agent’s Fee of \$● and the expenses of the Offering (estimated to be approximately \$●). If the Over-Allotment Option is exercised in full, the net proceeds to the Company from the Offering are estimated to be \$● after deducting the Agent’s Fee of \$● and the expenses of the Offering (estimated to be approximately \$●).

#### **Funds Available**

The net proceeds from the Offering shall be used by the Resulting Issuer. For more information on available funds after completion of the Proposed Qualifying Transaction, see *“The Resulting Issuer – Available Funds and Use of Proceeds”*.

Skyscape may be required to raise additional funds through the issuance of additional equity securities or through loan financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favorable to the Company as those previously obtained or at all. See sections entitled *“Risk Factors”*.

#### **DIVIDEND POLICY OF SKYSCAPE**

Skyscape has not declared dividends on the Skyscape Shares in the past. There will be no restrictions in the Resulting Issuer’s constating documents or elsewhere which would prevent the Resulting Issuer from paying dividends following the completion of the Proposed Qualifying Transaction. For further information regarding the Resulting Issuer’s anticipated dividend policy, see *“The Resulting Issuer – Dividends or Distributions of the Resulting Issuer”*.

#### **SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS**

The following table presents selected financial information of the Company for the periods indicated. This table and the Company’s MD&A should be read in conjunction with, and are qualified in their entirety by, the Consolidated Financial Statements and the notes thereto, which are set forth in Schedule “A” to this Prospectus.

This table contains financial information derived from financial statements that have been prepared in accordance with IFRS.

	<b>For the Three Months ended June 30, 2021</b>	<b>For the Year ended December 31, 2020 (audited)</b>	<b>For the Year ended December 31, 2019 (audited)</b>
Cash Held in Trust	\$39,050	\$237,992	\$273,098
Accrued Liabilities	\$200,299	\$129,951	\$5,727
Shareholder's Equity	(161,249)	\$108,041	\$267,371

The Company's MD&A is included hereto in Schedule "A". Certain information included in the MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. Copies of the Company's Financial Statements and MD&A are also available on SEDAR under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). See "Forward Looking Statements".

## **DESCRIPTION OF SHARE CAPITAL**

### **Existing Shares**

The authorized capital of the Company consists of an unlimited number of Skyscape Shares without par value. As of the date of this Prospectus, 2,000,000 Skyscape Shares were issued and outstanding as fully paid and non-assessable shares in the capital of the Company.

The holders of the Skyscape Shares are entitled to receive notice of and attend any meeting of the Company Shareholders and are entitled to one vote for each Skyscape Share held. Shareholders are entitled to receive dividends, if, as and when declared by the Board and to receive a proportionate share, on a per share basis, of the assets of the Company available for distribution in the event of a liquidation, dissolution or winding-up of the Company.

Provisions as to the modification, amendment or variation of the rights attached to the Skyscape Shares are contained in the Company's bylaws.

## **CONSOLIDATED CAPITALIZATION**

For information regarding changes in the Company's consolidated capitalization as at September 30, 2020, which will result from the Proposed Qualifying Transaction, see "*The Resulting Issuer – Pro-Forma Consolidated Capitalization of the Resulting Issuer*" and "*The Resulting Issuer – Pro-Forma Fully Diluted Share Capital of the Resulting Issuer*".

## **OPTIONS TO PURCHASE SHARES**

### **Options**

The Company has established a stock option plan, dated January 26, 2018, for its officers, directors, consultants and employees to which the Company may grant options to acquire a maximum number of Skyscape Shares equal to 10% of the total issued and outstanding Skyscape Shares.

The Board may, from time to time, in its discretion, and in accordance with the requirements of the Exchange, grant to officers, directors, and technical consultants to the Company, non-transferable options to purchase Skyscape Shares, provided that the number of Skyscape Shares reserved for issuance will not exceed 10% of the issued and outstanding Skyscape Shares exercisable for a period of up to 10 years from the date of grant. The number of Skyscape Shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding Skyscape Shares and the number of Skyscape Shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding Skyscape Shares.

In addition, the total number of shares to be optioned to: (a) any one optionee in any 12 month period shall not exceed 5 per cent of the issued and outstanding shares of the Company; (b) any one consultant in any 12 month period shall not exceed 2 per cent of the issued and outstanding shares of the Company; and (c) all employees in the aggregate

conducting investor relations activities in any 12 month period shall not exceed 2 per cent of the issued and outstanding shares of the Company.

Skyscape Options representing not more than 10% of the issued and outstanding Skyscape Shares may be granted to Insiders within any twelve-month period. Skyscape Options may be exercised within the greater of 12 months after the Completion of the Qualifying Transaction and 90 days following cessation of the optionee’s position with the Company, provided that if the cessation of office, directorship or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

Any Skyscape Shares acquired pursuant to the exercise of Skyscape Options prior to the Completion of the Qualifying Transaction, must be deposited in escrow and will be subject to escrow until Closing.

The option price on shares that are the subject of any option shall be fixed by the Board when such option is granted, provided that such price shall not be less than the discounted market price of the Skyscape Shares (as determined pursuant to the policies of the Exchange), or such other price as may be determined under applicable rules and regulations of all regulatory authorities to which the Company is subject, including the Exchange rules and policies. Notwithstanding the foregoing, prior to completion of the Company’s Qualifying Transaction the option price on shares shall not be less than the greater of \$0.50, being the Skyscape IPO issuance price, and the discounted market price as described above.

The options to purchase a number of Skyscape Shares equal to 10% of the number of Skyscape Shares issued and outstanding upon Completion of the Qualifying Transaction (being 2,000,000 Skyscape Shares) to be granted to directors and officers are qualified for distribution under the Prospectus.

The Skyscape Options are allocated on the following basis:

Holder of Options	Number of Optionees	Shares Underlying Options	Exercise Price (\$)	Expiry Date
Current and Former Executive Officers	100,000	100,000	0.50	March 6, 2023
Current and Former Directors (other than those who are also executive officers)	100,000	100,000	0.50	March 6, 2023
<b>Total</b>	<b>200,000</b>	<b>200,000</b>		

#### PRIOR SALES

There have been no prior sales of the securities issued by the Company during the 12-month period prior to the date of this Prospectus.

#### Trading Price and Volume

The Skyscape Shares are traded on the Exchange under the symbol “SKY.P” and have traded since March 2018. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Skyscape Shares on the Exchange.

Period	High (\$)	Low (\$)	Volume
March 6 to 31, 2018	0.62	0.61	10,000
April, 2018	0.61	0.61	4,000
May, 2018	0.61	0.57	4,000
June, 2018	0.57	0.57	0
July, 2018	0.57	0.57	0
August, 2018	0.57	0.57	0
September, 2018	0.57	0.57	0

Period	High (\$)	Low (\$)	Volume
October, 2018	0.57	0.57	0
November, 2018	0.57	0.57	0
December, 2018	0.57	0.50	13,000
January, 2019	0.50	0.50	4,000
February, 2019	0.50	0.50	2,000
March, 2019	0.50	0.50	0
April, 2019	0.50	0.50	2,000
May, 2019	0.50	0.50	8,000
June 1 to 6, 2019 <sup>(1)</sup>	0.50	0.50	0

Source: TMX Matrix

Note:

- (1) Reflects the trading activity for the Skyscape Shares from March 6, 2018 (the first day of trading of the Skyscape Shares on the Exchange) and June 6, 2019 (the date upon which the Skyscape Shares were halted in connection with the announcement of the Proposed Qualifying Transaction).

### ESCROWED SECURITIES

As at the date of this Prospectus, an aggregate of 1,000,000 Skyscape Shares representing 50% of the presently outstanding Skyscape Shares are held in escrow with the CPC Escrow Agent under the terms of the CPC Escrow Agreement. See “*The Resulting Issuer – Escrowed Securities*”.

The following table sets out, as at the date of this Prospectus, the number of Skyscape Shares that are held in escrow.

Designation of Class	Number of Securities Held in Escrow or that are Subject to Contractual Restrictions on Transfer	Percentage of Class
Common Shares <sup>(1)</sup>	1,000,000	50%

Note:

- (1) Held in escrow with the CPC Escrow Agent under the terms of the CPC Escrow Agreement.

### PRINCIPAL SHAREHOLDERS

As of the date of this Prospectus, the following table lists those persons who beneficially own, directly or indirectly or exercise control or direction over more than 10% of the issued and outstanding Skyscape Shares:

Name	Number of Shares	Percentage of Shares Owned Prior to Giving Effect to the Amalgamation	Percentage of Shares Owned After Giving Effect to the Amalgamation
Roger Daher	600,000	30%	●%
Paul Pathak	200,000	10%	●%
James Walker	200,000	10%	●%

### DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of the directors and executive officers, the person’s name, province or state and country of residence, position with the Company, the date on which the person became a director or officer, the person’s respective principal occupation during the past five years and the securities of the Company held by each. The Company’s directors are expected to hold office until completion of the Proposed Qualifying Transaction or until their successors are elected or appointed. As a group, the directors and executive officers beneficially own, or

control or direct, directly or indirectly, a total of 1,000,000 Skyscape Shares, representing 50% of the Skyscape Shares outstanding as at the date of this Prospectus.

## Directors and Executive Officers

Name and Residence	Position	Principal Occupation(s) During Past Five Years	Director or Officer Since	Securities Held <sup>(2)</sup>
Roger Daher <sup>(1)</sup> <i>Ontario, Canada</i>	CEO, CFO, Director	Owner and Pharmacist at Pharmasave, a chain of pharmacies	January 9, 2018	600,000 Skyscape Shares (30%) 100,000 Skyscape Options (50%)
Paul Pathak <sup>(1)</sup> <i>Ontario, Canada</i>	Director	Partner, Chitiz Pathak LLP, a law firm	January 9, 2018	200,000 Skyscape Shares (10%) 50,000 Skyscape Options (25%)
James Walker <sup>(1)</sup> <i>Ontario, Canada</i>	Director	President, Global Pet Food Stores Inc, a pet food retailer	January 9, 2018	200,000 Skyscape Shares (10%) 50,000 Skyscape Options (25%)

Note:

(1) Member of the audit committee.

## Biographies

The following are brief profiles of Skyscape's executive officers and directors, including a description of each individual's principal occupation within the past five years.

### *Roger Daher, Chief Executive Officer, Chief Financial Officer and Director, Age 54*

Roger Daher has been a licensed pharmacist for over 29 years and he is currently a practicing owner and partner in seven Ontario Pharmasave pharmacies. Since 2010, Mr. Daher has been a member of the Pharmasave Ontario Board of Directors, as well as a member of the audit committee (current treasurer and secretary and also audit committee chair). Mr. Daher also serves as a Director on a number of other public companies, including Aumento Capital VIII Corp. (TSXV), Aumento Capital IX Corp. (TSXV), Canaccord Genuity G Ventures Corp. (NEO), Cansortium Inc. (CSE) and Fountain Asset Corp. (TSXV). Mr. Daher obtained his Bachelor Science, Pharmacy, from the University of Toronto in 1989.

### *Paul Pathak, Director, Age 52*

Mr. Pathak is and has served as a partner of Chitiz Pathak LLP since 1996, a Toronto law firm serving clients in the securities and investment industries, including issuers and dealers on a full range of securities transactions. Mr. Pathak practices principally in the areas of corporate, securities, mergers, acquisitions and commercial law. Mr. Pathak has acted for issuers in a broad range of securities transactions, including initial public offerings, reverse take-overs, establishment of Capital Pool Companies, going-private transactions and numerous financing structures. Mr. Pathak has served as a member of the board of directors of several private and public corporations listed on both Canadian and American stock exchanges. Mr. Pathak currently also serves as a director of Bragg Gaming Group Inc. (TSX; NASDAQ), Aumento Capital VIII Corp. (TSXV), Aumento Capital IX Corp. (TSXV) and Canaccord Genuity G Ventures Corp. (NEO). Mr. Pathak was called to the Ontario Bar in 1994, having completed his LL.B. at Osgoode Hall Law School in 1992.

### *James Walker, Director, Age 56*

Mr. Walker is the executive chairman of Global Pet Food Stores Inc., which operates franchises throughout Canada specializing in high quality pet foods. Mr. Walker has been president of Global Pet Food Stores Inc. since 1995, as well as Executive Chairman of Global Bancorp Inc. and Global Pet Foods LP. Mr. Walker has public company experience through his previous role as director of Franchise Bancorp Inc. (TSXV), having become director of Franchise Bancorp Inc. in 1997.

## Other Reporting Issuer Experience

The following table sets out the directors, officers and Promoters of the Company that are, or have been within the last five years, directors, officers or Promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction (or the equivalent in a jurisdiction outside of Canada):

Name	Name of Reporting Issuer	Name of Exchange or Market (if applicable)	Position	From	To
<b>James Walker</b>	BFK Capital Corp.	TSX Venture Exchange	Director	October 2014	Mar 2017
	Franchise Bancorp Inc.	TSX Venture Exchange	Director	Oct 1997	Feb 2017
	Aumento Capital VII Corp. (now Emerge Commerce Inc.)	TSX Venture Exchange	Director	May 2020	December 2020
<b>Roger Daher</b>	Cansortium Inc.	Canadian Securities Exchange	Director	April 2020	Present
	Canaccord Genuity G Ventures Corp.	NEO Exchange	Director	March 2021	Present
	Aumento Capital IX Corp.	TSX Venture Exchange	Director	November 2020	Present
	Aumento Capital VIII Corp.	TSX Venture Exchange	Director	January 2021	Present
	Aumento Capital VII Corp. (now Emerge Commerce Inc.)	TSX Venture Exchange	Director	March 2018	December 2020
	Fountain Asset Corp.	TSX Venture Exchange	Director	November 2017	Present
	Aumento Capital VI Corporation (now CryptoStar Corp.)	TSX Venture Exchange	Director	January 2017	September 2018
	Aumento Capital V (now Weed MD Inc.)	TSX Venture Exchange	Director	October 2014	April 2017
	Aumento IV Capital Corporation (now Greenspace Brands Inc.)	TSX Venture Exchange	Director	September 2013	February 2020
	Sweet Natural Trading Co. Limited	TSX Venture Exchange	Director	September 2008	April 2018
<b>Paul Pathak</b>	Bragg Gaming Group Inc.	TSX Venture Exchange	Director	March 2019	Present
	Canaccord Genuity G Ventures Corp.	NEO Exchange	Director	March 2021	Present

Name	Name of Reporting Issuer	Name of Exchange or Market (if applicable)	Position	From	To
	Aumento Capital IX Corp.	TSX Venture Exchange	Director	November 2020	Present
	Aumento Capital VIII Corp.	TSX Venture Exchange	Director	January 2021	Present
	Aumento Capital VII Corp. (now Emerge Commerce Inc.)	TSX Venture Exchange	Director	February 2018	December 2020
	Wayland Group Corp.	Canadian Securities Exchange	Director	December 2017	April 2020
	JPJ Group PLC (now Gamesys Group PLC)	London Stock Exchange	Director	January 2017	June 2019
	Aumento Capital VI Corporation (now CryptoStar Corp.)	TSX Venture Exchange	Director	January 2017	September 2018
	Aumento Capital V Corporation (now Weed MD Inc.)	TSX Venture Exchange	Director	June 2014	April 2017
	The Intertain Group Limited	Toronto Stock Exchange	Director	November 2010	January 2020

### Corporate Cease Trade Orders

Other than as described below, none of the directors or executive officers has, within the 10 years prior to the date of this Prospectus, been a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Paul Pathak was formerly a director of Wayland Group Corp. (“**Wayland**”), a reporting issuer previously listed on the Canadian Securities Exchange. In May 2019, the OSC issued a failure-to-file cease trade order against Wayland as a result of Wayland’s failure to file its audited financial statements for the year ended December 31, 2018. Subsequently, in December 2019, Wayland was granted an order from the Ontario Superior Court of Justice (commercial list) under the *Companies’ Creditors Arrangement Act*.

### Bankruptcies

None of the directors or executive officers has, within the 10 years prior to the date of this Prospectus, become 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, been a director or executive officer of any company, 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.

### Penalties or Sanctions

No director or executive officer of the Company or shareholder holding sufficient securities of the Company to affect materially the control of the Company 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
- 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 making an investment decision.

### **Conflicts of Interest**

Except as set out below, to the best of the Company's knowledge, there are no known existing or potential conflicts of interest among it and its directors, officers or other members of management as a result of their outside business interests except that certain of its directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

Certain of the directors and officers of Skyscape and PesoRama are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. See "*The Resulting Issuer – Directors and Executive Officers – Conflicts of Interest*" and "*Risk Factors – Risk Factors Relating to PesoRama*".

### **Audit Committee**

Exchange Policy 3.1 requires that Skyscape have an audit committee of at least three directors, the majority of whom are not employees, Control Persons or officers of the Company or any of its Associates or Affiliates. The audit committee will be responsible for overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company.

Given the current prescribed nature of the Company and its principal business being limited to identifying and evaluating assets or businesses with a view to completing a Qualifying Transaction, the only committee of the Board is its audit committee, which consists of the following three directors: Roger Daher, Paul Pathak and James Walker.

## **EXECUTIVE COMPENSATION**

### **Director and Named Executive Officer Compensation, Excluding Securities**

Securities legislation requires the disclosure of compensation received by each "Named Executive Officer" of the Company for the two most recently completed financial years. The Company is currently a CPC and pursuant to Policy 2.4 of the Exchange, and until the Company completes a Qualifying Transaction, no compensation may be provided to the Company's directors or officers, directly or indirectly, in their capacities as director or officers, by any means, including payment of salary, other than compensation that may be provided by way of Skyscape Options to purchase Skyscape Shares pursuant to the Skyscape Option Plan.

None of the Company's Named Executive Officers or directors received compensation in such capacity from the Company during the two most recently completed financial years, as the CPC Policy prohibits directors and officers from receiving remuneration while the Company is a CPC.

### **Compensation Governance**

Skyscape has not established a compensation committee. However, it is anticipated that such a committee will be established upon completion of a Qualifying Transaction. The Board has not, at any time since the Company's most recently completed fiscal year, retained a compensation consultant or advisor to assist the Board in determining the compensation for any of the Company's executive officers or directors.

### **Incentive Plan Awards**

Skyscape Options to purchase up to 200,000 Skyscape Shares were granted to the Named Executive Officers and the directors of the Company in connection with the closing of the Skyscape IPO on March 6, 2018. While the Company

is a CPC, the total number of Skyscape Shares reserved under option for issuance pursuant to the Company’s incentive option plan may not exceed 10% of the Skyscape Shares outstanding as at the closing of the Skyscape IPO. The allocation of the option grants was approved by the Board. See the heading “Options to Purchase Shares”, above, for further information with respect to the Company’s stock option plan.

### Outstanding Option-Based Awards

The following table sets forth all option-based awards outstanding for the Named Executive Officers and directors as of the date hereof. Skyscape has made no share-based awards.

Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class <sup>(1)</sup>	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$) <sup>(2)</sup>	Closing price of security or underlying security at year end (\$) <sup>(3)</sup>	Expiry Date
Roger Daher <i>Director, CEO and CFO</i>	Options	100,000 50.0%	March 6, 2018	\$0.50	\$0.50	\$0.50	March 6, 2023
Paul Pathak <i>Director</i>	Options	50,000 25.0%	March 6, 2018	\$0.50	\$0.50	\$0.50	March 6, 2023
James Walker <i>Director</i>	Options	50,000 25.0%	March 6, 2018	\$0.50	\$0.50	\$0.50	March 6, 2023

Notes:

- (1) Percentages are expressed on an undiluted basis.
- (2) Skyscape Options were granted on March 6, 2018 in connection with the closing of the Skyscape IPO, pursuant to which Skyscape Shares were issued at \$0.50 per Skyscape Share.
- (3) The closing price of the Skyscape Shares on December 31, being the last trading day before the Company’s financial year end, was \$0.50 per Skyscape Share.
- (4) In addition to the Skyscape Options held by each director and Named Executive Officer listed above, each director and Named Executive Officer owned the following as of December 31, 2020, being the last day of the most recently completed financial year: Roger Daher held a total of 600,000 Skyscape Shares; (ii) Paul Pathak held a total of 200,000 Skyscape Shares; and (iii) James Walker held a total of 200,000 Skyscape Shares.

### Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned for the Named Executive Officers and directors during the year ended December 31, 2020.

Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
<b>Roger Daher</b> Director, CEO and CFO	Nil	Nil	Nil
<b>Paul Pathak</b> Director	Nil	Nil	Nil
<b>James Walker</b> Director	Nil	Nil	Nil

## **Termination and Change of Control Benefits**

There are no employment contracts, compensatory plans or other arrangements in place with the Named Executive Officers, nor is there any agreement between Skyscape and the Named Executive Officers that provides for payment to the Named Executive Officers in connection with any termination, resignation, retirement, change in control of the Company or change in responsibilities of the Named Executive Officers.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of the Company's directors or officers or any of their respective associates is indebted to the Company or has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any of its subsidiaries.

## **AUDIT COMMITTEES AND CORPORATE GOVERNANCE**

See *"The Resulting Issuer – Audit Committee and Corporate Governance of the Resulting Issuer"*.

## **RISK FACTORS**

For risk factors specific to the Company, please see *"Risk Factors – Risk Factors Relating to Skyscape"*.

The business of PesoRama, which will be the business of the Resulting Issuer, is subject to a number of risk factors. For a description of risk factors affecting both PesoRama and the Resulting Issuer, see *"Risk Factors – Risk Factors Relating to PesoRama"*, and *" – Risk Factors Relating to the Resulting Issuer"*.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Since the beginning of the most recently completed financial year for which financials statements of the Company are included, there are no legal proceedings outstanding, threatened or pending as of the date of this Prospectus by or against the Company or to which it is a party or its business or any of its assets is the subject of, nor to the knowledge of the Company are any such legal proceedings contemplated.

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Aside from a directors of the Company and their Associates and Affiliates owning 468,000 PesoRama Shares, no Insider, Promoter or Control Person of the Company or its Associates and Affiliates (before giving effect to the Proposed Qualifying Transaction) has any interest in PesoRama.

Other than as disclosed herein, no director, officer, Insider or Promoter of the Company has had any material interest, direct or indirect, in any transaction since incorporation to the date hereof that has materially affected or is reasonably expected to materially affect the Company.

See *"Skyscape – Directors and Executive Officers – Conflict of Interest"*.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The Company's auditor is MNP LLP, located at 111 Richmond Street West, Suite 300, Toronto, Ontario, M5H 2G4. MNP LLP is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The Company's transfer agent and registrar is TSX Trust Company, at its principal office at 100 Adelaide Street West, Suite 300, Toronto, Ontario, M5H 1S3.

## MATERIAL CONTRACTS

The following are the material contracts of the Company that are outstanding as of the date of this Prospectus:

1. The Skyscape Option Plan dated as of January 26, 2018.
2. The Agency Agreement dated as of ●, 2021 between the Company and Canaccord.
3. Amalgamation Agreement entered into on March 8, 2021 between PesoRama and the Company in respect of the Proposed Qualifying Transaction.

The material contracts described above may be found under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**PESORAMA**  
**CORPORATE STRUCTURE**

**Name, Address and Incorporation**

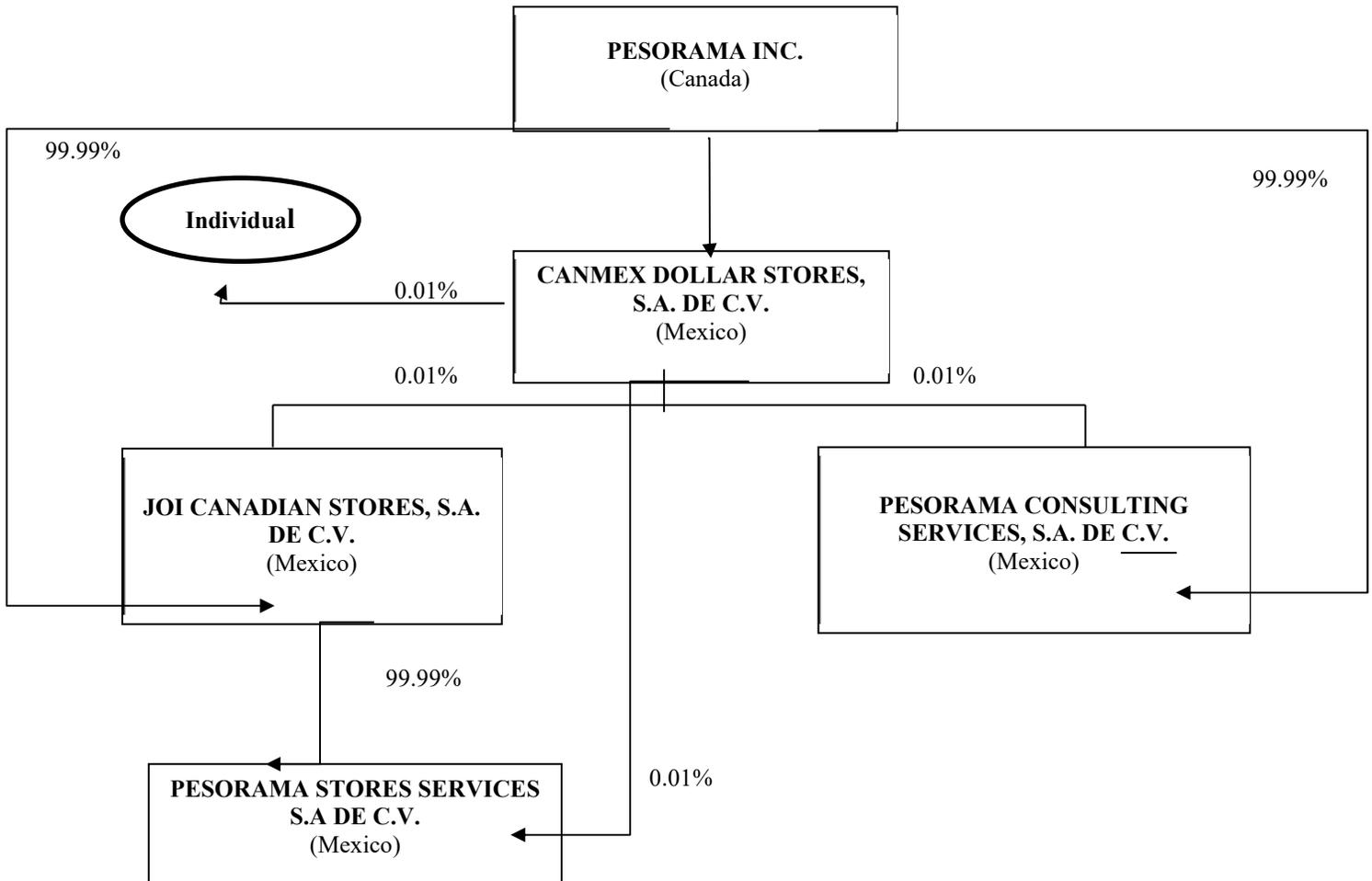
PesoRama was incorporated pursuant to the CBCA on October 16, 2017. The head office of PesoRama is located at 217 Queen Street West, Suite 401, Toronto, ON M5V 0R2, with the registered office located at 1900, 520 – 3<sup>rd</sup> Avenue SW, Calgary, Alberta, T2P 0R3.

**Intercorporate Relationships**

PesoRama has four subsidiaries in Mexico, as set out in the diagram below. Canmex Dollar Stores, S.A. de C.V. was incorporated under the laws of Mexico on December 5, 2018. Joi Canadian Stores, S.A de C.V. was incorporated under the laws of Mexico on April 23, 2019, PesoRama Consulting Services, S.A de C.V. was incorporated under the laws of Mexico June 27, 2019, and PesoRama Stores Services, S.A. de C.V. was incorporated under the laws of Mexico on May 19, 2020

Joi Canadian Stores, S.A. de C.V. is an entity that was incorporated to hold the operating assets of PesoRama. All of the PesoRama stores will be held within this entity.

PesoRama Consulting Services, S.A. de C.V. is an entity that was incorporated as part of the labour structure to be the internal payroll company of the management employees that render services to both Canmex Dollar Stores, S.A. de C.V. and Joi Canadian Stores, S.A. de C.V. and the retail operation employees that render services to Joi Canadian Stores, S.A. de C.V. This structure permits PesoRama to comply with certain subcontracting rules established in Mexico’s federal labour laws and to ensure PesoRama employees can render services for both Joi Canadian Stores, S.A. de C.V. and Canmex Dollar Stores, S.A. de C.V.



## BUSINESS OF PESORAMA

### GENERAL DEVELOPMENT OF THE BUSINESS

#### History

PesoRama was incorporated on October 16, 2017 pursuant to the CBCA with the goal of being a first-mover brand in what management currently perceives to be an underserved and growing Mexican dollar store industry by establishing a chain of dollar stores in Mexico that offer customers a consistent product selection including everyday household items and general merchandise, as well as both national brands and private label brands. PesoRama offers a broad range of quality consumer products and general merchandise for everyday use, in addition to seasonal products. PesoRama's quality merchandise is sold in individual or multiple units at select fixed price points between 5 pesos and 25 pesos. All of PesoRama's stores are corporate-owned, providing a consistent shopping experience, and will be located in high-traffic areas such as strip malls and shopping centres in various locations, including metropolitan areas, mid-sized cities and small towns.

On February 8, 2018, PesoRama issued one PesoRama Share to a founder for \$1.00 and on April 19, 2018, PesoRama completed an initial seed share financing through the issuance of 9,999,999 PesoRama Shares at a price of \$0.001 per share to certain initial investors in PesoRama, for gross proceeds of \$9,999.99. On September 14, 2018 and October 4, 2018, PesoRama completed tranches one and two, respectively, of the First PesoRama Financing, on June 7, 2019, PesoRama completed the Second PesoRama Financing, on December 23, 2019, PesoRama completed the Third PesoRama Financing and in March, 2021, PesoRama completed the Debenture Financing, all as further described below.

The PesoRama SubCos are PesoRama's four Mexican subsidiaries through which substantially all of the business of PesoRama is and will be conducted:

- Canmex Dollar Stores, S.A de C.V. was incorporated under the laws of Mexico on December 5, 2018. Canmex Dollar Stores is 99.9% owned by PesoRama and 0.01% owned by PesoRama's Mexico legal counsel, SMPS Legal.
- Joi Canadian Stores, S.A de C.V. was incorporated under the laws of Mexico on April 23, 2019. Joi Canadian Stores, S.A de C.V. is 99.9% owned by PesoRama and 0.01% owned by Canmex Dollar Stores, S.A de C.V.
- PesoRama Consulting Services, S.A de C.V. was incorporated under the laws of Mexico on June 28, 2019. PesoRama Consulting Services, S.A de C.V. is 99.9% owned by PesoRama and 0.01% owned by Canmex Dollar Stores, S.A de C.V.
- PesoRama Stores Services S.A. de C.V. was incorporated under the laws of Mexico on May 19, 2020. PesoRama Consulting Services, S.A de C.V. is 99.9% owned by PesoRama and 0.01% owned by Canmex Dollar Stores, S.A de C.V.

Mexican corporate law requires that each corporation have at least two shareholders. See "*PesoRama – Intercorporate Relationships*".

On June 5, 2019, PesoRama entered into a letter of intent with Skyscape in connection with the Proposed Qualifying Transaction. The letter of intent was superseded by an amalgamation agreement dated July 23, 2019 which subsequently expired. A new letter of intent, being the Letter of Intent, was entered into by the parties on December 10, 2020. The Letter of Intent was superseded by the entering into of the Amalgamation Agreement on March 8, 2021.

On September 19, 2019, PesoRama opened its first two stores in Mexico City, located at shopping centres Mundo E and Magnocentro.

PesoRama underwent several changes to both its executive management team and board of directors during 2020. Rahim Bhaloo resigned as CEO in June 2020 and was replaced by Edward Sivitilli. On December 9, 2020, after a proxy contest, all directors nominated by a group of shareholders (the "**Concerned Shareholders**") led by Ocean View Trust, together with 2110958 Alberta Ltd., a company controlled by Mr. Bhaloo, were elected to the board of

directors of PesoRama at PesoRama's annual general and special meeting of shareholders, replacing the nominees proposed by PesoRama's previous management. Following the meeting, PesoRama and the Concerned Shareholders reached an agreement on the senior leadership of PesoRama, whereby Rahim Bhaloo and Edward Sivitilli would continue to serve as directors of PesoRama, Mr. Bhaloo would serve as Executive Chairman and Mr. Sivitilli would remain as Chief Executive Officer and President of PesoRama. In addition, on December 9, 2020, Andrew Parks was appointed as an independent director of PesoRama and all of the directors of PesoRama other than Mr. Sivitilli and Mr. Bhaloo resigned.

On August 16, 2021, Edward Sivitilli was terminated as Chief Executive Officer and President of PesoRama and replaced by Erica Fattore, who was previously Chief Merchandising Officer. As a result of the termination, all unexercised Milestone and PesoRama Performance Warrants and Pesorama Stock Options held by Mr. Sivitilli were cancelled in accordance with their terms. PesoRama has also advised Mr. Sivitilli that it intends to seek damages against Mr. Sivitilli for, amongst other things, breaches of contract and fiduciary duty, which damages include the return and cancellation of some or all of founder's PesoRama Shares held by Mr. Sivitilli. PesoRama has been advised by legal counsel for Mr. Sivitilli, that he intends to initiate legal action against PesoRama for, amongst other things, wrongful dismissal and shareholder oppression. To date, no pleadings have been filed.

## **Financings**

### *First PesoRama Financing*

On September 14, 2018 and October 4, 2018, PesoRama completed tranches one and two, respectively, of the First PesoRama Financing, pursuant to which 15,000,000 PesoRama Shares were issued at a price of \$0.40 per PesoRama Share for aggregate gross proceeds of \$6,000,000 and 1,500,000 PesoRama Penalty Rights were subsequently issued for no further consideration.

Each PesoRama Penalty Right entitled the holder thereof to, for no further consideration, an additional number of PesoRama Shares equal to 10% of the PesoRama Shares purchased by such holder under the First PesoRama Financing, if a PesoRama Liquidity Event did not occur before 5:00 p.m. (Calgary time) on the date that was 12 months following the date the PesoRama Penalty Rights were issued. As such, 1,500,000 PesoRama Shares representing the PesoRama Penalty Rights were issued on September 14, 2019.

For certain services provided in connection with the First PesoRama Financing, Canaccord received in the aggregate 816,000 PesoRama Broker Warrants to purchase an equivalent number of PesoRama Shares. The terms of the PesoRama Broker Warrants provide that Canaccord may acquire PesoRama Shares at an exercise price of \$0.40 per PesoRama Share for a period of 24 months from the date the PesoRama Shares (or the Resulting Issuer Shares) are listed on the Exchange or such other recognized stock exchange. It is not anticipated that any of the PesoRama Broker Warrants issued in connection with the First PesoRama Financing will be exercised prior to Closing, and that all will be exchanged for Resulting Issuer Broker Warrants with identical terms to the PesoRama Broker Warrants exchanged.

### *Second PesoRama Financing*

On March 19, 2019, April 3, 2019, May 24, 2019, May 30, 2019 and June 7, 2019, PesoRama completed tranches one through five, respectively, of the Second PesoRama Financing, pursuant to which 14,021,760 PesoRama units were issued at a price of \$0.75 per PesoRama unit for aggregate gross proceeds of \$10,516,320. Tranches one, two and three formed a brokered private placement led by Haywood Securities Inc. pursuant to which 10,470,997 PesoRama units were issued. Tranches four and five formed a non-brokered private placement pursuant to which 3,550,763 PesoRama units were issued.

Each PesoRama unit was comprised of one PesoRama Share and one PesoRama Purchase Warrant. Each PesoRama Purchase Warrant initially entitled the holder thereof to acquire one PesoRama Share at a price of \$1.25 for a period of 24 months following the date the PesoRama Purchase Warrant was issued. On March 17, 2021, terms of the PesoRama Purchase Warrants were amended to provide that each PesoRama Purchase Warrant entitles the holder thereof to acquire one PesoRama Share at a price of \$1.25 until the earlier of the date which is: (i) 24 months from the date on which the PesoRama Shares are first listed on a recognized Canadian securities exchange; and (ii) five years from the issuance date thereof, subject to adjustment in certain circumstances and provided that, in the event that the volume-weighted average price (VWAP) of the PesoRama Shares on a recognized Canadian stock exchange is equal to or greater than \$2.00 over a 10 consecutive trading day period, PesoRama may, at its option, within 10 business

days following such 10-day period, accelerate such expiry date to a date specified in a notice given to the holder, which is not less than 30 days following the date of the notice.

For certain services in connection with the Second PesoRama Financing, PesoRama issued an aggregate of 648,692 PesoRama Broker Warrants (331,637 from tranche one, 163,608 from tranche two and 153,447 from tranche three) to purchase an equivalent number of PesoRama Shares. The terms of the PesoRama Broker Warrants provide that the holder thereof may acquire PesoRama Shares at an exercise price of \$0.75 per PesoRama Share for a period of 24 months following the date that the PesoRama Broker Warrants were issued, which was subsequently extended to 24 months from the date the PesoRama Shares (or the Resulting Issuer Shares) are listed on the Exchange or another recognized stock exchange.

For certain services provided in connection with the Second PesoRama Financing, PesoRama also issued PesoRama Finder Warrants to purchase an aggregate of 135,000 PesoRama Shares at an exercise price of \$0.75 and 124,768 PesoRama Shares, in each case, for a period of 24 months following the applicable dates on which such PesoRama Finder Warrants were issued, which was subsequently extended to 24 months from the date on which the PesoRama Shares (or the Resulting Issuer Shares exchanged therefor) are first listed on a recognized Canadian securities exchange.

### *Third PesoRama Financing*

On December 23, 2019, PesoRama completed the Third PesoRama Financing, pursuant to which 3,101,000 PesoRama Shares were issued at a price of \$1.00 per PesoRama Share, for aggregate proceeds of \$3,101,000, along with an additional 3,101,100 PesoRama Liquidity Warrants. PesoRama subsequently issued 310,100 PesoRama Shares on the deemed exercise of such PesoRama Liquidity Warrants.

For certain services in connection with the Third PesoRama Financing, PesoRama issued an aggregate of 186,060 PesoRama Broker Warrants. Each such PesoRama Broker Warrant entitles the holder to acquire one PesoRama Share at price of \$1.00 per PesoRama Share for a period of 24 months from the date the PesoRama Shares (or the Resulting Issuer Shares) are listed on the Exchange or such other recognized stock exchange.

### *Debenture Financing*

On April 1, 2020 PesoRama completed the Debenture Financing, pursuant to which PesoRama issued 5,542 units, each comprised of one Debenture in the principal amount of \$1,000 and 50 PesoRama Warrants. Each such PesoRama Warrant entitles the holder to purchase one PesoRama Share at a price of \$1.25 until the earlier of the date which is: (i) 24 months from the date on which the PesoRama Shares are first listed on a recognized Canadian securities exchange; and (ii) five years from the issuance date thereof, subject to adjustment in certain circumstances and provided that, in the event that the volume-weighted average price (VWAP) of the PesoRama Shares on a recognized Canadian stock exchange is equal to or greater than \$2.00 over a 10 consecutive trading day period, PesoRama may, at its option, within 10 business days following such 10-day period, accelerate such expiry date to a date specified in a notice given to the holder, which is not less than 30 days following the date of the notice. The Debentures accrue interest at a rate of 9.875% per annum, compounded semi-annually, pro-rated for any partial year until the earlier of the completion of the Proposed Transaction (or an alternative specified transaction) or the date (the “**Maturity Date**”) that is two years from the date of issuance thereof. In the event that PesoRama completes the Proposed Transaction (or an alternative specified transaction) prior to the Maturity Date, then upon such completion, the Debentures will automatically convert into the same securities of Skyscape as are issued pursuant to the Offering (or any applicable alternative concurrent financing) at a conversion price that is a 15% discount to the issue price of such securities pursuant to the Offering (or such alternative concurrent financing). If no such automatic conversion occurs, the outstanding principal and accrued interest owing under the Debentures shall be repayable on the Maturity Date.

As compensation for services provided to PesoRama in connection with the Debenture Financing, PesoRama issued 5,034 PesoRama Debenture Finder Warrants to certain persons, which entitle the holders thereof to purchase the number of PesoRama Shares equal to the product of (a) the quotient obtained by dividing 1,000 by the conversion price (85% of of the PesoRama Share price on the date of conversion date) multiplied by (b) 7 percent, for each warrant exercised at the exercise price per PesoRama Share that is equal to the conversion price. The warrants are exercisable until the date that is 24 months from the date on which the PesoRama Shares (or the Resulting Issuer Shares exchanged therefor) are first listed on a recognized Canadian securities exchange.

## Significant Acquisitions and Dispositions

PesoRama has had no significant acquisitions or dispositions since the date of incorporation.

## NARRATIVE DESCRIPTION OF THE BUSINESS

### General

PesoRama operates a chain of corporately owned retail stores in Mexico under its “JOI Canadian Stores” banner, which offer a variety of quality products for sale to customers at a price that is typically below 25 pesos per item. Through the execution of its current business model, PesoRama plans to continue to develop its JOI Canadian Stores brand and profitably expand its network of stores in Mexico, which its management believes to be an underserved and growing marketplace in the value retail segment in which it operates. PesoRama is committed to providing value for customers of its stores by providing broad product offerings, fixed price points, a convenient and consistent store format, and pleasurable shopping experience. See “*PesoRama – Principal Products and Services*”.

To date, PesoRama has opened and is currently operating 18 stores, located in high-traffic shopping centres in Mexico City. As part of its current expansion strategy, PesoRama plans to open additional stores in Mexico City and its surrounding areas before also expanding its stores into other regions of Mexico.

### Principal Products and Services

PesoRama’s core offering of consistently available everyday products in its stores includes, but is not limited to, items in the following categories: household wares, kitchenware, home cleaning products, home décor products and seasonal products, party supplies, stationeries, toys and games, arts and crafts materials, electronics, souvenirs, novelties, jewelry, clothing, footwear, headwear, costumes, personal care products, health and beauty, cosmetics, food, beverages, snacks, confectionery, pet food and pet accessories, hardware, garden accessories and tools, and other general merchandise. All of these products are generally offered at a per unit price of less than 25 pesos.

PesoRama’s JOI Canadian Stores offer a balanced targeted mix of merchandise, including private label and nationally branded products, all at compelling values. PesoRama’s merchandise mix consists of:

- Consumable products, which represent approximately 15% of PesoRama’s total product offering (based on retail value), and includes household consumables, such as paper products, cleaning supplies and chemicals, party disposables, as well as, grocery and beverage products including confectionery, soft drinks, water, snack foods, packaged convenience foods and other basic grocery products;
- General merchandise, which represent approximately 75% of PesoRama’s total product offering (based on retail value), and includes housewares, kitchen accessories, hardware and electronics, pet, party supplies, softlines, craft and stationery supplies; and
- Seasonal products, which represent approximately 10% of PesoRama’s product offering (based on retail value), and includes, Christmas, Easter, Halloween, Dia de los Muertos and Dia de Nuestra Senora de Guadalupe merchandise together with Lawn and Garden products.

The selection of items offered in PesoRama’s JOI Canadian Stores at any one time varies. PesoRama expects to constantly adjust its merchandise mix to offer the best value and a wide selection of products to its JOI Canadian Stores customers, as well as to maintain or improve its gross margins. PesoRama’s JOI Canadian Stores carry a broad assortment of actively-managed SKUs, including more than 4,500 active year-round SKUs and more than 500 active seasonal SKUs at any one time. PesoRama analyzes its products in inventory on a monthly basis for sales and profitability. Based on the results, PesoRama is able to quickly adjust its merchandise mix with a goal of optimizing profitability at its stores. Slower selling items are discounted and replaced as warranted.

### Operations

PesoRama’s business consists of operating its 18 JOI Canadian Stores in Mexico City and throughout Mexico State, and continuing to expand its retail network within Mexico. At its store level, merchandise is sold in individual or multiple units at select fixed price points up to 25 pesos. All stores are corporately operated, providing a consistent shopping experience, and many are located in high-traffic areas.

In operating its JOI Canadian Stores, PesoRama has developed a reliable supplier network, which it continues to expand in order to allow PesoRama to continually update and diversify its product offerings and rapidly respond to consumers' changing needs. Based on its anticipated sales volumes, PesoRama intends to realize cost-savings by sourcing goods directly from low-cost foreign and local suppliers, which management of PesoRama expects will continue to enable PesoRama to deliver a strong customer value proposition without sacrificing company margins, and permit PesoRama to achieve future profitability from operations.

PesoRama has developed and continues to further expand a loyal base of repeat customers by providing a wide variety of products to customers at competitive prices. Additionally, PesoRama plans to further develop its business model to maintain and expand its chain of JOI Canadian Stores with consistent store sizes, formats and effective product displays and to continue to promote a comparatively enhanced customer shopping experience, as opposed to the "treasure hunt" approach often used by other discount retailers. As a new market entrant, PesoRama has implemented and plans to continue to adopt new and current technologies, such as state of the art point of sale and inventory management systems, debit and credit card payment ability and loyalty programs which offer incentives for repeat customers.

PesoRama purchases most of its merchandise centrally from manufacturers, wholesalers, manufacturers' representatives and importers. In addition, PesoRama has begun working with manufacturers in order to create certain private label brands to be used in JOI Canadian Stores. PesoRama's strategy is to source merchandise directly from the lowest cost suppliers that meet PesoRama's high-quality standards. PesoRama's sourcing strategy blends directly imported merchandise from overseas and products sourced from North American vendors. There are also certain products sourced from Mexican manufacturers and distributors. While PesoRama still sources a majority of its overseas products from China, PesoRama also purchases goods sourced directly from other parts of Asia, in particular India and Indonesia. PesoRama has begun developing relationships with overseas suppliers in Turkey and other European countries, as well as some South American manufacturers, particularly Brazil. For the starting inventories of PesoRama's newly opened retail locations, PesoRama sourced more than 60% of its merchandise through its import operations directly from PesoRama's supplier base.

PesoRama's supplier base is well diversified, with no single supplier accounting for more than 10% of PesoRama's total purchases. PesoRama's top 10 suppliers represented less than 30% of its total purchases. PesoRama generally buys products on an order-by-order basis and does not enter into long-term purchase contracts or assurance of continued product supply or guaranteed product cost.

## **Stores**

PesoRama carefully manages its retail store portfolio with the goal of maximizing chain-wide store profitability and maintaining a disciplined, cost-sensitive approach to store site selection. PesoRama evaluates potential store locations based on a variety of criteria, including (i) the level of retail activity and traffic patterns, (ii) the presence or absence of competitors, (iii) the population and demographics of the area, (iv) the total rent and occupancy cost per square foot, and (v) the location of existing PesoRama stores and its competitor's stores. All of PesoRama's current JOI Canadian Stores are located in high-traffic areas of shopping centers. PesoRama also plans to expand its retail footprint by opening new JOI Canadian Stores located at other shopping centre sites and in strip malls and in other high-traffic retail locations. PesoRama's current store expansion strategy is to first saturate the market in Mexico City and then to expand outward into other metropolitan areas, mid-sized cities and small towns. Because the JOI Canadian Stores typically attract customers from a relatively small shopping radius, management of PesoRama believes that there are opportunities for PesoRama to grow its business with the objective of operating multiple stores in major markets across Mexico. Based on its operating results to date, PesoRama's management further believes that PesoRama can profitably open additional stores in markets across Mexico. PesoRama's ability to open new stores is dependent upon, among other factors, the profitability of its existing operations, the availability of funds to fund its ongoing operating costs and to fund capital and operating expansion costs, locating suitable sites and negotiating favourable lease terms. See "*Risk Factors – Risk Factors Relating to PesoRama*".

All of PesoRama's JOI Canadian Stores are located at sites leased from third party landlords. PesoRama expects to continue to lease its store locations as it expands its stores. The average length of the term of PesoRama's store location leases is five years, with a five year renewal option. In the future, as store leases expire, PesoRama believes it will be able to obtain lease renewals, if desired, for present store locations, or to obtain leases for comparable or better

locations in the same general area. PesoRama believes this leasing strategy enhances its flexibility to pursue various expansion and relocation opportunities resulting from changing market conditions.

PesoRama aims to offer a well-designed, convenient and consistent store format. The target store size for the JOI Canadian Stores is approximately 6,000 square feet. This size is meant to permit the JOI Canadian Stores to offer a greater range of products than typical convenience stores, and a shopping experience for its customers that is more convenient and easier than offered by big box stores, all while maintaining low operating costs. All stores are clean, well maintained and kept sufficiently stocked with a broad assortment of consumable products, general merchandise and seasonal items.

### Warehouse and Distribution Facilities

PesoRama uses third party logistics for its warehouse and distribution facilities. At this point there is one distribution center being utilized. The table below describes PesoRama’s warehouse and distribution facilities:

Location	Type	Size
San Pedro Barrientos, Tlalnepantla de Baz, México	Warehouse and distribution facility	2,900 sq. m. (approx. 31,200 sq.ft.)

Warehouse inventory procurement is managed using standard demand forecasting and inventory planning methods based on historical demands. Products are distributed from PesoRama’s distribution facility. PesoRama continuously strives to enhance its forecasting, inventory planning, safety stock and lead time management processes and tools. Store replenishment requirements are determined based on both forecasted and actual store sales.

### Market

#### Market Overview

Value retail is a well-established and continually growing segment of the overall retail industry in North America, as evidenced by the existing and increasing number of general mass merchants, smaller value-priced chains, warehouse/club stores, discount food stores, close-out retailers and dollar stores. Through its JOI Canadian Stores, PesoRama operates within the dollar store industry, which is a key aspect of the overall value retail segment. Like other dollar store retailers, the JOI Canadian Stores seek to set themselves apart from other value retailers through: (i) offering merchandise at low price points; (ii) convenient locations and store size; (iii) broad offerings of everyday branded or unbranded merchandise; (iv) small or individual sized product quantities; and (v) a low or no-frills, self-service environment.

PesoRama’s management believes that the Mexican dollar store industry is currently underserved and that it has developed a business plan to capitalize on this. This view was developed based on information available to PesoRama and its experience operating in Mexico. Compared to other North American markets, where there exist dominant multi-store national dollar store chain operators, there is greater fragmentation in the Mexican dollar store industry, which is currently mainly served by a relatively few privately-owned multi-outlet chains and several independently operated local stores. Moreover, management estimates that, on a per capita basis, there are significantly fewer dollar stores based on population in Mexico than in the other North American markets. Based on this assumption, PesoRama’s management believes there is an opportunity for significant growth in the Mexican dollar store market.

Although the dollar store business is not seasonal, the dollar store industry is historically busier during the third and fourth fiscal quarters due to holiday seasons such as back-to-school, Dia de los Muertos and Christmas. In this regard, PesoRama’s third and fourth fiscal quarter operating results for its fiscal year ended January 31, 2021 are expected to have a disproportionate effect on PesoRama’s results of operations for its entire fiscal year then ended. PesoRama’s management expects that PesoRama’s highest sales volume in future fiscal years is expected to occur in its fourth quarter, which includes the Christmas selling season, and the lowest in its first quarter. To prepare for peak shopping seasons, PesoRama plans to maintain higher quantities of retail product inventory during such times. See “Risk Factors – Risk Factors Relating to PesoRama”.

Like almost all businesses, PesoRama has been, and is expected to continue to be affected by the COVID-19 pandemic. In particular, from the outset of the pandemic to date, PesoRama has incurred direct costs related to COVID-19 related to measures implemented by it to support employees and protect the health and safety of

customers and employees. PesoRama has also been impacted by temporary restrictions imposed by governmental authorities on retailers and changes in consumer practices in reaction to increased numbers of COVID-19 cases across Mexico, which has negatively impacted in-store traffic and sales at certain times during the course of the pandemic. As at the date of this Prospectus, all of PesoRama's stores are fully operational and its current expansion activities are being carried out as planned and without any material adverse impact caused by the COVID-19 virus. However, the full extent to which the COVID-19 pandemic will negatively affect PesoRama's results of operations, financial condition and cash flows going forward will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the duration of the various shelter-in-place orders and reopening plans, the speed and effectiveness of vaccines and treatment developments and deployment in both Mexico and the countries where its suppliers operate, potential mutations of COVID-19, and actions taken, or that may be taken in the future, by governmental authorities and other third parties in response to the pandemic. See "*Risk Factors – Risk Factors Relating to PesoRama- Coronavirus Pandemic (COVID-19)*" for further disclosure as to how this may impact PesoRama's business.

### *Marketing Plans and Strategies*

A major driver of success for any dollar store company is its ability to continually expand the base of new, and repeat customers, in order to align such customer growth with store openings. PesoRama intends to continue to deliver a highly competitive price point and a sought-after shopping experience that will become known and trusted. PesoRama's commitment to offering a fixed price point on high quality, sought after products is intended to differentiate PesoRama from other retailers and allow PesoRama to develop and grow its customer base.

PesoRama has developed and is implementing a set of strategic growth initiatives to expand the addressable market in Mexico and improve the margin profile and earnings before interest, taxes, depreciation, and amortization, otherwise known as EBITDA, of the business. PesoRama's growth strategy focuses on addressable market expansion, improved product margin profile and leveraging the strength of the PesoRama brand. PesoRama presently operates 18 stores and has also executed lease agreements for 2 new stores which are currently planned to be launched in autumn 2021. In addition, PesoRama is also currently reviewing locations for the potential opening of additional store locations in the remaining part of 2021 and in 2022. In the longer term, PesoRama's objective is to continue its rapid expansion by opening a significant number of additional new stores after 2022 and prior to the end of 2025. PesoRama's growth plans, including its ability to open new stores, are dependent on a number of factors, including, among other things, PesoRama's operational results, availability of capital, ability to enter into favourable leases for new store locations, and market and competitive conditions. See "*Risk Factors – Risk Factors Relating to PesoRama - Growth and Failure of the Business Plan*".

In addition to building a physical presence, PesoRama is working to grow its online marketing presence. PesoRama's internal marketing team uses a multi-faceted approach to develop, promote and strengthen PesoRama's JOI Canadian Stores retail brand. Going forward, PesoRama's marketing strategy is expected to include the use of social media, shopping centre and outdoor signage, and in-store advertising. PesoRama plans to follow a clear marketing calendar, focused on key seasons to promote its seasonal merchandise. The key brand messaging of the JOI Canadian Stores is expected to continue to be tied to providing quality products to customers at value-based prices.

It is anticipated that PesoRama will experience its lowest gross margins during its first three years of store operations and improved gross margins thereafter. PesoRama's consolidated gross margin (excluding distribution costs) was approximately 40% of total revenues in the nine month period ended October 31, 2020. As a key corporate goal, PesoRama's management intends to continually evaluate and, as it deems appropriate, implement adaptations and changes to its operating processes, practices and systems with a view to increasing its sales and gross margins. In particular, PesoRama's management is currently focussed on achieving targeted gross margins of 42-43% of total revenues in its 2023 fiscal year and maintaining this gross margin percentage thereafter. To this end, management expects to regularly adjust the merchandise mix in stores to offer a compelling value and a wide selection of products to customers, and take advantage of supply chain and operating efficiencies and greater economies of scale that may become available to PesoRama if and when it opens new stores in connection with its growth plans.

### **Competition**

The Mexican dollar store industry is highly fragmented with relatively few privately-owned multi-outlet chains as well as independently-operated dollar stores. Currently there is no market leader in the pure dollar store industry in Mexico. Due to the lack of a strong multi-outlet dollar store chain, with consistent offerings, PesoRama now faces

and is expected to continue to experience competition from independently operated variety and discount stores, convenience stores and mass merchants, which may now or in the future operate stores in the same areas as PesoRama's current or planned new stores, and offer products that are the same or similar to those offered by PesoRama. See "*Risk Factors – Risk Factors Relating to PesoRama*".

Waldos Dolor Mart De Mexico ("**Waldos**") operates approximately 250 discount stores in Mexico. Waldos may be the largest multi-outlet discount store chain and, as at the date of this Prospectus, PesoRama's most significant major competitor in Mexico. While Waldos' retail stores offer a shopping alternative to existing and potential customers of the JOI Canadian Stores, unlike PesoRama's JOI Canadian Stores, Waldos' stores do not operate solely in the dollar store industry and also offer higher priced items and clothing.

### **Competitive Strengths**

PesoRama has adopted several strategies to differentiate its JOI Canadian Stores from its competition:

- *Convenient and consistent store format* – PesoRama stores are generally smaller in size than those of its mass merchant competitors (each location averages around 6,000 square feet compared to mass merchant locations which can range from approximately 30,000 square feet to 260,000 square feet), which allows PesoRama to provide its full range of merchandise in a location that offers much more than a convenience store, but is not as onerous as shopping at a big box store, all the while maintaining low operating costs. In management's view, the fragmented Mexican dollar store industry does not appear to currently have a competitor with a focus on consistent customer experience. Each JOI Canadian Store has a consistent look and feel designed to offer a high quality customer shopping experience.
- *Low-cost supplier network and strong, well-diversified supplier relationships* – In PesoRama's management's view, PesoRama's strong supplier network enables PesoRama to update and diversify its product selection and to rapidly respond to its customers' changing needs. The volume of goods directly sourced from low-cost foreign suppliers is expected to continue to allow PesoRama to deliver a strong customer value proposition at attractive margins.
- *Size and scale of warehousing and distribution operations* – PesoRama's retail locations is backed by an efficient distribution and warehousing operation that is capable of supporting PesoRama's present retail locations and growth to an estimated 75 stores. As PesoRama is currently using a third party distribution centre and logistics provider, it has the opportunity to expand its space and labor requirements to align with its retail network growth plans.
- *State of the art point of sale (POS) system* – PesoRama utilizes a state of the art POS system that, in addition to accepting payments and processing sales, conducts inventory management, supply chain management, staff management, customer data gathering, task automation, financial data generation and provide insight on consumer habits and spending. In management's view, the automation of these processes will enable PesoRama to operate with lower overhead than its competitors.
- *Experienced and committed management team* – PesoRama is led by an experienced management team with a proven track record in the retail industry. Rahim Bhaloo previously developed a portfolio of retirement and nursing homes in excess of 2,500 units, which was sold to a Canadian company for aggregate proceeds of over \$300 million, and has expertise relevant to PesoRama derived from his past involvement in real estate development projects, including with respect to zoning and managing construction. Erica Fattore has had significant experience and success in the dollar store industry, including with the Silver Dollar Stores. She has spent over 20 years in the value dollar channel with experience in North America, Asia, Latin America and other markets.
- *Affiliation with Canada* – Management of PesoRama believes that PesoRama's successful launch of its initial stores in Mexico is due in part to its development and use of its strong brand "JOI Canadian Stores" as the name for all of its retail stores. PesoRama also highlights its Canadian corporate identity by using this name in its main store logo, signage, and overall brand identity. The successful launch of the initial JOI Canadian Stores has reinforced PesoRama's management's understanding that consumers in Mexico, especially in its capital, are open to, and often eager to support international companies carrying on business locally and to purchasing foreign made and branded products. Moreover, PesoRama's success in entering into leases to

situate its current and planned stores in desirable locations confirms the willingness of shopping centre landlords to deal with PesoRama and feature its stores in their retail properties.

## **Growth**

PesoRama's goal is to grow its sales and profitability through the following key initiatives:

### *Establish leading market position*

PesoRama has begun its aggressive expansion plan and plans to continue opening new stores within Mexico City and later elsewhere in Mexico. Because there is not currently any single market leader in the dollar store market within the value retail segment in Mexico, PesoRama's goal is to continue to expand its retail store chain and presence in Mexico, with the objective of becoming the market leader in the Mexican dollar store industry.

### *New Store Openings*

The PesoRama's ability to successfully execute its growth strategy will depend largely on its ability to successfully open and operate new stores in Mexico City and elsewhere in Mexico. PesoRama's expansion model is based, in part, on assumed low capital investment to open stores, rapid sales increases after opening, consistent sales volumes and low ongoing operating costs (including low maintenance capital expenditure requirements), which together are intended to result in an attractive return on investment. A new JOI Canadian Store requires a minimal initial investment of approximately \$425,000, including \$300,000 for capital expenditures and \$125,000 for inventory. Based on initial results, the effects of the COVID-19 pandemic and PesoRama's estimated future operating results from these stores, PesoRama's management has targeted an average capital payback period of less than three years for its initial 18 stores and currently planned new stores. In addition, management anticipates incurring lower start-up capital and initial operating costs for its planned new stores than for its current stores, which it expects will result in higher free cash flows and more attractive returns for these new stores relative to its current stores. See "*Risk Factors – Risk Factors Relating to PesoRama - Growth and Failure of the Business Plan*".

### *Gains in operating efficiencies*

PesoRama seeks to provide customers with superior value while maintaining strong operating margins through the implementation of disciplined cost controls. As PesoRama grows its store base and expands into new markets, PesoRama will seek to leverage its increased scale to achieve increased purchasing and distribution efficiencies, improved labour productivity and continue to strengthen its relationships with key vendors. PesoRama has also made significant investments in employee training and management information systems and expects its increased store base and higher net sales to further leverage PesoRama's existing corporate infrastructure.

## **Customers**

PesoRama's customers seek value and convenience. Depending on their economic needs and geographic proximity, customers shop at PesoRama stores to fulfill various levels of basic needs, including fill-in shopping, periodic routine trips to stock up on household items, and weekly or more frequent trips to meet most of their essential purchasing needs. Many of PesoRama's customers make PesoRama stores a stand-alone shopping destination. PesoRama's product offering also attracts impulse shoppers and shoppers looking for specialization in seasonal products.

## **Transportation**

PesoRama must constantly replenish depleted inventory through deliveries of merchandise to its distribution centres, and from its distribution centres to its stores by various means of transportation, including shipments by sea, train and truck on the roads and highways of countries of product origin and Mexico. PesoRama does not own any trucks and outsources its transportation needs. For the most part, PesoRama relies on third party carriers and typically does not enter into long-term transportation contracts with its carriers, but rather contracts as needed on a purchase-order basis. PesoRama's transportation costs are subject to fuel cost increases or surcharges and therefore fluctuate over time. See "*Risk Factors – Operating and Merchandise Costs*".

## **Employees**

As of August 31, 2021, PesoRama employed 202 retail operation employees, including full-time, part-time, and temporary employees. All of the employees that work in the stores are hired by an outsourcing company that is covered by a union. PesoRama also employed 35 head office employees. PesoRama hires seasonal employees during busy seasons such as Christmas, which provides PesoRama with greater flexibility in its workforce and allows PesoRama to better address business peak periods. See “*Risk Factors – Reliance on Management and Key Personnel*”.

### Seasonality

PesoRama’s business is affected by sales seasonality. Generally, PesoRama’s highest sales volume is expected to occur in its third and fourth fiscal quarters ending on October 31 and January 31, respectively, of each fiscal year. These quarters include the back-to-school, Halloween, Dia de los Muertos and Christmas selling seasons. The lowest sales are expected to occur in the first fiscal quarter ending on April 30 of each fiscal year. As a result of this sales seasonality, PesoRama purchases substantial amounts of inventory in the third calendar quarter and incurs higher shipping costs and higher payroll costs in anticipation of the increased sales activity during the fourth quarter. In addition, PesoRama carries merchandise during the fourth calendar quarter that it does not carry during the rest of the year, such as, holiday decorations, certain baking items a wider assortment of toys and candy, and in-season high demand basic inventory.

### Intellectual Property

PesoRama relies on trademark laws to protect certain aspects of its business. PesoRama’s registered trademarks in Mexico include 53 registered trademarks.

Filing	Mark	Class	Registration Number
2211827	WILLOW & TIME y diseño	20	2027384
2211833	X-ACT ORAL CARE y diseño	21	2027385
2211868	SNAP FRESH y diseño	20	2027387
2211878	SNAP FRESH LOCK y diseño	20	2027388
2211875	SNAP FRESH LOCK y diseño	21	2034287
2211831	GLOBAL RUNNER y diseño	18	2028682
2211835	MON COEUR y diseño	20	2028683
2211838	X-ACT ORAL CARE y diseño	3	2028684
2211844	DRY FIT y diseño	9	2028685
2211845	DRY FIT y diseño	28	2028686
2211846	JOI CATERING y diseño	28	2028687
2211851	JOI CELEBRATE y diseño	28	2028689
2211856	MARCHE y diseño	20	2028691
2211863	KRISTEN'S GARDEN y diseño	8	2028692
2214882	X-ACT MED CARE y diseño	28	2033811
2214886	X-ACT MED CARE y diseño	5	2033812

<b>Filing</b>	<b>Mark</b>	<b>Class</b>	<b>Registration Number</b>
2214893	HE HOME ESSENCE y diseño	20	2033813
2214895	HE HOME ESSENCE y diseño	21	2033814
2214896	CONNEXION 360 y diseño	9	2033815
2214905	Y.A.R.A. YOU ARE REALLY AMAZIN y diseño	21	2033816
2214906	Y.A.R.A. YOU ARE REALLY AMAZIN y diseño	26	2033817
2214907	Y.A.R.A. YOU ARE REALLY AMAZIN y diseño	20	2033818
2211865	KRISTEN'S GARDEN y diseño	21	2034282
2211867	KRISTEN'S GARDEN y diseño	20	2034284
2211869	MR. FIX - IT y diseño	7	2034285
2211875	SNAP FRESH LOCK y diseño	21	2034287
2211877	SNAP FRESH y diseño	21	2034288
2211880	MARCHE y diseño	21	2034289
2211864	CE CRAFT ESSENTIALS y diseño	20	2037875
2211870	CE CRAFT ESSENTIALS y diseño	24	2037876
2211871	PAPER ESSENTIALS y diseño	16	2037877
2211873	RODEO DRIVE y diseño	9	2037878
2214878	WEDDING normativa	28	2038182
2214888	HE HOME ESSENCE y diseño	4	2038183
2214890	HE HOME ESSENCE y diseño	6	2038184
2214902	HAPPY PET y diseño	21	2038185
2214903	PET SMILES y diseño	31	2038186
2211850	DRY FIT y diseño	17	2048395
2211825	HM HYDRATE ME y diseño	17	2079316
2211847	HM HYDRATE ME y diseño	32	2079317

Filing	Mark	Class	Registration Number
2211858	STITCH AND SEW y diseño	23	2088264
2211853	HM HYDRATE ME y diseño	6	2086276
2211855	HM HYDRATE ME y diseño	28	2086277
2211824	STITCH AND SEW y diseño	26	2084101
2211841	MON COEUR y diseño	10	2096658
2211854	JOI CELEBRATE y diseño	16	2096209
2211859	GO GUAY y diseño	25	2096659
2211861	MR. FIX - IT y diseño	8	2096210
2211862	CE CRAFT ESSENTIALS y diseño	16	2096660
2214881	JOI GIFT WRAP normativa	16	2097362
2214891	HE HOME ESSENCE y diseño	16	2097363
2211843	WILLOW & TIME y diseño	21	2210086
2341244	Learning Fun	28	2143027
•	Body Balanace Fitness & Wellness	•	•
•	Nina Hair Fashion	•	•

### Technology

PesoRama utilizes its information technology systems to manage its operations and, in particular, for the efficient functioning of its business, including: accounting, data storage, purchasing and inventory management, supply chain management, customer data gathering, task automation, financial data generation and providing insight on consumer habits and spending. The implementation of PesoRama's state of the art POS system and other information technology systems enables management to more efficiently conduct its operations and gather, analyze and assess information across all business segments and geographic locations. PesoRama believes that its information technology system is sufficient to support PesoRama's operation growth and provide PesoRama with the information that it needs to effectively run its business in the upcoming years.

### Lending

PesoRama does not currently rely on any credit facilities and has no outstanding loans except pursuant to the Debentures. There have been no bankruptcy or receivership or similar proceedings involving PesoRama or any of its subsidiaries, nor have there been any material reorganizations of PesoRama since incorporation.

### Regulatory Matters

PesoRama's commercial activities are subject to risks related to product safety laws. Procedures are in place in order to address such risks. PesoRama's suppliers are responsible for the quality of their products and, in situations of non-compliance, its suppliers would have to assume such risks. Among other things, PesoRama reserves the right to discontinue acceptance of products from any supplier that is not in compliance with PesoRama's high quality standards. Before agreeing to conduct business with an international supplier, PesoRama requires a review of their existing audits. PesoRama also inspects a prospective supplier's operations and production facilities in order to ensure

compliance with PesoRama’s standards. In addition, PesoRama conducts random audits to ensure product quality and compliance with its standards.

### **DIVIDEND POLICY OF PESORAMA**

PesoRama has not declared dividends on the PesoRama Shares in the past. There will be no restrictions in the Resulting Issuer’s constating documents or elsewhere which would prevent the Resulting Issuer from paying dividends following the completion of the Proposed Qualifying Transaction. For further information regarding the Resulting Issuer’s anticipated dividend policy, see “*The Resulting Issuer – Dividends or Distributions of the Resulting Issuer*”.

### **SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS**

The following tables set out certain selected financial information of PesoRama, consolidated with its Mexican subsidiaries, the PesoRama SubCos. Please see the consolidated financial statements of PesoRama for the periods in the tables below which are attached hereto as Schedule “B”.

#### **Annual Information**

	<b>Three Months Ended April 30, 2021 (\$)  (Unaudited)</b>	<b>Year Ended January 31, 2021 (\$)  (Audited)</b>	<b>Year Ended January 31, 2020 (\$)  (Audited)</b>	<b>Year Ended January 31, 2019 (\$)  (Audited)</b>
Total Assets	18,588,203	13,412,968	17,669,863	4,845,024
Total Current Liabilities	4,387,259	3,974,571	1,765,655	291,382
Total Non-Current Liabilities	9,570,863	3,040,769	2,501,386	Nil
Revenues	1,658,907	4,507,426	1,700,595	Nil
Total Expenses	3,262,262	11,553,202	5,478,375	970,429
Net Loss	(1,603,355)	(7,045,776)	(3,777,780)	(970,429)
Net Loss per PesoRama Share (Basic and Diluted)	(0.034)	(0.153)	(0.098)	(0.074)

#### **Management’s Discussion and Analysis**

The MD&A of the financial condition and results of operations of PesoRama for the three months ended April 30, 2021 and the years ended January 31, 2020 and January 31, 2021 are attached hereto at Schedule “B” and should be read in conjunction with unaudited financial statements for the three months ended April 30, 2021 and the audited financial statements for the years ended January 31, 2020 and January 31, 2021, respectively. Such financial statements have been prepared in accordance with IFRS. For a discussion of risks and uncertainties facing PesoRama, and the Resulting Issuer see “*Risk Factors*”.

### **DESCRIPTION OF SECURITIES**

#### **PesoRama Shares**

PesoRama is authorized to issue an unlimited number of PesoRama Shares. As at the date of this Prospectus, 49,643,211 PesoRama Shares are issued and outstanding as fully paid and non-assessable. Holders of PesoRama Shares are entitled to one vote per share at the meetings of PesoRama Shareholders, dividends if, as and when declared

by the PesoRama Board, and upon liquidation, to share equally in the assets of PesoRama that are distributable to PesoRama Shareholders.

PesoRama has not declared or paid any dividends or distributions on the PesoRama Shares to date. The payments of dividends or distributions in the future are dependent on PesoRama's earnings, financial condition and such other factors as the PesoRama Board considers appropriate. PesoRama currently does not anticipate paying any dividends in the foreseeable future.

### **PesoRama Preferred Shares**

PesoRama is authorized to issue an unlimited number of PesoRama Preferred Shares. As at the date of this Prospectus, no PesoRama Preferred Shares have been issued. Holders of PesoRama Preferred Shares are entitled to a preference in priority over the PesoRama Shares with respect to payment of dividends and distribution of assets or return of capital if there is a voluntary or involuntary liquidation, dissolution or winding up of PesoRama.

### **PesoRama Milestone Warrants**

On April 19, 2018, PesoRama issued 5,650,000 Milestone Warrants to certain persons providing services to PesoRama for no consideration. As of the date of this Prospectus, 3,275,000 Milestone Warrants are outstanding, with each such Milestone Warrant entitling the holder thereof to purchase one PesoRama Share at a price of \$0.05 per share, subject to certain vesting conditions.

### **PesoRama Purchase Warrants**

On March 19, 2019, April 3, 2019, May 24, 2019, May 30, 2019 and June 7, 2019, PesoRama completed tranches one through five, respectively, of the Second PesoRama Financing, pursuant to which 14,021,760 PesoRama units were issued at a price of \$0.75 per PesoRama unit for aggregate gross proceeds of \$10,516,320. Tranches one, two and three formed a brokered private placement led by Haywood Securities Inc. pursuant to which 10,470,997 PesoRama units were issued. Tranches four and five formed a non-brokered private placement pursuant to which 3,550,763 PesoRama units were issued. In total, the number of PesoRama Purchase Warrants issued during the Second PesoRama Financing was 14,021,760.

Each PesoRama unit was comprised of one PesoRama Share and one PesoRama Purchase Warrant. Each PesoRama Purchase Warrant, entitles the holder thereof to acquire one PesoRama Share at a price of \$1.25 for a period of 24 months following the date the PesoRama Purchase Warrant was issued, subject to adjustment and earlier expiry at the option of PesoRama in certain circumstances.

All issued, outstanding and unexercised PesoRama Purchase Warrants at the time of Closing will be exchanged for Resulting Issuer Purchase Warrants with identical terms as the PesoRama Purchase Warrants surrendered at Closing pursuant to the terms of the Amalgamation Agreement.

### **PesoRama Performance Warrants**

On May 17, 2018, PesoRama issued 7,500,000 PesoRama Performance Warrants to certain officers and directors of PesoRama. Each PesoRama Performance Warrant entitles the holder thereof to receive PesoRama Shares at a price of \$0.001 per PesoRama Share until May 2023, which vest in accordance with certain vesting provisions upon PesoRama achieving certain store opening milestones. An additional 500,000 PesoRama Performance Warrants were issued to an officer of PesoRama on October 4, 2019. As of the date hereof, 3,000,000 of the PesoRama Performance Warrants have been exercised into PesoRama Shares, 2,500,000 PesoRama Performance Warrants were forfeited upon cessation of the holder's employment with PesoRama, and 2,500,000 PesoRama Performance Warrants remain eligible for exercise subject to satisfaction of certain conditions.

At Closing, all issued, outstanding and unexercised PesoRama Performance Warrants will be exchanged for Resulting Issuer Performance Warrants with identical terms as the PesoRama Performance Warrants surrendered at Closing pursuant to the terms of the Amalgamation Agreement.

### **PesoRama Broker Warrants**

In connection with the First PesoRama Financing, PesoRama issued 816,000 PesoRama Broker Warrants to Canaccord for certain services provided in connection with the First PesoRama Financing, to purchase up to an equivalent number of PesoRama Shares at an exercise price of \$0.40 per PesoRama Share for a period of 24 months from the date the PesoRama Shares (or the Resulting Issuer Shares) are listed on the Exchange or another recognized stock exchange.

In connection with tranche one, two and three of the Second PesoRama Financing, PesoRama issued in aggregate 648,692 PesoRama Broker Warrants (331,637 in tranche one, 163,608 in tranche two and 153,447 in tranche three) to Canaccord, for certain services provided in connection with the Second PesoRama Financing, to purchase up to an equivalent number of PesoRama Shares at an exercise price of \$0.75 per PesoRama Share until the date, as amended, that is 24 months from the date the PesoRama Shares (or the Resulting Issuer Shares) are listed on the Exchange or another recognized stock exchange (initially, the date that was 24 months after the PesoRama Broker Warrants were issued).

In connection with the Third PesoRama Financing, PesoRama issued 186,060 PesoRama Broker Warrants to certain persons for services provided in connection with the Third PesoRama Financing, to purchase up to an equivalent number of PesoRama Shares at an exercise price of \$1.00 per PesoRama Share until the date, as amended, that is 24 months from the date the PesoRama Shares (or the Resulting Issuer Shares) are listed on the Exchange or another recognized stock exchange (initially, the date that was 24 months after the PesoRama Broker Warrants were issued).

As of the date hereof, 28,601 PesoRama Broker Warrants have been exercised into PesoRama Shares and 1,622,151 PesoRama Broker Warrants remain eligible for exercise.

All issued, outstanding and unexercised PesoRama Broker Warrants at the time of Closing will be exchanged for Resulting Issuer Broker Warrants with identical terms as the PesoRama Broker Warrants surrendered at Closing pursuant to the terms of the Amalgamation Agreement.

### **PesoRama Finder Warrants**

In connection with tranche four and five of the Second PesoRama Financing, PesoRama issued in aggregate 259,768 PesoRama Finder Warrants (203,435 in tranche four and 56,333 in tranche five) to certain persons in connection with services provided in connection with the Second PesoRama Financing, to purchase up to an equivalent number of PesoRama Shares at an exercise price ranging between \$0.75 and \$1.25 at any time prior to the date that is 24 months after the PesoRama Finder Warrants were issued, which was subsequently extended to the date that is 24 months from the date on which the PesoRama Shares (or the Resulting Issuer Shares exchanged therefor) are first listed on a recognized Canadian securities exchange.

All issued, outstanding and unexercised PesoRama Finder Warrants at the time of Closing will be exchanged for Resulting Issuer Finder Warrants with identical terms as the PesoRama Finder Warrants surrendered at Closing pursuant to the terms of the Amalgamation Agreement.

### **PesoRama Debenture Finder Warrants**

As compensation for services provided to PesoRama in connection with the Debenture Financing, PesoRama issued 5,034 PesoRama Debenture Finder Warrants to certain persons, which entitle the holders thereof to purchase PesoRama Shares at a price per share of 85% of the PesoRama Share price on the date of conversion, with the number of shares to be issued per each warrant being equal to the product obtained by multiplying (a) the quotient obtained by dividing 1,000 by the conversion price (85% of of the PesoRama Share price on the date of conversion); and (b) 7 percent. The PesoRama Debenture Finder Warrants are exercisable until the date that is 24 months from the date on which the PesoRama Shares (or the Resulting Issuer Shares exchanged therefor) are first listed on a recognized Canadian securities exchange.

All issued, outstanding and unexercised PesoRama Debenture Finder Warrants at the time of Closing will be exchanged for Resulting Issuer Debenture Finder Warrants with substantially the same terms as the PesoRama Debenure Finder Warrants.

## PesoRama Options

PesoRama has an aggregate of 850,000 PesoRama Options issued and outstanding. Each PesoRama Option entitles the holder thereof to purchase one PesoRama Share at a price of \$0.40 for a period of five years following the date of issue.

The terms of the various issued, outstanding and unexercised PesoRama Options and number of optionees holding such options are set forth in the table below.

Category of Optionees	Number of Optionees	Number of Options	Exercise Price	Expiration Date
All executive officers and past executive officers of PesoRama	4	850,000	\$0.40	October 31, 2023

All issued, outstanding and unexercised PesoRama Options at the time of Closing will be exchanged for Resulting Issuer Options with identical terms as the PesoRama Options surrendered at Closing pursuant to the terms of the Amalgamation Agreement. See “*PesoRama – Options to Purchase Securities*”.

## PesoRama Debentures

Pursuant to the Debenture Financing, PesoRama issued 5,542 units, each comprised of one Debenture in the principal amount of \$1,000 and 50 PesoRama Warrants. Each such PesoRama Warrant entitles the holder to purchase one PesoRama Share at a price of \$1.25 until the earlier of the date which is: (i) 24 months from the date on which the PesoRama Shares are first listed on a recognized Canadian securities exchange; and (ii) five years from the issuance date thereof, subject to adjustment in certain circumstances and provided that, in the event that the volume-weighted average price (VWAP) of the PesoRama Shares on a recognized Canadian stock exchange is equal to or greater than \$2.00 over a 10 consecutive trading day period, PesoRama may, at its option, within 10 business days following such 10-day period, accelerate such expiry date to a date specified in a notice given to the holder, which is not less than 30 days following the date of the notice. The Debentures accrue interest at a rate of 9.875% per annum, compounded semi-annually, pro-rated for any partial year until the earlier of the completion of the Proposed Transaction (or an alternative specified transaction) or the Maturity Date. In the event that PesoRama completes the Proposed Transaction (or an alternative specified transaction) prior to the Maturity Date, then upon such completion, the Debentures will automatically convert into the same securities of Skyscape as are issued pursuant to the Offering (or any applicable alternative concurrent financing) at a conversion price that is a 15% discount to the issue price of such securities pursuant to the Offering (or such alternative concurrent financing). If no such automatic conversion occurs, the outstanding principal and accrued interest owing under the Debentures shall be repayable on the Maturity Date.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of PesoRama as at April 30, 2021 and as at the date of this Prospectus. The table should be read in conjunction with the financial statements of PesoRama and the notes thereto included in this Prospectus in Schedule “B”.

Description of Security <sup>(1)</sup>	Authorized Number	Outstanding as at April 30, 2021 (unaudited)	Outstanding as at the Date of this Prospectus (unaudited)
PesoRama Shares	Unlimited	47,643,211	49,643,211
PesoRama Preferred Shares	Unlimited	Nil	Nil
PesoRama Purchase Warrants <sup>(2)</sup>	N/A	14,021,760	14,021,760
PesoRama Performance Warrants <sup>(3)</sup>	N/A	6,750,000	2,500,000

Description of Security <sup>(1)</sup>	Authorized Number	Outstanding as at April 30, 2021 (unaudited)	Outstanding as at the Date of this Prospectus (unaudited)
PesoRama Broker Warrants <sup>(4)</sup>	N/A	1,622,151	1,622,151
PesoRama Milestone Warrants <sup>(5)</sup>	N/A	3,525,000	3,275,000
PesoRama Debenture Warrants <sup>(6)</sup>	N/A	277,100	277,100
PesoRama Options <sup>(7)</sup>	10% of PesoRama Shares	1,250,000	5,200,000
PesoRama Finder Warrants <sup>(8)</sup>	N/A	259,768	259,768
PesoRama Debenture Finder Warrants <sup>(9)</sup>	N/A	5,034	5,034
PesoRama Debentures <sup>(10)</sup>	N/A	Convert into ● Resulting Issuer Shares and ● Resulting Issuer Warrants	Convert into ● Resulting Issuer Shares and ● Resulting Issuer Warrants

Notes:

- (1) All PesoRama Shares and securities convertible into PesoRama Shares are disclosed.
- (2) In connection with the Second PesoRama Financing, 14,021,760 PesoRama Purchase Warrants exercisable at a price of \$1.25 per share were issued as part of the PesoRama units issued. In connection with the Proposed Qualifying Transaction, the PesoRama Purchase Warrants will be exchanged for an equivalent number of Resulting Issuer Purchase Warrants with terms identical to the PesoRama Purchase Warrants.
- (3) On May 17, 2018, PesoRama issued 7,500,000 PesoRama Performance Warrants to certain officers and directors of PesoRama. Each PesoRama Performance Warrant entitles the holder thereof to purchase one PesoRama Share at a price of \$0.001 until May 17, 2023, subject to vesting provisions related upon PesoRama achieving certain store opening milestones. An additional 500,000 PesoRama Performance Warrants were issued to an officer of PesoRama on October 4, 2019, each of which entitles the holder to purchase one PesoRama Share at a price of \$0.001 until May 17, 2024, subject to vesting provisions related upon PesoRama achieving certain store opening milestones. In connection with the Proposed Qualifying Transaction, the PesoRama Performance Warrants will be exchanged for an equivalent number of Resulting Issuer Performance Warrants with terms identical to the PesoRama Performance Warrants.
- (4) In connection with the First PesoRama Financing, 816,000 PesoRama Broker Warrants were issued to Canaccord and are exercisable at a price of \$0.40 per PesoRama Share for a period of 24 months from the date the PesoRama Shares (or the Resulting Issuer Shares) are listed on the Exchange or such other recognized stock exchange. In connection with the Second PesoRama Financing, 648,692 PesoRama Broker Warrants were issued to Canaccord and are exercisable at a price of \$0.75 per PesoRama Share until the date that is 24 months from the date on which the PesoRama Shares (or the Resulting Issuer Shares exchanged therefor) are first listed on a recognized Canadian securities exchange. On December 23, 2019, in connection with the Third PesoRama Financing, PesoRama issued an aggregate of 186,060 PesoRama Broker Warrants, each of which entitles the holder to purchase one PesoRama Share for \$1.00 until the date that is 24 months from the date on which the PesoRama Shares (or the Resulting Issuer Shares exchanged therefor) are first listed on a recognized Canadian securities exchange. In connection with the Proposed Qualifying Transaction, the PesoRama Broker Warrants will be exchanged for an equivalent number of Resulting Issuer Broker Warrants with terms identical to the PesoRama Broker Warrants. An aggregate of 1,622,151 PesoRama Broker Warrants are outstanding, with each such PesoRama Broker Warrant entitling the holder thereof to purchase one PesoRama Share at an exercise price ranging between \$0.40 and \$1.00 per share, subject to certain vesting conditions.
- (5) On April 19, 2018, PesoRama issued 5,650,000 Milestone Warrants were issued to certain persons providing services. An aggregate of 3,275,000 Milestone Warrants are outstanding, with each such Milestone Warrant entitling the holder thereof to purchase one PesoRama Share at a price of \$0.05 per share, subject to certain vesting conditions.
- (6) In connection with the PesoRama Debenture Financing, PesoRama issued 277,100 PesoRama Debenture Warrants, each forming part of a convertible debenture unit.
- (7) Pursuant to the PesoRama Option Plan, PesoRama is authorized to grant such number of options equaling up to 10% of the issued and outstanding PesoRama Shares from time to time. As disclosed above in the section of this Prospectus entitled “Part II – PesoRama – Description of the Securities – Securities – PesoRama Options” there are 850,000 and 4,350,000 PesoRama Shares issuable at an exercise price of \$0.40 and \$1.00 per PesoRama Share, respectively, pursuant to outstanding PesoRama Options which expire on October 31, 2023 and September 27, 2026, respectively.
- (8) In connection with services provided during the Second PesoRama Financing, PesoRama issued 259,768 PesoRama Finder Warrants to certain persons, to purchase up to an equivalent number of PesoRama Shares at an exercise price ranging between \$0.75 and \$1.25 until the date that is 24 months from the date on which the PesoRama Shares (or the Resulting Issuer Shares exchanged therefor) are first listed on a recognized Canadian securities exchange.
- (9) As compensation for services provided to PesoRama in connection with the Debenture Financing, PesoRama issued PesoRama Debenture Finder Warrants to certain persons, which entitle the holders thereof to purchase up to PesoRama Shares at a price per share of 85% of the PesoRama Share price on the date of conversion, with the number of shares to be issued per each warrant being equal to the product obtained by multiplying (a) the quotient obtained by dividing 1,000 by the conversion price (85% of of the PesoRama Share price on the date of conversion date); and (b) 7 percent. The PesoRama Debenture Finder Warrants are exercisable until the date that is 24 months from the date on which the PesoRama Shares (or the Resulting Issuer Shares exchanged therefor) are first listed on a recognized Canadian securities exchange.

PesoRama adopted the PesoRama Option Plan which is administered by the PesoRama Board, and was re-approved and adopted by the PesoRama Board on October 31, 2018. The PesoRama Option Plan provides that the PesoRama Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of PesoRama or its subsidiaries, non-transferable PesoRama Options, provided that the number of PesoRama Shares reserved for issuance shall not exceed 10% of the issued and outstanding PesoRama Shares from time to time. In connection with the foregoing, the number of PesoRama Shares reserved for issuance to any one person in any 12 month period will not exceed 5% of the issued and outstanding PesoRama Shares, unless PesoRama has obtained disinterested shareholder approval in respect of such grant and meets applicable Exchange requirements (if applicable).

The number of PesoRama Shares reserved for issuance to any one consultant shall not exceed 2% of the issued and outstanding PesoRama Shares in any 12 month period and the number of PesoRama Shares reserved for issuance to persons providing investor relations activities within any twelve month period shall not exceed 2% of the issued and outstanding PesoRama Shares on the grant date. PesoRama Options granted to consultants performing investor relation activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the PesoRama Options vesting in any 3 month period.

The PesoRama Options may be exercised during a period of time fixed by the PesoRama Board, or if following cessation of the optionee's position with PesoRama: (a) if the cessation of office, directorship, or consulting arrangement was by reason of death or disability, the PesoRama Options may be exercised within a maximum period of one year after such death or disability, subject to the expiry date of such options; (b) if the cessation of office, directorship, or consulting arrangement is for any other reason, the PesoRama Options shall be exercisable at any time up to but not after the earlier of the expiry date and the date which is 90 days (30 days if the optionee was engaged in investor relations activities) after the cessation of office, directorship, or consulting arrangement.

The exercise price of the PesoRama Options shall be determined by the PesoRama Board, subject to Exchange approval, as applicable, at the time any PesoRama Option is granted. Once the exercise price has been determined by the PesoRama Board, and accepted by the Exchange, as applicable, and the PesoRama Option has been granted, the exercise price may only be reduced if at least 6 months have elapsed since the later of: (a) the date of the commencement of the term; (b) the date the exercise price was reduced; or (c) in the cases where the PesoRama Shares are listed on the Exchange, the date the PesoRama Shares commenced trading on the Exchange.

As of the date of this Prospectus, PesoRama has entered into the following stock option agreements pursuant to the PesoRama Option Plan:

Name	Number of Options	Exercise Price per Share	Expiry Date
Erica Fattore <sup>(1)</sup>	250,000	\$0.40	October 31, 2023
	2,750,000	\$1.00	September 27, 2026
Abdulmajeed Bawazeer <sup>(2)</sup>	150,000	\$0.40	October 31, 2023
	1,600,000	\$1.00	September 27, 2026
Rahim Bhaloo	400,000	\$0.40	October 31, 2023
Stephen Rosenberg	150,000	\$0.40	October 31, 2023

Notes:

- (1) On February 21, 2019, Erica Fattore exercised 62,500 of her vested PesoRama Options.
- (2) On January 2, 2019, Abdulmajeed Bawazeer exercised 37,500 of his vested PesoRama Options.

As of the date of the Prospectus, PesoRama had 850,000 PesoRama Options issued and outstanding.

The Resulting Issuer intends to review the incentive program for its officers, directors, employees and consultants after completion of the Proposed Qualifying Transaction. See *“The Resulting Issuer – Options to Purchase Securities”* and *“PesoRama – Directors and Executive Officers of PesoRama – Executive Compensation Discussion and Analysis”*.

## Prior Sales

The following table summarizes details of the securities issued by PesoRama during the 12-month period prior to the date of this Prospectus.

Date of Issuance	Description of Security	Price per Security	Number of Securities Issued	Total Funds Received
November 24, 2020	PesoRama Shares	\$0.001	1,250,000 <sup>(1)</sup>	\$1,250
March 17, 2021	PesoRama Shares	\$0.75	28,601 <sup>(2)</sup>	\$21,450.75
March 2, 2021	PesoRama Debentures	\$1,000	4,832	\$4,832,000
April 1, 2021	PesoRama Debentures	\$1,000	710	\$710,000
April 14, 2021	PesoRama Shares	\$0.05	475,000 <sup>(3)</sup>	\$23,750
May 6, 2021	PesoRama Shares	\$0.001	1,250,000 <sup>(4)</sup>	\$1,250
July 16, 2021	PesoRama Shares	\$0.05	250,000 <sup>(5)</sup>	\$12,500
September 20, 2021	PesoRama Shares	\$0.001	500,000	\$500

Notes:

- (1) Issued on the exercise of 1,250,000 PesoRama Performance Warrants.
- (2) Issued on the exercise of 28,601 PesoRama Broker Warrants.
- (3) Issued on the exercise of 475,000 PesoRama Milestone Warrants.
- (4) Issued on the exercise of 1,250,000 PesoRama Performance Warrants.
- (5) Issued on the exercise of 250,000 PesoRama Milestone Warrants.
- (6) Issued on the exercise of 500,000 PesoRama Performance Warrants.

### Trading Price and Volume

PesoRama is not, and has never been, listed or quoted on any stock exchange.

### ESCROWED SECURITIES

See “*The Resulting Issuer – Escrowed Securities*”.

### PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of PesoRama, as of the date of this Prospectus, no shareholders beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the registered capital of PesoRama, except as follows:

Name and Residence	Type of Ownership	Securities Held	% of PesoRama Shares Prior to Giving Effect to the Offering and the Amalgamation
Rahim Bhaloo, <i>Mexico</i>	Direct and Indirect <sup>(1)</sup>	6,500,000 <sup>(1)</sup>	13.09%
Ed Sivitilli, <i>Ontario, Canada</i>	Direct	6,250,000	12.59%

Note:

- (1) Of which 6,250,000 PesoRama Shares are held by Ocean View Trust.

For information on principal shareholders of the Resulting Issuer, see “*The Resulting Issuer – Principal Shareholders*”.

## DIRECTORS AND EXECUTIVE OFFICERS OF PESORAMA

The names and municipalities of residence of, and the number and percentage of voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised by the current executive officers and directors of PesoRama as well as the offices held by each and the principal occupation of each during the past five years are as follows:

Name and Residence	Position	Principal Occupation for the Past Five Years	Director or Officer Since	Number of PesoRama Shares owned or controlled <sup>(2)</sup>
<b>Rahim Bhaloo</b> <sup>(1)</sup> <i>Mexico</i>	Director, Executive Chairman	Independent Corporate Director and Consultant; prior thereto, CEO of PesoRama	October 16, 2017	6,500,000 <sup>(1)</sup> (13.09%)
<b>Erica Fattore</b> <i>Ontario, Canada</i>	Chief Executive Officer and President	Chief Executive Officer and President of PesoRama (since August 16, 2021) and prior thereto (since October 2018), Chief Merchandising Officer of Pesorama.  Prior to that, Vice-President of key account sales at Gertex USA.	October 31, 2018	562,500 (0.11%)
<b>Lynn Chapman</b> <i>Alberta, Canada</i>	CFO	Independent Corporate Consultant  Prior to March 2019, Controller and Chief Financial Officer of Petrodorado Energy Ltd., an oil and gas exploration and development company. Currently acts as CFO of ROK Resources Inc. and ThreeD Capital Inc.	March 1, 2021	Nil
<b>Abdulmajeed Bawazeer</b> <i>Mexico</i>	Chief Strategy Officer	Chief Strategy Officer of PesoRama (since August 2021) and prior thereto (since October 2018) Vice-President, Operations of PesoRama.  Prior to that, an investment banking analyst at OCI Groups Inc.	August 16, 2018	547,500 (0.11%)
<b>Andrew Parks</b> <i>Ontario, Canada</i>	Director	Chief Executive Officer of Fountain Asset Corp., a merchant bank which provides financing to companies across many industries	December 10, 2020	Nil
<b>Edward Sivitilli</b> <i>Ontario, Canada</i>	Director	Former CEO of PesoRama; prior thereto, Independent Corporate Consultant	May 8, 2018	6,250,000 (12.59%)

Notes:

- (1) Of which 6,250,000 PesoRama Shares are held by Ocean View Trust.
- (2) Percentage is based on 49,643,211 PesoRama Shares issued and outstanding as of the date of this Prospectus.

The total aggregate number of PesoRama Shares beneficially owned, directly or indirectly, by all directors and executive officers of PesoRama is 13,859,996 which is equal to 27.9% of the issued and outstanding PesoRama Shares at the time of this Prospectus.

In addition to any other requirements of the Exchange, the Exchange expects management of PesoRama to meet a high management standard. The directors of PesoRama believe that, on a collective basis, management possesses the appropriate experience, qualifications and history to be capable of carrying out PesoRama's business.

## **Biographies**

The biographies of all of the individuals who are the directors and officers of PesoRama as of the date of this Prospectus can be found in the section entitled “*The Resulting Issuer – Directors and Executive Officers of the Resulting Issuer – Biographies*”

## **Corporate Cease Trade Orders**

None of the directors or executive officers of PesoRama has, within the 10 years prior to the date of this Prospectus, been a director, chief executive officer or chief financial officer of any company (including PesoRama) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied PesoRama access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

## **Bankruptcies**

Except as set out below, none of the directors or executive officers of PesoRama has, within the 10 years prior to the date of this Prospectus, become 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, been a director or executive officer of any company, 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.

Mr. Bhaloo was a director and executive officer of Liberty Assisted Living Inc., which had four of its subsidiaries make a proposal under the *Bankruptcy and Insolvency Act* in 2011.

## **Penalties or Sanctions**

No director or executive officer of PesoRama or shareholder holding sufficient securities of PesoRama to affect materially the control of PesoRama 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
- 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 making an investment decision.

## **Conflict of Interest**

See “*Information Concerning Resulting Issuer – Conflict of Interest*”.

## **EXECUTIVE COMPENSATION**

### **Introduction**

The following discussion describes the significant elements of the compensation of PesoRama’s Executive Chairman, Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer and non-executive officers of PesoRama who are acting in a similar capacity and whose total compensation was more than \$150,000, namely:

- Rahim Bhaloo, Executive Chairman and previously Chief Executive Officer;
- Erica Fattore, President and Chief Executive Officer and previously Chief Merchandising Officer;
- Lynn Chapman, Chief Financial Officer;
- Abdulmajeed Bawazeer, Chief Strategy Officer, previously Vice President, Operations.

The below disclosure relating to the executive compensation of PesoRama includes executive compensation of the executive officers and directors of PesoRama.

## **Compensation Discussion and Analysis**

### *Compensation Objectives and Philosophy*

It is the objective of PesoRama's executive compensation program to attract and retain highly qualified executives and to link incentive compensation to performance and shareholder value, while at the same time keeping in mind that PesoRama currently has limited financial resources. It is the goal of the PesoRama Board to endeavour to ensure that the compensation of executive officers is sufficiently competitive to achieve the objectives of the executive compensation program. The PesoRama Board gives consideration to PesoRama's long-term interests and quantitative financial objectives, as well as to the qualitative aspects of the individual's performance and achievements. PesoRama's primary compensation policy is to pay for performance and accordingly, the performance of PesoRama and of the executive officers as individuals are both examined by the PesoRama Board.

### *Compensation-Setting Process*

When determining compensation, management and the PesoRama Board review the compensation practices of companies in its selected peer group. Together with this comparative information, the CEO annually assesses the individual performance and development of each executive officer and recommends to the PesoRama Board the appropriate salary, annual incentive and long-term incentive for each individual. The PesoRama Board then reviews those recommendations in conjunction with its own review of PesoRama's performance, executive performance and comparative data and discusses and approves the compensation package.

The PesoRama Board does not set specific performance objectives in assessing the performance of the CEO and other executive officers; rather the PesoRama Board uses its experience and judgment in determining an overall compensation package for the CEO and other executive officers. The PesoRama Board assesses the performance of PesoRama and its executive officers relative to PesoRama's goals and objective and in relation to the performance of PesoRama's industry peer group.

## **Principal Elements of Compensation**

PesoRama's executive compensation is comprised of three principal components: base salaries, the PesoRama Option Plan, and incentive bonus compensation which are designed to provide compensation to effectively retain and motivate the executive officers to achieve the corporate goals and objectives. Other components of executive compensation include perquisites and other personal benefits. Each component of the executive compensation program is addressed separately below. The fixed element of compensation provides a competitive base of secure compensation required to attract and retain executive talent. The variable performance based compensation is designed to encourage both short-term and long-term performance of PesoRama.

### *Base Salaries*

The base salary component is intended to provide a fixed level of competitive pay that reflects each executive officer's primary duties and responsibilities and the level of skills and experience required to successfully perform his or her role. PesoRama intends to pay base salaries to its executive officers, including the CEO, that are competitive with those for similar positions within PesoRama's selected peer group. Salaries for executive officers are reviewed annually based on corporate and personal performance and on individual levels of responsibility. Salaries of the executive officers are not determined based on benchmarks or a specific formula. The PesoRama Board determines the salary of the CEO. The PesoRama Board considers, and, if thought appropriate, approves salaries recommended by the CEO for the other executive officers of PesoRama.

### *Incentive Bonus Compensation*

In addition to base salaries, PesoRama can award discretionary bonuses to executive officers. The bonus element of PesoRama's executive compensation program is designed to retain top quality talent and reward both corporate and individual performance during PesoRama's last completed financial year. To determine bonus awards for executive officers, including the NEOs, the PesoRama Board considers both the executive's personal performance and the performance of PesoRama relative to its peers. NEOs are eligible for discretionary bonus compensation payable should

PesoRama reach certain revenue and/or net-income targets. The proposed bonus amounts and targets for executive officers are recommended by the CEO for review, discussion and approval by the PesoRama Board.

#### *Stock Option Plan*

PesoRama adopted the PesoRama Option Plan which is administered by the PesoRama Board, and was re-approved and adopted by the PesoRama Board on October 31, 2018. The PesoRama Option Plan provides that the PesoRama Board may from time to time, in its discretion, grant to directors, officers, employees and consultants of PesoRama or its subsidiaries, non-transferable PesoRama Options. See “*PesoRama – Options to Purchase Securities*”.

#### *Perquisites and Other Components*

Other components of compensation include perquisites and personal benefits as determined by the PesoRama Board that are consistent with the overall compensation strategy. There is no formula for how perquisites or personal benefits are utilized in the total compensation package.

PesoRama does not provide any pension or retirement benefits to its executive officers.

#### **Compensation Benchmarking**

Salaries of the executive officers are not determined based on benchmarks or a specific formula.

#### **Managing Compensation Risk**

The oversight and administration of PesoRama’s compensation program requires the PesoRama Board to consider risks associated with PesoRama’s compensation policies and practices. Potential risks associated with compensation policies and compensation awards are considered at meetings of the PesoRama Board at which compensation related recommendations to the PesoRama Board are formulated.

PesoRama’s executive compensation policies and practices are intended to align management incentives with the long-term interests of PesoRama and its shareholders. In each case, PesoRama seeks an appropriate balance of risk and reward. Practices that are designed to avoid inappropriate or excessive risks include (a) PesoRama’s operating strategy and related compensation philosophy, (b) the effective balance, in each case, between cash and equity mix, near-term and long-term focus, corporate and individual performance, and financial and non-financial performance; and (c) a multi-faceted approach to performance evaluation and compensation that does not reward an executive for engaging in risky behavior to achieve one objective to the detriment of other objectives.

Based on this review, the PesoRama Board believes that PesoRama’s total compensation program does not encourage executive officers to take unnecessary or excessive risk.

PesoRama does not prohibit the NEOs or the directors from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by such person. The NEOs and directors have advised PesoRama that they have not entered into any such arrangements.

#### **Compensation Governance**

##### **Director and Named Executive Officer Compensation, Excluding Compensation Securities**

The following table contains information about the compensation to, or earned by, individuals who are NEO’s or who were, considered NEO’s as at the financial years ended January 31, 2021 and 2020. The directors of PesoRama did not receive any compensation for acting in that capacity for the financial years ended January 31, 2021 and 2020.

Table of compensation excluding compensation securities							
Name and Position	Year ended January 31	Salary (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of Perquisites (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
Rahim Bhaloo <sup>(1)</sup> <i>Executive Chairman</i>	2021	250,000	N/A	N/A	N/A	N/A	250,000
	2020	250,000	NA	N/A	N/A	N/A	250,000
Erica Fattore <sup>(2)</sup> <i>Chief Executive Officer</i>	2021	180,000	N/A	N/A	N/A	N/A	180,000
	2020	180,000	N/A	N/A	N/A	N/A	180,000
Lynn Chapman <sup>(3)</sup> <i>Chief Financial Officer</i>	2021	N/A	N/A	N/A	N/A	N/A	N/A
	2020	N/A	N/A	N/A	N/A	N/A	N/A
Abdulmajeed Bawazeer <sup>(4)</sup> <i>Chief Strategy Officer</i>	2021	120,000	N/A	N/A	N/A	N/A	120,000
	2020	120,000	N/A	N/A	N/A	N/A	120,000
Edward Sivitilli <sup>(5)</sup> <i>Former President and CEO</i>	2021	250,000	N/A	N/A	N/A	N/A	250,000
	2020	250,000	N/A	N/A	N/A	N/A	250,000
Douglas Osrow <sup>(6)</sup> <i>Former Chief Financial Officer</i>	2021	N/A	N/A	N/A	N/A	N/A	N/A
	2020	157,500	N/A	N/A	N/A	N/A	157,500

Notes:

- (1) Mr. Bhaloo was appointed as PesoRama's Executive Chairman on December 10, 2020 and served as its Chief Executive Officer from April 19, 2018 to June 18, 2020.
- (2) Ms. Fattore was appointed as PesoRama's Chief Executive Officer on August 16, 2021 and prior thereto served as its Chief Merchandising Officer since October 31, 2018.
- (3) Mr. Chapman was appointed as PesoRama's Chief Financial Officer on March 1, 2021.
- (4) Mr. Bawazeer was appointed as PesoRama's Chief Strategy Officer on August 16, 2021 and prior thereto served as its Vice-President, Operations since August 16, 2018.
- (5) Mr. Sivitilli served as PesoRama's President and Chief Executive Officer from June 18, 2020 to August 16, 2021 and as its President and Chief Operating Officer from April 19, 2018 to June 18, 2020.
- (6) Mr. Osrow served as PesoRama's Chief Financial Officer from August, 2020 to December, 2020.

### External Management Contracts

No management functions of PesoRama are to any substantial degree performed by a person other than the directors or senior officers of PesoRama.

### Stock Option and Other Compensation Securities

No securities-based awards were granted or issued to director or Named Executive Officers of PesoRama during the financial year ended December 31, 2020. In addition, no director or Named Executive Officer of PesoRama exercised any PesoRama convertible securities during the financial year ended January 31, 2020, other than Ed Sivitilli who exercised 1,250,000 PesoRama Performance Warrants .

### Employment, consulting and management agreements

PesoRama has entered into executive employment agreements with: (a) Rahim Bhaloo, Executive Chairman; (b) Erica Fattore, President and Chief Executive Officer; (c) Lynn Chapman, Chief Financial Officer; and (d) Abdulmajeed Bawazeer, Chief Strategy Officer. Under the executive employment agreements, each officer is engaged by PesoRama to provide the services specified under each agreement. The officers each receive an annual base salary, are eligible to receive a bonus, to participate in the PesoRama Option Plan, and are eligible to participate in PesoRama's employee

benefit plans. The officers' employment with PesoRama is indeterminate and will continue until it is terminated in accordance with the terms of their respective employment agreements. The respective employment agreements provide that upon termination without cause, resignation, retirement, or change in control of PesoRama, PesoRama shall pay the employee all remuneration earned, but not yet paid, up to the employee's last day of active employment, all accrued but unused vacation pay, less required withholdings and all business expenses properly incurred in the carrying out of the employment duties.

#### **Pension Benefits**

PesoRama does not have a pension plan that provides for payments or benefits to the executive officers or directors at, following, or in connection with retirement. See "*The Resulting Issuer – Proposed Executive Compensation of the Resulting Issuer.*"

### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

As of the date of this Prospectus, none of the directors, the officers or any Promoter of PesoRama, nor any of their respective Associates or Affiliates is indebted to PesoRama.

### **CORPORATE GOVERNANCE**

As of the date hereof, the PesoRama Board is comprised of three directors. Andrew Parks qualifies as an independent director within the meaning set out under NI 52-110. The Corporation intends to call a meeting of the PesoRama Shareholders to, amongst other thing, remove Edward Sivitilli as a director of PesoRama as a result of his termination as Chief Executive Officer and President, see "*Business of PesoRama - General Development of the Business – History.*"

After completion of the Proposed Qualifying Transaction, the Resulting Issuer will implement the appropriate provisions of NI 52-110, see "*The Resulting Issuer – Audit Committee and Corporate Governance of the Resulting Issuer.*" and establish an audit committee and the CGN Committee.

### **RISK FACTORS**

The business of PesoRama, which will be the business of the Resulting Issuer, is subject to a number of risk factors. For a description of risk factors affecting both PesoRama and the Resulting Issuer, see "*Risk Factors – Risk Factors Relating to PesoRama*", and "*– Risk Factors Relating to the Resulting Issuer.*"

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Except as described below, since the beginning of the most recently completed financial year for which financials statements of PesoRama are included, there are no material legal proceedings involving PesoRama as at the date of this Prospectus and PesoRama knows of no such proceedings currently contemplated. There have been no material penalties, sanctions, or settlement agreements imposed by a court or regulatory body upon PesoRama as at the date of this Prospectus and PesoRama knows of no such proceedings currently contemplated.

On July 5, 2021, PesoRama commenced legal proceedings in the Ontario Superior Court of Justice against Borden Ladner Gervais LLP ("**BLG**") and Robb McNaughton. BLG and Mr. McNaughton served as PesoRama's corporate and litigation lawyers from the time of PesoRama's incorporation on October 16, 2017, until December 8, 2020. From August 31, 2018, until December 8, 2020, Mr. McNaughton also served as a director of PesoRama and at all relevant times, as member of the Audit, Compensation, Governance, and Nominating Committees of PesoRama's Board of Directors. In the litigation, PesoRama alleges, among other things, that BLG breached legal and equitable duties it owed to PesoRama when serving as its legal counsel and that McNaughton breached legal, equitable, and statutory duties that he owed to PesoRama as its lawyer and as a director. PesoRama is seeking damages from the defendants as a result of these and other alleged breaches.

On August 20, 2021, PesoRama received a letter from legal counsel to Edward Sivitilli, its former President and Chief Executive Officer and current director, demanding that compensation be paid to Mr. Sivitilli with respect to the termination of his services as an officer of PesoRama. In this letter and subsequent correspondence, Mr. Sivitilli's counsel threatened to commence legal action against PesoRama and claimed, among other things, that Mr. Sivitilli was wrongfully dismissed. PesoRama has since made good faith efforts to resolve the disputed matters. To date, no

resolution has been agreed and no legal action has been initiated. See also “*Risk Factors – Risk Factors Relating to PesoRama*”, and “*Risk Factors – Risk Factors Relating to the Resulting Issuer*”.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this Prospectus, none of the directors or executive officers of PesoRama, or persons or companies that beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding PesoRama Shares, or any Associate or Affiliates of any of the foregoing, has any material interest, direct or indirect, in any transactions in which PesoRama has participated within the three years before the date of this Prospectus, which has materially affected or is reasonably expected to materially affect PesoRama.

### **AUDITOR, TRANSFER AGENT AND REGISTRAR**

PesoRama’s auditor is MNP LLP, located at 111 Richmond Street West, Suite 300 Toronto, ON M5H 2G4.

The transfer agent and registrar of PesoRama is TSX Trust Company, located at 100 Adelaide Street West, Suite 300, Toronto, Ontario, M5H 1A3.

### **MATERIAL CONTRACTS OF PESORAMA**

The following is a list of material contracts entered into by PesoRama since the beginning of its last financial year ending before the date of this Prospectus, or before such date if that material contract is still in effect, except for contracts which are in the ordinary course of its business:

1. the Amalgamation Agreement;
2. the amended and restated trust indenture between PesoRama and TSX Trust Company dated as of March 17, 2021 with respect to the Debentures;
3. the amended and restated warrant indenture between PesoRama and TSX Trust Company dated as of March 17, 2021 with respect to certain PesoRama Purchase Warrants issued on March 21, 2019;
4. the amended and restated warrant indenture between PesoRama and TSX Trust Company dated as of March 17, 2021 with respect to certain PesoRama Purchase Warrants issued on May 30, 2019;
5. the amended and restated warrant indenture between PesoRama and TSX Trust Company dated as of March 17, 2021 with respect to the PesoRama Debenture Warrants;
6. the Fundamental Letter of Intent;
7. the Warrant Indenture; and
8. the Agency Agreement.

Copies of material contracts will be available for inspection without charge at the business office of PesoRama at 217 Queen Street West, Suite 401, Toronto, ON M5V 0R2, during ordinary business hours from the date of this Prospectus until the completion of the Proposed Qualifying Transaction.

### **THE PROPOSED QUALIFYING TRANSACTION**

The Company has identified the Proposed Qualifying Transaction with PesoRama as an appropriate transaction for the purpose of completing its Qualifying Transaction as required under the CPC Policy. The Proposed Qualifying Transaction will be completed on the terms set forth in the Amalgamation Agreement, pursuant to which the Company will acquire all issued and outstanding PesoRama Shares and PesoRama will become a wholly-owned subsidiary of the Company via an amalgamation with Subco to form Amalco.

The completion of the Proposed Qualifying Transaction is subject to, among other things, prior satisfaction or waiver of a number of conditions, including the final Exchange acceptance of the Proposed Qualifying Transaction, the Skyscape Name Change, and the satisfaction or waiver of the conditions in the Amalgamation Agreement. Upon

completion of the Proposed Qualifying Transaction, the Resulting Issuer is expected to meet all of the Exchange's minimum listing requirements for a Tier 1 Industrial Issuer.

The Proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction pursuant to the definition of such term in the CPC Policy. Consequently, the Proposed Qualifying Transaction does not require any approval of the Company Shareholders.

### **Securities Exchange**

The Proposed Qualifying Transaction is structured as a three-cornered amalgamation pursuant to the Amalgamation Agreement and, as a result, PesoRama will be a wholly-owned subsidiary of the Resulting Issuer. On March 8, 2021, the Company entered into the Amalgamation Agreement with PesoRama and Subco, pursuant to which all PesoRama Shares will be exchanged for Skyscape Shares.

Pursuant to the Amalgamation Agreement, the deemed value ascribed to each Skyscape Share shall be \$1.00 (based on the currently issued and outstanding Skyscape Shares). Upon completion of the Securities Exchange, and subject to the seed share resale rules of the Exchange, it is expected that shareholders of both the Company and former shareholders of PesoRama will hold freely tradable shares of the Resulting Issuer listed on the Exchange, with the exception of Insiders of the Company and PesoRama and others who will be subject to escrow provisions under the policies of the Exchange.

### **Amalgamation Agreement**

The Amalgamation Agreement contains covenants, representations and warranties of and from each of the Company and PesoRama and various conditions precedent, both mutual and with respect to each entity. The following is a summary of certain provisions of the Amalgamation Agreement. The Amalgamation Agreement is filed on SEDAR under the Company's profile and reference is made thereto for the full text thereof.

#### *Representations, Warranties and Covenants*

The Amalgamation Agreement contains customary representations and warranties made by each of the Company and PesoRama. Those representations and warranties were made solely for the purposes of the Amalgamation Agreement and are subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms.

Moreover, some of the representations and warranties contained in the Amalgamation Agreement are qualified by knowledge or by reference to a contractual standard of materiality (including a Material Adverse Effect, as such term is defined in the Amalgamation Agreement) that may be different from that generally applicable to public disclosure to shareholders, or those standards used for the purpose of allocating risk between parties to an agreement.

The representations and warranties provided by each of the Company and PesoRama relate to, among other things: their valid incorporation and existence, authorized capital and outstanding securities, authority and capacity to enter into the Amalgamation Agreement, no material defaults under any contracts, agreements or licences, and an absence of certain material changes and litigation.

In addition, the Amalgamation Agreement contains customary affirmative and negative covenants whereby, among other things, each of the Company and PesoRama covenants to maintain their respective businesses and not take certain actions outside the ordinary course until the completion of the Proposed Qualifying Transaction or the termination of the Amalgamation Agreement, and to use commercially reasonable efforts to satisfy certain conditions precedent to their respective obligations under the Amalgamation Agreement.

### **Conditions to the Proposed Qualifying Transaction Becoming Effective**

The respective obligations of the Company and PesoRama to complete the Proposed Qualifying Transaction are subject to the satisfaction or waiver, on or before the completion of the Proposed Qualifying Transaction (or such other time as is specified in the condition), of certain conditions, including, among others, the following:

#### *Closing Conditions:*

The completion of the Proposed Qualifying Transaction is subject to certain conditions given by each of the Company and PesoRama in favour of the other. These conditions include:

- (a) obtaining necessary regulatory and shareholder approvals;
- (b) corporate approvals;
- (c) delivery of certain certificates by officers;
- (d) representations and warranties remaining true;
- (e) performance of covenants;
- (f) lack of legal proceedings;
- (g) lack of Material Adverse Effects (as defined in the Amalgamation Agreement);
- (h) the Skyscape Name Change will have been completed; and
- (i) delivery of other certificates and documents.

#### *Shareholder Approval*

The Proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction (as defined by the CPC Policy) and does not require the approval of the Company Shareholders, except that the approval of the Company Shareholders of the Skyscape Name Change is a condition of closing in favour of PesoRama. The Company held a shareholders' meeting on October 23, 2019, where, among other things, the Company Shareholders approved the Skyscape Name Change. In addition, the PesoRama Shareholders will also have to approve the Amalgamation Agreement and the transactions contemplated therein.

#### *Regulatory Approval*

The Amalgamation Agreement provides that receipt of all regulatory, governmental and third-party approvals and consents is a condition precedent to the Amalgamation and Securities Exchange becoming effective. The Proposed Qualifying Transaction is subject to the approval of the Exchange (which must also approve the Skyscape Name Change). Listing of the Skyscape Shares to be issued in connection with the Proposed Qualifying Transaction is subject to the Company fulfilling all of the listing requirements of the Exchange.

The Company and PesoRama will seek an exemption from the Exchange from its requirement to engage a sponsor in connection with the Proposed Qualifying Transaction.

#### *Mutual Covenants Regarding Non-Solicitation*

Each of the parties to the Amalgamation Agreement has agreed that, from the date of the acceptance of the Amalgamation Agreement until completion of the Securities Exchange and the Amalgamation or the earlier termination of the Amalgamation Agreement, the Company and PesoRama will not, directly or indirectly, solicit, initiate, assist, facilitate, promote or encourage proposals or offers from, entertain or enter into discussions or negotiations with, or provide information relating to its securities or assets, business, operations, affairs or financial condition to any persons in connection with the acquisition or distribution of any securities of the Company and PesoRama, or any amalgamation, merger, consolidation, arrangement, restructuring, refinancing or sale of any material assets of the Company or PesoRama, unless such action, matter or transaction is part of the transactions contemplated in the Amalgamation Agreement or is satisfactory to, and is approved in writing in advance by the parties thereto or is necessary to carry on the normal course of business.

#### *Termination*

The Amalgamation Agreement may be terminated at any time prior to the completion of the Proposed Qualifying Transaction: (a) by mutual written consent of the parties; (b) by either PesoRama or the Company, if a condition for the terminating party's benefit has not been satisfied or waived; or (c) by either PesoRama or the Company, if the closing has not occurred on or before June 30, 2021.

In the event of the termination of the Amalgamation Agreement in the circumstances set out above, the Amalgamation Agreement will forthwith become void and no party shall have any liability or further obligations to the other parties to the Amalgamation Agreement, except with respect to each party's obligations of confidentiality in the Amalgamation Agreement and each parties respective transaction costs, which survive such termination.

### Pro-Forma Capitalization

The following table sets out the number of Skyscape Shares and the percentage of the Skyscape Shares held after giving effect to the Amalgamation and the Offering on an undiluted basis.

	Number of Securities and Percentage Held After Giving Effect to the Amalgamation and the Offering	
	Skyscape Shares	% of undiluted total
Current Company Shareholders	2,000,000	●%
Current PesoRama Shareholders	49,643,211	●%
Debenture Holders	●	●%
Skyscape Shares issued pursuant to the Offering	●	●%
<b>Total</b>	●	100.00%

Completion of the Amalgamation and the Securities Exchange is conditional upon the approval of the Exchange, and other conditions which are typical for an amalgamation transaction of this type. See "*The Resulting Issuer – Pro-Forma Consolidated Capitalization of the Resulting Issuer*".

### PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement dated ●, 2021 among the Company and the Agent, the Company has appointed the Agent to act as its exclusive agent to offer for sale, on commercially reasonable efforts basis, of up to ● Units for gross proceeds of up to \$●, subject to the terms and conditions of the Agency Agreement. The price of the Units was determined by arm's length negotiation between the Company and Canaccord.

Each Unit consists of one Skyscape Share and one Skyscape Warrant exercisable at \$1.25 per Skyscape Share until the Warrant Expiry Date (being a period of two years from Closing). In the event that the volume-weighted average price of the Skyscape Shares on a recognized Canadian stock exchange (which includes the Exchange) is equal to or greater than \$2.00 over a ten (10) consecutive trading day period, the Company may, at its option, within ten (10) business days following such 10-day period, accelerate the Warrant Expiry Date by issuing the Warrant Acceleration Press Release, and, in such case, the Warrant Expiry Date shall be deemed to be the date that is thirty (30) days following the issuance of the Warrant Acceleration Press Release.

The Warrants will be created and issued pursuant to the terms of the Warrant Indenture to be entered into between the Company and the Warrant Agent on or before the Closing Date. The Warrant Indenture will, among other things, contain provisions designed to protect holders of the Warrants against dilution upon the happening of certain events. No fractional Warrants will be issued and no cash consideration will be paid in lieu of fractional Warrant Shares.

The obligations of the Agent under the Agency Agreement may be terminated by it at their discretion on the basis of its assessment of the state of the financial markets and may also be terminated in certain stated circumstances and upon the occurrence of certain stated events, including industry standard "disaster out", "market out", "cease trade out" and "regulatory proceedings out" provisions.

The Company has granted the Agent the Over-Allotment Option, exercisable in whole or in part, at the sole discretion of the Agent, at any time, and from time to time, at least 48 hours prior to the Closing Date, to purchase up to an

additional 2,250,000 Units at the Offering Price to cover the Agent's over-allocation position, if any, and for market stabilization purposes.

In consideration for the services provided by the Agent in connection with the Offering, and pursuant to the terms of the Agency Agreement, the Company has agreed to pay the Agent the Agent's Fee equal to 6.0% of the gross proceeds of the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option). The Agent shall also be issued Compensation Options on the Closing Date equal to 6% of the aggregate number of Units issued by the Company under the Offering. Each Compensation Option will be exercisable for one (1) Skyscape Share, at the Offering Price (subject to any necessary adjustments) for a period of twenty-four (24) months following the Closing Date.

The Company has agreed to reimburse the Agent for all reasonable out-of-pocket expenses incurred in connection with the Offering, including, the fees, taxes and disbursements of the Agent's legal counsel, up to a maximum of \$150,000, together with applicable taxes.

The Agent, or registered sub-agents who assist the Agent in the distribution of the Units offered hereunder, conditionally offer the Units, subject to prior sale, if, as and when issued by the Company and accepted by the Agent in accordance with the conditions contained in the Agency Agreement and subject to the approval of certain legal matters relating to the Offering on behalf of the Company by Chitiz Pathak LLP, on behalf of PesoRama by Irwin Lowy LLP and on behalf of the Agent by DLA Piper (Canada) LLP. The Offering is being made in each of Alberta, British Columbia and Ontario, through the Agent or registered sub-agents and such other registered dealers as may be designated by the Agent. Subject to applicable law, the Agent may offer the Units in the United States and such other jurisdictions outside of Canada and the United States as agreed between the Company and the Agent.

Subscriptions for Units will be payable to the Company against delivery of the Units. Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about ●, 2021 or such other date as is mutually agreed by the Company and the Agent, but, in any event, not later than the date that is 90 days following the date that a receipt for this Prospectus is issued by the applicable securities commissions. It is anticipated that the Units will be delivered under the book-based system through CDS or its nominee and deposited in electronic form. A purchaser of Units will receive only a customer confirmation from the registered dealer from or through which the Units are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold the Skyscape Shares and Skyscape Warrants underlying the Units on behalf of owners who have purchased Units in accordance with the book-based system. No definitive certificates will be issued unless specifically requested or required. After a reasonable effort has been made to sell all of the Units at the price stated above, the Agent may offer the Units at a price lower than that stated above. Any such reduction will not affect the net proceeds to be received by the Company under the Offering.

Closing of the Offering is subject to conditions which are set out in the Agency Agreement. The principal condition is the approval of the Exchange of the Offering and the Transaction, subject only to satisfaction by the Company of customary post-closing conditions. The Company has applied to the Exchange for approval of the Offering and to list the Skyscape Shares on the Exchange pursuant to the closing of the Transaction. The Exchange has not conditionally approved the Company's listing application and there is no assurance that the Exchange will approve the Transaction. Listing will be subject to the Company fulfilling all of the listing requirements of the Exchange.

Pursuant to the Agency Agreement, the Company has agreed not to, without the prior written consent of Canaccord, on behalf of the Agent, such consent not to be unreasonably withheld, directly or indirectly, offer, issue, pledge, sell, contract to sell, announce any intention to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise lend, transfer or dispose of, directly or indirectly, any Units or securities convertible into or exchangeable for Skyscape Shares, other than: (i) the issuance of Skyscape Shares in connection with the exercise of any currently outstanding options of the Company; (ii) the issuance of options to acquire Skyscape Shares pursuant to the Company's stock option plan; (iii) the issuance of awards pursuant to the Company's incentive award plan; or (v) to satisfy any other currently outstanding instruments or other contractual commitments in relation to any transaction that has been disclosed to the Agent, for a period of 90 days after Closing.

In addition, in accordance with the terms of the Agency Agreement, the Company and PesoRama will cause each of its executive officers, directors and affiliated shareholders, holding approximately 50% of the Resulting Issuer Shares in the aggregate, to enter into lock-up agreements in a form satisfactory to the Company, PesoRama and Canaccord, on behalf of the Agent, pursuant to which each such person agrees, for a period of 120 days after the Closing Date, not to, directly or indirectly, sell, agree to sell, announce any intention to sell, or otherwise monetize the economic value of, any Resulting Issuer Shares or other securities (including but not limited to options, purchase contracts, rights or warrants) convertible or exchangeable for Resulting Issuer Shares, whether now owned or hereinafter acquired, directly or indirectly, or under their control or direction, or with respect to which each has beneficial ownership, without the written consent of Canaccord, such consent not to be unreasonably withheld, subject to the following exceptions: (a) if the Resulting Issuer receives an offer, which has not been withdrawn, to enter into a transaction or arrangement, or proposed transaction or arrangement, pursuant to which, if entered into or completed substantially in accordance with its terms, a party could, directly or indirectly acquire an interest (including an economic interest) in, or become the holder of, 100% of the total number of Resulting Issuer Shares, whether by way of takeover offer, plan of arrangement, shareholder approved acquisition, capital reduction, share buyback, securities issue, reverse takeover, dual-listed company structure or other merger, transaction or arrangement; (b) in respect of sales to affiliates of such person; or (c) as a result of the death of any such person.

All subscription proceeds will be paid to the Agent in trust, and held by the Agent in trust, pending fulfillment of the conditions set out in the Agency Agreement. The Agent will release those funds to the Company on the Closing.

The Company has agreed to indemnify and hold harmless the Agent, and their respective subsidiaries and affiliates, and each of their respective directors, officers, employees, partners, agents, shareholders, successors, assigns and each other person, if any, controlling the Agent, or any of their respective subsidiaries and affiliates, from and against certain liabilities and expenses.

Pursuant to policy statements of certain securities regulators, the Agent may not, throughout the period of distribution, bid for or purchase Skyscape Shares. The foregoing restriction is subject to certain exceptions including: (a) a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities, (b) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was for the purpose of maintaining a fair and orderly market and not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities, or (c) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period. Consistent with these requirements, and in connection with this distribution, the Agent may over-allot or effect transactions that stabilize or maintain the market price of the Skyscape Shares at levels other than those which otherwise might prevail on the open market. If these activities are commenced, they may be discontinued by the Agent at any time. The Agent may carry out these transactions on the Exchange, in the over-the-counter market or otherwise.

The Units have not been and will not be registered under the U.S. Securities Act or any state securities laws and, subject to registration under the U.S. Securities Act and applicable state securities laws or certain exemptions therefrom, may not be offered, sold, transferred, delivered or otherwise disposed of, directly or indirectly, within the United States or to, or for the account or benefit of, any U.S. Person or any person in the United States.

## **THE RESULTING ISSUER**

*Information contained in this part assumes Closing has occurred and the acceptance by the Exchange of the Proposed Qualifying Transaction.*

## **CORPORATE STRUCTURE**

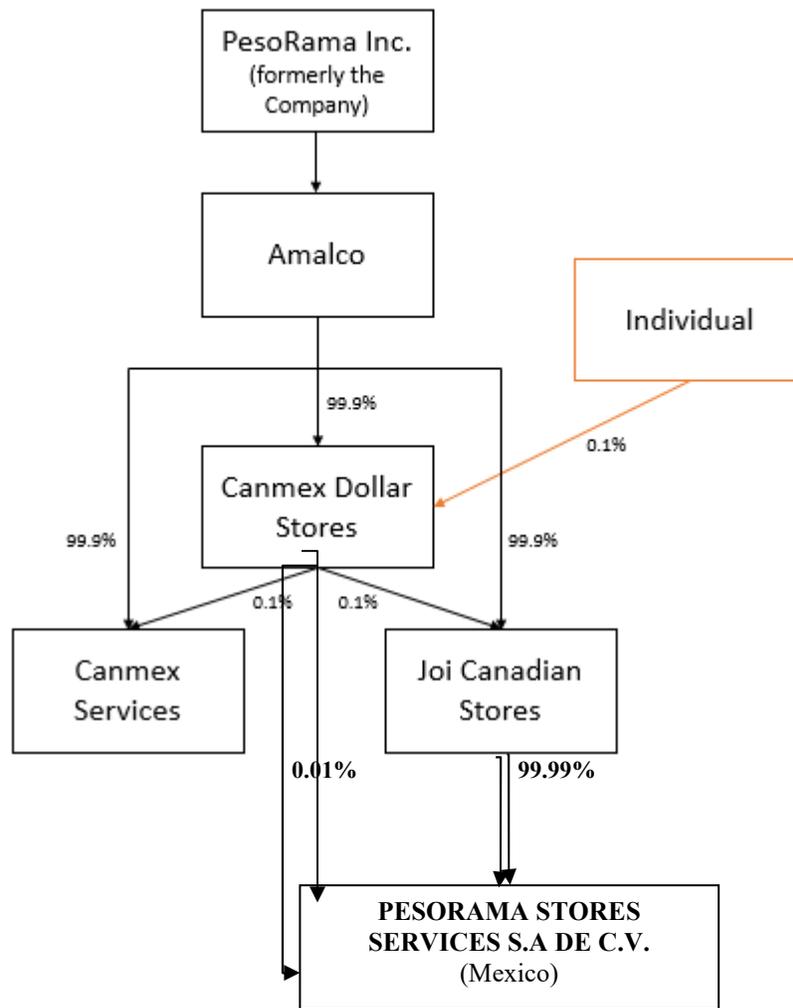
### **Name, Address and Incorporation**

The Resulting Issuer is expected to be named “PesoRama Inc.” or another name that is acceptable to PesoRama and to applicable regulatory authorities. The Resulting Issuer will be continued under the CBCA. The head office and registered and records office of the Resulting Issuer will be located at 77 King Street West, TD North Tower, Suite 700, Toronto, ON, M5K 1G8.

## Intercorporate Relationships

For a depiction of Skyscape’s intercorporate relationships prior to completion of the Proposed Qualifying Transaction, see “*Skyscape – Intercorporate Relationships*”. For a depiction of PesoRama’s intercorporate relationships prior to completion of the Proposed Qualifying Transaction, see “*PesoRama – Intercorporate Relationships*”.

The following chart displays the intercorporate relationships between the Resulting Issuer and its material subsidiaries following completion of the Proposed Qualifying Transaction.



### BUSINESS OF THE RESULTING ISSUER

Following completion of the Proposed Qualifying Transaction, the Resulting Issuer will carry on the business currently carried on by PesoRama. Please see “*PesoRama – Business of PesoRama*”.

PesoRama expects to allocate the Available Funds primarily towards working capital. PesoRama plans to establish a chain of Mexican dollar stores which will offer customers a variety of quality products which can be purchased at a fixed price point and expects to be a first-mover brand in the currently underserved and growing Mexican dollar store industry. PesoRama is committed to providing value for customers through its product offerings, fixed price points and enhanced shopping experience. It is anticipated that a portion of the Available Funds will also be allocated towards costs related to corporate overhead.

Following completion of the Proposed Qualifying Transaction, the Resulting Issuer will continue the business of PesoRama, using the Available Funds. See “*The Resulting Issuer– Available Funds and Use of Proceeds*”.

### AVAILABLE FUNDS AND USE OF PROCEEDS

The net proceeds to the Company from the Offering are estimated to be \$●million, after deducting the Agent’s Fee of \$●million and the estimated expenses of the Offerings of approximately \$0.5 million, assuming that the Over-Allotment Option is not exercised. If the Over-Allotment Option is exercised in full, the net proceeds to the Company from the Offering are estimated to be \$●, after deducting the Agent’s Fee of \$● and the estimated expenses of the Offerings of approximately \$●. The net proceeds from the Offering are expected to be used to fund a portion of the Resulting Issuer’s near term business objectives, including for new store openings. More particularly, these net proceeds, together with the other estimated Available Funds of the Resulting Issuer, as described below, are planned to be expended by the Resulting Issuer in connection with these objectives and the other business purposes of the Resulting Issuer in the manner described in the remainder of this Available Funds and Use of Proceeds section of this Prospectus.

#### Available Funds

It is anticipated that upon completion of the Proposed Qualifying Transaction, the Resulting Issuer will have approximately \$●million of Available Funds, including the estimated net proceeds of the Offering of approximately \$●million. These Available Funds are expected to be used by the Resulting Issuer as set forth below under the heading “*Principal Purposes of Funds*”.

The following table sets forth the estimated Available Funds of the Resulting Issuer on completion of the Proposed Qualifying Transaction, based on the best information available to the Company and PesoRama as of the date hereof. See Schedule “B” “*Consolidated Financial Information and MD&A of Skyscape*” and Schedule “C” “*Pro Forma Financial Statements of the Resulting Issuer*”.

Anticipated Source of Funds	Estimated Available Funds
Estimated working capital of PesoRama as at August 31, 2021	\$1,000,000
Estimated working capital (deficit) of the Company as at August 31, 2021	(\$240,000)
Estimated net proceeds of the Offering <sup>(2)</sup>	\$●
<b>Estimated Total Available Funds on Completion of the Proposed Qualifying Transaction<sup>(3)</sup></b>	<b>\$●</b>

Notes:

- (1) This estimated pro-forma financial information assumes the completion of the Proposed Qualifying Transaction.
- (2) This estimated pro-forma financial information assumes completion of the Proposed Qualifying Transaction and the Offering (with no exercise of the Over-Allotment Offering) for estimated gross proceeds to the Company of \$●million, and the deduction therefrom of the estimated Agent’s Fee of \$●million and the estimated expenses of the Offering of approximately \$0.5 million.
- (3) This estimated pro-forma financial information as at August 31, 2021 assumes completion of the Proposed Qualifying Transaction and the Offering (with no exercise of the Over-Allotment Offering) and includes the following pro forma adjustments to reflect the transactions: (i) costs associated with the Proposed Qualifying Transaction of approximately \$0.5 million, and (ii) for the net proceeds of the Offering.

PesoRama has had negative operating cash flows from operations since its inception. For the three-month period ended April 30, 2021, PesoRama incurred a total comprehensive loss of \$1,936,383 and for its fiscal years ended January 31, 2021 and January 31, 2020, PesoRama had a total comprehensive loss of \$7,020,476 and \$3,810,095, respectively. During the 12 months following the date of this Prospectus, the Resulting Issuer is expected to continue to incur negative cash flow from operations and plans to expend a portion of its Available Funds to fund such negative cash flow as described below. See “*Risk Factors*”.

Based on the Resulting Issuer’s currently planned use of its estimated Available Funds, including the net proceeds of the Offering, as disclosed in this Prospectus, management of the Company and PesoRama expect that the Resulting Issuer will have sufficient available funds to continue operations for more than 12 months. To the extent that the Resulting Issuer has negative operating cash flow in future periods thereafter, it may need to deploy some or all of the

unallocated portion of its Available Funds as set out below differently than as currently planned under PesoRama’s expansion model in order to fund such negative cash flow.

### Principal Purposes of Funds

The Resulting Issuer’s primary business objective will be directed at advancing PesoRama’s current business strategy, which is centered on continuing to execute its aggressive expansion plans. To this end, the Resulting Issuer plans to use the Available Funds primarily to fund the opening of 12 or more planned new retail store locations, for working capital requirements and for other general corporate purposes, during the 12 month period following the completion of the Proposed Qualifying Transaction. Specifically, the estimated Available Funds are expected to be used by the Resulting Issuer in connection with these business objectives in such 12-month period as set forth in the table below.

Principal Use of Available Funds	Amount Assuming Completion of the Proposed Qualifying Transaction <sup>(1)</sup> (\$)
Capital Expenditures –Additional Retail Store Locations <sup>(2)</sup>	\$3.6 million
Inventory including for Additional Retail Store Locations <sup>(2)</sup>	\$1.5 million
Head office infrastructure	\$0.5 million
General and Administrative Costs	\$1.0 million
Unallocated Working Capital	\$3.06 million
<b>Total Use of Available Funds</b>	<b>\$9.66 million</b>

Notes:

- (1) Assumes completion of the Proposed Qualifying Transaction and completion of the Offering.  
(2) Assumes the opening of 12 new stores.

The key business objectives of the Resulting Issuer in the near term are as follows:

<u>Milestone</u>	<u>Time period</u>		<u>Estimated Cost</u>
	<u>From</u>	<u>To</u>	<u>\$</u>
Complete Construction and Open 6 New Stores	January 2022	June 2022	\$2.5 million
Open a further 6 New Stores	June 2022	January 2023	\$2.5 million

A new JOI Canadian Store requires minimal initial investment of approximately \$425,000, including \$300,000 for capital expenditures and \$125,000 for inventory. The Resulting Issuer’s ability to execute its expansion plans within the time frames and for the estimated costs set out above, depends on a number of uncertainties, including its ability to locate, lease, build out and open its planned new stores in suitable locations on a timely basis under favorable economic terms. In addition, this expansion is dependent upon third-party contractors in connection with, among other things, locating store locations, construction, and securing necessary permits and approvals. The ability of these contractors to perform these activities at the estimated costs and timely manner could be negatively impacted by a number of unanticipated events and by the ongoing COVID 19 pandemic. Further, the Resulting Issuer may not manage its expansion effectively, and any failure by it to achieve its sated expansion plans could materially and adversely affect the Resulting Issuer’s business, financial condition and results of operations. See “*Risk Factors*”.

Notwithstanding the proposed uses of Available Funds discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary or prudent. It is difficult at this time to definitively project the total funds necessary to effect the planned activities of the Resulting Issuer. For these reasons, the Resulting Issuer will retain broad discretion over the use of the Available Funds. Pending the uses described above, the Resulting Issuer is expected to invest the Available Funds in short-term, interest-bearing, investment-grade securities or maintained in its bank account in Canada.

In addition, the above estimates and forecasts are subject to the material assumptions and risks disclosed in elsewhere in this Prospectus, including the risk factors disclosed in this Prospectus. Readers should carefully review the

disclosure in this Prospectus under the headings “*Forward Looking Information*” and “*Risk Factors*”, including under the headings “*Risk Factors - Risk Factors Relating to PesoRama*” and “*Risk Factors - Risk Factors Relating to the Resulting Issuer*.”

## **DIVIDENDS OR DISTRIBUTIONS OF THE RESULTING ISSUER**

There will be no restrictions in the Resulting Issuer’s constating documents or elsewhere which would prevent the Resulting Issuer from paying dividends following the completion of the Proposed Qualifying Transaction. All of the Resulting Issuer Shares will be entitled to an equal share in any dividends declared and paid. However, it is not contemplated that any dividends will be paid on the Resulting Issuer Shares in the immediate or foreseeable future. It is anticipated that all available funds will be invested to finance the development and growth of the Resulting Issuer’s business, as well as the identification and evaluation of assets or businesses. The directors of the Resulting Issuer will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer’s financial position at the relevant time.

## **DESCRIPTION OF THE SECURITIES**

### **Resulting Issuer Shares**

The Resulting Issuer will be authorized to issue an unlimited number of Resulting Issuer Shares. Holders of the Resulting Issuer Shares will be entitled to one vote per share at the meetings of shareholders, dividends, if, as and when declared by the Board of the Resulting Issuer, and upon liquidation, to share equally in the assets of the Resulting Issuer that are distributable to shareholders.

### **Resulting Issuer Options**

In connection with Closing, the Resulting Issuer will issue 850,000 Resulting Issuer Options in exchange for the issued, outstanding and unexercised PesoRama Options. The terms of the Resulting Issuer Options issued in exchange for the PesoRama Options will have terms identical to those of the PesoRama Options. For a description of these terms, see “*The Resulting Issuer – Options to Purchase Securities*”.

### **Resulting Issuer Performance Warrants**

In connection with Closing, the Resulting Issuer will issue 2,500,000 Resulting Issuer Performance Warrants in exchange for the PesoRama Performance Warrants. The Resulting Issuer Broker Warrants issued in exchange for the foregoing securities will have terms identical to those of the PesoRama Performance Warrants. For a description of these terms, see “*PesoRama – Description of Securities*”.

### **Resulting Issuer Milestone Warrants**

In connection with Closing, the Resulting Issuer will issue 3,275,000 Resulting Issuer Milestone Warrants in exchange for the Milestone Warrants. The Resulting Issuer Milestone Warrants issued in exchange for the foregoing securities will have terms identical to those of the Milestone Warrants. For a description of these terms, see “*PesoRama – Description of Securities*”.

### **Resulting Issuer Purchase Warrants**

In connection with Closing, the Resulting Issuer will issue 14,021,760 Resulting Issuer Purchase Warrants in exchange for the PesoRama Purchase Warrants. The Resulting Issuer Purchase Warrants issued in exchange for the foregoing securities will have terms identical to those of the PesoRama Purchase Warrants. For a description of these terms, see “*PesoRama – Description of Securities*”.

### **Resulting Issuer Broker Warrants**

In connection with Closing, the Resulting Issuer will issue 1,622,151 Resulting Issuer Broker Warrants in exchange for the PesoRama Broker Warrants. The Resulting Issuer Broker Warrants issued in exchange for the foregoing securities will have terms identical to those of the PesoRama Broker Warrants. For a description of these terms, see “*PesoRama – Description of Securities*”.

### **Resulting Issuer Compensation Options**

In connection with Closing, the Resulting Issuer will issue • Resulting Issuer Compensation Options in exchange for the Compensation Options. The Resulting Issuer Compensation Options issued in exchange for the foregoing securities will have terms identical to those of the Compensation Options. For a description of these terms, see “*PesoRama – Description of Securities*”.

### **Resulting Issuer Finder Warrants**

In connection with Closing, the Resulting Issuer will issue 259,768 Resulting Issuer Finder Warrants in exchange for the PesoRama Finder Warrants. The Resulting Issuer Finder Warrants issued in exchange for the foregoing securities will have terms identical to those of the PesoRama Finder Warrants. For a description of these terms, see “*PesoRama – Description of Securities*”.

### **Resulting Issuer Debenture Finder Warrants**

In connection with Closing, the Resulting Issuer will issue Resulting Issuer Debenture Finder Warrants, which will entitle the holders thereof to purchase Resulting Issuer Shares in exchange for the PesoRama Debenture Finder Warrants and otherwise on terms substantially the same as those of the PesoRama Debenture Finder Warrants. For a description of these terms, see “*PesoRama – Description of Securities*”.

## **OPTIONS TO PURCHASE SECURITIES**

There are currently 200,000 Skyscape Shares that have been reserved for issuance pursuant to the exercise of the Skyscape Options, and no grants of Skyscape Options are planned prior to completion of the Proposed Qualifying Transaction. See “*The Resulting Issuer – Pro-Forma Consolidated Capitalization of the Resulting Issuer*” for information regarding anticipated options and warrants outstanding following completion of the Amalgamation and the Offering.

The Board of the Resulting Issuer will adopt a stock option plan that it will administer (the “**Resulting Issuer Option Plan**”). The Resulting Issuer Option Plan will provide that the Board of the Resulting Issuer may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Resulting Issuer, non-transferable Resulting Issuer Options, provided that the number of Resulting Issuer Shares reserved for issuance will not exceed 10% of the issued and outstanding Resulting Issuer Shares. In connection with the foregoing, the number of Resulting Issuer Shares reserved for issuance to any one person in any 12 month period will not exceed 5% of the issued and outstanding Resulting Issuer Shares unless the Resulting Issuer has obtained disinterested shareholder approval in accordance with the policies of the Exchange in respect of such grant and meets applicable Exchange requirements. In addition: (a) the number of Resulting Issuer Shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding Resulting Issuer Shares; (b) the number of Resulting Issuer Shares reserved for issuance to any one consultant will not exceed 2% of the issued and outstanding Resulting Issuer Shares; (c) the number of Resulting Issuer Shares reserved for issuance to persons providing investor relations activities will not exceed 2% of the issued and outstanding Resulting Issuer Shares; (d) the number of Resulting Issuer Shares reserved for issuance to consultants within a one year period will not exceed 2% of the issued and outstanding Resulting Issuer Shares on the grant date; and (e) the number of Resulting Issuer Shares reserved for issuance to Insiders as a group within a one year period will not exceed 2% of the issued and outstanding Resulting Issuer Shares on the grant date.

Resulting Issuer Options must be exercised within 90 days following cessation of the optionee’s position with the Resulting Issuer, provided that (a) if the cessation was by reason of death, the Resulting Issuer Option may be exercised within a maximum period of one year after such death, subject to the expiry date of such Resulting Issuer Options; (b) if the cessation of office, directorship, or consulting arrangement was by reason of termination for cause, the Resulting Issuer Options shall be cancelled as of that date; and (c) if the cessation of office, directorship, or consulting arrangement was due to retirement at the request of his or her employer earlier than the normal retirement date under the Resulting Issuer’s retirement policy then in force, due to termination by the Resulting Issuer other than for cause, or due to voluntary resignation, the option then held by the optionee shall be exercisable at any time up to but not after the earlier of the expiry date and the date which is 90 days (30 days if the optionee was engaged in investor relations activities) after the cessation of office, directorship, or consulting arrangement.

The exercise price of the Resulting Issuer Options shall be determined by the Board of the Resulting Issuer at the time any Resulting Issuer Option is granted. In no event shall such exercise price be lower than 100% of the fair market value of the Resulting Issuer Shares on the date of such grant. Subject to any vesting restrictions imposed by the Exchange, the Board of the Resulting Issuer may, in its sole discretion, determine the time during which Resulting Issuer Options shall vest and the method of vesting, or that no vesting restriction shall exist.

Upon completion of the Proposed Qualifying Transaction, it is expected that the Resulting Issuer will have • Resulting Issuer Options issued and outstanding to acquire Resulting Issuer Shares and • Resulting Issuer Shares reserved for issuance under the Resulting Issuer Option Plan. The following table shows the expected allocation of Resulting Issuer Options:

Category of Optionee	Number of Options to Purchase Resulting Issuer Shares	Exercise Price(\$)	Market Value on Date of Grant	Market Value on •	Expiry Date
<b>Officers of the Resulting Issuer</b>					
Rahim Bhaloo	400,000	\$0.40	N/A	\$•	October 31, 2023
	•	\$1.00	N/A	\$•	•
Erica Fattore	187,500	\$0.40	N/A	\$•	October 31, 2023
	2,750,000	\$1.00	N/A	\$•	September 27, 2026
Abdulmajeed Bawazeer	112,500	\$0.40	N/A	\$•	October 31, 2023
	1,600,000	\$1.00	N/A	\$•	September 27, 2026
<b>Non-Executive Directors of the Resulting Issuer</b>					
Antonio Heredia	•	\$1.00	N/A	\$•	•
Paul Pathak	•	\$1.00	N/A	\$•	•
Andrew Parks	•	\$1.00	N/A	\$•	•
<b>Other former optionees of PesoRama</b>					
Stephen Rosenberg	150,000	\$0.40	N/A	\$•	October 31, 2023
<b>All former optionees of Skyscape</b>					
Roger Daher	100,000	\$0.50	\$0.50	\$0.50	12 months from the completion of the Proposed Qualifying Transaction
Paul Pathak	50,000	\$0.50	\$0.50	\$0.50	12 months from the completion of the Proposed Qualifying Transaction
James Walker	50,000	\$0.50	\$0.50	\$0.50	12 months from the completion of the Proposed Qualifying Transaction
<b>TOTAL</b>	•				

## PRO-FORMA CONSOLIDATED CAPITALIZATION OF THE RESULTING ISSUER

### Pro Forma Consolidated Capitalization

The following table sets forth the estimated capitalization of the Resulting Issuer after giving effect to the Proposed Qualifying Transaction and the Offering, as more particularly described in the pro forma consolidated balance sheet as at April 30, 2021 attached hereto as Schedule “C” “Pro Forma Financial Statements of the Resulting Issuer”.

<b>Capital</b>	<b>Amount Authorized or to be Authorized</b>	<b>Amount Outstanding as at the Effective Date and After Giving Effect to the Proposed Qualifying Transaction</b>
Resulting Issuer Shares <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>	Unlimited	●
Debt	N/A	Nil
Resulting Issuer Options	10% of Resulting Issuer Shares	●
Resulting Issuer Purchase Warrants	N/A	●
Resulting Issuer Milestone Warrants	5,650,000	3,275,000
Resulting Issuer Performance Warrants	N/A	2,500,000
Resulting Issuer Broker Warrants	N/A	1,622,151
Resulting Issuer Compensation Options	N/A	●
Resulting Issuer Finder Warrants	N/A	259,768
Resulting Issuer Debenture Finder Warrants	N/A	5,034

Notes:

- (1) Including the ● PesoRama Shares issued pursuant to the Offering.
- (2) There will be ● options to acquire Resulting Issuer Shares issued and outstanding. See “*The Resulting Issuer – Options to Purchase Securities*”.
- (3) The retained earnings (deficit) attributed to the Resulting Issuer Shares is (\$●), as disclosed in the pro-forma balance sheet of the Resulting Issuer.

The fully-diluted share capital of the Resulting Issuer, after completion of the Proposed Qualifying Transaction and the Offering, will consist of the securities set forth in the table below. Including all of the below securities, it is expected that there will be ● Resulting Issuer Shares issued and outstanding, along with ● securities convertible into Resulting Issuer Shares, or ● Resulting Issuer Shares outstanding on a fully-diluted basis as set forth in the table below.

<b>Categories of Securities</b>	<b>Number of Resulting Issuer Shares</b>	<b>Percentage of Total Diluted Resulting Issuer Share Capital Post Closing</b>
Resulting Issuer Shares issued for PesoRama Shares	49,643,211	●%
Resulting Issuer Shares issued for Skyscape Shares issued pursuant to the Offering	●	●%
Resulting Issuer Shares issued by Skyscape prior to completing the Skyscape IPO (currently held in escrow)	1,000,000	●%
Resulting Issuer Shares issued by Skyscape pursuant to the Skyscape IPO	1,000,000	●%
Resulting Issuer Shares reserved for issuance upon the exercise of the Skyscape Options	200,000	●%
Resulting Issuer Shares reserved for issuance upon the exercise of the PesoRama Options	●	●%
Resulting Issuer Shares reserved for issuance upon the exercise of the PesoRama Purchase Warrants	14,298,860	●%
Resulting Issuer Shares reserved for issuance upon the exercise of the PesoRama Performance Warrants	2,500,000	●%

Categories of Securities	Number of Resulting Issuer Shares	Percentage of Total Diluted Resulting Issuer Share Capital Post Closing
Resulting Issuer Shares reserved for issuance upon the exercise of the Milestone Warrants	3,275,000	●%
Resulting Issuer Shares reserved for issuance upon the conversion of the Debentures	●	●%
Resulting Issuer Shares reserved for issuance upon the exercise of the PesoRama Broker Warrants	1,622,151	●%
Resulting Issuer Shares reserved for issuance upon the exercise of the Compensation Options	●	●%
Resulting Issuer Shares reserved for issuance upon the exercise of the PesoRama Finder Warrants	259,768	●%
Resulting Issuer Debenture Finder Warrants	●	●%
<b>TOTAL</b>	●	<b>100%</b>

### PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Company and PesoRama, it is anticipated that no shareholders 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 voting securities of the Resulting Issuer upon Closing.

### DIRECTORS AND EXECUTIVE OFFICERS OF THE RESULTING ISSUER

Subject to Exchange approval, the proposed executive officers and directors of the Resulting Issuer will be as follows:

Name and Residence	Position	Principal Occupation During the Last Five Years	Number of Resulting Issuer Shares owned or controlled <sup>(4)</sup>
<b>Rahim Bhaloo</b> <i>Mexico</i>	Director, Executive Chairman	Independent Corporate Director and Consultant; prior thereto, CEO of PesoRama	6,500,000 Resulting Issuer Shares <sup>(3)</sup> (●%)
<b>Erica Fattore</b> <i>Ontario, Canada</i>	Chief Executive Officer	Chief Executive Officer and President of PesoRama (since August 16, 2021) and prior thereto (since October 18, 2021), Chief Merchandising Officer of Pesorama.  Prior to that, Vice-President of key account sales at Gertex USA.	562,500 Resulting Issuer Shares (●%)
<b>Lynn Chapman</b> <i>Alberta, Canada</i>	CFO	Independent Corporate Consultant  Prior to March 2019, Controller and Chief Financial Officer of Petrodorado Energy Ltd., an oil and gas exploration and development company	Nil
<b>Abdulmajeed Bawazeer</b> <i>Mexico</i>	Chief Strategy Officer	Chief Strategy Officer of PesoRama and prior thereto Vice-President, Operations of PesoRama.  Prior to that •	547,500 Resulting Issuer Shares (●%)
<b>Antonio Heredia</b> <sup>(1)(2)</sup> <i>Mexico</i>	Director	Partner at Fundamental Private Markets; prior thereto, analyst at Capital Group	● Resulting Issuer Shares (●%)

Name and Residence	Position	Principal Occupation During the Last Five Years	Number of Resulting Issuer Shares owned or controlled <sup>(4)</sup>
		Private Markets, covering emerging markets	
<b>Paul Pathak</b> <sup>(1)(2)</sup> , <i>Ontario, Canada</i>	Director	Partner of Chitiz Pathak LLP (law firm)	393,000 Resulting Issuer Shares (●%)
<b>Andrew Parks</b> <sup>(1)(2)</sup> , <i>Ontario, Canada</i>	Director	Chief Executive Officer of Fountain Asset Corp., a merchant bank which provides financing to companies across many industries	Nil

Notes:

- (1) Proposed member of the audit committee.
- (2) Proposed member of the CGN Committee.
- (3) Of which 5,000,000 PesoRama Shares are held by Ocean View Trust.
- (4) Percentage is based on ● Resulting Issuer Shares, the number of issued and outstanding Resulting Issuer Shares at Closing.

## Biographies

The following are biographies of each of the proposed members of management and directors for the Resulting Issuer:

### *Rahim Bhaloo, Director and Executive Chairman, Age 46*

Mr. Bhaloo has had a career spanning more than 20 years, focused on real estate and development. He developed a portfolio of retirement and nursing homes with one of the largest pension funds in North America, the majority of which were sold to a third party in 2011. Mr. Bhaloo started his career with a chain of retail coffee houses which he sold to a private operator after 5 years. Mr. Bhaloo has been actively involved in various real estate projects including green field development, zoning and construction, in Canada and Mexico.

### *Erica Fattore, Chief Executive Officer and President, Age 45*

Ms. Fattore was part of the PesoRama founding Management Team in 2018. She began her career in 1998 with the Silver Dollar Stores, one of the pioneering companies in the single price point dollar store industry. She has held senior merchandising and management positions at Dollar Giant, Dollar Tree, Keefco Ltd and Gertex USA. Ms. Fattore has more than two decades of experience in dollar and mass retail in private label development, direct sourcing, importing and retail operations.

### *Lynn Chapman, Chief Financial Officer, Age 40*

Mr. Chapman is a Chartered Professional Accountant of Canada (Alberta) with over 13 years of experience in international business in various industries with disciplines in finance, accounting, and financial reporting under IFRS. He has over 10 years of experience as a Controller and/or Chief Financial Officer with Canadian public companies with international operations, predominantly in Latin America. Mr. Chapman is the managing director of Lancaster Capital Advisory Corp., where he and his team provide business management, accounting, financial reporting and advisory support to a number of publicly-listed issuers on the TSX, TSX Venture Exchange, Canadian Stock Exchange, and the NEO Exchange as well as to non-listed companies. Currently, Mr. Chapman also acts as the Chief Financial Officer of ROK Resources Inc. (TSXV:ROK) and ThreeD Capital Inc. (CSE:IDK).

### *Abdulmajeed Bawazeer, Chief Strategy Officer, Age 28*

Mr. Bawazeer was part of the PesoRama founding management team in 2018. After several years in investment banking, he has parlayed his organizational and management education to playing an active role in the efficient implementation of the company's supply chain strategy, its management and future strategic growth plans and development. Mr. Bawazeer is responsible for the day-to-day management of logistics, warehousing, distribution, and foreign trade compliance.

***Paul Pathak, Director, Age 52***

Mr. Pathak is and has served as a partner of Chitiz Pathak LLP since 1996, a Toronto law firm serving clients in the securities and investment industries, including issuers and dealers on a full range of securities transactions. Mr. Pathak practices principally in the areas of corporate, securities, mergers, acquisitions and commercial law. Mr. Pathak has acted for issuers in a broad range of securities transactions, including initial public offerings, reverse take-overs, establishment of Capital Pool Companies, going-private transactions and numerous financing structures. Mr. Pathak has served as a member of the board of directors of several private and public corporations listed on both Canadian and American stock exchanges. Mr. Pathak currently also serves as a director of Bragg Gaming Group Inc. (TSX; NASDAQ), Aumento Capital VIII Corp. (TSXV), Aumento Capital IX Corp. (TSXV) and Canaccord Genuity G Ventures Corp. (NEO). Mr. Pathak was called to the Ontario Bar in 1994, having completed his LL.B. at Osgoode Hall Law School in 1992.

***Antonio Heredia, Director, Age 39***

Antonio Heredia is a founder and partner of Fundamental Private Markets and leads the efforts in Mexico. He has almost two decades of experience in investing and financial advisory. Prior to founding Fundamental he worked at Capital Group Private Markets, the private equity arm of the Capital Group, based out of London and covering Emerging Markets. He previously worked at Goldman, Sachs & Co. in its investment banking group based in Mexico City and prior to that he worked for J.P. Morgan Securities in its Asset Management Division based in Houston. He participates in diverse capacities at the board of directors of different companies in the consumer space in Latin America. Mr. Heredia received his Masters in Business Administration from the University of Oxford's Saïd Business School and his B.S. in Industrial and Systems Engineering with compulsory honours classes from ITESM (Tec de Monterrey).

***Andrew Parks, Director, Age 35***

Mr. Parks is the CEO and a director of Fountain Asset Corp. He was most recently a portfolio manager at a Toronto-based asset management firm and has years of experience as a research analyst and trader. Mr. Parks is a CFA and holds an Honours Bachelor of Business Administration from Wilfrid Laurier University.

**Conflicts of Interest**

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon the completion of the Proposed Qualifying Transaction are also directors, officers and/or Promoters of other reporting and non-reporting issuers. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Resulting Issuer, notwithstanding that they will be bound by the provisions of the CBCA to act at all times in good faith in the interest of the Resulting Issuer and to disclose such conflicts to the Resulting Issuer if and when they arise.

**Other Reporting Issuer Experience**

The following table sets out the proposed directors, executive officers and Promoters of the Resulting Issuer that are, or have been within the last five years, directors, executive officers or Promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

Name	Name of Reporting Issuer	Name of Exchange or	Position	From	To
Paul Pathak	Bragg Gaming Group Inc.	TSX Venture Exchange	Director	March 2019	Present
	Canaccord Genuity G Ventures Corp.	NEO Exchange	Director	March 2021	Present
	Aumento Capital IX Corp.	TSX Venture Exchange	Director	November 2020	Present
	Aumento Capital VIII Corp.	TSX Venture Exchange	Director	January 2021	Present

Name	Name of Reporting Issuer	Name of Exchange or	Position	From	To
	Aumento Capital VII Corp. (now Emerge Commerce Inc.)	TSX Venture Exchange	Director	February 2018	December 2020
	Wayland Group Corp.	Canadian Securities Exchange	Director	December 2017	April 2020
	JPJ Group PLC (now Gamesys Group PLC)	London Stock Exchange	Director	January 2017	June 2019
	Aumento Capital VI Corporation (now CryptoStar Corp.)	TSX Venture Exchange	Director	January 2017	September 2018
Andrew Parks	Aumento Capital V Corporation (now Weed MD Inc.)	TSX Venture Exchange	Director	June 2014	April 2017
	The Intertain Group Limited	Toronto Stock Exchange	Director	November 2010	January 2020
	Braingrid Ltd.	CSE	Director	April 9, 2020	Present
	Braingrid Ltd.	CSE	Interim CEO	August 28, 2020	Present
	Global Health Clinics Ltd.	CSE	Director	October 26, 2020	Present
Lynn Chapman	Petrodorado Energy Ltd.	TSX Venture Exchange	Chief Financial Officer	January 2016	December 2019
	ROK Resources Inc.	TSX Venture Exchange	Chief Financial Officer	December 2019	Present
	ThreeD Capital Inc.	Canadian Securities Exchange	Chief Financial Officer	February 2021	Present

### Corporate Cease Trade Orders

None of the directors or executive officers has, within the 10 years prior to the date of this Prospectus, been a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Paul Pathak was formerly a director of Wayland, a reporting issuer previously listed on the Canadian Securities Exchange. In April 2019, the OSC issued a failure-to-file cease trade order against Wayland as a result of Wayland's failure to file its audited financial statements for the year ended December 31, 2018. Subsequently, in December 2019, Wayland was granted an order from the Ontario Superior Court of Justice (commercial list) under the *Companies' Creditors Arrangement Act*.

### Bankruptcies

Except as set out below, none of the proposed directors or executive officers of the Resulting Issuer has, within the 10 years prior to the date of this Prospectus, become 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, been a director or executive officer of any company, 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.

Mr. Bhaloo was a director and executive officer of Liberty Assisted Living Inc., which had four of its subsidiaries make a proposal under the *Bankruptcy and Insolvency Act* in 2011.

## **Penalties or Sanctions**

No director or executive officer of the Resulting Issuer or shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer 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
- 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 making an investment decision.

None of the directors, officers, Insiders and Promoters of the Resulting Issuer or a shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of Resulting Issuer has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

## **INDEBTEDNESS OF DIRECTORS, OFFICERS AND PROMOTERS**

None of the proposed directors, officers or Promoters of the Resulting Issuer nor any of their respective Associates or Affiliates will be indebted to the Resulting Issuer following the completion of the Proposed Qualifying Transaction.

## **EXECUTIVE COMPENSATION**

Upon completion of the Proposed Qualifying Transaction, it is anticipated that the Resulting Issuer will adopt the executive compensation program of PesoRama as disclosed above at "*PesoRama – Executive Compensation*". Upon completion of the Proposed Qualifying Transaction, the Board of the Resulting Issuer will establish the CGN Committee and may adopt a more formal compensation process that is in line with market practice for a junior publicly-listed company operating in this industry, having regard for local market conditions.

The Resulting Issuer expects to provide a market-based blend of base salaries and bonuses, and equity incentive components in the form of the Resulting Issuer Options to align the interests of executive officers with the interests of the Resulting Issuer's shareholders.

After the completion of the Proposed Qualifying Transaction, the Board of the Resulting Issuer acting as a whole will determine the compensation of executive officers and directors, and grants of Resulting Issuer Options. It is not expected that directors of the Resulting Issuer will initially receive any compensation except for Resulting Issuer Options. Compensation of the executive officers of the Resulting Issuers is expected to be as follows:

Table of compensation excluding compensation securities							
Name and Position	Year	Salary (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of Perquisites (\$)	Value of all other Compensation (\$)	Total Compensation (\$)
Rahim Bhaloo <i>Executive Chairman</i>	2021	250,000	Nil	Nil	Nil	Nil	250,000
Erica Fattore <i>Chief Executive Officer and President</i>	2021	250,000	Nil	Nil	Nil	Nil	250,000
Abdulmajeed Bawazeer <i>Chief Strategy Officer</i>	2021	150,000	Nil	Nil	Nil	Nil	150,000
Lynn Chapman <i>Chief Financial Officer</i>	2021	Nil	Nil	Nil	Nil	135,000 <sup>1)</sup>	135,000

Notes:

(1) Compensation is paid to a professional services company of which Mr. Chapman is an employee.

#### **AUDIT COMMITTEE AND CORPORATE GOVERNANCE OF THE RESULTING ISSUER**

Set forth below is a description of the Resulting Issuer’s proposed corporate governance practices, which disclosure is provided pursuant to Form 58-101F2, which is attached to NI 58-101. The Resulting Issuer will implement and adopt a continuous disclosure policy and Insider trading policy no later than the date on which the Resulting Issuer’s first set of financial statements must be filed following the completion of the Proposed Qualifying Transaction.

#### **Board of Directors**

NI 52-110 provides that a director is independent if he or she has no direct or indirect “material relationship” with the company. In addition to certain objective criteria, a “material relationship” is defined as a relationship which could, in the view of the Board of the Resulting Issuer, be reasonably expected to interfere with the exercise of a director’s independent judgment.

The directors have determined that Antonio Heredia, Paul Pathak and Andrew Parks, proposed members of the Board of the Resulting Issuer, will be independent as such term is defined in NI 58-101, and that Rahim Bhaloo (proposed Executive Chairman) will not be independent as such term is defined in NI 58-101, as he be an executive officer (as such term is defined in NI 51-102) of the Resulting Issuer examined in relation to a number of factors.

#### **Orientation and Continuing Education**

It is expected that the Board of the Resulting Issuer will not adopt any formal policies with respect to the orientation of new directors nor does it anticipate taking any measures to provide continuing education for the directors. However, if the growth of the Resulting Issuer’s operations warrants it, a formal orientation process will be implemented.

#### **Ethical Business Conduct**

The Resulting Issuer will adopt a code of ethics and business conduct policy (the “**Code of Ethics and Business Conduct Policy**”) which provides a general statement of the Resulting Issuer’s expectations regarding the ethical standards that each director, officer and employee should adhere to while acting on behalf of the Resulting Issuer. Each director, officer and employee will be expected to read and become familiar with the ethical standards described in this Code and may be required, from time to time, to affirm his or her agreement to adhere to such standards.

The Code of Ethics and Business Conduct Policy will endorse the following principles: (a) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (b) full, fair, accurate, timely and understandable disclosure; (c) compliance with applicable governmental laws, rules and regulations; and (d) accountability by all directors, officers and employees to adhere to the policy. The Code of Ethics and Business Conduct Policy will address bribery and corruption, conflicts of interest and corporate opportunities, insider trading, protection of confidential information, fair dealing, related party transactions, discrimination and harassment, health and safety, accurate record keeping, and political contributions.

#### *Anti-Bribery and Anti-Corruption Policy*

As part of the Code of Ethics and Business Conduct Policy, the Resulting Issuer will adopt an anti-bribery and anti-corruption policy (the “**Anti-Bribery and Anti-Corruption Policy**”). The Anti-Bribery and Anti-Corruption Policy is intended to ensure that the business activities of the Resulting Issuer are conducted in an honest and ethical manner, with a zero-tolerance approach to bribery and corruption. The Anti-Bribery and Anti-Corruption Policy will apply to all directors, officers, employees, consultants and contractors of the Resulting Issuer and compliance with the Anti-Bribery and Anti-Corruption Policy will constitute terms of service, employment and engagement, as the case may be. The Anti-Bribery and Anti-Corruption Policy will prohibit corrupt practices such as acceptance of bribes, inducements, advantages or kickbacks, and all directors, officers, employees, consultants and contractors of the Resulting Issuer will be required to comply with and report any violations of the Anti-Bribery and Anti-Corruption Policy. Violations of the Anti-Bribery and Anti-Corruption Policy will be investigated and, if violations are found to have occurred, could result in dismissal for gross misconduct.

#### *Related Party Transaction Policy*

As part of the Code of Ethics and Business Conduct Policy, the Resulting Issuer will adopt a policy for the review and assessment of related party transactions (the “**Related Party Transaction Policy**”). The purpose of the Related Party Transaction Policy is to ensure the proper approval and reporting of transactions between the Resulting Issuer and any of its related parties or Affiliates to ensure that such transactions are in the Resulting Issuer’s and its shareholders’ best interests. The Related Party Transaction Policy is intended to define and regulate the conduct of related parties of the Resulting Issuer in relation to related party transactions. Each director and senior officer is responsible for providing written notice to the Resulting Issuer of any potential related party transaction involving him or her. To review a related party transaction, the Board of the Resulting Issuer shall be provided with all relevant material information of the related party transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Resulting Issuer and to the related party, and any other material information. The Board of the Resulting Issuer will review and approve the related party transaction based on a number of enumerated factors. The Related Party Transaction Policy mandates that the directors and senior officers of the Resulting Issuer will complete a general declaration of interest that sets out, among other things: (a) any businesses or organizations in which such director or officer has a material interest; (b) any contracts or commercial dealings between the applicable company (or any member of the group of companies) and those businesses or organizations set out in (a); and (c) an undertaking to promptly advise the Board of the Resulting Issuer and the Resulting Issuer’s general counsel of any updates to the foregoing as well as any interest the director/officer or any member of his/her immediate family may have in any proposed material contract or transaction with the applicable company.

#### **Nomination of Directors**

It is expected that the recruitment of new directors will generally result from recommendations made by CGN Committee. See the discussion under the heading “*CGN Committee*” below.

#### **Compensation**

It is anticipated that the directors and officers of the Resulting Issuer will receive appropriate compensation for acting in such capacities, which may include cash compensation and Resulting Issuer Options issued pursuant to the Resulting Issuer Option Plan. The compensation arrangements will be structured to adequately reflect the responsibilities and risks involved in being an effective director or officer of the Resulting Issuer after completion of the Proposed Qualifying Transaction.

The Board of the Resulting Issuer is expected to establish the CGN Committee to, among other things, oversee and make recommendations to the entire Board of the Resulting Issuer with respect to compensation matters.

### Assessments

The assessment of the contributions of individual directors will principally be the responsibility of the Resulting Issuer Board.

### CGN Committee

It is expected that the Board of the Resulting Issuer will establish the CGN Committee to assist it in fulfilling its responsibilities pertaining to compensation matters including the Resulting Issuer’s compensation policies and practices. The CGN Committee is expected to be responsible for determining the overall compensation strategy of the Resulting Issuer and administering its executive compensation program. As part of its mandate, the CGN Committee would review and make recommendations to the Board of the Resulting Issuer for the appointment and remuneration of the Resulting Issuer’s executive officers. The CGN Committee is also expected to be responsible for reviewing the Resulting Issuer’s compensation policies and guidelines generally.

The CGN Committee is expected to be responsible for identifying individuals qualified to become new board members and to recommend to the Board of the Resulting Issuer the individuals to be nominated for election or to be appointed as directors from time to time. In making its recommendations, the CGN Committee will consider, among other things: (i) the competencies and skills that the Board of the Resulting Issuer considers to be necessary for the Board of the Resulting Issuer, as a whole, to possess; (ii) the diversity of the board composition, including whether targets have been adopted for women, visible minorities, Aboriginal people and people with disabilities on the board or in executive officer positions; (iii) the competencies and skills that the Board of the Resulting Issuer considers each existing director to possess; (iv) the competencies and skills each new nominee will bring to the boardroom; and (v) whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.

The CGN Committee is expected to initially be comprised of Andrew Parks (Chair), Antonio Heredia and Paul Pathak, each of whom is considered independent within the meaning of NI 52-110.

### Audit Committee of the Resulting Issuer

#### *The Audit Committee*

The Resulting Issuer is required to have an audit committee comprised of not less than three directors, a majority of whom are not officers or employees of the Resulting Issuer or of an affiliate of the Resulting Issuer.

Following the completion of the Proposed Qualifying Transaction, the following individuals are expected to be the members of the Resulting Issuer’s audit committee:

<b>Name</b>	<b>Independence<sup>(1)</sup></b>	<b>Financial Literacy<sup>(1)</sup></b>
Andrew Parks	Independent	Yes
Paul Pathak	Independent	Yes
Antonio Heredia	Independent	Yes

Note:

(1) As defined in NI 52-110.

#### *Relevant Education and Experience of Proposed Audit Committee Members*

All three proposed members of the Resulting Issuer’s audit committee have the required financial education and/or experience that would deem them “financially literate” by reason of having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Resulting Issuer’s financial statements. See information in each of the audit committee member’s biographies above “*The Resulting Issuer – Directors and Executive Officers of the Resulting Issuer – Biographies*”.

### Audit Committee Charter

The Skyscape Board has adopted a charter for its audit committee, a copy of which is attached as Schedule “D”. It is expected that this audit committee charter will remain in effect following the completion of the Proposed Qualifying Transaction.

### Interests of Proposed Management and Others in Material Transactions

Other than as disclosed herein, none of the proposed directors or executive officers of the Resulting Issuer, or persons or companies that beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding Resulting Issuer Shares, or any Associate or Affiliate of any of the foregoing, will have any material interest, direct or indirect, in any transactions in which the Resulting Issuer has participated within the three years before the date of this Prospectus, which has materially affected or is reasonably expected to materially affect the Resulting Issuer.

## ESCROWED SECURITIES

### Escrow Share Summary

Following completion of the Proposed Qualifying Transaction, it is anticipated that there will be an aggregate of 1,000,000 Resulting Issuer Shares held in escrow as CPC Escrow Shares with the Transfer Agent under the provisions of the CPC Escrow Agreement entered into in connection with the Skyscape IPO. See “*Skyscape – General Development of the Business*”. It is anticipated that Resulting Issuer Shares issued to PesoRama Shareholders pursuant to the Amalgamation Agreement will be subject to escrow as Resulting Issuer Shares as a result of the Proposed Qualifying Transaction in accordance with the policies of the Exchange.

### CPC Escrow Agreement

The following table sets out, as of the date hereof and to the knowledge of the Company and PesoRama, the name of the security holders whose Resulting Issuer Shares will continue to be subject to the CPC Escrow Agreement.

		Prior to Giving Effect to the Proposed Qualifying Transaction <sup>(1)</sup>		After giving effect to the Proposed Qualifying Transaction <sup>(2)</sup>	
Name and place of residence of security holder	Designation of class	Number of securities held in escrow	Percentage of class	Number of Resulting Issuer Shares to be held in escrow	Percentage of class
Roger Daher <sup>(1)</sup> Ontario	Common Shares	600,000	30%	600,000	●%
Paul Pathak <sup>(1)</sup> Ontario	Common Shares	200,000	10%	200,000	●%
James Walker <sup>(1)</sup> Ontario	Common Shares	200,000	10%	200,000	●%

Note:

(1) Based on a total of ● Resulting Issuer Shares issued and outstanding.

Under the CPC Escrow Agreement, 25% of the escrowed Resulting Issuer Shares will be released from escrow on the issuance of the Final Exchange Bulletin, and an additional 25% will be released on the dates that are 6 months, 12 months and 18 months following the date of the Final Exchange Bulletin.

### Resulting Issuer Escrow Shares

The following table sets out, as of the date hereof and to the knowledge of Skyscape and PesoRama, the name and municipality of residence of the security holders who will be issued Resulting Issuer Shares in connection with the Proposed Qualifying Transaction which will be subject to the Tier 1 value escrow regime of the Exchange.

Name and place of residence of security holder	Designation of class	Prior to Giving Effect to the Proposed Qualifying Transaction		After giving effect to the Proposed Qualifying Transaction	
		Number of securities held in escrow	Percentage of class <sup>(1)</sup>	Number of Resulting Issuer Shares to be held in escrow <sup>(2)</sup>	Percentage of class <sup>(1)(2)</sup>
Rahim Bhaloo <i>Mexico</i>	Common Shares	Nil	N/A	6,500,000	●%
	Performance Warrants	Nil	N/A	2,500,000	●%
	Stock Options	Nil	N/A	●	●%
Edward Sivitilli <i>Ontario, Canada</i>	Common Shares	Nil	N/A	6,250,000	●%
Erica Fattore <i>Ontario, Canada</i>	Common Shares	Nil	N/A	562,500	●%
	Stock Options	Nil	N/A	2,937,500	●%
Abdulmajeed Bawazeer <i>Mexico</i>	Common Shares	Nil	N/A	547,500	●%
	Stock Options	Nil	N/A	1,712,500	●%
	Finder's Warrants	Nil	N/A	135,000	●%
Paul Pathak <i>Ontario, Canada</i>	Common Shares	200,000	●	393,000	●%
	Stock Options	50,000	●	●	●%

Notes:

- (1) Based on a total of ● Resulting Issuer Shares issued and outstanding.
- (2) All information provided is after giving effect to Closing.

The Resulting Issuer Shares are Tier 1 “Value Securities” as defined in the policies of the Exchange and such shares shall be released in accordance with the following timeline:

Release Dates	Percentage of Total Escrowed Securities to be Released	Cumulative Percentage of Total Escrowed Securities to be Released
Date of Final Exchange Bulletin (●, 2021)	25%	25%
6 months following Final Exchange Bulletin (●, 2021)	25%	50%
12 months following Final Exchange Bulletin (●, 2022)	25%	75%
18 months following Final Exchange Bulletin (●, 2022)	25%	100%

## PesoRama Voluntary Lock-Up

### *First PesoRama Financing*

Pursuant to the First PesoRama Financing, Edward Sivitilli and a trust beneficially owned by Rahim Bhaloo entered into lock-up agreements whereby they agreed not to directly or indirectly, sell, transfer or pledge, or otherwise dispose of or alter the economic consequences of, or announce any intention to do so, in any manner whatsoever, any PesoRama Shares, securities convertible into, exchangeable for, or otherwise exercisable to acquire PesoRama Shares, from time to time owned directly or indirectly, or under the control or direction of Mr. Sivitilli or Rahim Bhaloo. At the time of the lock-up agreements, 5,000,000 PesoRama Shares and 3,750,000 PesoRama Performance Warrants were controlled by Mr. Sivitilli, and 5,000,000 PesoRama Shares and 3,750,000 PesoRama Performance Warrants were controlled by Rahim Bhaloo.

These securities will be released from the lock-up agreement on the completion of a liquidity event, which includes completion of the Proposed Qualifying Transaction.

The table below outlines the securities subject to the voluntary lock-up agreement for the First PesoRama Financing:

Name	Type of security	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Rahim Bhaloo	PesoRama Shares	5,000,000	●%
	PesoRama Performance Warrants	3,750,000	●%
Edward Sivitilli	PesoRama Shares	5,000,000	●%

### *Second PesoRama Financing*

Pursuant to the Second PesoRama Financing, the directors, officers and principal shareholders of PesoRama, being Rahim Bhaloo, Edward Sivitilli, Ocean View Trust and Abdulmajeed Bawazeer and certain former directors of PesoRama entered into voluntary pooling and lock-up agreements whereby they agreed not to sell, transfer or pledge, or otherwise dispose of or alter the economic consequences of, or announce any intention to do so, in any manner whatsoever, any PesoRama Shares, securities convertible into, exchangeable for, or otherwise exercisable to acquire PesoRama Shares, from time to time owned directly or indirectly, or under their control or direction.

These securities will be released from their contractual obligations under the lock-up and voluntary pooling agreements on the day that is 121 days from the listing of the PesoRama Shares on the Exchange or another recognized stock exchange in Canada.

The table below outlines the securities that are subject to the voluntary lock-up and pooling agreements for the Second PesoRama Financing:

Name	Type of security	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Ocean View Trust	PesoRama Shares	6,250,000	●%
	PesoRama Performance Warrants	3,750,000	●%
Edward Sivitilli	PesoRama Shares	6,250,000	●%
Rahim Bhaloo	PesoRama Shares	250,000	●%
	PesoRama Options	400,000	●%
Allan White	PesoRama Shares	320,000	●%
	PesoRama Penalty Rights	32,000	●%
Abdulmajeed Bawazeer	PesoRama Shares	412,500	●%
	PesoRama Options	112,500	●%

Name	Type of security	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Stephen Rosenberg	PesoRama Shares	20,000	●%
	PesoRama Options	150,000	●%
	PesoRama Penalty Rights	2,000	
Charles Wachsberg	PesoRama Shares	800,000	●%
	PesoRama Penalty Rights	80,000	●%

### *The Offering*

Pursuant to the Agency Agreement, each executive officer and director of PesoRama and affiliated shareholder entered into voluntary lock-up agreements in favour of the Agent where they agreed not to, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or announce any intention to do so, in any manner whatsoever, any PesoRama Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire PesoRama Shares or other equity securities of the Company or the Resulting Issuer for a period of 120 days following the Closing Date.

The table below outlines the securities that are subject to the voluntary lock-up and pooling agreements for the Offering:

Name	Type of security	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Ocean View Trust	Resulting Issuer Shares	6,250,000	●%
	Resulting Issuer Performance Warrants	2,500,000	●%
Edward Sivitilli	Resulting Issuer Shares	6,250,000	●%
Rahim Bhaloo	Resulting Issuer Shares	250,000	●%
	Resulting Issuer Options	400,000	●%
Antonio Heredia	Resulting Issuer Shares	●	●%
	Resulting Issuer Options	●	●%
Paul Pathak	Resulting Issuer Shares	393,000	
	Resulting Issuer Options	●	●%

### **General Information Concerning Escrowed Securities**

Holders of securities of the Resulting Issuer held in escrow may generally exercise voting rights attaching to such securities. However, no holder of securities held in escrow shall vote any securities in support of one or more arrangements that would result in the repayment of capital being made on the securities prior to a winding up of the Resulting Issuer. Generally, holders of securities in escrow do not see their right to receive a dividend or other distribution on the securities impaired.

Where escrowed securities of the Resulting Issuer are held by a company, such company will be required to agree not to carry out, while its Resulting Issuer Shares are in escrow, any transaction that would result in the change of control of the company. Any such company will be required to further undertake to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities that could reasonably result in a change of control of the company.

### **Transfer of Escrow Shares**

Where escrowed Resulting Issuer Shares are to be held by a company, such company will be required to agree not to carry out, while its escrowed Resulting Issuer Shares are in escrow, any transaction that would result in the change

of control (as defined under the policies of the Exchange) of the company. Any such company will be required to further undertake to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities which could reasonably result in a change of control of the company.

All holders of escrowed Resulting Issuer Shares must obtain Exchange consent to transfer Resulting Issuer Shares then subject to escrow, other than in specified circumstances set out in the applicable escrow agreement.

### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion DLA Piper (Canada) LLP, counsel to the Agent, the following is, as at the date of this Prospectus, a summary of certain of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) and the regulations thereunder (the “**Tax Act**”) generally applicable to an investor who acquires Units pursuant to the Offering and who, for the purposes of the Tax Act and at all relevant times, (i) deals at arm’s length with the Company and the Agent, (ii) is not affiliated with the Company or the Agent or a subsequent purchaser of a Skyscape Share, Skyscape Warrant or a Skyscape Share acquired on the exercise of a Skyscape Warrant (“**Warrant Share**”) (each, a “**Security**” and collectively, “**Securities**”), and (iii) acquires and holds the Securities as capital property (the Skyscape Shares and Warrant Shares hereinafter sometimes collectively referred to as “**Common Shares**”). A holder who meets all of the foregoing requirements is referred to as a “**Holder**” in this summary, and this summary only addresses such Holders. Generally, the Securities will be considered as capital property of a Holder thereof provided that the Holder does not use the Securities in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a “financial institution” for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a “specified financial institution” as defined in the Tax Act; (iii), an interest in which would be a “tax shelter investment” as defined in the Tax Act; (iv) which has made an election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency; (v) that is exempt from tax under Part I of the Tax Act; (vi) that is a “foreign affiliate”, as defined in the Tax Act, of a taxpayer resident in Canada; (vii) that receives dividends on the Common Shares under or as part of a “dividend rental arrangement” as defined in the Tax Act; (viii) that has entered into or will enter into a “derivative forward agreement” or “synthetic disposition arrangement”, as those terms are defined in the Tax Act, with respect to a Security; or (ix) that is a corporation resident in Canada that is, or becomes, controlled by a non-resident person or a group of persons comprised of any combination of non-resident corporations, non-resident individuals or non-resident trusts that do not deal with each other at arm’s length, for the purposes of the “foreign affiliate dumping” rules in Section 212.3 of the Tax Act. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition of Units. **Such Holders should consult their own tax advisors with respect to an investment in the Securities.**

This summary is based on the current provisions of the Tax Act in force as of the date hereof and counsels’ understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (“**CRA**”). This summary takes into account 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 “**Tax Proposals**”) and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

**This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. All investors, including Holders, should consult their own tax advisors with respect to their particular circumstances.**

#### Allocation of Cost

The total purchase price of a Unit to a Holder must be allocated on a reasonable basis between the Skyscape Share and the Skyscape Warrant comprising a Unit to determine the cost of each to the Holder for purposes of the Tax Act. For its purposes, the Company intends to allocate \$● of the subscription price of each Unit as consideration for the

issue of each Skyscape Share and \$● of the subscription price of each Unit for the issue of each Skyscape Warrant comprising part of the Unit. Although the Company believes its allocation is reasonable, it is not binding on the CRA or the Holder. The Holder's adjusted cost base of the Skyscape Share comprising a part of each Unit will be determined by averaging the cost allocated to the Skyscape Share with the adjusted cost base to the Holder of all Common Shares (if any) owned by the Holder as capital property immediately prior to such acquisition.

### **Exercise of Skyscape Warrants**

The exercise of a Skyscape Warrant to acquire a Warrant Share will be deemed not to constitute a disposition of property for purposes of the Tax Act. As a result, no gain or loss will be realized by a Holder upon the exercise of a Skyscape Warrant to acquire a Warrant Share. When a Skyscape Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the aggregate of the Holder's adjusted cost base of such Skyscape Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging the cost of the Warrant Share with the adjusted cost base to the Holder of all Common Shares (if any) owned by the Holder as capital property immediately prior to such acquisition.

### **Holders Resident in Canada**

The following section of this summary applies to Holders who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times ("**Resident Holders**"). Certain Resident Holders whose Common Shares might not otherwise constitute capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Common Shares, and every other "Canadian security" (as defined in the Tax Act) held by such persons, in the taxation year of the election and each subsequent taxation year, to be capital property. This election does not apply to Skyscape Warrants. Resident Holders should consult their own tax advisors regarding this election.

#### Expiry of Skyscape Warrants

In the event of the expiry of an unexercised Skyscape Warrant, a Resident Holder generally will realize a capital loss equal to the Resident Holder's adjusted cost base of such Skyscape Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "*Capital Gains and Capital Losses*".

#### Dividends

Dividends received or deemed to be received on the Common Shares, if any, will be included in computing a Resident Holder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from "taxable Canadian corporations" (as defined in the Tax Act), including the enhanced gross-up and dividend tax credit in respect of "eligible dividends", if any, so designated by the Company to the Resident Holder in accordance with the provisions of the Tax Act. There may be restrictions on the Company's ability to designate any dividends as "eligible dividends", and the Company has made no commitments in this regard.

Dividends received or deemed to be received by a Resident Holder that is a corporation must be included in computing its income but may be deductible in computing its taxable income, subject to all restrictions and special rules under the Tax Act. A Resident Holder that is a "private corporation" (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a special tax under Part IV of the Tax Act (refundable in certain circumstances) on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain, and Resident Holders that are corporations should consult their own tax advisors in this regard.

#### Dispositions of Common Shares and Skyscape Warrants

Upon a disposition (or a deemed disposition) of a Common Share (other than a disposition to the Company in a transaction that is not a sale in the open market) or a Skyscape Warrant (other than a disposition arising on the exercise or expiry of a Skyscape Warrant), a Resident Holder generally will realize a capital gain (or a capital loss) equal to

the amount by which the proceeds of disposition of such security, as applicable, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such security, as applicable, to the Resident Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading “*Capital Gains and Capital Losses*”.

### Capital Gains and Capital Losses

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

The amount of any capital loss realized on the disposition or deemed disposition of Common Shares 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 Common Shares. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares or where a partnership or trust, of which a corporation is a member or a beneficiary, is a member of a partnership or a beneficiary of a trust that owns Common Shares. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) also may be liable to pay a special additional tax (refundable in certain circumstances) on its “aggregate investment income” (as defined in the Tax Act) for the year, which will generally include taxable capital gains.

### Alternative Minimum Tax

Capital gains realized (or deemed to be realized), and dividends received (or deemed to be received) by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act. Such Resident Holders should consult their own advisors with respect to the application of the alternative minimum tax.

### **Holders Not Resident in Canada**

The following section of this summary is generally applicable to Holders who, for the purposes of the Tax Act, and at all relevant times (i) are not, and will not be deemed to be, resident in Canada at any time while they hold the Securities, and (ii) do not use or hold, and are not deemed to use or hold, the Securities in carrying on a business in Canada (“**Non-Resident Holders**”).

Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere or that is an “authorized foreign bank” (as defined in the Tax Act). Such Holders should consult their own tax advisors.

### Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Company are subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty. Under the *Canada-United States Tax Convention* (1980), as amended (the “**Treaty**”), for example, the rate of withholding tax on dividends paid or credited to a Non-Resident Holder that is the beneficial owner of the dividend who is resident in the U.S. for purposes of the Treaty and entitled to benefits under the Treaty (a “**U.S. Holder**”) is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a company beneficially owning at least 10% of the Company’s voting shares). Affected Non-Resident Holders should consult their own tax advisors in this regard.

### Dispositions of Common Shares and Skyscape Warrants

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of Common Shares or Skyscape Warrants, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Common Share or Skyscape Warrant, as applicable, constitutes or is deemed to constitute “taxable Canadian property” to the Non-Resident Holder for purposes of the Tax Act at the time of disposition and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

If and provided that the Common Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the Exchange) at the time of disposition, the Common Shares and Skyscape Warrants generally will not constitute taxable Canadian property of a Non-Resident Holder at that time unless, at any time during the 60 month period ending at the time of the disposition, the following two conditions are simultaneously met: (i) one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm’s length, or (iii) partnerships in which the Non-Resident Holder or such non-arm’s length person holds a membership interest (either directly or indirectly through one or more partnerships), owned 25% or more of the issued shares of any class or series of shares of the Company; and (ii) more than 50% of the fair market value of such shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act) or an option in respect of, an interest in or for civil law a right in or to such property, whether or not such property exists. Notwithstanding the foregoing, a Common Share or Skyscape Warrant may also be deemed to be taxable Canadian property to a Non-Resident Holder under other provisions of the Tax Act.

A Non-Resident Holder’s capital gain (or capital loss) in respect of Common Shares or Skyscape Warrants that constitute or are deemed to constitute taxable Canadian property (and are not “treaty-protected property” as defined in the Tax Act) will generally be computed in the manner described above under the subheading “ *Holders Resident in Canada – Dispositions of Common Shares and Skyscape Warrants* ”.

Non-Resident Holders who may hold Common Shares or Skyscape Warrants as taxable Canadian property should consult their own tax advisors in this regard.

### ELIGIBILITY FOR INVESTMENT

In the opinion of DLA Piper (Canada) LLP, counsel to the Agent, the Skyscape Shares, the Skyscape Warrants and the Warrant Shares, if issued on the date hereof, would be “qualified investments” under the Tax Act for a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan, tax-free savings account (each a “**Registered Plan**”) or deferred profit sharing plan (“**DPSP**”), provided, (i) in the case of the Skyscape Shares and Warrant Shares, the Skyscape Shares or Warrant Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the Exchange), and (ii) in the case of the Skyscape Warrants, the Warrant Shares are listed on a designated stock exchange (which currently includes the Exchange), and the Company deals at arm’s length with each person who is an annuitant, a beneficiary, an employer or a subscriber under such Registered Plan or DPSP.

Notwithstanding the foregoing, the annuitant, holder or subscriber of a Registered Plan, as the case may be, (each, a “**Registered Holder**”) will be subject to a penalty tax if the Skyscape Shares, Skyscape Warrants and Warrant Shares held in a Registered Plan are a “prohibited investment” for that Registered Plan pursuant to the Tax Act. The Skyscape Shares, Skyscape Warrants and Warrant Shares will generally be a “prohibited investment” for a particular Registered Plan if a Registered Holder in respect thereof has a “significant interest” (as defined in section 207.01 of the Tax Act) in the Company or the Registered Holder does not deal at arm’s length with the Company for the purposes of the Tax Act. The Skyscape Shares and Warrant Shares will not be a prohibited investment if they are “excluded property” as defined in the Tax Act for trusts governed by a Registered Plan.

**Investors in Units should consult their own independent tax advisors for advice with respect to the potential application of these rules to them having regard to their own particular circumstances.**

### MATERIAL CONTRACTS OF THE RESULTING ISSUER

Following the completion of the Proposed Qualifying Transaction, the material contracts of the Company and PesoRama will continue to be material contracts of the Resulting Issuer. Any material contracts of the Resulting Issuer will be filed on SEDAR under the Resulting Issuer’s profile at [www.sedar.com](http://www.sedar.com). See “*PesoRama – Material Contracts*” and “*Skyscape – Material Contracts*”.

Copies of all material contracts may be inspected at the offices of Chitiz Pathak LLP, 77 King Street West, Suite 700, Toronto, ON M5K 1G8 for a period of 30 days from the date of this Prospectus during normal business hours.

#### **AUDITORS, TRANSFER AGENTS AND REGISTRARS OF THE RESULTING ISSUER**

The auditor of the Resulting Issuer is expected to be MNP LLP, located at 111 Richmond Street West, Suite 300 Toronto, ON M5H 2G4.

The registrar and transfer agent of the Resulting Issuer is expected to be TSX Trust Company, located at 100 Adelaide Street West, Suite 300, Toronto, Ontario, M5H 1A3.

#### **GENERAL MATTERS**

##### **PROMOTERS**

Rahim Bhaloo is considered a promoter of PesoRama in accordance with applicable securities laws. Mr. Bhaloo currently holds, directly or indirectly, a total of 6,500,000 of PesoRama's issued and outstanding common shares, or ●% of the Resulting Issuer Shares after giving effect to the Amalgamation and the Offering. See "*PesoRama- Principal Shareholders*" above for further details.

Mr. Bahloo has provided and may continue to provide management and administrative services to PesoRama for fees, as more particularly outlined above under the headings "*PesoRama- Executive Compensation*" and "*The Resulting Issuer- Executive Compensation*".

Other than Mr. Bhaloo, during the two years immediately preceding the date of this Prospectus, there have been no persons or companies that would be considered Promoters of the Company, PesoRama or the Resulting Issuer.

##### **SPONSORSHIP**

Pursuant to the policies of the Exchange, the Company is required to engage a sponsor to provide a sponsor report (as such terms are defined by the policies of the Exchange) to the Exchange with respect to the Proposed Qualifying Transaction, pursuant to Section 3.4(a)(ii) of Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*. The Company intends to apply for an exemption from the sponsorship requirements.

##### **EXPERTS**

The Consolidated Financial Statements included in this Prospectus have been audited by MNP LLP, as set forth in its audit report. MNP LLP is the independent auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The financial statements of PesoRama included in this Prospectus have been audited by MNP LLP, as set forth in its audit report. MNP LLP is the independent auditor of PesoRama and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Certain legal matters relating to this Prospectus and the Proposed Qualifying Transaction will be passed upon on behalf of the Company by Chitiz Pathak LLP, on behalf of PesoRama by Irwin Lowy LLP, and on behalf of the Agent by DLA Piper (Canada) LLP.

##### **Interests of Experts**

As of the date of this Prospectus:

The partners and associates of DLA Piper (Canada) LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Resulting Issuer Shares.

The partners and associates of Irwin Lowy LLP beneficially owned, directly or indirectly, less than 1% of the outstanding Resulting Issuer Shares.

The partners and associates of Chitiz Pathak LLP beneficially owned, directly or indirectly, more than 10% of the outstanding Skyscape Shares. See “*Skyscape – Directors and Executive Officers*”.

## OTHER MATERIAL FACTS

As of the date hereof, the management of each of the Company and PesoRama is not aware of any other material facts required to be disclosed in this Prospectus.

## RISK FACTORS

An investment in Skyscape, PesoRama or the Resulting Issuer is subject to various risks and should be considered highly speculative. Investors should consider the following risk factors in addition to those outlined or otherwise referred to in this Prospectus and the Schedules hereto. **Investment in securities of the Company should be regarded as highly speculative due to the proposed nature of the Company’s business and its present stage of development. The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to pay dividends in the immediate or foreseeable future.**

Prior to making an investment decision, investors should consider the investment risks set forth below and those described elsewhere in this Prospectus, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of Skyscape and PesoRama consider the risks set forth below to be the most significant to potential investors in Skyscape, PesoRama or the Resulting Issuer, but do not consider them to be all of the risks associated with an investment in securities of Skyscape, PesoRama or the Resulting Issuer. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in connection with the Resulting Issuer’s business, actually occur, the Resulting Issuer’s assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Resulting Issuer’s securities could decline and investors may lose all or part of their investment.

### RISK FACTORS RELATING TO SKYSCAPE

#### *Limited History of Operations*

Skyscape has a very limited history of operations, is in the early stage of development and, in compliance with the CPC Policy, has conducted no active business and has received no revenues other than interest revenues. As such, Skyscape is subject to many risks, all of which are common to such enterprises, including under-capitalization, cash shortages, and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that Skyscape will be successful in achieving a return on shareholders’ investment and its likelihood of success must be considered in light of its early stage of operations. Skyscape has no intention of paying dividends in the near future.

#### *The Transaction May Not be Completed*

The Transaction is subject to the conditional and final acceptance of the Exchange. There can be no assurance that all of the necessary regulatory or shareholder approvals will be obtained or that all conditions precedent to the closing of the Transaction will be satisfied or waived. If the Proposed Qualifying Transaction contemplated by the Amalgamation Agreement is not completed for these reasons or for any other reason, including as a result of the termination of the Amalgamation Agreement by the parties to that agreement, Skyscape will have incurred significant costs associated with the failed implementation of the Proposed Qualifying Transaction. Furthermore, Skyscape has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that Skyscape will be able to identify a suitable Qualifying Transaction in the future. Even if a proposed Qualifying Transaction is identified in the future, there can be no assurance that Skyscape will be able to successfully complete such transaction and the completion of such other Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and, in the case of a Non-Arm’s Length Qualifying Transaction, approval of the majority of the minority shareholders.

### *Management and Conflicts of Interest*

The ability of Skyscape to successfully complete a Qualifying Transaction is dependent on the performance of its current directors and officers, who only devote a portion of their time to the business and affairs of Skyscape and are, or will be, engaged in other projects or businesses. The current directors, officers, Control Persons and promoters of Skyscape also serve as directors and/or officers of other companies which may compete with Skyscape in its search for the businesses or assets targeted in order to complete a Qualifying Transaction. Accordingly, situations may arise where the directors, officers, Control Persons and promoters of Skyscape are in a position of conflict with Skyscape.

### **RISK FACTORS RELATING TO PESORAMA**

The securities of PesoRama, and correspondingly those of the Resulting Issuer, should be considered highly speculative due to the nature of PesoRama's or the Resulting Issuer's proposed business and the present stage of PesoRama's development. A prospective investor should consider carefully the risk factors set out below and review the risks with their financial, legal and tax advisors. An investment in securities of PesoRama or the Resulting Issuer should only be made by persons who can afford a significant or total loss of their investment.

The risks and uncertainties described below are those that PesoRama's management believes are material, but these risks and uncertainties may not be the only ones that PesoRama or the Resulting Issuer may face. Additional risks and uncertainties, including those that PesoRama's management currently are not aware of or deem immaterial, may also result in decreased operating revenues, increased operating expenses or other events that could result in a decline in the value of any securities of PesoRama or the Resulting Issuer. 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. All risk factors of PesoRama referenced below are also risk factors of the Resulting Issuer.

#### *Limited Operating History and No Assurance of Profitability*

PesoRama has a limited history of commercial operations and has not generated profits as of the date of this Prospectus. There is no assurance that PesoRama will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue PesoRama's business development and marketing activities.

PesoRama is subject to all of the business risks and uncertainties associated with any early-stage enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues. PesoRama may not be able to achieve or maintain profitability and may incur significant losses in the future. In addition, PesoRama expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If PesoRama cannot produce revenue to offset these expected increases in costs and operating expenses, PesoRama will not be profitable. There is no assurance that PesoRama will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

#### *Availability of Financing*

PesoRama may not have sufficient capital to accomplish all of PesoRama's objectives. PesoRama has limited financial resources and there is no assurance that additional funding will be available to PesoRama for further operations or to fulfill its obligations under current agreements. There is no assurance that PesoRama can generate sufficient revenues to operate profitably, or provide a return on investment, or that it will successfully implement its plans.

The ability of PesoRama to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of PesoRama.

#### *Management of Growth*

PesoRama may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of PesoRama to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of PesoRama to deal with this growth may have a material adverse effect on PesoRama's business, financial condition, results of operations and prospects.

### *Regulatory Risks*

The activities of PesoRama may become subject to regulation by governmental authorities, in jurisdictions where PesoRama may exist or conduct its business. PesoRama cannot predict the regulations it may be required to comply with or the time required to secure all appropriate regulatory approvals, or the extent of information and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of PesoRama.

PesoRama may incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or restrictions of PesoRama's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to PesoRama's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of PesoRama.

### *Coronavirus Pandemic (COVID-19)*

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in the World Health Organization declaring this virus a global pandemic in March 2020. Governments around the world have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing and closure of businesses have caused material disruption to businesses resulting in an economic slowdown. It is not possible for PesoRama to predict the duration or magnitude of the adverse results of the outbreak and its effects on PesoRama's business or results of operations at this time.

The public health crisis caused by the COVID-19 pandemic and the measures that have been taken or that may be taken in the future by governments, businesses, and the public at large to limit the spread of COVID-19 could have, an adverse impact on PesoRama's business. Government responses to the COVID-19 pandemic may continue to cause temporary closures and social distancing measures at points of sale, including PesoRama's retail stores. If the COVID-19 pandemic continues for a prolonged period of time or is exacerbated, it could result in the imposition of more restrictive measures, further quarantines or closures, supply-chain disruptions, travel and transportation restrictions and import and export restrictions, which could adversely affect PesoRama's business.

In addition, COVID-19 has resulted in significant changes to the operational procedures of many businesses, including some of PesoRama's suppliers. PesoRama may therefore be subject to delays in receiving inventory of certain products to supply its stores, or such inventory may not be available altogether. While the widespread use of the various vaccines approved to stop the spread of COVID-19 in Mexico and worldwide may lessen the impact of this pandemic on both PesoRama's stores and its suppliers, there is no indication as to if or when this will occur.

### *Operating and Merchandise Costs*

PesoRama's business is founded upon its ability to provide quality merchandise at a low price point, however, this business model is subject to several factors which are beyond PesoRama's control, including product costs, foreign exchange rate fluctuations, increases in rent and occupation costs, inflation, increases in labour costs and access to suitable labour, and transportation costs, all of which may reduce PesoRama's profitability and have an adverse impact on its cash flows.

PesoRama plans to leverage a strong and long-standing supplier network to enable PesoRama to update and continually change the products offered to customers, which may help PesoRama address cost increases by adjusting the products being offered. There is, however, no guarantee that alternative products will be available, that such products will not be subject to cost increases or that PesoRama customers will purchase such products.

Foreign exchange rate fluctuations may have a material impact on PesoRama's operating costs and cost of goods sold. While PesoRama sales will be in Mexican Pesos, PesoRama anticipates that it will purchase many of its products from low-cost overseas suppliers using U.S. Dollars, principally in China but also India and Indonesia. As such, results from operations may be particularly sensitive to the fluctuation of the Mexican Peso against the U.S. Dollar.

To mitigate PesoRama's potential negative impact of foreign exchange rate fluctuations, it may enter into foreign exchange forward contracts to reduce the risk associated with currency fluctuations. Currency hedging entails a risk of illiquidity and, to the extent that the U.S. Dollar depreciates against the Mexican Peso, the use of hedging could result in losses greater than if the hedging had not been used. The use of currency hedges may have the effect of limiting or reducing the total returns to PesoRama if management's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in certain circumstances.

Changes in the labour market may also impact PesoRama's operating costs. Labour shortages, changes to applicable labour laws, or both may result in PesoRama's cost of labour increasing which would negatively impact PesoRama's profitability. However, productivity improvements resulting from the supply chain optimizations may help partially offset the additional costs.

#### *Availability of Merchandise*

Although PesoRama plans to establish a strong and long-standing supplier network in addition to its current supplier network, it does not anticipate entering into long-term contracts for the purchase or development of merchandise. This strategy allows PesoRama to be nimble and respond rapidly to customer preferences and needs while offering quality merchandise at attractive prices. Management believes it has excellent and long-standing relationships with some of its suppliers, however, it may not be successful in continuing to offer quality merchandise at attractive prices. If PesoRama is unable to procure certain volumes of sought-after competitively priced merchandise its profitability and cash flows may be adversely affected.

#### *Supply Chain*

One of PesoRama's key business strategies is to source quality merchandise directly from the lowest cost supplier. As a result, PesoRama relies heavily on imported goods. PesoRama's imported merchandise could become more expensive or unavailable for a number of reasons, including without limitation: (a) disruptions in the flow of imported goods due to factors such as raw material shortages or an increase in prices, work stoppages, factory closures, suppliers going out of business, inflation, strikes and political unrest in foreign countries; (b) problems with oceanic shipping, including shipping container shortages; (c) economic crises and international disputes; (d) increases in the cost of purchasing or shipping foreign merchandise; (e) import duties, import quotas and other trade sanctions; and (f) increases in shipping rates imposed by foreign countries that PesoRama deals with. The development of one or more of these factors could adversely affect PesoRama's operations in a material way. If imported merchandise becomes more expensive or unavailable, PesoRama may not be able to transition to alternative sources in time to meet PesoRama's demands. Products from alternative sources may also be of lesser quality and more expensive than those that PesoRama currently imports. A disruption in the flow of PesoRama's imported merchandise or an increase in the cost of those goods due to these or other factors would significantly decrease PesoRama's sales and profits, and have an adverse impact on PesoRama's cash flows. Political and economic instability in the countries in which foreign suppliers are located, the financial instability of suppliers, suppliers' failure to meet PesoRama's supplier standards, issues with labour practices of PesoRama's suppliers or labour problems they may experience (such as strikes), the availability and cost of raw materials to suppliers, merchandise quality or safety issues, currency exchange rates, transport availability and cost, inflation and other factors relating to PesoRama's suppliers and the countries in which they are located or from which they import are beyond PesoRama's control and could have negative implications for PesoRama. Disruptions due to labour stoppages, strikes or slowdowns, or other disruptions involving PesoRama's vendors or the transportation and handling industries also may negatively affect PesoRama's ability to receive merchandise and thus may negatively affect sales. These and other factors affecting PesoRama's suppliers and PesoRama's access to products could adversely affect PesoRama's business and financial results. As PesoRama increases its imports of merchandise from foreign vendors, the risks associated with foreign imports will increase.

PesoRama will need to replenish its inventory at all sale locations in a timely fashion to keep desired products available for customers. PesoRama will need to transport merchandise from suppliers to its warehouse, distribution center and directly to retail locations by various means of transport including by sea, and ground. Extreme weather conditions may lead to delays or interruptions in service that have the potential to impact available inventory. Moreover, as a result of its reliance on third-party carriers, PesoRama may be subject to disruptions in such transportation networks due to factors beyond its control, which could lead to delays or interruptions in service that may have a negative impact on PesoRama's business and financial results.

### *Customers*

PesoRama's success depends, in part, on its ability to attract new customers, as well as its ability to create and maintain a loyal customer following. To expand its customer base, PesoRama must appeal to and attract consumers who find value in the products it sells. PesoRama plans to make significant investments in enhancing its brand and attracting new customers by offering a broader range of products and providing for a more inviting retail environment and a better shopping experience for customers compared to PesoRama's competitors. If PesoRama is unable to continue to attract new customers, PesoRama may not be able to increase sales.

### *Price*

While PesoRama believes there is a profitable, currently under serviced, market in Mexico for offering quality merchandise below the 40 Peso price point, there is no guarantee such products will be purchased from PesoRama. PesoRama will focus on a fixed price point strategy during the initial years of operation, and in later years it will determine if a multiple price point strategy is feasible and if such strategy would allow for better merchandise selection for customers.

### *Competition*

The value retail industry in which PesoRama will operate is competitive with respect to price, store location, merchandise quality, assortment and presentation, in-stock consistency and customer service and there is potential that PesoRama will face competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than PesoRama. This competitive environment and competition by larger and better financed competitors can result in lower prices and lower margins which would have an impact on PesoRama's financial performance. In addition, companies operating in the value retail industry (due to customer demographics and other factors) may have limited ability to increase prices in response to increased costs (including, but not limited to, vendor price increases). This limitation may adversely affect PesoRama's margins and financial performance. If PesoRama fails to respond effectively to competitive pressures and changes in the retail markets, it could adversely affect PesoRama's business and financial results. Some of PesoRama's competitors in the retail industry are much larger and have substantially greater resources than PesoRama does, and PesoRama remains vulnerable to the marketing power and high level of consumer recognition of major mass merchants, and to the risk that these mass merchants or others could venture into PesoRama's market segment in a significant way.

Management of PesoRama believes that the Mexican dollar store industry is currently underserved, and there is significant market share to be gained in the coming decade. PesoRama is planning to capitalize on this gain via a first mover advantage and continuous store openings to be well ahead of the competition, who may enter at a later point in time.

### *Seasonality*

PesoRama's business is not seasonal, but the dollar store industry is historically busier during the third and fourth fiscal quarters due to holiday seasons such as back-to-school and Christmas. Any factors that harm PesoRama's third and fourth fiscal quarter operating results, including disruptions in PesoRama's supply chain or unfavourable economic conditions, could have a disproportionate effect on PesoRama's results of operations for the entire fiscal year. To prepare for peak shopping season, PesoRama must maintain higher quantities of retail product during such times.

### *Forecasting*

To ensure adequate inventory supply, PesoRama must forecast inventory needs, which are subject to seasonal and quarterly variations. If PesoRama fails to accurately forecast demand for its retail products, PesoRama may experience excess inventory levels or a shortage of product to deliver to customers. If PesoRama underestimates the demand for its products, it could result in damage to its reputation. If PesoRama overestimates the demand for its products, PesoRama could face inventory levels more than demand, which could result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would harm PesoRama's gross margins. However, PesoRama plans to mitigate these risks by having a state of the art point of sale (POS) system that will accept payments, process sales, conduct inventory management, staff management, customer data gathering, task automation, financial

data generation, and provide insight on consumer habits and spending. The POS system will assist PesoRama to forecast inventory needs while taking seasonality and quarterly variations into account.

#### *Economic Conditions*

Many factors affect the level of consumer spending for discretionary items that PesoRama may offer for sale. These factors include general economic conditions, interest and tax rates, the availability of consumer credit, disposable consumer income, unemployment and consumer confidence in future economic conditions. Consumer purchases of discretionary items tend to decline during recessionary periods when disposable income is lower. A downturn in the economy in markets in which PesoRama intends to sell its products may materially harm its sales, profitability and financial condition. PesoRama is in the business of selling value-added items to meet their customer's continuous shopping needs. PesoRama will also adjust its product offering to meet changing market conditions, while still offering great value to customers. PesoRama's cost conscious product offerings may also help reduce PesoRama's exposure to a downturn in economic conditions.

#### *Growth and Failure of the Business Plan*

There is no assurance that PesoRama's business plan will succeed in whole or in part.

The success of PesoRama's growth strategy will depend on a number of factors. There is no assurance that PesoRama will be able to achieve planned growth, that modifications to its strategy will not be required or that PesoRama will be able to effectively market or manage expanded operations and enhance profitability.

PesoRama's business plan is based on PesoRama experiencing substantial growth during the next several years. PesoRama's ability to successfully execute its growth strategy will depend largely on its ability to successfully open and operate new stores, which, in turn, will depend on a number of factors, including whether PesoRama can: raise sufficient financing to open such stores, supply an increasing number of stores with the proper variation and volume of merchandise; hire, train, and retain an increasing number of qualified employees at affordable rates of compensation; locate, lease, build out, and open stores in suitable locations on a timely basis and on favorable economic terms; expand into new geographic markets, where PesoRama has limited or no presence; successfully compete against local competitors; and build, expand and upgrade warehouses and distribution centers and internal store support systems in an efficient, timely and economical manner. Any failure by PesoRama to achieve these goals could adversely affect PesoRama's ability to continue to grow.

If PesoRama's planned expansion occurs as anticipated, its store base will continue to include only stores with relatively short operating histories. Comparable store sales may be negatively affected when stores are opened or expanded near existing stores. If PesoRama's new stores on average fail to achieve results comparable to its existing stores and as otherwise projected, PesoRama's planned expansion could produce a decrease in its overall sales per square foot and store-level operating margins. Moreover, if existing and planned new stores on average fail to achieve results comparable to existing stores or as otherwise expected, PesoRama's business and financial results could be materially adversely affected.

PesoRama will manage store openings with a view to increasing company growth while taking steps to ensure such store openings are manageable and do not create operational conflicts. PesoRama will be required to continue to expand its sales and marketing functions, to upgrade its management information systems and other processes, and to obtain more space for its expanding administrative support and other personnel.

#### *PesoRama's Private Brands May Not Achieve or Maintain Broad Market Acceptance.*

PesoRama carries a substantial number of private brand items. PesoRama believes that its success in maintaining broad market acceptance of PesoRama's private brands depends on many factors, including pricing, quality and customer perception. PesoRama may not achieve or maintain its expected sales for PesoRama's private brands. As a result, PesoRama's business and financial results could be adversely affected.

#### *Transparency*

Parties active in promoting ethical business practices, in addition to evaluating the substance of companies' practices, also often scrutinize companies' transparency as to such practices and the policies and procedures they use to ensure

compliance by their suppliers and other business partners. If PesoRama does not meet the transparency standards expected by parties active in promoting ethical business practices, PesoRama may attract negative publicity, regardless of whether the actual labor and other business practices adhered to by PesoRama and its independent manufacturers satisfy substantive expectations of ethical business practices. Such negative publicity could harm PesoRama's brand image and results of operations. However, PesoRama's executive management team is committed to promoting transparency between PesoRama, investors, employees and other market participants and will adhere to corporate governance, market disclosure best practices and securities laws.

#### *Uninsured Losses*

PesoRama intends to carry comprehensive general liability, fire, flood, extended coverage, rental loss and vacancy insurance with policy specifications, limits and deductibles customarily carried for similar businesses. However, there are certain types of risks, generally of a catastrophic nature, including but not limited to, wars, terrorist attacks or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, it could have materially adverse effects.

From time to time PesoRama may be subject to lawsuits because of the nature of its business. PesoRama intends to maintain business and property insurance policies in amounts and with such coverage and deductibles as are deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. However, there can be no assurance that claims greater than the maximum insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against PesoRama that is not covered by, or is in excess of, its insurance coverage could materially affect such entity's operating results and financial condition, which would have an adverse effect on the PesoRama Shareholders. Claims against PesoRama, regardless of their merit or eventual outcome, will require management to devote time to matters unrelated to the operation of the business.

#### *Reliance on Management and Key Personnel*

PesoRama's success depends in large part on certain key executive personnel of PesoRama, including Rahim Bhaloo and Erica Fattore, and their ability, expertise, judgment, discretion and good faith. While employment agreements are customarily used as a primary method of retaining the services of key personnel, these agreements cannot assure the continued services of such personnel. Any loss of the services of such individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management could have a material adverse effect on PesoRama's business, operating results or financial condition. PesoRama does not yet have key person insurance in effect for management of PesoRama. The contributions of these individuals to the immediate operations of PesoRama are likely to be of central importance. In addition, the competition for qualified personnel in the industry is intense and there can be no assurance that it will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretions, integrity and good faith of directors and management of PesoRama. PesoRama plans to use certain employee retention mechanisms, such as stock options, and an employee share ownership program, to promote the retention of its key personnel. Additionally, securities of PesoRama held by certain executive personnel may be subject to certain escrow provisions upon PesoRama becoming a public company. Certain directors and officers of PesoRama had prior business bankruptcies and receiverships. See "*Directors and Executive Officers of PesoRama – Bankruptcies*".

#### *Information Technology Systems*

PesoRama will rely on information technology systems to effectively manage many aspects of its business, including merchandise planning and sales. PesoRama's reliance on these systems, and their importance to PesoRama's business, will increase as PesoRama expands. PesoRama may rely on several third-party providers to help effectively manage these systems. If the information systems PesoRama relies on fail to perform as expected, PesoRama's business could be disrupted. Any such failure or disruption could have a material adverse effect on PesoRama's business.

PesoRama's information technology systems and its vendors' information technology systems may be vulnerable to damage or interruption from circumstances beyond the control of PesoRama or its vendors, including fire, flood, natural disasters, systems failures, network or communications failures, power outages, viruses, security breaches, cyber-attacks and terrorism. PesoRama will maintain disaster recovery procedures intended to mitigate the risks associated with such events, but there is no guarantee that these procedures will be adequate in any circumstance. As a result, such an event could materially disrupt, and have a material adverse effect on PesoRama's business.

### *Product Liability Claims and Recalls*

PesoRama expects to sell products produced by third party manufacturers. Some of these products may expose PesoRama to product liability claims relating to personal injury, death or property damage caused by such products, and may require PesoRama to take legal actions. One or more of PesoRama's suppliers might not adhere to product safety requirements or PesoRama's quality control standards, and PesoRama may not be able to identify the deficiency before merchandise ships to its stores. If PesoRama's suppliers are unable or unwilling to recall products failing to meet PesoRama's quality standards, PesoRama may be required to remove merchandise from its shelves or recall those products at a substantial cost to PesoRama.

Although PesoRama maintains liability insurance to mitigate potential claims, PesoRama cannot be certain that its coverage will be adequate for liabilities incurred or that insurance will continue to be available on economically reasonable terms or at all. Product liability claims and product recalls, withdrawals or replacements could adversely affect PesoRama's business and financial results.

### *Income Tax*

Canadian federal tax aspects, provincial tax aspects and local tax aspects should be considered prior to purchasing securities of PesoRama. PesoRama Shareholders are urged to consult their own tax advisors, prior to purchasing securities, with respect to the specific tax consequences to them.

There can be no assurance that Canadian federal income tax laws or the judicial interpretation thereof or the administrative or assessing practices of the CRA respecting the treatment of corporations will not be changed in a manner that adversely affects PesoRama Shareholders or fundamentally alters the income tax consequences of investing in, holding or disposing of securities of PesoRama. There is also a risk that the CRA may reassess the returns of PesoRama Shareholders relating to their investments in PesoRama.

The taxation of corporations is complex. In the ordinary course of business, PesoRama may be subject to ongoing audits by tax authorities in Canada, Mexico and elsewhere. In addition, tax legislation changes periodically.

While PesoRama believes that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities of Canada, Mexico and other jurisdictions. If any such challenge were to succeed, it could have a material adverse effect on PesoRama's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect PesoRama's tax position. Therefore, PesoRama is unable to predict with certainty the effect of the foregoing on its effective tax rate and earnings. PesoRama will review the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes differ materially from the provisions, PesoRama's effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved.

### *Conflicts of Interest*

There may be situations where the interests of PesoRama or the PesoRama Board conflict with the interests of PesoRama affiliates and/or the officers and directors of various other entities managed or controlled by one or more directors. All conflicts will be governed by the CBCA.

### *PesoRama may become involved in Legal Proceedings, Regulatory Proceedings and Audits*

PesoRama's business requires compliance with many laws and regulations, including labour and employment, sales and other taxes, customs, consumer protection laws, ordinances that regulate retailers generally and/or govern the importation, promotion and sale of merchandise, and the operation of stores and warehouse facilities. Failure to comply with these laws and regulations could subject PesoRama to lawsuits and other proceedings, and could also lead to damage awards, fines and penalties. PesoRama may be subject to infringement and other claims from time to time relating to its intellectual property and use of the names "PesoRama" and "JOI Canadian Stores", and associated designs. Such claims, if successful, could materially and adversely affect the business of PesoRama and/or the Resulting Issuer. PesoRama may become involved in a number of legal proceedings and audits, including government

and agency investigations, and consumer, employment, tort and other litigation. The outcome of some of these legal proceedings, audits, and other contingencies could require PesoRama to take, or refrain from taking, actions that could harm its operations or require PesoRama to pay substantial amounts of money, harming PesoRama's financial condition. Additionally, defending against these lawsuits and proceedings may be necessary, which could result in substantial costs and diversion of management's attention and resources, harming PesoRama's financial condition. There can be no assurance that any pending or future legal or regulatory proceedings and audits will not harm PesoRama's business, financial condition and results of operations.

#### *Securities Regulatory Risks*

In the ordinary course of business, PesoRama may be subject to ongoing reviews by the securities regulators, who have broad powers to interpret, amend and change the interpretation of securities laws from time to time and broad powers to protect the public interest and to impose terms, conditions, restrictions or requirements regarding registration under securities laws. Further, the securities regulators have the authority to retroactively deny the benefit of an exemption from prospectus or registration requirements otherwise provided for in securities laws where the regulator considers it necessary to do so to protect investors or the public interest.

While PesoRama believes that its position regarding compliance with securities laws is appropriate and supportable, it is possible that securities matters may be reviewed and challenged by the securities authorities. If such challenge were to succeed, it could have a material adverse effect on PesoRama. There can be no assurance that applicable securities laws or the securities regulators interpretation thereof or the practices of the securities regulators will not be changed or re-interpreted in a manner that adversely affects PesoRama.

#### *Legislative Changes*

Legal, tax and regulatory changes may occur that can adversely affect PesoRama. While to the knowledge of management, PesoRama is currently in compliance with all laws, any changes to laws, regulations, guidelines and policies due to matters beyond the control of PesoRama may cause adverse effects to its operations. There can be no assurance that income tax, securities and other laws will not be changed in a manner that adversely affects PesoRama.

#### *No Guarantee of Successful Investment*

An investment in PesoRama is speculative and may result in the loss of a substantial portion of an investment. Only potential investors who are experienced in high risk investments and who can afford to lose a substantial portion of their investment should consider an investment in PesoRama.

There can be no assurance that PesoRama's objectives will be achieved. The success of PesoRama depends to a certain extent on the efforts and abilities of the management of PesoRama and on external factors such as, among other things, the markets where PesoRama's retail stores and distribution networks are located and the general political and economic conditions that may prevail from time to time, which factors are out of PesoRama's control. A return on investment for a purchaser of securities of PesoRama depends upon the success of PesoRama's strategies. As a result, there is no guarantee that PesoRama and, correspondingly, PesoRama Shareholders will earn a return on their investment.

#### *Dilution and Concentration*

Any issuance of additional securities of PesoRama may have a dilutive or concentrative effect on the value of such securities.

#### *Natural Disasters and Political Unrest*

The occurrence of one or more natural disasters, such as hurricanes and earthquakes, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events, such as civil unrest in which PesoRama's suppliers are located and acts of terrorism, or similar disruptions could adversely affect PesoRama's operations and financial results. These events could result in physical damage to one or more of PesoRama's properties, increases in fuel or other energy prices, the temporary closure of one or more of PesoRama's stores, warehouses or distribution centers, delays in opening new stores, the temporary lack of an adequate workforce in the market, the temporary or long-term disruption in the supply of products from local and overseas suppliers, the temporary disruption in transportation of merchandise from overseas, delay in the delivery of goods to PesoRama's warehouses, distribution centers or stores, and the

temporary reduction in the availability of products in PesoRama's stores and disruption to its information systems. These factors could otherwise disrupt and adversely affect PesoRama's operations and financial results.

#### *Data Security Breaches and Other Cyber Security Events Could Negatively Affect PesoRama's Reputation, Credibility and Business*

PesoRama collects, processes, maintains and uses sensitive personal information relating to its customers and employees, including their personally identifiable information, and may rely on third parties for the operation of e-commerce sites and for the various social media tools and websites that PesoRama may use as part of its marketing strategy. Any perceived, attempted or actual unauthorized disclosure of personally identifiable information regarding PesoRama's employees, customers or website visitors could harm its reputation and credibility, impair its ability to attract website visitors, reduce its ability to attract and retain customers and could result in litigation against PesoRama or the imposition of significant fines or penalties.

Data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and legislative proposals addressing data privacy and security, as well as increased data protection obligations imposed on merchants by credit card issuers. As a result, PesoRama may become subject to more extensive requirements to protect the customer information that it processes in connection with the purchase of its products, resulting in increased compliance costs.

#### *PesoRama Relies on Payment Cards to Receive Payments, and is Subject to Payment-Related Risks*

PesoRama accepts a variety of payment methods, including credit cards and debit cards. Accordingly, PesoRama is, and will continue to be, subject to significant and evolving regulations and compliance requirements relating to payment card processing. This includes laws governing the collection, processing and storage of sensitive consumer information, as well as industry requirements. These laws and obligations may require PesoRama to implement enhanced authentication and payment processes that could result in increased costs and liability, and reduce the ease of use of certain payment methods. For certain payment methods, including credit and debit cards, PesoRama pays interchange and other fees, which may increase over time. PesoRama relies on independent service providers for payment processing, including credit and debit cards. If these independent service providers become unwilling or unable to provide these services to PesoRama or if the cost of using these providers increases, PesoRama's business could be harmed. PesoRama is also subject to payment card association operating rules and agreements, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for PesoRama to comply. If PesoRama fails to comply with these rules or requirements, or if PesoRama's data security systems are breached or compromised, PesoRama may be liable for losses incurred by card issuing banks or consumers, subject to fines and higher transaction fees, lose its ability to accept credit or debit card payments from its customers, or facilitate other types of payments. Any failure to comply could significantly harm PesoRama's brand, reputation, business, and results of operations.

#### *Employee Regulations*

PesoRama is exposed to the risk of employee fraud and other misconduct. Employee fraud includes intentional failure to comply with regulations, intentional failure to provide accurate information to regulatory authorities and intentional failure to comply with industry standards. Other misconduct includes failure to report financial information accurately, failure to disclose unauthorized activities to PesoRama, and the improper use of information obtained in the course of employment. Employee misconduct resulting in legal action, significant fines or other sanctions could result in a material adverse effect to PesoRama's business, results of operations or financial condition.

#### *Litigation*

PesoRama is currently a party to legal proceedings in the Ontario Superior Court of Justice that it commenced against its former lawyers, BLG and Robb McNaughton as described elsewhere in this Prospectus. In addition, litigation has been threatened against PesoRama by Edward Sivitilli, its former President and Chief Executive Officer and current director, demanding that compensation be paid to Mr. Sivitilli with respect to the termination of his services as an officer of PesoRama and alleging, among other claims, that he was wrongfully dismissed. The outcome of this ongoing and threatened litigation is uncertain and any prolonged litigation or unfavourable outcome with respect to these matters could result in damages being awarded against PesoRama and potentially significant costs to it. PesoRama

may also become party to other litigation from time to time in the ordinary course of business which could adversely affect its business.

Should any litigation in which PesoRama is currently involved or that has been threatened against it continue, be commenced, settled unfavourably or determined against PesoRama, any such event could adversely affect PesoRama's financial performance, the market price for its securities or even its ability to continue operating. In any case, the occurrence of any such events is expected to result in costs of an uncertain and potentially significant amount and use other significant company resources. Even if PesoRama is involved in litigation and wins, the litigation can redirect a substantial amount of its management's time and attention, available capital and other resources. Litigation may also create a negative perception of PesoRama or its brands and negatively impact the value of its securities.

#### *Global Economic and Financial Deterioration Impeding Access to Capital or Increasing the Cost of Capital*

Market events and conditions, including disruption in the Canadian, U.S., Mexican and international financial markets and other financial systems and the deterioration of Canadian, U.S., Mexican and global economic and financial market conditions, could, among other things, impact currency trading and impede access to capital or increase the cost of capital, which would have an adverse effect on PesoRama's ability to fund its working capital and other capital requirements.

#### *Potential of Adverse Economic Conditions in Mexico*

All of the retail operations of the Resulting Issuer will be in Mexico, and as such the financial results of the Resulting Issuer will be affected by the prevailing economic conditions in that country. Consumer demand and preferences, real prices and the costs of raw materials are heavily influenced by macroeconomic conditions, which vary by country and may not be correlated. In addition, adverse economic conditions may affect and reduce consumer per capita income, thereby adversely affecting consumer demand for the products sold by PesoRama as a result of a decrease in consumer purchasing power. Deterioration or prolonged periods of weak economic conditions in Mexico may have a negative effect on the Resulting Issuer and a material adverse effect on its business, financial condition and results of operations.

#### *Depreciation of the Mexican Peso and Potential Currency Controls*

While the Mexican government does not restrict the right or ability of Mexican or foreign persons or entities to convert Mexican pesos into U.S. dollars or to transfer other currencies out of Mexico, the Mexican government could impose restrictive exchange rate policies in the future. Currency fluctuations may have an adverse effect on the results, financial condition and cash flows in future periods for the Resulting Issuer. In addition, there is no assurance that any hedging and other financial strategies implemented will be sufficient to prevent any adverse effect on the financial position and results of operations of the Resulting Issuer as a result of any depreciation of the Mexican peso relative to the U.S. dollar, fluctuations in interest rates or in the price of merchandise.

#### *Political and Social Events in Mexico*

Both federal and local governments in Mexico have implemented and may continue to implement significant changes in laws, public policy or regulations that could affect political and social conditions. Political or social developments in Mexico or elsewhere with respect to countries that are a significant source of products, such as China, including the election of new administrations, changes in laws, public policy or regulations, political disagreements, civil disturbances and the rise in violence and perception of violence, may have a corresponding adverse effect on the local or global markets and on the Resulting Issuer's business, financial condition and results of operations.

#### *Dividends*

Any decision to declare and pay dividends in the future will be made at the discretion of the PesoRama Board and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the PesoRama Board may deem relevant. As a result, investors may not receive any return on an investment in securities of PesoRama unless they sell their securities for a price greater than that which such investors paid for them. PesoRama has no earnings or dividend record and may not pay any dividends in the foreseeable future. Dividends paid by PesoRama could be subject to tax and, potentially, withholdings.

## **RISK FACTORS RELATING TO THE RESULTING ISSUER**

### *Permits and Licences*

PesoRama holds various permits, business licences and approvals authorizing its operations and activities which are subject to periodic review and re-assessment by the applicable authorities. Standards of compliance necessary to pass such reviews change from time to time and differ from jurisdiction to jurisdiction, leading to a degree of uncertainty. If renewals, or new permits, business licences, or approvals required in connection with existing or new facilities or activities are not granted or are delayed, or if existing permits, business licences, or approvals are revoked or substantially modified, the Resulting Issuer would suffer a material adverse effect. If new standards are applied to renewals or new applications, it could prove costly to the Resulting Issuer to meet any new level of compliance.

The operations of the Resulting Issuer may require additional licences and permits from various governmental authorities. There can be no assurance that the Resulting Issuer will be able to obtain all necessary licences and permits that may be required.

### *Liquidity for the Resulting Issuer Shares*

There is no assurance that there will be a liquid market for the Resulting Issuer Shares. Trading volumes for the Resulting Issuer Shares may fluctuate dramatically from day to day and from month to month. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance, net asset values or prospects of particular companies. There can also be no assurance that an active trading market in securities of the Resulting Issuer will be established and sustained. If an active public market for the Resulting Issuer Shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline. Further, should investor interest in the Resulting Issuer wane, shareholders may find it difficult to sell their shares or may be unable to do so. Additionally, no assurance can be given as to the market price of the Resulting Issuer Shares after completion of the going public transaction between PesoRama and Skyscape Capital Inc. It is also unlikely that the Resulting Issuer will pay any dividends in the immediate future.

### *Compliance with rules and requirements applicable to public companies*

Changing laws, regulations and standards relating to corporate governance and continuous disclosure result in increased legal and financial compliance costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

See also "*Risk Factors - Risk Factors Relating to PesoRama*" for a description of the risk factors relating to the Resulting Issuer.

## **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In an offering of warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the warrants are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon the exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer

to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

**CERTIFICATE OF SKYSCAPE CAPITAL INC.**

Dated: September 27, 2021

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta and Ontario.

By: (signed) "*Roger Daher*"

\_\_\_\_\_  
**Roger Daher**  
Chief Executive Officer, Chief  
Financial Officer, Secretary, and  
Director

**ON BEHALF OF THE BOARD OF DIRECTORS**

By: (signed) "*Paul Pathak*"

\_\_\_\_\_  
**Paul Pathak**  
Director

By: (signed) "*James Walker*"

\_\_\_\_\_  
**James Walker**  
Director

**CERTIFICATE OF PESORAMA INC.**

Dated: September 27, 2021

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta and Ontario.

By: (signed) "*Erica Fattore*"

**Erica Fattore**

Chief Executive Officer

By: (signed) "*Lynn Chapman*"

**Lynn Chapman**

Chief Financial Officer

**ON BEHALF OF THE BOARD**

By: (signed) "*Rahim Bhaloo*"

**Rahim Bhaloo**

Director

By: (signed) "*Andrew Parks*"

**Andrew Parks**

Director

**CERTIFICATE OF THE PROMOTER OF PESORAMA INC.**

Dated: September 27, 2021

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta and Ontario.

By: (signed) "*Rahim Bhaloo*"

**Rahim Bhaloo**

Promoter

## CERTIFICATE OF THE AGENT

September 27, 2021

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

### CANACCORD GENUITY CORP.

By: (signed) "*Jason Robertson*"  
**Jason Robertson**  
Managing Director, Investment Banking

**SCHEDULE A**  
**Consolidated Financial Information and MD&A of Skyscape**  
(See Attached)

**Skyscape Capital Inc.**  
(A Capital Pool Corporation)

**Consolidated Financial Statements**

**For the Year Ended December 31, 2019 and the  
period from the Date of Incorporation (January  
9, 2018) to December 31, 2018**

**(In Canadian Dollars)**

# Independent Auditor's Report

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To the Shareholders of Skyscape Capital Inc.:

## Opinion

We have audited the consolidated financial statements of Skyscape Capital Inc. and its subsidiary (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018 and the consolidated statements of loss and comprehensive loss, consolidated changes in shareholders' equity and cash flows for the year ended December 31, 2019 and for the period from the date of incorporation (January 9, 2018) to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2019 and December 31, 2018 and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 and for the period from January 9, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pierrette Dosanjh.

*MNP LLP*

Toronto, Ontario  
April 29, 2020

Chartered Professional Accountants  
Licensed Public Accountants

**MNP**

**Skyscape Capital Inc.**  
**Consolidated Statements of Financial Position**  
**As at December 31, 2019 and 2018**  
(in Canadian Dollars)

<b>Assets</b>	<b>2019</b>		<b>2018</b>	
Cash held in trust	\$	<b>273,098</b>	\$	518,641
	\$	<b>273,098</b>		518,641
<b>Liabilities</b>				
Accrued liabilities	\$	<b>5,727</b>	\$	10,130
<b>Shareholders' Equity</b>				
Share capital, net of issuance costs (Note 3)		<b>651,354</b>		651,354
Contributed Surplus		<b>101,363</b>		101,363
Deficit		<b>(485,346)</b>		(244,206)
		<b>267,371</b>		508,511
	\$	<b>273,098</b>	\$	518,641

**Subsequent events – Note 8**

Approved by the Board Paul Pathak James Walker  
Director (Signed) Director (Signed)

*The accompanying notes are an integral part of these consolidated financial statements.*

**Skyscape Capital Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the Year Ended December 31, 2019 and the Period from the Date of Incorporation (January 9, 2018) to December 31, 2018**  
(in Canadian Dollars)

	<b>For the Year ended December 31, 2019</b>	For the Period ended December 31, 2018
<b>Expenses</b>		
Professional Fees	\$ 222,292	\$ 138,423
Listing fees	18,848	30,864
Stock-based compensation (Note 3)	-	74,919
<b>Net loss and comprehensive loss for the year / period</b>	<b>\$ (241,140)</b>	<b>(244,206)</b>
<b>Net loss per share – basic and diluted</b>	<b>\$ (0.24)</b>	<b>\$ (0.29)</b>
<b>Weighted average shares outstanding- basic and diluted</b>	<b>1,000,000</b>	<b>842,697</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Skyscape Capital Inc.**  
**Consolidated Statements of Changes in Cash Flows**  
**For the Year Ended December 31, 2019 and the Period from the Date of Incorporation (January 9, 2018) to December 31, 2018**  
(in Canadian Dollars)

	<b>For the year ended December 31, 2019</b>	<b>For the period ended December 31, 2018</b>
<b>Cash provided by (used in)</b>		
<b>Operating</b>		
Net loss for the year / period	\$ (241,140)	\$ (244,206)
Stock-based compensation	-	74,919
Change in accrued liabilities	(4,403)	10,130
<b>Cash used in operating activities</b>	<b>(245,543)</b>	<b>(159,157)</b>
<b>Financing</b>		
Share subscription	-	750,000
Cash issuance costs	-	(72,202)
<b>Cash provided by financing activities</b>	<b>-</b>	<b>677,798</b>
<b>Net change in cash</b>	<b>(245,543)</b>	<b>518,641</b>
<b>Cash beginning of the year / period</b>	<b>518,641</b>	<b>-</b>
<b>Cash, end of year / period</b>	<b>\$ 273,098</b>	<b>\$ 518,641</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Skyscape Capital Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the Year Ended December 31, 2019 and the Period from the Date of Incorporation (January 9, 2018) to December 31, 2018**  
(in Canadian Dollars)

	Number of Shares	Share Capital	Contributed surplus	Deficit	Shareholders' Equity
<b>Balance, January 9, 2018</b>	-	\$ -	\$ -	\$ -	\$ -
Share subscription (Note 3)	1,000,000	250,000	-	-	250,000
Initial public offering (Note 3)	1,000,000	500,000	-	-	500,000
Cost of issuance-Cash	-	(72,202)	-	-	(72,202)
Cost of issuance-Agent Warrants issued on IPO	-	(26,444)	26,444	-	-
Stock-based compensation	-	-	74,919	-	74,919
Net loss for the period	-	-	-	(244,206)	(244,206)
<b>Balance, December 31, 2018</b>	<b>2,000,000</b>	<b>\$ 651,354</b>	<b>\$101,363</b>	<b>\$ (244,206)</b>	<b>\$ 508,511</b>
<b>Balance at January 1, 2019</b>	<b>2,000,000</b>	<b>\$ 651,354</b>	<b>\$ 101,363</b>	<b>\$ (244,206)</b>	<b>\$ 508,511</b>
Net loss for the year	-	-	-	(241,140)	(241,140)
<b>Balance, December 31, 2019</b>	<b>2,000,000</b>	<b>651,354</b>	<b>101,363</b>	<b>\$ (485,346)</b>	<b>\$ 267,371</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

## **1. INCORPORATION AND NATURE OF BUSINESS**

Skyscape Capital Inc. (the "Corporation") was incorporated under the Business Corporations Act (Ontario) on January 9, 2018 and is a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") Corporate Finance Manual. The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Corporation has not commenced commercial operations and has no assets other than cash held in trust. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation, in respect of the sale of its securities, or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation, as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the shares of the Corporation were first listed on the Exchange.

The head office and the registered head office of the Corporation is located at 77 King Street, suite 700, Toronto, ON M5K 1G8.

On April 29, 2020 the Board of Directors approved the consolidated financial statements for the year ended December 31, 2019.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

### **Use of Estimates and Judgments**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

## **2. SIGNIFICANT ACCOUNTING POLICIES – continued**

### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and its wholly owned subsidiary, 11518003 Canada Inc.

### **Basis of Presentation**

The consolidated financial statements are presented in Canadian dollars (“CAD”), which is the Corporation’s functional and presentation currency. The consolidated financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss (“FVPTL”), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these consolidated financial statements.

### **Share Capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

### **Basic and Diluted Loss per Share**

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Common shares escrowed pursuant to the requirements of the Exchange are excluded from the number of outstanding common shares.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

### **Share-based Compensation**

Equity-settled share-based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. Share options are measured at the fair value of each tranche on the grant date and are recognized in their respective vesting period using the Corporation’s expected forfeiture rate. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

### **Financial Instruments**

#### *Recognition*

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

## **2. SIGNIFICANT ACCOUNTING POLICIES – continued**

### *Classification*

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive loss or through profit or loss, and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive loss.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Corporation has implemented the following classifications:

Cash is classified as assets at fair value and any period change in fair value is recorded in profit or loss. Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

### *Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive loss (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash held in trust is a level 1 financial instrument measured at fair value on the statements of financial position.

**Skyscape Capital Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2019 and the Period from the Date of Incorporation (January 9, 2018) to December 31, 2018**  
(in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Income Taxes**

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. Deferred tax assets are recognized to the extent that realization of such benefits is probable.

**3. SHARE CAPITAL**

**Authorized**

Unlimited common shares

<b>Issued</b>	<b>#</b>	<b>\$</b>
1,000,000 common shares (i)	1,000,000	\$ 250,000
1,000,000 common shares (ii)	1,000,000	500,000
Cost of issuance-Cash		(72,202)
Cost of issuance-share based payment		(26,444)
<b>Balance, December 31, 2018 and 2019</b>	<b>2,000,000</b>	<b>\$ 651,354</b>

**(i) Escrowed Shares**

During the period from incorporation (January 9, 2018) to December 31, 2018, the Corporation issued 1,000,000 common shares at \$0.25 per share for gross proceeds of \$250,000.

All common shares of the Corporation acquired in the secondary market prior to the completion of a QT by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow. 1,000,000 shares have been escrowed at December 31, 2019 and December 31, 2018.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT, must also be deposited in escrow until the Final Exchange Bulletin is issued.

**Skyscape Capital Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2019 and the Period from the Date of Incorporation (January 9, 2018) to December 31, 2018**  
(in Canadian Dollars)

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**3. SHARE CAPITAL– continued**

**(ii) Initial Public Offering**

On March 6, 2018, the Corporation completed its Initial Public Offering (“IPO”) of 1,000,000 common shares at \$0.50 per share (\$500,000). The Corporation paid a commission of 10% of the gross proceeds to Canaccord Genuity Corp. (the “Agent”), and granted the Agent warrants to acquire 10% of the common shares issued in the IPO exercisable for a period ending twenty-four months from the closing of the IPO, exercisable at \$0.50 per share. The Corporation also paid a corporate finance fee and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. Cash issuance costs of \$72,202 were associated with these issuances and the value attributed to warrants granted to the Agent is \$26,444.

**Options**

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and are exercisable as determined by the Board of Directors when the option is granted. Options expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire within a maximum period of one year after such death, subject to the expiry date of the option.

Any shares issued upon exercise of the options prior to the Corporation entering into a QT will be subject to escrow restrictions.

The following table reflects the continuity of stock options and warrants:

	Number of Stock Options and warrants	Weighted Average Exercise Price (\$)
January 9, 2018	-	-
Granted (i)	100,000	\$0.50
Granted to directors and officers (ii)	200,000	\$0.50
<b>Balance, December 31, 2018 and 2019</b>	<b>300,000</b>	<b>\$0.50</b>

- i. On March 6, 2018, the Corporation granted 100,000 compensation warrants to the Agent, which are exercisable at an exercise price of \$0.50 per share for a period of 24 months following the date that the common shares are listed on the Exchange. These warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.75%, expected volatility of 100% and an expected life of two years. The value attributed to these warrants was \$26,444.

**Skyscape Capital Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2019 and the Period from the Date of Incorporation (January 9, 2018) to December 31, 2018**  
(in Canadian Dollars)

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**3. SHARE CAPITAL– continued**

- ii. On March 6, 2018, the Corporation granted 200,000 options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.50 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.97%, expected volatility of 100% and an expected life of five years. The value attributed to these warrants was \$74,919.

The following table reflects the actual options and warrants issued and outstanding as of December 31, 2019:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested (Exercisable)</b>
March 6, 2020	\$0.50	0.18	100,000	100,000
March 6, 2023	\$0.50	3.18	200,000	200,000
	\$0.50	2.18	300,000	300,000

Subsequent to year end, the warrants with an expiry date of March 6, 2020 expired unexercised.

**4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

**Risk Disclosures and Fair Values**

The Corporation's financial instruments, consisting of cash held in trust and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**Skyscape Capital Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2019 and the Period from the Date of Incorporation (January 9, 2018) to December 31, 2018**  
(in Canadian Dollars)

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**5. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2019, the Corporation incurred legal fees of approximately \$203,762 (2018 - \$120,767) for services provided by a law firm whose partner is a director of the Corporation. As at December 31, 2019, \$5,727 (2018 - \$6,570) is included in accrued liabilities for these services.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the period ended December 31, 2019.

There was no other transactions with related parties and no remuneration paid to key management personnel during the period ended December 31, 2018 other than stock-based compensation of \$74,919.

**6. INCOME TAXES**

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 26.5% (2018 – 26.5%) and the Corporation's effective income tax expense is as follows:

	<b>2019</b>	<b>2018</b>
<b>Net loss for the period</b>	\$ (241,140)	\$ (244,206)
Expected income tax recovery	(63,900)	(64,715)
Stock-based compensation		19,854
Share issuance costs booked to equity		(19,134)
Deferred tax assets not recognized	63,900	63,995
Income tax recovery	\$ -	\$ -

Deferred taxes are provided as a result of temporary differences that arise between the income tax values and the carrying amount of the assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	<b>2019</b>	<b>2018</b>
Share issue costs – 20(1)(e)	\$ 45,340	\$ 59,779
Non-capital losses carried forward- Canada	227,210	181,710
Other tax attributes	210,080	-

The Canadian losses carry forwards will expire between 2038 and 2039. Share issue and financing costs will be fully amortized in 2023. The remaining deductible temporary differences may be carried forward indefinitely.

The Corporation has not recorded deferred tax assets in respect of these items as it is not probable that future taxable profits will be available against which these can be deducted.

The Canadian non-capital losses can be carried forward to be applied against future taxable income. These losses expire to the extent unutilized against future taxable income as follows:

2038	181,710
2039	45,500

## **7. QUALIFYING TRANSACTION**

On July 23, 2019 the Corporation announced the execution of an amalgamation agreement between the Corporation, PesoRama Inc. ("PesoRama") and 11518003 Canada Corp. ("Subco"), a wholly owned subsidiary of the Corporation, which sets forth the terms and conditions upon which the Corporation will acquire PesoRama by way of reverse takeover. PesoRama is a private company incorporated and existing under the Canada Business Corporations Act. Under the terms of the amalgamation agreement, Subco will merge, by way of a three cornered amalgamation, with PesoRama and PesoRama will survive as a wholly-owned subsidiary of the Corporation.. It is intended that the Transaction will constitute the "Qualifying Transaction" of the Corporation, as such term is defined in the policies of the Exchange.

The transaction is subject to customary approvals of the shareholders and the Exchange.

As at December 31, 2019 the agreement has expired but has not been terminated and discussions between the parties are ongoing.

## **8. SUBSEQUENT EVENTS**

Subsequent to December 31, 2019, financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future consolidated financial statements.

**Skyscape Capital Inc.**  
**Management Discussion and Analysis**  
**For the Year Ended December 31, 2019**

**April 29, 2020**

The following management discussion and analysis (“MD&A”) of the results of the operations and financial position of Skyscape Capital Inc. (the “Corporation” or “Skyscape”) for the year ended December 31, 2019 should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended December 31, 2019. All figures contained in this MD&A are presented in Canadian dollars.

**Forward-Looking Statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation’s future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but 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 by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

**The Corporation**

Skyscape Capital Inc. was incorporated under the Business Corporations Act (Ontario) on January 9, 2018 and is classified as a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”) Corporate Finance Manual (the “Manual”). The head office and the registered head office of the Corporation is located at 77 King Street West, Suite 700, Toronto, Ontario M5K 1G8. The Corporation’s common shares commenced trading on the Exchange under the trading symbol “SKY.P” on March 6, 2018.

The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Corporation has not commenced operations and has no assets other than cash held in trust. The Corporation’s continuing operations as intended are dependent upon its ability to identify, evaluate and

negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation. The Corporation is required to complete its QT on or before two years from the date the Corporation's shares were first listed on the Exchange.

During the period from incorporation (January 9, 2018) to December 31, 2018, the Corporation issued 1,000,000 common shares at \$0.25 per share for gross proceeds of \$250,000.

On March 6, 2018, the Corporation completed its Initial Public Offering ("IPO") of 1,000,000 common shares at \$0.50 per share (\$500,000). The Corporation paid a commission of 10% of the gross proceeds to Canaccord Genuity Corp. (the "Agent"), and granted the Agent warrants to acquire 10% of the common shares issued in the IPO exercisable for a period ending twenty-four months from the closing of the IPO, exercisable at \$0.50 per share. The Corporation also paid a corporate finance fee and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. Cash issuance costs of \$72,202 were associated with these issuances and the value attributed to warrants granted to the Agent is \$26,444.

Subsequent to year end, the warrants with an expiry date of March 6, 2020 expired unexercised.

Concurrently with the completion of the Offering, the Corporation granted 200,000 stock options to its directors and officers at an exercise price of \$0.50 per share for a period of five years from the grant date.

On July 23, 2019 the Corporation announced the execution of an amalgamation agreement between the Corporation, PesoRama Inc. ("PesoRama") and 11518003 Canada Corp. ("Subco"), a wholly owned subsidiary of the Corporation, which sets forth the terms and conditions upon which the Corporation will acquire PesoRama by way of reverse takeover. PesoRama is a private company incorporated and existing under the Canada Business Corporations Act. Under the terms of the amalgamation agreement, Subco will merge, by way of a three cornered amalgamation, with PesoRama and PesoRama will survive as a wholly-owned subsidiary of the Corporation.. It is intended that the Transaction will constitute the "Qualifying Transaction" of the Corporation, as such term is defined in the policies of the Exchange.

The transaction is subject to customary approvals of the shareholders and the Exchange.

As at December 31, 2019 the agreement has expired but has not been terminated and discussions between the parties are ongoing.

On April 29, 2020 the Board of Directors approved the consolidated financial statements for year ended December 31, 2019.

### Summary of Quarterly Results

	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total Assets	\$273,098	\$324,141	\$445,844	\$494,922	\$518,641	\$536,137	\$581,776	\$613,753
Total Revenues	nil	nil	nil	nil	nil	nil	nil	nil
Total Expenses	\$45,660	\$126,358	\$53,515	\$15,607	\$13,164	\$40,331	\$28,188	\$162,523
Net Income (Loss)	(\$45,660)	(\$126,358)	(\$53,515)	(\$15,607)	(\$13,164)	(\$40,331)	(\$28,188)	(\$162,523)
Basic and diluted net loss per share	(\$0.05)	(\$0.13)	(\$0.05)	(\$0.02)	\$(0.02)	(\$0.04)	(\$0.04)	(\$0.53)

### Results of Operations

#### Three month period ended December 31, 2019

The Corporation recorded a net loss of \$45,660 during the three month period ended December 31, 2019. The net loss for the three-month period ended December 31, 2019 is due mainly to costs in relation to its listing on the Exchange as well as professional fees.

#### For the year ended December 31, 2019

The Corporation recorded a net loss of \$241,140 for the year ended December 31, 2019. The net loss for this year ended is due mainly to costs in relation to its listing on the Exchange as well as professional fees and share-based compensation.

### Additional Disclosure for Venture Issuers without Significant Revenue

Since the Corporation has no revenue from operations, the following is a breakdown of the material costs incurred from the date of incorporation (January 9, 2018) to December 31, 2019:

<b>Material Costs</b>	<b>Period from the date of incorporation (January 9, 2018) to December 31, 2019:</b>
Professional fees	\$360,715
Filing fees	\$49,712
Stock-based compensation	\$74,919

### **Liquidity and Capital Resources**

As at December 31, 2019, the Corporation had cash of \$273,098 (2018 – 518,641). The Corporation had current liabilities of \$5,727 (2018 - \$10,130) and working capital of \$267,371 (2018 - \$508,511).

Negative cash flows of \$245,543 (2018 – 159,157) were recorded from operating activities during the year ended December 31, 2019. This is primarily due to outflows relating to filing fees and professional fees. Positive cash flows of \$nil (2018 - \$677,798) were recorded from financing activities during the year ended December 31, 2019.

### **Outstanding Share Data**

As of the date of this MD&A, 2,000,000 common shares are issued and outstanding. Of these, 1,000,000 shares are held in escrow in accordance with Exchange regulations.

As of the date of this MD&A, following the Offering, there are 200,000 stock options outstanding, exercisable at \$0.50 per share, expiring on March 6, 2023 .

### **Off-Balance Sheet Arrangements**

The Corporation has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

### **Related Party Transactions**

During the year ended December 31, 2019, the Corporation incurred legal fees of approximately \$203,762 (2018 - \$120,767) for services provided by a law firm whose partner is an officer of the Corporation. As at December 31, 2019, \$5,727 (2018 - \$6,570) is included in accrued liabilities for these services.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the year ended December 31, 2019.

## **Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital, contributed surplus and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

## **Risks and Uncertainties**

The following describes certain risks, events and uncertainties that could affect the Corporation and that each reader should carefully consider. Please refer to the Corporation's final prospectus dated February 20, 2018 for additional risks, events and uncertainties that could affect the Corporation.

External financing may be required to fund the Corporation's activities primarily through the issuance of common shares. There can be no assurance that the Corporation will be able to obtain adequate financing. The securities of the Corporation should be considered a highly speculative investment.

The Corporation has not generated significant revenues and does not expect to generate significant revenues in the near future. In the event that the Corporation generates significant revenues in the future, the Corporation intends to retain its earnings in order to finance further growth. Furthermore, the Corporation has not paid any dividends in the past and does not expect to pay any dividends in the foreseeable future.

### **Risk Disclosures and Fair Values**

The Corporation's financial instruments, consisting of cash held in trust and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

### **Additional Information**

For further detail, see the Corporation's consolidated financial statements for the year ended December 31, 2019. Additional information about the Corporation can also be found on SEDAR.

**Skyscape Capital Inc.**  
(A Capital Pool Corporation)

**Consolidated Financial Statements**

**For the Years Ended December 31, 2020 and  
December 31, 2019**

**(In Canadian Dollars)**

To the Shareholders of Skyscape Capital Inc.:

## **Opinion**

We have audited the consolidated financial statements of Skyscape Capital Inc. and its subsidiary (the "Corporation"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2020 and December 31, 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards.

## **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pierrette Dosanjh.

*MNP LLP*

Toronto, Ontario  
April 28, 2021

Chartered Professional Accountants  
Licensed Public Accountants

**MNP**

**Skyscape Capital Inc.**  
**Consolidated Statements of Financial Position**  
**As at December 31, 2020 and 2019**  
(in Canadian Dollars)

<b>Assets</b>	<b>2020</b>		<b>2019</b>	
Cash held in trust	\$	237,992	\$	273,098
	<b>\$</b>	<b>237,992</b>		<b>273,098</b>
<b>Liabilities</b>				
Accrued liabilities	\$	129,951	\$	5,727
<b>Shareholders' Equity</b>				
Share capital, net of issuance costs (Note 3)		651,354		651,354
Contributed Surplus		101,363		101,363
Deficit		(644,676)		(485,346)
		108,041		267,371
	<b>\$</b>	<b>237,992</b>	<b>\$</b>	<b>273,098</b>

**Qualifying Transaction and Subsequent events – Note 7**

Approved by the Board Paul Pathak  
Director (Signed)

James Walker  
Director (Signed)

*The accompanying notes are an integral part of these consolidated financial statements.*

**Skyscape Capital Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the Years Ended December 31, 2020 and December 31, 2019**  
(in Canadian Dollars)

	<b>Year ended December 31, 2020</b>	Year ended December 31, 2019
<b>Expenses</b>		
Professional Fees	\$ 147,144	\$ 222,292
Listing fees	12,186	18,848
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (159,330)</b>	<b>(241,140)</b>
<b>Net loss per share – basic and diluted</b>	<b>\$ (0.16)</b>	<b>(0.24)</b>
<b>Weighted average shares outstanding- basic and diluted</b>	<b>1,000,000</b>	<b>1,000,000</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Skyscape Capital Inc.**  
**Consolidated Statements of Changes in Cash Flows**  
**For the Years Ended December 31, 2020 and December 31, 2019**  
(in Canadian Dollars)

	<b>Year ended December 31, 2020</b>	Year ended December 31, 2019
<b>Cash provided by (used in)</b>		
<b>Operating</b>		
Net loss for the year	\$ (159,330)	\$ (241,140)
Change in accrued liabilities	124,224	(4,403)
<b>Cash used in operating activities</b>	<b>(35,106)</b>	<b>(245,543)</b>
<b>Net change in cash</b>	<b>(35,106)</b>	<b>(245,543)</b>
Cash beginning of the year	273,098	518,641
<b>Cash, end of year</b>	<b>\$ 237,992</b>	<b>\$ 273,098</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Skyscape Capital Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the Years Ended December 31, 2020 and December 31, 2019**  
(in Canadian Dollars)

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Contributed surplus</b>	<b>Deficit</b>	<b>Shareholders' Equity</b>
<b>Balance, January 1, 2019</b>	<b>2,000,000</b>	<b>\$651,354</b>	<b>\$101,363</b>	<b>(\$244,206)</b>	<b>\$508,511</b>
Net loss for the year	-	-	-	(241,140)	(241,140)
<b>Balance, December 31, 2019</b>	<b>2,000,000</b>	<b>\$651,354</b>	<b>\$101,363</b>	<b>(\$485,346)</b>	<b>\$267,371</b>
Net loss for the year				(159,330)	(159,330)
<b>Balance, December 31, 2020</b>	<b>2,000,000</b>	<b>\$651,354</b>	<b>\$101,363</b>	<b>(\$644,676)</b>	<b>\$108,041</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

## **1. INCORPORATION AND NATURE OF BUSINESS**

Skyscape Capital Inc. (the "Corporation") was incorporated under the Business Corporations Act (Ontario) on January 9, 2018 and is a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") Corporate Finance Manual. The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Corporation has not commenced commercial operations and has no assets other than cash held in trust. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation, in respect of the sale of its securities, or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation, as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the shares of the Corporation were first listed on the Exchange.

On March 11, 2020, the Corporation was suspended from trading by the Exchange for failing to complete a QT within 24 months from the date of listing. In accordance with the new CPC regulations, the Corporation intends to seek shareholder approval to remove the consequences of failing to complete a QT within 24 months of listing as set out in section 15.2(b)(i) of the New CPC Policy; as well as amend the escrow release conditions and certain other provisions of the Corporation's CPC escrow agreement dated February 20, 2018.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

The head office and the registered head office of the Corporation is located at 77 King Street, suite 700, Toronto, ON M5K 1G8.

On April 28, 2021 the Board of Directors approved the consolidated financial statements for the year ended December 31, 2020.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

## **2. SIGNIFICANT ACCOUNTING POLICIES – continued**

### **Use of Estimates and Judgments**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and its wholly owned subsidiary, 11518003 Canada Inc.

### **Basis of Presentation**

The consolidated financial statements are presented in Canadian dollars ("CAD"), which is the Corporation's functional and presentation currency. The consolidated financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss ("FVPTL"), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these consolidated financial statements.

### **Share Capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

### **Basic and Diluted Loss per Share**

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Common shares escrowed pursuant to the requirements of the Exchange are excluded from the number of outstanding common shares.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

### **Share-based Compensation**

Equity-settled share-based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. Share options are measured at the fair value of each tranche on the grant date and are recognized in their respective vesting period using the Corporation's expected forfeiture rate. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

## **2. SIGNIFICANT ACCOUNTING POLICIES – continued**

### **Financial Instruments**

#### *Recognition*

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

#### *Classification*

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive loss or through profit or loss, and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive loss.

The Corporation reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Corporation has implemented the following classifications:

Cash is classified as assets at fair value and any period change in fair value is recorded in profit or loss. Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

#### *Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive loss (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

## **2. SIGNIFICANT ACCOUNTING POLICIES – continued**

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash held in trust is a level 1 financial instrument measured at fair value on the statements of financial position.

### **Income Taxes**

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. Deferred tax assets are recognized to the extent that realization of such benefits is probable.

## **3. SHARE CAPITAL**

### **Authorized**

Unlimited common shares

<b>Issued</b>	<b>#</b>	<b>\$</b>
1,000,000 common shares (i)	1,000,000	\$ 250,000
1,000,000 common shares (ii)	1,000,000	500,000
Cost of issuance-Cash		(72,202)
Cost of issuance-share based payment		(26,444)
<b>Balance, December 31, 2019 and 2020</b>	<b>2,000,000</b>	<b>\$ 651,354</b>

### **(i) Escrowed Shares**

During the period from incorporation (January 9, 2018) to December 31, 2018, the Corporation issued 1,000,000 common shares at \$0.25 per share for gross proceeds of \$250,000.

All common shares of the Corporation acquired in the secondary market prior to the completion of a QT by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow. 1,000,000 shares have been escrowed at December 31, 2020 and December 31, 2019.

**Skyscape Capital Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and December 31, 2019**  
(in Canadian Dollars)

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**3. SHARE CAPITAL– continued**

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT, must also be deposited in escrow until the Final Exchange Bulletin is issued.

**(ii) Initial Public Offering**

On March 6, 2018, the Corporation completed its Initial Public Offering (“IPO”) of 1,000,000 common shares at \$0.50 per share (\$500,000). The Corporation paid a commission of 10% of the gross proceeds to Canaccord Genuity Corp. (the “Agent”), and granted the Agent warrants to acquire 10% of the common shares issued in the IPO exercisable for a period ending twenty-four months from the closing of the IPO, exercisable at \$0.50 per share. The Corporation also paid a corporate finance fee and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. Cash issuance costs of \$72,202 were associated with these issuances and the value attributed to warrants granted to the Agent is \$26,444.

**Options**

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and are exercisable as determined by the Board of Directors when the option is granted. Options expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire within a maximum period of one year after such death, subject to the expiry date of the option.

Any shares issued upon exercise of the options prior to the Corporation entering into a QT will be subject to escrow restrictions.

The following table reflects the continuity of stock options and warrants:

	Number of Stock Options and Warrants	Weighted Average Exercise Price (\$)
Balance, January 9, 2018	-	-
Granted (i)	100,000	\$0.50
Granted to directors and officers (ii)	200,000	\$0.50
<b>Balance, December 31, 2019</b>	<b>300,000</b>	<b>\$0.50</b>
Expiration of agents warrants (i)	(100,000)	(\$0.50)
<b>Balance, December 31, 2020</b>	<b>200,000</b>	<b>\$0.50</b>

- i. On March 6, 2018, the Corporation granted 100,000 compensation warrants to the Agent, which are exercisable at an exercise price of \$0.50 per share for a period of 24 months following the date that the common shares are listed on the Exchange. These warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.75%, expected volatility of 100% and an expected life of two years. The value attributed to these warrants was \$26,444.

### 3. SHARE CAPITAL– continued

- ii. On March 6, 2018, the Corporation granted 200,000 options to directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.50 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.97%, expected volatility of 100% and an expected life of five years. The value attributed to these warrants was \$74,919.

The following table reflects the actual options and warrants issued and outstanding as of December 31, 2020:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested (Exercisable)</b>
March 6, 2023	\$0.50	2.43	200,000	200,000

### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

#### Risk Disclosures and Fair Values

The Corporation's financial instruments, consisting of cash held in trust and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**Skyscape Capital Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and December 31, 2019**  
(in Canadian Dollars)

**5. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2020, the Corporation incurred legal fees of approximately \$135,280 (2019 - \$203,762) for services provided by a law firm whose partner is a director of the Corporation. As at December 31, 2020, \$126,874 (2019 - \$5,727) is included in accrued liabilities for these services.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the years ended December 31, 2020 and 2019.

**6. INCOME TAXES**

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 26.5% (2019 – 26.5%) and the Corporation's effective income tax expense is as follows:

	<b>2020</b>	<b>2019</b>
<b>Net loss for the period</b>	\$ (159,330)	\$ (241,140)
Expected income tax recovery	(42,223)	(63,900)
Share issuance costs booked to equity	-	(19,134)
Deferred tax assets not recognized	42,223	63,900
<b>Income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

Deferred taxes are provided as a result of temporary differences that arise between the income tax values and the carrying amount of the assets and liabilities. The Corporation has not recorded deferred tax assets in respect of these items as it is not probable that future taxable profits will be available against which these can be deducted. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	<b>2020</b>	<b>2019</b>
Share issuance costs	\$ 30,900	\$ 45,340
Operating tax losses carried forward	265,700	227,210
Capitalized legal fees	345,360	210,080

The Canadian operating tax losses carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2023. The remaining deductible temporary differences may be carried forward indefinitely.

The Canadian operating tax losses can be carried forward to be applied against future taxable income. These losses expire to the extent unutilized against future taxable income as follows:

2038	181,710
2039	45,500
2040	38,490

**7. QUALIFYING TRANSACTION AND SUBSEQUENT EVENTS.**

Subsequent to year end, the Corporation announced the execution of an amalgamation agreement between the Corporation, PesoRama Inc. (“PesoRama”) and 11518003 Canada Corp. (“Subco”), a wholly owned subsidiary of the Corporation, which sets forth the terms and conditions upon which the Corporation will acquire PesoRama by way of reverse takeover. PesoRama is a private company incorporated and existing under the Canada Business Corporations Act. It is intended that the Transaction will constitute the “Qualifying Transaction” of the Corporation, as such term is defined in the policies of the Exchange.

The transaction is subject to customary approvals of the shareholders and the Exchange.

**Skyscape Capital Inc.**  
**Management Discussion and Analysis**  
**For the Year Ended December 31, 2020**

**April 28, 2021**

The following management discussion and analysis (“MD&A”) of the results of the operations and financial position of Skyscape Capital Inc. (the “Corporation” or “Skyscape”) for the year ended December 31, 2020 should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended December 31, 2020. All figures contained in this MD&A are presented in Canadian dollars.

**Forward-Looking Statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation’s future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but 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 by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

**The Corporation**

Skyscape Capital Inc. was incorporated under the Business Corporations Act (Ontario) on January 9, 2018 and is classified as a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”) Corporate Finance Manual (the “Manual”). The head office and the registered head office of the Corporation is located at 77 King Street West, Suite 700, Toronto, Ontario M5K 1G8. The Corporation’s common shares commenced trading on the Exchange under the trading symbol “SKY.P” on March 6, 2018.

The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Corporation has not commenced operations and has no assets other than cash held in trust. The Corporation’s continuing operations as intended are dependent upon its ability to identify, evaluate and

negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities or \$210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation. The Corporation is required to complete its QT on or before two years from the date the Corporation's shares were first listed on the Exchange.

During the period from incorporation (January 9, 2018) to December 31, 2018, the Corporation issued 1,000,000 common shares at \$0.25 per share for gross proceeds of \$250,000.

On March 6, 2018, the Corporation completed its Initial Public Offering ("IPO") of 1,000,000 common shares at \$0.50 per share (\$500,000). The Corporation paid a commission of 10% of the gross proceeds to Canaccord Genuity Corp. (the "Agent"), and granted the Agent warrants to acquire 10% of the common shares issued in the IPO exercisable for a period ending twenty-four months from the closing of the IPO, exercisable at \$0.50 per share. The Corporation also paid a corporate finance fee and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. Cash issuance costs of \$72,202 were associated with these issuances and the value attributed to warrants granted to the Agent is \$26,444.

The warrants with an expiry date of March 6, 2020 expired unexercised.

On March 11, 2020, the Corporation was suspended from trading by the Exchange for failing to complete a QT within 24 months from the date of listing.

Concurrently with the completion of the Offering, the Corporation granted 200,000 stock options to its directors and officers at an exercise price of \$0.50 per share for a period of five years from the grant date.

Subsequent to year end, the Corporation announced the execution of an amalgamation agreement between the Corporation, PesoRama Inc. ("PesoRama") and 11518003 Canada Corp. ("Subco"), a wholly owned subsidiary of the Corporation, which sets forth the terms and conditions upon which the Corporation will acquire PesoRama by way of reverse takeover. PesoRama is a private company incorporated and existing under the Canada Business Corporations Act. It is intended that the Transaction will constitute the "Qualifying Transaction" of the Corporation, as such term is defined in the policies of the Exchange.

The transaction is subject to customary approvals of the shareholders and the Exchange.

On April 28, 2021 the Board of Directors approved the consolidated financial statements for year ended December 31, 2020.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

### Summary of Quarterly Results

	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total Assets	\$237,992	\$237,991	\$249,049	\$252,900	\$273,098	\$324,141	\$445,844	\$494,922
Total Revenues	nil	nil	nil	nil	nil	nil	nil	nil
Total Expenses	\$110,307	\$17,263	\$14,243	\$17,517	\$45,660	\$126,358	\$53,515	\$15,607
Net Income (Loss)	(\$110,307)	(\$17,263)	(\$14,243)	(\$17,517)	(\$45,660)	(\$126,358)	(\$53,515)	(\$15,607)
Basic and diluted net loss per share	(\$0.11)	(\$0.02)	(\$0.01)	(\$0.02)	(\$0.05)	(\$0.13)	(\$0.05)	(\$0.02)

### Results of Operations

#### Three month period ended December 31, 2020

The Corporation recorded a net loss of \$110,307 during the three month period ended December 31, 2020. The net loss for the three-month period ended December 31, 2020 is due mainly to costs in relation to its listing on the Exchange as well as professional fees.

For the year ended December 31, 2020

The Corporation recorded a net loss of \$159,330 for the year ended December 31, 2020. The net loss for this year ended is due mainly to costs in relation to its listing on the Exchange as well as professional fees and share-based compensation.

**Additional Disclosure for Venture Issuers without Significant Revenue**

Since the Corporation has no revenue from operations, the following is a breakdown of the material costs incurred from the date of incorporation (January 9, 2018) to December 31, 2020:

Professional fees	\$507,859
Filing fees	\$61,898
Stock-based compensation	\$74,919

**Liquidity and Capital Resources**

As at December 31, 2020, the Corporation had cash of \$237,992 (2019 – 273,098). The Corporation had current liabilities of \$129,951 (2019 - \$5,727) and working capital of \$108,041 (2019 - \$267,371).

Negative cash flows of \$35,106 (2019 – 245,543) were recorded from operating activities during the year ended December 31, 2020. This is primarily due to outflows relating to filing fees and professional fees.

**Outstanding Share Data**

As of the date of this MD&A, 2,000,000 common shares are issued and outstanding. Of these, 1,000,000 shares are held in escrow in accordance with Exchange regulations.

As of the date of this MD&A, following the Offering, there are 200,000 stock options outstanding, exercisable at \$0.50 per share, expiring on March 6, 2023 .

**Off-Balance Sheet Arrangements**

The Corporation has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

### **Related Party Transactions**

During the year ended December 31, 2020, the Corporation incurred legal fees of approximately \$135,280 (2019 - \$203,762) for services provided by a law firm whose partner is an officer of the Corporation. As at December 31, 2020, \$126,874 (2018 - \$5,727) is included in accrued liabilities for these services.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the year ended December 31, 2020.

### **Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital, contributed surplus and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

## **Risks and Uncertainties**

The following describes certain risks, events and uncertainties that could affect the Corporation and that each reader should carefully consider. Please refer to the Corporation's final prospectus dated February 20, 2018 for additional risks, events and uncertainties that could affect the Corporation.

External financing may be required to fund the Corporation's activities primarily through the issuance of common shares. There can be no assurance that the Corporation will be able to obtain adequate financing. The securities of the Corporation should be considered a highly speculative investment.

The Corporation has not generated significant revenues and does not expect to generate significant revenues in the near future. In the event that the Corporation generates significant revenues in the future, the Corporation intends to retain its earnings in order to finance further growth. Furthermore, the Corporation has not paid any dividends in the past and does not expect to pay any dividends in the foreseeable future.

## **Risk Disclosures and Fair Values**

The Corporation's financial instruments, consisting of cash held in trust and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## **Additional Information**

For further detail, see the Corporation's consolidated financial statements for the year ended December 31, 2020. Additional information about the Corporation can also be found on SEDAR.

## **Skyscape Capital Inc.**

(A Capital Pool Company)

**Unaudited Condensed Interim Consolidated  
Financial Statements**

**For the Three and Six Months Ended June 30, 2021  
and 2020**

**(In Canadian Dollars)**

### **Notice of No Auditor Review of the Interim Consolidated Financial Statements**

The accompanying unaudited condensed interim consolidated financial statements of Skyscape Capital Inc. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the CPA Canada for a review of interim consolidated financial statements by an entity's auditor.

**Skyscape Capital Inc.**  
**Unaudited Condensed Interim Consolidated Statements of Financial Position**  
**As at June 30, 2021 and December 31, 2020**  
(in Canadian Dollars)

	<b>June 30, 2021</b>	December 31, 2020
<b>Assets</b>		
Cash held in trust	\$ 39,050	\$ 237,992
	<b>\$ 39,050</b>	<b>\$ 237,992</b>
<b>Liabilities</b>		
Accrued liabilities	\$ 200,299	\$ 129,951
<b>Shareholder's Equity</b>		
Share capital, net of issuance costs (Note 3)	<b>651,354</b>	651,354
Contributed surplus	<b>101,363</b>	101,363
Accumulated deficit	<b>(913,966)</b>	(644,676)
	<b>(161,249)</b>	108,041
	<b>\$ 39,050</b>	<b>\$ 237,992</b>

Approved by the Board Paul Pathak  
Director (Signed)

James Walker  
Director (Signed)

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

**Skyscape Capital Inc.**  
**Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
(in Canadian Dollars)

	Three month period ended June 30, 2021	Three month period ended June 30, 2020	Six month period ended June 30, 2021	Six month period ended June 30, 2020
<b>Expenses</b>				
Professional fees	\$ 175,870	\$ 10,393	\$ 246,744	21,060
Listing fees	20,588	3,850	22,546	10,700
Total expenses	196,458	\$ 14,243	\$ 269,290	31,760
Net loss and comprehensive loss	\$ (196,458)	\$ (14,243)	\$ (269,290)	(31,760)
Net loss per share (basic and diluted)	\$ (0.12)	\$ (0.01)	\$ (0.21)	(0.03)
Weighted average number of shares outstanding (basic and diluted)	1,622,222	1,000,000	1,311,111	1,000,000

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

**Skyscape Capital Inc.**  
**Unaudited Condensed Interim Consolidated Statements of Changes in Cash Flows**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
(in Canadian Dollars)

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	Six month period ended June 30, 2021	Six month period ended June 30, 2020
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (269,290)	\$ (31,760)
Change in accrued liabilities	70,348	7,711
<b>Net cash used in operating activities</b>	<b>(198,942)</b>	<b>(24,049)</b>
<b>Net change in cash</b>	<b>(198,942)</b>	<b>(24,049)</b>
<b>Cash, beginning of period</b>	<b>237,992</b>	<b>273,098</b>
<b>Cash, ending of period</b>	<b>\$ 39,050</b>	<b>\$ 249,049</b>

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

**Skyscape Capital Inc.**  
**Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
(in Canadian Dollars)

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	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Contributed surplus</b>	<b>Accumulated Deficit</b>	<b>Shareholders' Equity</b>
Balance at January 1, 2020	2,000,000	\$ 651,354	\$ 101,363	\$ (485,346)	\$ 267,371
Net loss for the period	-	-	-	(31,760)	(31,760)
<b>Balance, June 30, 2020</b>	<b>2,000,000</b>	<b>\$ 651,354</b>	<b>\$ 101,363</b>	<b>\$ (517,106)</b>	<b>\$ 235,611</b>

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Accumulated Deficit</b>	<b>Shareholders' Equity</b>
Balance, January 1, 2021	2,000,000	\$ 651,354	\$ 101,363	\$ (644,676)	\$ 108,041
Net loss for the period	-	-	-	(269,290)	(269,290)
<b>Balance, June 30, 2021</b>	<b>2,000,000</b>	<b>\$ 651,354</b>	<b>\$ 101,363</b>	<b>\$ (913,966)</b>	<b>\$ (161,249)</b>

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

**Skyscape Capital Inc.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
(in Canadian Dollars)

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**1. INCORPORATION AND NATURE OF BUSINESS**

Skyscape Capital Inc. (the "Corporation") was incorporated under the Business Corporations Act (Ontario) on January 9, 2018 and is a Capital Pool Corporation as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange") Corporate Finance Manual. The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Corporation has not commenced commercial operations and has no assets other than cash held in trust. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT.

On March 11, 2020, the Corporation was suspended from trading by the Exchange for failing to complete a QT within 24 months from the date of listing. On May 5, 2021, the Corporation held a "Special Meeting" in which disinterested shareholders approved the removal of the consequences of failing to complete a QT within 24 months of listing as set out in section 15.2(b)(i) of the New CPC Policy; as well as amend the escrow release conditions and certain other provisions of the Corporation's CPC escrow agreement dated February 20, 2018.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

The head office and the registered head office of the Corporation is located at 77 King Street, Suite 700, Toronto, ON M5K 1G8.

On August 29, 2021, the Board of Directors approved the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2021 and 2020.

**Skyscape Capital Inc.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
(in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These unaudited condensed interim consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities. These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the corporation’s functional and presentation currency.

The accounting policies applied by the Corporation in these Unaudited Condensed Interim Consolidated Financial Statements are the same as those applied by the Corporation in the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and its wholly owned subsidiary, 11518003 Canada Inc.

**3. SHARE CAPITAL**

**Authorized**      Unlimited common shares

<b>Issued</b>	<b>#</b>	<b>\$</b>
1,000,000 common shares (i)	1,000,000	\$ 250,000
1,000,000 common shares (ii)	1,000,000	500,000
Issuance cost (cash)	-	(72,202)
Issuance cost (warrants)	-	(26,444)
<b>Balance, June 30, 2021 and December 31, 2020</b>	<b>2,000,000</b>	<b>\$ 651,354</b>

**(i) Escrowed Shares**

During the period from incorporation (January 9, 2018) to December 31, 2018, the Corporation issued 1,000,000 common shares at \$0.25 per share for gross proceeds of \$250,000.

All common shares of the Corporation acquired in the secondary market prior to the completion of a QT by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow. 1,000,000 shares have been escrowed at June 30, 2021 and December 31, 2019.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a QT, must also be deposited in escrow until the Final Exchange Bulletin is issued.

**Skyscape Capital Inc.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
(in Canadian Dollars)

**3. SHARE CAPITAL – continued**

**(ii) Initial Public Offering**

On March 6, 2018, the Corporation completed its Initial Public Offering (“IPO”) of 1,000,000 common shares at \$0.50 per share (\$500,000). The Corporation paid a commission of 10% of the gross proceeds to Canaccord Genuity Corp. (the “Agent”), and granted the Agent warrants to acquire 10% of the common shares issued in the IPO exercisable for a period ending twenty-four months from the closing of the IPO, exercisable at \$0.50 per share. The Corporation also paid a corporate finance fee and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. Cash issuance costs of \$72,202 were associated with these issuances and the value attributed to warrants granted to the Agent is \$26,444.

**Options**

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and are exercisable as determined by the Board of Directors when the option is granted. Options expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire within a maximum period of one year after such death, subject to the expiry date of the option.

Any shares issued upon exercise of the options prior to the Corporation entering into a QT will be subject to escrow restrictions.

The following table reflects the continuity of stock options and warrants:

	Number of Stock Options and Warrants	Weighted Average Exercise Price (\$)
Balance, January 9, 2018	-	-
Granted (i)	100,000	\$0.50
Granted to directors and officers (ii)	200,000	\$0.50
Expiration of agents warrants (i)	(100,000)	(\$0.50)
<b>Balance, December 31, 2020 and June 30, 2021</b>	<b>200,000</b>	<b>\$0.50</b>

i. On March 6, 2018, the Corporation granted 100,000 warrants to the Agent, which are exercisable within two years from the closing of the IPO at an exercise price of \$0.50 per share. These warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.75%, expected volatility of 100% and an expected life of two years. The value attributed to these warrants was \$26,444. On March 6, 2020, a total of 100,000 agent warrants expired unexercised.

ii. On March 6, 2018, the Corporation granted 200,000 options to its directors and officers, which are exercisable within five years from the date of grant at an exercise price of \$0.50 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.97%, expected volatility of 100% and an expected life of five years. The value attributed to these options was \$74,919.

**Skyscape Capital Inc.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2021 and 2020**  
(in Canadian Dollars)

**3. SHARE CAPITAL – continued**

**Options – continued**

The following table reflects the actual stock options and warrants issued and outstanding as of June 30, 2021:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Number of Stock Options and Warrants Outstanding</b>	<b>Number of Stock Options and Warrants Vested (Exercisable)</b>
March 6, 2023	\$0.50	1.68	200,000	200,000

**4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital and accumulated deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT.

**Risk Disclosures and Fair Values**

The Corporation's financial instruments, consisting of cash held in trust and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**5. RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2021, the Corporation incurred legal fees of approximately \$237,439 (2020 - \$21,059) for services provided by a law firm whose partner is a director of the Corporation. As at June 30, 2021, \$198,499 (2020 - \$13,438) is included in accrued liabilities for these services.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the six months ended June 30, 2021 and 2020.

## **6. QUALIFYING TRANSACTION**

On March 8, 2021, the Corporation entered an amalgamation agreement between the Corporation, PesoRama Inc. (“PesoRama”) and 11518003 Canada Corp. (“Subco”), a wholly owned subsidiary of the Corporation, which sets forth the terms and conditions upon which the Corporation will acquire PesoRama by way of reverse takeover. PesoRama is a private company incorporated and existing under the Canada Business Corporations Act. It is intended that the Transaction will constitute the “Qualifying Transaction” of the Corporation, as such term is defined in the policies of the Exchange.

The transaction is subject to customary approvals of the shareholders and the Exchange.

**Skyscape Capital Inc.**  
**Management Discussion and Analysis**  
**For the Three and Six Months Ended June 30, 2021**

**August 29, 2021**

The following management discussion and analysis (“MD&A”) of the results of the operations and financial position of Skyscape Capital Inc. (the “Corporation” or “Skyscape”) for the three and six months ended June 31, 2021 and 2020 should be read in conjunction with the Corporation’s unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2021 and 2020. All figures contained in this MD&A are presented in Canadian dollars.

**Forward-Looking Statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation’s future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “propose”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but 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 by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

**The Corporation**

Skyscape Capital Inc. was incorporated under the Business Corporations Act (Ontario) on January 9, 2018 and is classified as a Capital Pool Company, as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”) Corporate Finance Manual (the “Manual”). The head office and the registered head office of the Corporation is located at 77 King Street West, Suite 700, Toronto, Ontario M5K 1G8. The Corporation’s common shares commenced trading on the Exchange under the trading symbol “SKY.P” on March 6, 2018.

The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Corporation has not commenced operations and has no assets other than cash held in trust. The Corporation’s

continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Corporation. These restrictions apply until completion of a QT.

During the period from incorporation (January 9, 2018) to December 31, 2018, the Corporation issued 1,000,000 common shares at \$0.25 per share for gross proceeds of \$250,000.

On March 6, 2018, the Corporation completed its Initial Public Offering ("IPO") of 1,000,000 common shares at \$0.50 per share (\$500,000). The Corporation paid a commission of 10% of the gross proceeds to Canaccord Genuity Corp. (the "Agent"), and granted the Agent warrants to acquire 10% of the common shares issued in the IPO exercisable for a period ending twenty-four months from the closing of the IPO, exercisable at \$0.50 per share. The Corporation also paid a corporate finance fee and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. Cash issuance costs of \$72,202 were associated with these issuances and the value attributed to warrants granted to the Agent is \$26,444.

On March 6, 2020, 100,000 warrants granted to the Agent expired unexercised.

Concurrently with the completion of the Offering, the Corporation granted 200,000 stock options to its directors and officers at an exercise price of \$0.50 per share for a period of five years from the grant date.

On March 8, 2021, the Corporation entered an amalgamation agreement between the Corporation, PesoRama Inc. ("PesoRama") and 11518003 Canada Corp. ("Subco"), a wholly owned subsidiary of the Corporation, which sets forth the terms and conditions upon which the Corporation will acquire PesoRama by way of reverse takeover. PesoRama is a private company incorporated and existing under the Canada Business Corporations Act. It is intended that the Transaction will constitute the "Qualifying Transaction" of the Corporation, as such term is defined in the policies of the Exchange.

The transaction is subject to customary approvals of the shareholders and the Exchange.

On August 29, 2021 the Board of Directors approved the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2021 and 2020.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel,

business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

### Summary of Quarterly Results

	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total Assets	\$39,050	\$60,023	\$237,992	\$237,991	\$249,049	\$252,900	\$273,098	\$324,141
Total Revenues	Nil	nil	nil	nil	nil	nil	nil	nil
Total Expenses	\$196,458	\$72,832	\$110,307	\$17,263	\$14,243	\$17,517	\$45,660	\$126,358
Net Income (Loss)	(\$196,458)	(\$72,832)	(\$110,307)	(\$17,263)	(\$14,243)	(\$17,517)	(\$45,660)	(\$126,358)
Basic and diluted net loss per share	(\$0.12)	(\$0.07)	(\$0.11)	(\$0.02)	(\$0.01)	(\$0.02)	(\$0.05)	(\$0.13)

### Results of Operations

#### Three months ended June 30, 2021

The Corporation recorded a net loss of \$ 196,458 during the three months ended June 30, 2021. The net loss for the three months ended June 30, 2021 is due mainly to costs in relation to its listing on the Exchange as well as professional fees.

#### For the six months ended June 30, 2021

The Corporation recorded a net loss of \$ 269,290 during the six months ended June 30, 2021. The net loss for the six months ended June 30, 2021 is due mainly to costs in relation to its listing on the Exchange as well as professional fees.

### Additional Disclosure for Venture Issuers without Significant Revenue

Since the Corporation has no revenue from operations, the following is a breakdown of the material costs incurred from the date of incorporation (January 9, 2018) to June 30, 2021:

<b>Material Costs</b>	<b>Period from the date of incorporation (January 9, 2018) to June 30, 2021:</b>
Professional fees	\$754,602
Filing fees	\$84,445
Stock-based compensation	\$74,919

### **Liquidity and Capital Resources**

As at June 30, 2021, the Corporation had cash of \$39,050 (2020 – \$249,049). The Corporation had current liabilities of \$200,299 (2020 - \$13,438) and negative working capital of \$161,249 (2020 - \$235,611).

Negative cash flows of \$198,942 (2020 – \$24,049) were recorded from operating activities during the six months ended June 30, 2021. This is primarily due to outflows relating to filing fees and professional fees.

### **Outstanding Share Data**

As of the date of this MD&A, 2,000,000 common shares are issued and outstanding. Of these, 1,000,000 shares are held in escrow in accordance with Exchange regulations.

As of the date of this MD&A, following the Offering, there are 200,000 stock options outstanding, exercisable at \$0.50 per share, expiring on March 6, 2023.

### **Off-Balance Sheet Arrangements**

The Corporation has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

### **Related Party Transactions**

During the six months ended June 30, 2021, the Corporation incurred legal fees of approximately \$237,439 (2020 - \$21,059) for services provided by a law firm whose partner is a director of the Corporation. As at June 30, 2021, \$198,499 (2020 - \$13,438) is included in accrued liabilities for these services.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the six months ended June 30, 2021 and 2020.

### **Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital, contributed surplus and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

### **Risks and Uncertainties**

The following describes certain risks, events and uncertainties that could affect the Corporation and that each reader should carefully consider. Please refer to the Corporation's final prospectus dated February 20, 2018 for additional risks, events and uncertainties that could affect the Corporation.

External financing may be required to fund the Corporation's activities primarily through the issuance of common shares. There can be no assurance that the Corporation will be able to obtain adequate financing. The securities of the Corporation should be considered a highly speculative investment.

The Corporation has not generated significant revenues and does not expect to generate significant revenues in the near future. In the event that the Corporation generates significant revenues in the future, the Corporation intends to retain its earnings in order to finance further growth. Furthermore, the Corporation has not paid any dividends in the past and does not expect to pay any dividends in the foreseeable future.

### **Risk Disclosures and Fair Values**

The Corporation's financial instruments, consisting of cash held in trust and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

### **Additional Information**

For further detail, see the Corporation's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2021 and 2020. Additional information about the Corporation can also be found on SEDAR.

**SCHEDULE B**

**Consolidated Financial Information and MD&A of PesoRama**

(See Attached)

**PesoRama Inc.**  
**Consolidated Financial Statements**

For the years ended January 31, 2020 and  
January 31, 2019

# Draft Independent Auditor's Report

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To the Shareholders of PesoRama Inc.:

## Opinion

We have audited the consolidated financial statements of PesoRama Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2020 and January 31, 2019, and the consolidated statements of loss and other comprehensive loss, shareholder's equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2020 and January 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Montréal, Québec

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**PesoRama Inc.**Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	January 31, 2020 \$	January 31, 2019 \$
<b>Assets</b>		
Current assets		
Cash	4,673,131	4,557,160
Short-term investment	2,054,395	-
Sales taxes receivable (Note 7)	2,119,817	-
Subscription receivable	5,000	5,000
Deposits to suppliers	161,787	279,042
Prepaid expenses and other receivables (Note 15(vi), 20)	266,513	-
Inventory (Note 6)	3,721,497	-
	13,002,140	4,841,202
Property and equipment (Note 8)	2,610,772	3,822
Intangible assets (Note 9)	72,597	-
Security deposits	95,974	-
Right-of-use assets (Note 10)	2,751,176	-
	5,530,519	3,822
<b>Total assets</b>	<b>18,532,659</b>	<b>4,845,024</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	1,514,337	291,382
Sales taxes payable (Note 7)	862,796	-
Current portion of lease liabilities (Note 10)	251,318	-
<b>Total current liabilities</b>	<b>2,628,451</b>	<b>291,382</b>
Lease liabilities (Note 10)	2,501,386	-
<b>Total liabilities</b>	<b>5,129,837</b>	<b>291,382</b>
<b>Shareholders' Equity</b>		
Share capital (Note 11)	17,235,218	5,266,301
Shares to be issued (Note 11)	-	65,000
Warrants reserve (Notes 12)	724,459	81,600
Share-based compensation reserve (Note 13)	223,483	110,984
Accumulated other comprehensive income	(32,129)	186
Deficit	(4,748,209)	(970,429)
<b>Total equity</b>	<b>13,402,822</b>	<b>4,553,642</b>
<b>Total liabilities and shareholders' equity</b>	<b>18,532,659</b>	<b>4,845,024</b>

Nature of operations and going concern (Note 1), commitments (Note 20) and subsequent events (Note 21)

Approved on behalf of the Board of Directors

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The accompanying notes are an integral part of these consolidated financial statements.

**PesoRama Inc.**Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)

	Years Ended	
	January 31, 2020	January 31, 2019
	\$	\$
Sales	1,700,595	-
Cost of sales		-
Inventory expensed	1,048,692	-
Distribution costs	99,161	-
Gross profit	552,742	-
General, administrative and store operating expenses (Note 19)	4,107,037	969,754
Depreciation and amortization (Note 19)	449,228	675
Operating loss	4,003,523	970,429
Financing costs (Note 19)	(62,966)	-
Other items (Note 19)	(162,777)	-
Net loss	(3,777,780)	(970,429)
Effect of foreign currency translation	(32,315)	186
Net loss and comprehensive loss	(3,810,095)	(970,243)
Loss per common share, basic and diluted	(0.098)	(0.074)
Weighted average number of shares outstanding – basic and diluted	38,664,933	13,043,733

The accompanying notes are an integral part of these consolidated financial statements.

# PesoRama Inc.

## Consolidated Statements of Shareholders' Equity (Expressed in Canadian dollars)

	Number of common shares	Share capital \$	Reserve for shares to be issued \$	Shares to be issued \$	Warrants reserve \$	Share-based compensation reserve \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total Shareholders equity \$
As at October 16, 2017 (Incorporation date)	-	-	-	-	-	-	-	-	-
Share issued (note 11 (i))	1	1	-	-	-	-	-	-	1
<b>Balance – January 31, 2018</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
Share cancelled (note 11 (i))	(1)	(1)	-	-	-	-	-	-	(1)
Shares issued (note 11 (i))	10,000,000	10,000	-	-	-	-	-	-	10,000
Shares issued pursuant to private placement at price of \$0.40 per share (note 11 (iii))	14,200,000	5,680,000	-	-	-	-	-	-	5,680,000
Share issue cost (note 11 (iii), (v), (ix))	-	(554,534)	-	-	-	-	-	-	(554,534)
Agent's warrants issued for private placement (note 11 (iii), (v))	-	(78,400)	-	-	78,400	-	-	-	-
Shares to be issued for penalty rights (note 11 (xii))	-	(465,951)	465,951	-	-	-	-	-	-
Shares issued pursuant to private placement at price of \$0.40 per share (note 11 (iii))	800,000	320,000	-	-	-	-	-	-	320,000
Share issue cost (note 11 (iii), (v), (ix))	-	(145,815)	-	-	-	-	-	-	(145,815)
Agent's warrants issued for private placement (note 11 (iii), (iv))	-	(3,200)	-	-	3,200	-	-	-	-
Shares to be issued for penalty rights (note 11 (xii))	-	(15,835)	15,835	-	-	-	-	-	-
Stock options exercised (note 13)	37,500	19,500	-	-	-	(4,500)	-	-	15,000
Share purchase warrants exercised (note 11 (vii))	375,000	18,750	-	-	-	-	-	-	18,750
Share-based compensation:									
Share purchase warrants (note 13)	-	-	-	-	-	-	-	-	-
Performance warrants (note 13)	-	-	-	-	-	-	-	-	-
Stock options (note 13)	-	-	-	-	-	115,484	-	-	115,484
Shares to be issued for exercises of share purchase warrants (note 11 (iv))	-	-	-	40,000	-	-	-	-	40,000
Shares to be issued for exercise of stock options (note 11 (viii))	-	-	-	25,000	-	-	-	-	25,000
<b>Net loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>186</b>	<b>(970,429)</b>	<b>(970,243)</b>
<b>Balance – January 31, 2019</b>	<b>25,412,500</b>	<b>4,784,515</b>	<b>481,786</b>	<b>65,000</b>	<b>81,600</b>	<b>110,984</b>	<b>186</b>	<b>(970,429)</b>	<b>4,553,642</b>

	Number of common shares	Share capital \$	Reserve for shares to be issued \$	Shares to be issued \$	Warrants reserve \$	Share-based compensation reserve \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total Shareholders equity \$
<b>Balance – January 31, 2019</b>	<b>25,412,500</b>	<b>4,784,515</b>	<b>481,786</b>	<b>65,000</b>	<b>81,600</b>	<b>110,984</b>	<b>186</b>	<b>(970,429)</b>	<b>4,553,642</b>
Common shares and warrants issued pursuant to private placements (note 11 (iii),(iv),(v),(vi),(vii), (ix))	17,122,760	13,097,047	-	-	520,273	-	-	-	13,617,320
Share issuance costs (note 11 (iii),(iv),(v),(vi),(vii), (ix), (x))	135,000	(1,479,380)	-	-	122,586	-	-	-	(1,356,794)
Shares issued for penalty rights (note 11 (xii))	1,500,000	481,786	(481,786)	-	-	-	-	-	-
Consideration for marketing services (note 11 (viii))	366,666	275,000	-	-	-	-	-	-	275,000
Stock options exercised (note 11 (ii))	62,500	25,000	-	(25,000)	-	-	-	-	-
Share purchase warrants exercised (note 11 (i), (xi))	1,025,000	51,250	-	(40,000)	-	-	-	-	11,250
Share-based compensation (note 13)	-	-	-	-	-	112,499	-	-	112,499
Foreign currency translation adjustment of foreign operations foreign operations	-	-	-	-	-	-	(32,315)	-	(32,315)
<b>Net loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,777,780)</b>	<b>(3,777,780)</b>
<b>Balance – January 31, 2020</b>	<b>45,624,426</b>	<b>17,235,218</b>	<b>-</b>	<b>-</b>	<b>724,459</b>	<b>223,483</b>	<b>(32,129)</b>	<b>(4,748,209)</b>	<b>13,402,822</b>

The accompanying notes are an integral part of these consolidated financial statements.

**PesoRama Inc.**Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

	Years Ended	
	January 31, 2020	January 31 2019
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(3,777,780)	(970,429)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation	71,596	675
Depreciation of right-of-use assets	369,989	-
Interest on short-term investment	(54,395)	-
Interest on lease liabilities	162,734	-
Marketing expenses	183,333	-
Share-based compensation	112,499	115,484
<b>Changes in working capital items:</b>		
Sales taxes receivable and payable	(1,236,756)	-
Deposits to suppliers	(159,179)	(279,042)
Prepaid expenses and other receivables	104,616	-
Inventory	(3,659,011)	-
Security deposits	(94,427)	-
Accounts payable and accrued liabilities	1,211,993	291,382
<b>Cash used in operating activities</b>	<b>(6,764,788)</b>	<b>(841,930)</b>
<b>Investing activities</b>		
Purchase of property and equipment	(2,616,408)	(4,497)
Purchase of intangible assets	(91,847)	-
Purchase of short-term investment	(2,000,000)	-
Rent prepayments	(361,949)	-
<b>Cash used in investing activities</b>	<b>(5,070,204)</b>	<b>(4,497)</b>
<b>Financing activities</b>		
Common shares and warrants issued pursuant to private placements	13,617,320	5,304,650
Share issuance costs	(1,356,794)	-
Proceeds from exercise of options	-	15,000
Proceeds from exercise of share purchase warrants	11,250	18,750
Shares to be issued	-	65,000
Lease payments	(169,358)	-
<b>Cash provided by financing activities</b>	<b>12,102,418</b>	<b>5,403,400</b>
<b>Cash – beginning of the year</b>	<b>4,557,160</b>	<b>1</b>
Effect of foreign currency translation on cash	(151,455)	186
Net change in cash	267,426	4,556,973
<b>Cash – end of the year</b>	<b>4,673,131</b>	<b>4,557,160</b>

The accompanying notes are an integral part of these consolidated financial statements.

# PesoRama Inc.

## Notes to Consolidated Financial Statements

For the years ended January 31, 2020 and January 31, 2019

(Expressed in Canadian dollars (\$), unless otherwise noted)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

PesoRama Inc. (the "Company" or "PesoRama") was incorporated on October 16, 2017 under the Business Corporations Act (Canada). The Company's registered office is located at 1900, 520 - 3rd Avenue SW Calgary, Alberta T2P 0R3.

The Company is the parent company of its wholly owned subsidiaries, Canmex Dollar Stores, S.A. de C.V. ("CANMEX"), which was incorporated on December 5, 2018 in Mexico City, Mexico, Joi Canadian Stores, S.A. de C.V. ("JOI"), which was incorporated on April 23, 2019 in Mexico City, Mexico and Pesorama Consulting Services, S.A. de C.V. ("Pesorama Consulting"), which was incorporated on June 27, 2019 in Mexico City, Mexico. Pesorama Consulting was inactive at January 31, 2020. PesoRama is operating dollar stores in Mexico offering consumers a high variety of products with focus on the single price point segment of the retail market.

#### *Going concern*

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the year ended January 31, 2020, the Company incurred a net loss of \$3,777,780 (January 31, 2019 - \$970,429) and used \$6,608,457 of cash from operating activities (January 31, 2019 – used \$841,930) and as at January 31, 2020 had an accumulated deficit of \$4,748,209 (January 31, 2019 – accumulated deficit of \$970,429). The Company will need to raise additional financing to continue operations and fund its expansion strategy consisting of opening additional stores. In addition, management understands that the current economic conditions are impacted by the global outbreak of COVID-19 (see below) . These conditions raise significant doubt about the Company's ability to continue operating as a going concern.

Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. No adjustments have been made to the amounts and classification of assets, liabilities, revenues and expenses to reflect these uncertainties, should the company not be successful in raising additional funds, and these adjustments required to the accounts could be material.

The Company has entered into a private placement offering consisting of convertible debentures to raise \$5.5 million to support ongoing store operations and new store openings. The offering closed in early March 2021. In addition, PesoRama has signed a definitive agreement dated March 8, 2021 with Skyscape Capital Inc. ("Skyscape"), a capital pool company as defined by the TSX Venture Exchange, whereby Skyscape and PesoRama will complete a reverse take-over transaction (the "RTO Transaction") to ultimately form the resulting issuer, which will continue to carry on the business of PesoRama (refer to Note 21).

In connection with the RTO Transaction, PesoRama will complete a financing of between 5 million and 10 million PesoRama subscription receipts (the "Subscription Receipts") through Fundamental HS, S.C. ("Fundamental"), at a price of \$1.00 per Subscription Receipt. Each Subscription Receipt will automatically convert into one unit, consisting of one Share and one purchase warrant, without further payment from or action on the part of the holder concurrently with the satisfaction of certain conditions, principal among them the completion of the RTO Transaction (the "Escrow Release Conditions").

The global outbreak of coronavirus ("COVID-19") has had a significant impact on businesses through the restrictions put in place by the Canadian and Mexican federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, Mexico and China and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition. For the period subsequent to year-end, the Company was able to keep its stores open and operational as the business segment in which the Company operates was deemed an essential service in Mexico.

# PesoRama Inc.

## Notes to Consolidated Financial Statements

For the years ended January 31, 2020 and January 31, 2019  
(Expressed in Canadian dollars (\$), unless otherwise noted)

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### 2. BASIS OF PREPARATION

#### **Statement of compliance**

These 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"). These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on October 27, 2020.

#### **Basis of measurement**

The consolidated financial statements have been prepared on a historical cost convention.

#### **Foreign and presentation currency**

The Company's functional currency is the Canadian dollar ("CAD") and its subsidiaries CANMEX's and JOI's functional currencies are the Mexican peso ("MXN"). The Company's presentation currency is the Canadian dollar which is the functional currency of the parent entity PesoRama Inc.

#### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the financial position date. The resulting exchange gains and losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of transaction.

#### Presentation currency

The results and financial position of Canmex and JOI are translated into Canadian dollars for presentation purposes using the following procedures:

- (a) Assets and liabilities for each statement of financial position presented (ie including comparatives) are translated at the closing rate at the date of that statement of financial position;
- (b) Income and expenses for each statement presenting profit or loss and other comprehensive income (ie including comparatives) are translated at the average exchange rates for the period at which the transactions occurred; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

#### **Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. As of January 31, 2020, the subsidiaries of the Company are CANMEX, JOI and Pesorama Consulting which are incorporated under the jurisdiction of Mexico and an officer of the Company holds certain nominal interest in for legal purposes. No non-controlling interest is attributed to these nominal holdings.

All transactions and balances between companies are eliminated on consolidation. Each entity within the consolidated group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using the functional currency.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

**PesoRama Inc.**  
**Notes to Consolidated Financial Statements**

*For the years ended January 31, 2020 and January 31, 2019*  
*(Expressed in Canadian dollars (\$), unless otherwise noted)*

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**2. BASIS OF PREPARATION** *(continued)*

The consolidating entities include:

	<u>% of ownership</u>	<u>Jurisdiction</u>
PesoRama Inc.	Parent	Canada
Canmex Dollar Stores, S.A. de C.V.	100%	Mexico
Joi Canadian Stores, S.A. de C.V.	100%	Mexico
Pesorama Consulting Services, S.A. de C.V. (inactive at year-end)	100%	Mexico

**Cash**

Cash in the consolidated statement of financial position is comprised of cash and short-term deposits which have an original maturity of three months or less or are readily convertible into a known amount of cash.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Short-term investment***

At January 31, 2020, the Company has a short-term investment of \$2,000,000 (2019 - \$nil) held in Guaranteed Investment Certificates (GICs). The maturity date of the GICs is March 30, 2020. The GICs are subject to a 2% interest per annum.

***Inventories***

The Corporation's inventories at the warehouse and stores consist of merchandise purchased and held for resale and are valued at the lower of cost and net realizable value.

Cost is determined on a weighted-average cost basis. Costs of inventories include amounts paid to suppliers, duties and freight into the warehouse as well as costs directly associated with warehousing and distribution to stores and receiving at stores.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

***Cost of sales***

Cost of sales includes the cost of inventories purchased, outbound transportation costs, warehousing, distribution costs and receiving costs at the store.

***Advances/Deposits***

Advances are stated at their cost and represent amounts towards purchase orders to vendors that relate to merchandise to be acquired for the sale in Mexican stores. As of January 31, 2020, the advance to suppliers balance is \$161,787 (2019 - \$279,042).

***Property and equipment***

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of loss and comprehensive loss in the period the asset is derecognized.

**PesoRama Inc.**  
**Notes to Consolidated Financial Statements**

*For the years ended January 31, 2020 and January 31, 2019*  
*(Expressed in Canadian dollars (\$), unless otherwise noted)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period end and adjusted if appropriate. Property and equipment are depreciated through profit and loss over their estimated useful lives using the straight-line method:

**Estimated useful life**

<b>Type of assets</b>	<b>Estimated useful life</b>
Communication equipment	3 years
Computer Hardware	3 years
Furniture & Equipment, Office and Stores	10 years
Improvements to leased assets	Lease term

**Intangible Assets**

Intangible assets consist of costs incurred to acquire software licenses. Intangible assets are considered finite live assets and recorded at cost less accumulated amortization and accumulated impairment. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the asset. Amortization is recorded using the straight-line method and is intended to amortize the intangible assets over their estimated useful lives:

<b>Type of assets</b>	<b>Estimated useful life</b>
Software licenses	1 year

**Impairment of Long-lived Assets**

Property and equipment and definite lived intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. For the purposes of measuring recoverable values, assets are aggregated into cash generating units ("CGUs") based on an assessment of the lowest levels for which there are separately identifiable cash flows. The determination of individual CGUs is based on management's judgment regarding shared infrastructure, geographical proximity and similar exposure to market risk. At January 31, 2020, the Company has assessed that each of its stores constitute a CGU as well as Canmex operations. The recoverable value is the greater of an asset's fair value less costs of disposal and value in use. In assessing the 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 risk specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value. Impairment losses are recognized in the consolidated statements of loss and comprehensive loss.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

**Equity**

Share-based payment transactions

Transactions with non-employees that are settled in equity instruments of the Company are measured at the fair value of the services rendered. In situations where the fair value of the goods or services received by the Company as consideration cannot be reliably measured, transactions are measured at fair value of the equity instruments granted. The fair value of the share-based payments is recognized together with a corresponding increase in equity over a period that services are provided or goods are received.

The Company grants share purchase options and performance stock units ("PSUs") under its Share-based Compensation plan described in Note 13 to employees, consultants, directors and others providing similar services.

**PesoRama Inc.**  
**Notes to Consolidated Financial Statements**

*For the years ended January 31, 2020 and January 31, 2019*

*(Expressed in Canadian dollars (\$), unless otherwise noted)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

The fair value of share purchase options granted is measured at the grant date using an option pricing model. Subsequently, the fair value of share purchase options ultimately expected to vest is charged to operations over the vesting period. Share purchase options granted to third parties in exchange for goods or services are measured at the fair value of the goods or services received, unless the fair value cannot be reliably measured, and charged to operations over the vesting period.

Unit placements

Proceeds from unit placements are allocated between common shares and share purchase warrants issued using the residual method.

Other elements of equity

Reserves include charges related to stock options and share purchase warrants until such stock options and share purchase warrants are exercised.

***Loss Per Share***

The Company presents the basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings or loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

***Related Party Transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

***Provisions***

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. The Company bases its accruals on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Company may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

***Revenue recognition***

Revenue is recognized when control of a good or service is transferred to a customer. A five-step recognition model is used to apply the standard as follows: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. The revenues of the Corporation come from the sale of products that are recognized at a point in time. Sales of products in the consolidated statement of loss and comprehensive loss are recognized by the Corporation when control of the goods has been transferred, being when the customer tenders payment and takes possession of the merchandise at the stores and that all obligations have been fulfilled. All sales are final. Revenue is shown net of sales tax and discounts.

**PesoRama Inc.**  
**Notes to Consolidated Financial Statements**

*For the years ended January 31, 2020 and January 31, 2019*

*(Expressed in Canadian dollars (\$), unless otherwise noted)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

***Income taxes***

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

***Current tax***

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

***Deferred tax***

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. 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 of a change in the enacted or substantively enacted tax rates are recognized in net earnings and comprehensive income (loss) or in equity depending on the item to which the adjustment relates. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

**Financial instruments**

**FINANCIAL ASSETS**

***Recognition and initial measurement***

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

***Classification and subsequent measurement***

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

***Financial assets are classified as follows:***

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of subscription receivable and security deposits.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

**PesoRama Inc.**  
**Notes to Consolidated Financial Statements**

*For the years ended January 31, 2020 and January 31, 2019  
(Expressed in Canadian dollars (\$), unless otherwise noted)*

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.
- The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. The entity does not hold any equity investments.

***Business model assessment***

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

***Contractual cash flow assessment***

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

***Impairment***

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for subscription receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

***Derecognition of financial assets***

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expired or are settled.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**FINANCIAL LIABILITIES**

***Recognition and initial measurement***

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

***Classification and subsequent measurement***

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

***Derecognition of financial liabilities***

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

***Estimated useful life of long-lived assets***

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

***Income Taxes***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

***Share based compensation and agent's warrants***

All equity-settled, share-based awards and warrants issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation and warrants, estimates have to be made regarding the fair value of the underlying share(s), expected volatility in share's fair value, option life, dividend yield, risk-free rate, estimated life and estimated forfeitures at the initial grant date.

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** *(continued)*

***Valuation of inventories***

Inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, future merchandising plans and inventory shrinkage. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Changes to the inventory provisions and especially shrinkage can have a material impact on the results of the Corporation.

***Leases***

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset

in a similar economic environment. Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

**5. NEW ACCOUNTING PRONOUNCEMENTS**

(a) The Company has adopted the following new accounting standards and interpretations effective February 1, 2019, unless otherwise noted. These changes were made in accordance with the applicable transitional provisions.

**IFRS 16 – Leases (“IFRS 16”)**

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. On February 1, 2019, the Company adopted IFRS 16.

In accordance with IFRS 16, the Company determines if an arrangement is a lease at inception based on whether there is an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset and whether the Company has the right to direct the use of the asset. The Company has operating leases, on office and stores spaces, and no financing leases. For leases with terms greater than twelve (12) months, the Company records the related right-of-use asset and lease obligation at the present value of lease payments over the term. Leases may include fixed rental escalation clauses, renewal options and / or termination options that are factored into the determination of lease payments when appropriate. The Company's leases do not provide a readily determinable implicit rate; therefore, an estimate of the Company's incremental borrowing rate is used to discount the lease payments based on information available at the lease commencement date. The discount rates used were between 9% and 12%. See Note 10 for further disclosures and detail regarding the Company's operating leases.

The adoption of IFRS 16 resulted in the recognition of ROU assets of \$3,127,227 and lease liabilities of \$2,756,945 in February 2019.

The following new accounting standards and interpretations have been adopted by the Company subsequent to January 31, 2020.

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**5. NEW ACCOUNTING PRONOUNCEMENTS** *(continued)*

(b) IAS 1 – Presentation of Financial Statements (“IAS 1”) IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

IAS 1 has been revised to incorporate a new definition of “material” and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The company does not expect that adoption of this amendment will have significant impact on the consolidated financial statements.

(c) IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IAS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The company does not expect that adoption of this amendment will have significant impact on the consolidated financial statements.

**6. INVENTORY**

	<b>January 31, 2020</b>	<b>January 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Inventory finished goods	3,721,497	-

Inventory amount consists of inventory held at the Company’s warehouse and stores as at January 31, 2020. The cost of inventories included as an expense and included in cost of sales, for the year ended January 31,2020 was \$1,147,853 (2019 - \$nil).

**7. REFUNDABLE TAXES**

Refundable taxes consist of net value added tax (VAT) of both JOI and CANMEX as at January 31, 2020. VAT is an indirect tax which is refundable for the amount paid by both entities to their vendors. As at January 31, 2020, JOI and Canmex are not able to claim refunds until they comply with certain conditions set out by the Mexican tax authorities. Subsequent to year-end, the Company is in the process of preparing the necessary documents to apply to reclaim these amounts.

**PesoRama Inc.**  
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**8. PROPERTY AND EQUIPMENT**

	<i>Cost Opening balance</i>	<i>Additions</i>	<i>Cost Ending balance</i>	<i>Opening balance Accumulated Amortization</i>	<i>Current year Amortization</i>	<i>Accumulated Amortization</i>	<i>2020 Net Book Value</i>	<i>2019 Net Book Value</i>
Furniture and equipment, office	-	38,573	38,573	-	2,483	2,483	36,090	-
Furniture and equipment, Stores	-	333,994	333,993	-	6,758	6,758	327,235	-
Computer Hardware	4,497	69,612	74,109	675	8,981	9,656	64,453	3,822
Communication equipment	-	90,363	90,363	-	6,217	6,217	84,147	-
Leasehold improvements	-	2,113,683	2,113,682	-	14,836	14,836	2,098,847	-
	<b>4,497</b>	<b>2,646,225</b>	<b>2,650,722</b>	<b>675</b>	<b>39,275</b>	<b>39,950</b>	<b>2,610,772</b>	<b>3,822</b>

**9. INTANGIBLE ASSETS**

	<i>Cost Opening balance</i>	<i>Additions</i>	<i>Cost Ending balance</i>	<i>Opening balance Accumulated Amortization</i>	<i>CY Amortization</i>	<i>Accumulated Amortization</i>	<i>2020 Net Book Value</i>	<i>2019 Net Book Value</i>
Software licenses	-	113,797	113,797	-	41,200	41,200	72,597	-
	<b>-</b>	<b>113,797</b>	<b>113,797</b>	<b>-</b>	<b>41,200</b>	<b>41,200</b>	<b>72,597</b>	<b>-</b>

**10. LEASES**

All the operating leases of the Company relate to store leases.

	Right-of-use Assets \$
Balance, January 31, 2019	-
Adoption of IFRS 16 (Note 5(a))	3,127,227
Amortization on ROU assets	(369,989)
Effect of foreign exchange rate changes	(6,062)
Balance, January 31, 2020	2,751,176

During the year ended January 31, 2020, the Company recorded \$369,989 (2019 - \$nil) of amortization on ROU assets in the consolidated statements of comprehensive loss.

**PesoRama Inc.**  
**Notes to Consolidated Financial Statements**

*For the years ended January 31, 2020 and January 31, 2019*  
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**10. LEASES** *(continued)*

	Lease Liability \$
Balance, January 31, 2019	-
Additions	2,756,945
Lease liability expense	162,735
Lease payments	(169,358)
Effect of foreign exchange rate changes	2,382
<b>Balance, January 31, 2020</b>	<b>2,752,704</b>
Current portion	251,318
Non-current portion	2,501,386
<b>Balance, January 31, 2020</b>	<b>2,752,704</b>

The table below summarizes the remaining expected lease payments under operating leases as of January 31, 2020:

Fiscal Years	\$
2021	551,281
2022	813,942
2023	782,250
2024	859,139
2025	707,887
Thereafter	-
Less: imputed interest	961,795
Present value of operating lease liabilities	2,752,704

**11. SHARE CAPITAL**

**a) Authorized share capital**

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value.

**b) Common shares issued and outstanding**

For the year ended January 31, 2019

- (i) The Company issued one share at the day of incorporation. The same was cancelled in May 2018 (see note 11 (b)(ii)).
- (ii) In May 2018, the Company issued 10,000,000 common shares at a price of \$0.001 for total proceeds of \$10,000. Simultaneously the Company repurchased and cancelled the initial share issued on incorporation for the price originally paid of \$0.001 (see note 11 (b)(vi)).
- (iii) In September 2018, the Company issued 14,200,000 common shares at \$0.40 per share pursuant to a brokered placement. In connection therewith, the Company paid a cash commission and agent's expenses of \$409,344 as finder's fee and issued 784,000 agent's warrant (see note 12).

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**11. SHARE CAPITAL** *(continued)*

- (iv) On September 11, 2018, the company received cash for \$40,000 from investors towards shares to be issued for exercise of share purchase warrants.
- (v) In October 2018, the Company issued 800,000 common shares at \$0.40 per share pursuant to a brokered placement. In connection therewith, the Company paid a cash commission and agent's expenses of \$17,829 as finder's fee and issued 32,000 agent's warrants (see note 12).
- (vi) On January 2, 2019, the Company issued 37,500 common shares upon the exercise of stock options for cash proceeds of \$15,000.
- (vii) On January 2, 2019, the Company issued 375,000 common shares upon the exercise of share purchase warrants for cash proceeds of \$18,750.
- (viii) On January 29, 2019, the company received cash for \$25,000 from an employee towards shares to be issued for exercise of options.
- (ix) In connection with all the private placements closed during the year, the Company incurred legal costs of \$273,176.

*For the year ended January 31, 2020*

- (i) On September 11, 2018, the Company received cash for \$40,000 from investors towards shares to be issued for exercise of share purchase warrants. On February 21, 2019, 800,000 common shares were issued.
- (ii) On January 29, 2019, the Company received cash for \$25,000 from an employee towards shares to be issued for exercise of options. On February 21, 2019, 62,500 common shares were issued.
- (iii) In March 19, 2019, a private placement was closed for an aggregate of 5,907,557 units, consisting of one common share and one share purchase warrant, at a price of \$0.75 per unit and for total gross proceeds of \$4,430,668. Each share purchase warrant entitles the holder to purchase one common share at a price of \$1.25 and has an expiry term of 24 months. The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission and agent's expenses of \$361,963 as agent's fee and issued 331,637 agent's warrants (see note 12).
- (iv) In April 3, 2019, a private placement was closed for an aggregate of 2,371,340 units, consisting of one common share and one share purchase warrant, at a price of \$0.75 per unit and for total gross proceeds of \$1,778,505. Each share purchase warrant entitles the holder to purchase one common share at a price of \$1.25 and has an expiry term of 24 months. The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission and agent's expenses of \$122,706 as agent's fee and issued 163,608 agent's warrants (see note 12).
- (v) In May 24, 2019, a private placement was closed for an aggregate of 2,192,100 units, consisting of one common share and one share purchase warrant, at a price of \$0.75 per unit and for total gross proceeds of \$1,644,075. Each share purchase warrant entitles the holder to purchase one common share at a price of \$1.25 and has an expiry term of 24 months. The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission and agent's expenses of \$129,085 as agent's fee and issued 153,447 agent's warrants (see note 12).
- (vi) In May 30, 2019, a private placement was closed for an aggregate of 2,737,430 units, consisting of one common share and one share purchase warrant, at a price of \$0.75 per unit and for total gross proceeds of \$2,053,073. Each share purchase warrant entitles the holder to purchase one common share at a price of \$1.25 and has an expiry term of 24 months. The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission and agent's expenses of \$51,627 as agent's fee and issued 68,435 agent's warrants. In addition, a total of 135,000 common shares and 135,000 share purchase warrants were issued as finder fees to a member of key management of the Company (see note 12).

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**11. SHARE CAPITAL** *(continued)*

- (vii) In June 7, 2019, a private placement was closed for an aggregate of 813,333 units, consisting of one common share and one share purchase warrant, at a price of \$0.75 per unit and for total gross proceeds of \$610,000. Each share purchase warrant entitles the holder to purchase one common share at a price of \$1.25 and has an expiry term of 24 months. The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission of \$42,350 and agent's expenses as agent's fee and issued 56,333 agent's warrants (see note 12).
- (viii) On July 31, 2019, 366,666 common shares were issued in the amount of \$275,000 in connection with a marketing agreement dated May 31, 2019 as consideration for general marketing services to be provided from an undisclosed third party in relation to the Company's going public transaction. The value of the services was stipulated by the marketing agreement and as such the value of the shares issued were measured accordingly.
- (ix) In December 23, 2019, a private placement was closed for an aggregate of 3,101,000 units, consisting of one common share and one liquidity warrant, at a price of \$1.00 per unit and for total gross proceeds of \$3,101,000. Each liquidity warrant entitles the holder to receive, for no additional consideration, one-tenth of one (0.10) common share, subject to adjustments, in the event that a liquidity transaction does not occur on or before the liquidity deadline (see note 13 (b)). The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission and agent's expenses of \$385,933 as agent's fee and issued 186,060 agent's warrants (see note 12).
- (x) In connection with all the private placements closed during the year, the Company incurred legal costs of \$296,532.
- (xi) During the year, a total of 225,000 share purchase warrants were exercised for total consideration of \$11,250.
- (xii) As part of the brokered placement in September 2018 and October 2018, the Company agreed to issue an additional 10 % of the common shares sold if a liquidity event does not occur within 12 months of the closing date of the offering. A "Liquidity Event" means a transaction with a capital pool company or other that is a reporting issuer in at least one jurisdiction of Canada by way of plan of arrangement, amalgamation, reverse take-over, qualifying transaction, or any other business combination or other similar transaction pursuant to which its common shares (or the common shares of the resulting issuer) are listed on the TSX Venture Exchange, the Canadian Securities Exchange, or any other exchange as mutually agreed upon by the Company and the Agent. At January 31, 2020, as a result of the Liquidity Event not occurring a total of 1,500,000 common shares were issued as penalty rights.

**12. AGENT'S AND FINDERS WARRANTS**

The following table reflects the continuity of agent's warrants issued and outstanding for the year ended January 31, 2020:

	<b>Number of warrants</b>	<b>Weighted average exercise price (\$)</b>
<b>Balance, January 31, 2019</b>	816,000	0.40
Issued pursuant to the March 2019 private placement	331,637	1.25
Issued pursuant to the April 2019 private placement	163,608	1.25
Issued pursuant to the May 2019 private placement	153,447	1.25
Issued pursuant to the May 2019 private placement	203,435	1.25
Issued pursuant to the June 2019 private placement	56,333	1.25
Issued pursuant to the December 2019 private placement	186,060	1.25
<b>Balance, January 31, 2020</b>	<b>1,910,520</b>	<b>0.90</b>

Agent's warrants are exercisable at any time prior to the date that is twenty-four months from the date of issuance.

The weighted-average grant date fair value for the agent's warrants issued in the current year is \$0.11. The fair value of the agent's warrants issued during the year ended January 31, 2020 was estimated using the Black-Scholes option-pricing model with the following estimated assumptions:

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**12. AGENT'S AND FINDERS WARRANTS** *(continued)*

Grant date share price	\$0.73
Risk-free interest rate	1.40% to 1.64%
Dividend yield	0%
Volatility	30%*
Expected life	2 years
Forfeiture rate	0%

\* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history since the Pesorama is not publicly traded.

The following table reflects the continuity of agent's warrants for the year ended January 31, 2019:

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, January 31, 2018</b>	-	-
Issued pursuant to the September 2018 private placement	784,000	0.40
Issued pursuant to the October 2018 private placement	32,000	0.40
<b>Balance, January 31, 2019</b>	816,000	0.40

Agent's warrants are exercisable at any time prior to the date that is twenty-four months from the date of the Liquidity Event.

The fair value of the agent's warrants issued during the year ended January 31, 2019 was estimated using the Black-Scholes option-pricing model with the following estimated assumptions:

Fair value of underlying share	0.40
Risk-free interest rate	2.21% to 2.39%
Dividend yield	0%
Volatility	30%*
Expected life	3.6 to 3.7 years
Forfeiture rate	0%

\* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history since the Pesorama is not publicly traded.

As at January 31, 2020, the following share purchase warrants were outstanding:

Exercise price	Number of warrants	Weighted average remaining life (years)	Number of warrants exercisable
0.40	784,000	0.7	784,000
0.40	32,000	0.7	32,000
1.25	331,637	1.16	331,637
1.25	163,608	1.25	163,608
1.25	153,447	1.42	153,447
1.25	203,435	1.42	203,435
1.25	56,333	1.5	56,333
1.25	186,060	1.91	186,060
<b>Balance January 31, 2020</b>	1,910,520		1,910,520

**PesoRama Inc.**  
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**13. SHARE-BASED COMPENSATION**

The following table reflects the continuity of share-based compensation and issued and outstanding for the period ended January 31, 2020:

	Number of share purchase warrants	Number of performance warrants	Number of options	Weighted average exercise price (\$)
<b>Outstanding as at January 31, 2019</b>	5,275,000	7,500,000	1,862,500	
Granted (a)	14,021,760	-	-	1.25
Granted (b)	3,101,000	-	-	Nil
Exercised (note 11 (b)(i))	-	-	(62,500)	0.40
<b>Outstanding as at January 31, 2020</b>	22,397,760	7,500,000	1,800,000	

The following table reflects the continuity of share-based compensation for the prior year ended January 31, 2019:

	Number of share purchase warrants	Number of performance warrants	Number of options	Weighted average exercise price (\$)
<b>Balance, January 31, 2018</b>				
Granted (a)	5,650,000			0.05
Granted (c)		7,500,000		0.001
Granted (d)			1,900,000	0.40
Exercised (a)	(375,000)			0.05
Exercised (d)			(37,500)	0.40
<b>Balance, January 31, 2019</b>	5,275,000	7,500,000	1,862,500	

The following table reflects the share purchase warrants and performance warrants issued and outstanding as at January 31, 2020:

Exercise price	Number of warrants outstanding	Weighted average remaining life (years)	Number of warrants exercisable
0.05	5,275,000	0.4	5,275,000
0.001	7,500,000	3.3	7,500,000
1.25	14,021,760	1.3	14,021,760
Nil*	3,101,000	At liquidity deadline*	Nil
<b>Balance January 31, 2020</b>	29,897,760		26,796,760

\* Each liquidity warrant entitles the holder to receive, for no additional consideration, one-tenth of one (0.10) common share, subject to adjustments, in the event that a liquidity transaction does not occur on or before the liquidity deadline. At the date of the grant of the liquidity warrants, management determined the probability of a liquidity event occurring within the liquidity deadline to be 50%. See note 13 (b).

**PesoRama Inc.**  
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**13. SHARE BASED COMPENSATION** *(continued)*

The following table reflects the share options issued and outstanding as at January 31, 2020:

Exercise price	Number of options outstanding	Weighted average remaining life (years)	Number of warrants exercisable
0.40	1,800,000	3.75	1,800,000
<b>Balance January 31, 2020</b>	<b>1,800,000</b>		<b>1,800,000</b>

**a) Subscriber Warrants**

*For the year ended January 31, 2020*

During the fiscal year 2020, the Company issued 14,021,760 subscriber warrants pursuant to private placements executed during the year. The share purchase warrants are exercisable in 24 months from the date of closing date of offering at a price of \$1.25 per warrant. The weighted-average grant date fair value for the subscriber warrants issued in the current year is \$0.03. The fair value of the subscriber warrants granted during the year ended January 31, 2020 was determined using the residual method. Since Pesorama is not publicly traded, the Company determined that the warrants were more reliably measurable and valued the warrants using an iterative process on a Black-Scholes option pricing model with the following assumptions:

Weighted-average grant date share price	\$0.76
Risk-free interest rate	1.40% to 1.64%
Dividend yield	0%
Volatility	30%*
Expected life	2 years
Forfeiture rate	0%

\* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history since the Pesorama is not publicly traded.

*For the year ended January 31, 2019*

On April 19, 2018, the Company issued 5,650,000 share purchase warrants to officers, directors, consultants and other persons assisting the Company. The share purchase warrants are exercisable immediately at a price of \$0.05 per common and have a nominal fair value. Share purchase warrants are exercisable before the earlier of the following: a) the share purchase warrant holder ceases to act in its capacity as a director, officer, employee or consultant of the Company; b) the share purchase warrant holder is terminated by the Company; and c) six months after the occurrence of a Liquidity Event.

The fair value of the share purchase warrants granted during the year ended January 31, 2019 was estimated using the Black-Scholes option pricing model with the following estimated assumptions:

Grant date share price	0.001
Risk-free interest rate	2.28%
Dividend yield	0%
Volatility	30%*
Expected life	2.2 years
Forfeiture rate	0%

\* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history since the Pesorama is not publicly traded.

**PesoRama Inc.**  
**Notes to Consolidated Financial Statements**

*For the years ended January 31, 2020 and January 31, 2019  
(Expressed in Canadian dollars (\$), unless otherwise noted)*

**13. SHARE BASED COMPENSATION** *(continued)*

**b) Liquidity Warrants**

For the year ended January 31, 2020

On December 23, 2019, the Company issued 3,101,000 liquidity warrants to investors. Each liquidity warrant entitles the holder to receive, for no additional consideration, one-tenth of one (0.10) common share, subject to adjustments, in the event that a liquidity transaction does not occur on or before the liquidity deadline.

A "Liquidity Transaction" means in respect of the Corporation: (i) listing of the Corporation's securities on a Recognized Exchange; or (ii) a merger, combination, reverse take-over, amalgamation, plan of arrangement, qualifying transaction or other form of business combination with or into any other person, the securities of which are listed on a Recognized Exchange; or (iii) the sale or exchange of all or substantially all of the Common Shares for cash or the sale of all or substantially all of the assets of the Corporation followed by one or more liquidating distributions for cash."

In addition, the liquidity deadline is defined as the later of;

- On or before 6 months following the agreement Closing Date (June 23, 2020); or,
- If the Company executes a LOI, MOU, or similar non-binding letter agreement to complete a liquidity transaction before June 23, 2020 the deadline will be extended by 6 additional months from the date of execution of such LOI, MOU, or similar non-binding letter agreement.

At the date of the grant of the liquidity warrants, management determined the probability of a liquidity event occurring within the liquidity deadline to be 50%. The fair value of the liquidity warrants granted during the year ended January 31, 2020 was determined using the residual method. Since Pesorama is not publicly traded, the Company determined that the warrants were more reliably measurable and valued the warrants using an iterative process on a Black-Scholes option pricing model with the following:

Grant date fair value of the underlying share	\$0.93
Risk-free interest rate	1.40% to 1.64%
Dividend yield	0%
Volatility	30%*
Expected life	2 years
Forfeiture rate	0%
Probability of a liquidity event occurring within the liquidity deadline	50%

\* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history since the Pesorama is not publicly traded.

**c) Performance Warrants**

For the year ended January 31, 2019

On May 17, 2018, the Company issued 7,500,000 performance warrants to directors. The performance warrants are exercisable immediately at a price of \$0.001 per common share until May 2023 and have a nominal fair value.

The fair value of the share purchase warrants granted during the year ended January 31, 2019 was estimated using the Black-Scholes option pricing model with the following estimated assumptions:

Grant date share price	0.001
Risk-free interest rate	2.35%
Dividend yield	0%
Volatility	30%
Expected life	5 years
Forfeiture rate	0%

**PesoRama Inc.**  
**Notes to Consolidated Financial Statements**

*For the years ended January 31, 2020 and January 31, 2019*  
*(Expressed in Canadian dollars (\$), unless otherwise noted)*

**13. SHARE BASED COMPENSATION** *(continued)*

**d) Stock Options**

For the year ended January 31, 2020

No stock-options were issued in the current year and a total of 62,500 stock options were exercised into common shares (see note 11(i)).

For the year ended January 31, 2019

On October 31, 2018, the Company approved the Stock Options Plan (the "Plan") that allows the Board of Directors of the Corporation to grant stock options to directors, officers, employees, and consultants of the Company, and of its subsidiaries and affiliates to acquire common shares. The aggregate number of share issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding shares from time to time. No single participant of the Plan may be granted options to purchase a number of shares equalling more than 5% of the issued common shares of the Company in any twelve-month period unless PesoRama has obtained the shareholder approval.

On October 31, 2018, the Company issued 1,900,000 stock options to directors, consultants, and employees. Each vested option will entitle the holder thereof to acquire one common share at the exercise price of \$0.40 per common share, vesting 25% at time of grant with remainder in three equal quarterly installments and expiring on October 31, 2023. The fair value per option at grant date was determined to be \$0.12.

The fair value of the options granted during the year ended January 31, 2019 was estimated using the Black-Scholes option pricing model with the following estimated assumptions:

Grant date share price	0.40
Risk-free interest rate	2.43%
Dividend yield	0%
Volatility	30%
Expected life	5 years
Forfeiture rate	0%

**14. INCOME TAX**

The income tax recovery differs from the amount computed by applying Canadian statutory rates to net loss before income taxes for the years ended January 31, 2020 and 2019, respectively, as a result of the following:

	2020	2019
	\$	\$
Net loss before taxes	(3,777,780)	(970,430)
Domestic statutory rate	26.50%	26.50%
Expected tax recovery	(1,001,112)	(257,164)
Effect of tax rate in foreign jurisdiction	(68,120)	(670)
Share issue costs	(359,550)	-
Share-based compensation and other	120,782	38,934
Deferred tax assets not recognized	1,308,000	218,900
<b>Income taxes</b>	<b>-</b>	<b>-</b>

**PesoRama Inc.**  
**Notes to Consolidated Financial Statements**

*For the years ended January 31, 2020 and January 31, 2019*  
*(Expressed in Canadian dollars (\$), unless otherwise noted)*

**14. INCOME TAX (continued)**

The major components of tax expense for the years ended January 31, 2020 and 2019 are outlined below:

	2020	2019
	\$	\$
Current tax:	-	-
Deferred tax:		
Origination and reversal of temporary differences	1,308,000	218,900
Deferred tax arising from the write-down of a deferred tax asset	(1,308,000)	(218,900)
	-	-

Deferred tax assets are recognized only to the extent that it is probable that sufficient profits will be available to allow the asset to be recovered. The Company has the following deductible temporary differences for which no deferred tax has been recognized:

	2020	2019
	\$	\$
Non-capital loss carryforwards - Canada	3,047,109	885,300
Net operating loss carryforwards - Mexico	1,609,107	20,632
Property and equipment - Canada	45,601	57,475
Property and equipment - Mexico	12,520	-
Share issue costs - Canada	1,505,645	560,279
Right-of-use assets - Mexico	(2,691,363)	-
Lease liabilities - Mexico	2,708,324	-
Accounts payable and accrued liabilities - Mexico	112,456	-
Prepaid expenses - Mexico	(12,761)	-
Intangible assets - Mexico	(91,847)	-
	6,244,791	1,523,686

The Company has the following non-capital loss and net operating loss carryforwards, available to reduce income taxes in future periods, for which no deferred tax asset has been recognized, subject to the final determination by the tax authorities and expiring in the following years:

Canada:

Expiry Date	Non-Capital Loss \$
2039	885,300
2040	3,047,109
	3,932,409

Mexico:

Expiry Date	Net Operating Loss (in Pesos)
2030	298,345
2030	23,034,727
	23,333,072

**PesoRama Inc.**  
**Notes to Consolidated Financial Statements**

*For the years ended January 31, 2020 and January 31, 2019*  
*(Expressed in Canadian dollars (\$), unless otherwise noted)*

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**15. RELATED PARTIES**

***Key management personnel***

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

During the periods, ended January 31, 2020 and January 31, 2019, there were separate related party transactions as follows:

- (i) Management fees of 720,000 (2019 - 285,417), to the key management personnel. As of January 31, 2020, no amount is owed.
- (ii) As of January 31, 2020, the amount of \$22,348 (2019 - \$37,175) is owing to a key management personnel and is recorded in accounting payable and accrued liabilities.
- (iii) Professional fees of \$25,000 (2019 - \$20,000) for accounting services of which a director of the Company is a partner.
- (iv) \$112,516 (2019 - \$3,598,901) of share-based payment expense for the share purchase warrants, performance warrants, and options issued to certain key management personnel, employees, and consultants of the Company.
- (v) Nil (2019 - \$12,500) of compensation expense for board meeting attendance is owed to directors of the Company.
- (vi) During the year, the Company advanced a total of \$156,331 to a director and member of key management.

**16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

***Financial instruments***

The Company has classified cash as fair value through the consolidated statements of loss and comprehensive income and subscription receivable, and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of other receivables, other current assets, accounts payable and accrued liabilities and sales taxes payable approximate their fair values due to their short periods to maturity.

***Financial risk management***

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively.

The principal financial risks arising from financial instruments are liquidity risk, foreign currency risk, credit risk, and interest rate risk.

***Liquidity risk***

As at January 31, 2020, the Company's financial liabilities consist of accounts payable and accrued liabilities, sales taxes payable and lease liabilities which have contractual maturity dates within one year, with the exception of the long-term portion of lease liabilities (refer to note 10 for breakdown of remaining lease payments relating to long-term portion of lease liability), and the Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position as at January 31, 2020 management regards liquidity risk to be low.

# PesoRama Inc.

## Notes to Consolidated Financial Statements

For the years ended January 31, 2020 and January 31, 2019  
(Expressed in Canadian dollars (\$), unless otherwise noted)

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### 16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

#### **Foreign currency risk**

The Company's functional and reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its Mexican subsidiaries, JOI and CANMEX. As the Company operates internationally, certain of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are, therefore, subject to currency transaction and translation risks.

The Company has determined that as at January 31, 2020, the effect of a 10% increase or decrease in Mexican Peso against the Canadian dollar on financial assets and liabilities would not have had a significant impact on the consolidated financial statements.

At January 31, 2020, the Company has not entered into any hedging agreements to mitigate currency risks, respect to foreign exchange rates.

#### **Credit risk**

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist solely of cash since the Company does not make any sales on credit terms. The Corporation offsets the credit risk by depositing its cash with major financial institutions which have been assigned high credit ratings by internationally recognized credit rating agencies.

#### **Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk on cash. The Company is also exposed to interest rate risk on promissory notes that may be issued. As such, fluctuations of interest rates for the period ending January 31, 2020 and January 31, 2019 would not have had a significant impact on the consolidated financial statements.

### 17. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its store operations in Mexico, and to maintain a flexible capital structure. The Company considers its capital to be its shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets. To maintain or adjust its capital structure, the Company may issue new common shares or debentures, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing development efforts, the Company does not pay out dividends. There are no external restrictions on the Company's capital.

**PesoRama Inc.**  
**Notes to Consolidated Financial Statements**

*For the years ended January 31, 2020 and January 31, 2019*  
*(Expressed in Canadian dollars (\$), unless otherwise noted)*

**18. OPERATING SEGMENT**

The company operates in one reportable segment being the retail industry in Mexico, but has assets in two geographic areas, being Canada and Mexico.

	Canada \$	Mexico \$	Total \$
<b>Year ended January 31, 2020</b>			
Revenue	-	1,700,595	1,700,595
Non-current assets	23,223	5,411,322	5,434,545
<b>Year ended January 31, 2019</b>			
Revenue	-	-	-
Non-current assets	3,822		3,822

**19. EXPENSES BY NATURE**

	January 31, 2020 \$	January 31, 2019 \$
<b>General, administrative and store operating expenses</b>		
Management fees (Note 15(i))	720,000	285,417
Salaries	213,983	60,730
Distribution expenses	13,323	-
Subcontracted employees	930,000	-
Professional fees	964,136	215,725
Brokerage fees	43,783	-
Office expenses	248,452	36,480
Repairs and maintenance	97,120	-
Share-based compensation (note 10)	112,499	115,484
Travel expenses	433,807	170,508
Marketing and promotion	329,934	85,410
<b>Total</b>	<b>4,107,037</b>	<b>969,754</b>
<b>Depreciation and amortization</b>		
Depreciation (Notes 8 and 9)	79,239	675
Depreciation right-of-use assets (Note 7)	369,989	-
<b>Total</b>	<b>449,228</b>	<b>675</b>
<b>Financing costs</b>		
Interest on lease liabilities (Note 10)	162,734	-
Interest and bank charges	19,974	-
Foreign exchange gain	(245,674)	-
<b>Total</b>	<b>(62,966)</b>	<b>-</b>
<b>Other items</b>		
Interest income	(87,309)	-
Other income	(75,468)	-
<b>Total</b>	<b>(162,777)</b>	<b>-</b>

# PesoRama Inc.

## Notes to Consolidated Financial Statements

For the years ended January 31, 2020 and January 31, 2019  
(Expressed in Canadian dollars (\$), unless otherwise noted)

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### 20. COMMITMENTS

Throughout the year ended January 31, 2020, the Company entered into various agreements with different vendors relating to the construction and improvement of its retail stores in Mexico. The remaining construction work is expected to be completed and paid within the fiscal year 2021. The Company also had retail stores and office lease commitments outstanding which have been recorded as lease liabilities in the financial statements (see note 10).

### 21. SUBSEQUENT EVENTS

#### Store Leases

Subsequent to January 31, 2020, JOI signed eleven lease agreements for retail stores in Mexico City, Mexico. These leases are expected to commence between June 2020 and April 2021. Starting monthly base rent for these leases ranges between \$3,000 and \$8,600 (MEX \$50,000 and MEX \$123,000).

#### Reverse Take-Over

On March 8, 2021, the Company entered into a definitive agreement with Skyscape whereby Skyscape and PesoRama will complete the RTO Transaction to ultimately form the resulting issuer, which will continue to carry on the business of PesoRama. PesoRama has agreed to, among other things, exchange all issued and outstanding Shares on the basis of one Skyscape share for each PesoRama Share. PesoRama would then be amalgamated with Skyscape's wholly owned subsidiary, 11518003 Canada Inc., to form a new wholly owned subsidiary. It is intended that, immediately prior to the completion of the RTO Transaction, Skyscape will change its name to "PesoRama Inc." The RTO Transaction is intended to serve as Skyscape's qualifying transaction under Exchange Policy 2.4 – Capital Pool Companies.

In connection with the RTO Transaction, PesoRama will complete a financing of between 5 million and 10 million Subscription Receipts through Fundamental at a price of \$1.00 per Subscription Receipt. Each Subscription Receipt will automatically convert into one unit, consisting of one Share and one purchase warrant, without further payment from or action on the part of the holder concurrently with the satisfaction of the Escrow Release Conditions. Funds received for the Subscription Receipts will be held by TSX Trust Company (the "CPC Escrow Agent") until delivery of notice that conditions have been satisfied (the "Release Notice") to the CPC Escrow Agent. Delivery of the Release Notice will occur upon satisfaction of the Escrow Release Conditions.

#### Warrant Exercises

On November 24, 2020, performance warrants were exercised to purchase 1,250,000 Shares at \$0.001 per Share for cash proceeds of \$1,250.

On February 12, 2021, an additional 1,250,000 performance warrants were exercised to purchase 1,250,000 Shares at \$0.001 per Share for cash proceeds of \$1,250.

#### PesoRama Debenture Financing

On March 2, 2021, PesoRama closed its senior unsecured convertible debenture financing (the "Debentures"), issuing 5,557 Debentures at a face value of \$1,000 each for gross proceeds of \$5,557,000. The Debentures bear an annual interest rate of 9.875% compounding semi-annually and have a maturity date of March 2, 2023 (the "Maturity Date"). The Company may, at its sole discretion, redeem the debentures at any time prior to the Maturity Date at a redemption price equal to 1.25 times the outstanding principal amount plus all accrued and unpaid interest up to and including the redemption date. Successful completion of the RTO Transaction will trigger automatic conversion of all outstanding Debentures to PesoRama Shares, with interest accrued up to the date of conversion being paid out. Interest is payable upon the earlier of a) maturity, b) automatic conversion, or c) redemption. Each Debenture is convertible to PesoRama Shares at a rate of 85% of the per-Share price attributed to the Company's Shares on the RTO Transaction date.

Each Debenture also includes 50 warrants, each of which entitles the holder to purchase one Share at a price of \$1.25. The warrants are set to expire on March 2, 2023. However, if the daily volume-weighted average price of the Shares exceeds \$2.00 per Share for a period of at least 10 consecutive trading days, the Company may, at its sole discretion, elect to accelerate the expiry date. If the Company makes this election, they must notify all warrant holders within 5 trading days of their intention to accelerate the expiry date. The accelerated expiry date may not be less than 30 days after the date upon which notice is given.

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended January 31, 2020**

*The following management's discussion and analysis ("MD&A") dated October 27, 2020 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of PesoRama Inc. (together with its consolidated subsidiaries, referred to as "PesoRama", the "Company", "we", "us" 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 year ended January 31, 2020. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and notes for the year ended January 31, 2020 (as hereinafter defined).*

*Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Company's annual consolidated financial statements for the year ended January 31, 2020 (as hereinafter defined) have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").*

*For the purpose of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares (the "Shares"); (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.*

*The Company manages its business as one reportable segment. The functional and reporting currency of the Company is the Canadian dollar.*

**Forward-Looking Statements**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements") about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or other future events or developments. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "projects", "forecasts", "budgets", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic conditions and the competitive environment within the retail industry in Mexico, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of this MD&A: future increases in operating costs (including increases in statutory minimum wages); future increases in merchandise costs (including as a result of tariff disputes); inability to sustain assortment and replenishment of merchandise; increase in the cost or a disruption in the flow of imported goods (including as a result of the global outbreak of COVID-19); failure to maintain brand image and reputation; disruption of distribution infrastructure; inventory shrinkage; inability to renew store, warehouse and head office leases on favourable terms; inability to increase warehouse and distribution centre capacity in a timely manner; seasonality; market acceptance of private brands; failure to protect trademarks and other proprietary rights; foreign exchange rate fluctuations; potential losses associated with using derivative financial instruments; level of indebtedness and inability to generate sufficient cash to service debt; changes in creditworthiness and credit rating and the potential increase in the cost of capital; interest rate risk associated with variable rate indebtedness; competition in the retail industry; disruptive technologies; general economic conditions; departure of senior executives; failure to attract and retain quality employees; disruption in information technology systems; inability to protect systems against cyber-attacks; unsuccessful execution of the growth strategy; holding company structure; adverse weather; pandemic or epidemic outbreaks; natural disasters;

## **PESORAMA INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

climate change; geopolitical events and political unrest in foreign countries; unexpected costs associated with current insurance programs; product liability claims and product recalls; litigation; regulatory and environmental compliance; and shareholder activism.

These factors are not intended to represent a complete list of the factors that could affect the Company; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as at October 27, 2020 and management has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

All the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

#### **Non-GAAP Measures**

This MD&A as well as the Company's annual consolidated financial statements and notes for the year ended January 31, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). However, certain financial measures in this document do not have a standardized meaning as prescribed by IFRS, and therefore are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented to provide shareholders and potential investors with additional measures for analyzing the Company's ability to generate funds to finance its operations and information regarding its liquidity. The additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

#### **Reverse Take-Over**

On March 8, 2021, the Company entered into a definitive agreement with Skyscape Capital Inc. ("Skyscape"), a capital pool company listed on the TSX Venture Exchange (the "Exchange"), whereby Skyscape and PesoRama will complete a reverse take-over transaction (the "RTO Transaction") to ultimately form the resulting issuer, which will continue to carry on the business of PesoRama. PesoRama has agreed to, among other things, exchange all issued and outstanding Shares on the basis of one Skyscape share for each PesoRama Share. PesoRama would then be amalgamated with Skyscape's wholly owned subsidiary, 11518003 Canada Inc., to form a new wholly owned subsidiary. It is intended that, immediately prior to the completion of the RTO Transaction, Skyscape will change its name to "PesoRama Inc." The RTO Transaction is intended to serve as Skyscape's qualifying transaction under Exchange Policy 2.4 – *Capital Pool Companies*.

In connection with the RTO Transaction, PesoRama will complete a financing of between 5 million and 10 million PesoRama subscription receipts (the "Subscription Receipts") through Fundamental HS, S.C., at a price of \$1.00 per Subscription Receipt. Each Subscription Receipt will automatically convert into one unit, consisting of one Share and one purchase warrant, without further payment from or action on the part of the holder concurrently with the satisfaction of certain conditions, principal among them the completion of the RTO Transaction (the "Escrow Release Conditions"). Funds received for the Subscription Receipts will be held by TSX Trust Company (the "CPC Escrow Agent") until delivery of notice that conditions have been satisfied (the "Release Notice") to the CPC Escrow Agent. Delivery of the Release Notice will occur upon satisfaction of the Escrow Release Conditions.

#### **Recent Events**

##### ***Warrant Exercises***

On November 24, 2020, performance warrants were exercised to purchase 1,250,000 Shares at \$0.001 per Share for cash proceeds of \$1,250.

##### ***PesoRama Debenture Financing***

On March 2, 2021, PesoRama closed its senior unsecured convertible debenture financing (the "Debentures"),

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

issuing 5,557 Debentures at a face value of \$1,000 each for gross proceeds of \$5,557,000. The Debentures bear an annual interest rate of 9.875% compounding semi-annually and have a maturity date of March 2, 2023 (the "Maturity Date"). The Company may, at its sole discretion, redeem the debentures at any time prior to the Maturity Date at a redemption price equal to 1.25 times the outstanding principal amount plus all accrued and unpaid interest up to and including the redemption date. Successful completion of the RTO Transaction will trigger automatic conversion of all outstanding Debentures to PesoRama Shares, with interest accrued up to the date of conversion being paid out. Interest is payable upon the earlier of a) maturity, b) automatic conversion, or c) redemption. Each Debenture is convertible to PesoRama Shares at a rate of 85% of the per-Share price attributed to the Company's Shares on the RTO Transaction date.

Each Debenture also includes 50 warrants, each of which entitles the holder to purchase one Share at a price of \$1.25. The warrants are set to expire on March 2, 2023. However, if the daily volume-weighted average price of the Shares exceeds \$2.00 per Share for a period of at least 10 consecutive trading days, the Company may, at its sole discretion, elect to accelerate the expiry date. If the Company makes this election, they must notify all warrant holders within 5 trading days of their intention to accelerate the expiry date. The accelerated expiry date may not be less than 30 days after the date upon which notice is given.

**Overview**

***PesoRama's Business***

PesoRama was incorporated October 16, 2017 under the Business Corporations Act (Canada). The Company's registered office is located at 1900, 520 – 3<sup>rd</sup> Avenue SW, Calgary, Alberta T2P 0R3.

The Company is the ultimate parent company of its wholly owned subsidiaries:

- Canmex Dollar Stores, S.A. de C.V. ("CANMEX"), which was incorporated on December 5, 2018 in Mexico City, Mexico;
- Joi Canadian Stores, S.A. de C.V. ("JOI"), which was incorporated on April 23, 2019 in Mexico City, Mexico to hold the operating assets of PesoRama;
- PesoRama Consulting Services, S.A. de C.V. ("PesoRama Consulting"), which was incorporated on June 27, 2019 in Mexico City, Mexico; and
- PesoRama Stores Services, S.A de C.V. ("PesoRama Stores"), which was incorporated on May 19 2020 in Mexico City, Mexico. PesoRama Stores was inactive as at January 31, 2020.

PesoRama operates "dollar stores" in Mexico offering consumers a wide variety of products with focus on the single price point segment of the retail market. As at October 27, 2020, the Company operates 11 stores. Stores average 6,000 square feet and offer a wide variety of consumable products, general merchandise, and seasonal items, including private label and branded products. Merchandise is sold in individual or multiple units at select, fixed price points up to MXN \$25. All stores are corporately operated and are strategically located in high-traffic areas such as strip malls and shopping centers in the greater Mexico City area, with plans to eventually expand to other areas of Mexico.

The Company's strategy is to grow sales, operating income, net earnings, earnings per share and cash flows by expanding its Mexican store network, by being a first-mover brand in what management views as an underserved and growing Mexican dollar-store industry, and by providing value for customers through its broad product offerings, fixed price points and enhanced shopping experience. The Company has signed leases for an additional 9 new stores and expects to have at least 56 operating stores by January 31, 2022.

**Factors Affecting Results of Operations**

***Revenue***

Revenue is recognized when control of a good or service is transferred to a customer. A five-step recognition model is used to apply the standard as follows: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to

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separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. The revenues of the Corporation come from the sale of products that are recognized at a point in time. Sales of products in the consolidated statement of loss and comprehensive loss are recognized by the Corporation when control of the goods has been transferred, being when the customer tenders payment and takes possession of the merchandise at the stores and that all obligations have been fulfilled. All sales are final. Revenue is shown net of sales tax and discounts.

The Company is currently monitoring the impact of the COVID-19 pandemic on its sales, as further discussed below. Refer to the section of this MD&A entitled "Risks and Uncertainties" for a discussion about the risks associated with seasonality and business continuity.

***Cost of Sales***

Cost of sales consists primarily of purchased inventory and distribution expense (explained further below). The Company records vendor rebates, consisting of volume purchase rebates, when it is probable that they will be received and the amounts are reasonably estimable. The rebates are recorded as a reduction of cost of inventory.

Since the Company purchases goods in currencies other than the Mexican peso (the "peso"), its cost of sales is affected by fluctuations in foreign currencies against the peso.

***Distribution Expense***

Distribution expense represents transportation costs (which are largely variable and proportional to the Company's sales volume) as well as warehouse and distribution centre occupancy costs. Shipping and transportation costs, including surcharges on transportation costs, are a significant component of distribution expense. When fuel costs fluctuate, shipping and transportation costs increase or decrease, as applicable, because the carriers generally pass on these cost changes to the Company. Because of the high volatility of fuel costs, it is difficult to forecast the fuel surcharges the Company may incur from its carriers.

***General, Administrative and Store Operating Expenses***

The Company's general, administrative and store operating expenses ("G&A") consist of store labour, which is primarily variable and proportional to its sales volume, as well as general store maintenance costs, salaries and related benefits of corporate and field management team members, administrative office expenses, professional fees, and other related expenses. G&A also includes variable and non-indexed rental expenses for the Company's stores that are excluded from the lease liability under IFRS 16. Fixed and indexed rental payments are capitalized as a lease liability under IFRS 16.

***Economic or Industry-Wide Factors Affecting the Company***

On March 11, 2020, the World Health Organization declared the rapidly spreading novel coronavirus ("COVID-19") outbreak a pandemic. The COVID-19 pandemic has had a significant impact on businesses through the restrictions put in place by the Canadian and Mexican federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, Mexico, and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition. For the period consisting of the year ended January 31, 2020, the COVID-19 outbreak was not yet a pandemic and had no impact on the Company's operations.

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**Key Financial Results**

The following table summarizes PesoRama's key financial results over the past two years:

<i><b>For the year ended January 31</b></i>	<b>2020</b>	<b>2019</b>
Total revenue	1,700,595	-
Loss from continuing operations	(3,777,780)	(970,429)
Net loss	(3,777,780)	(970,429)
Loss per share (basic and diluted)		
Loss from continuing operations	(0.098)	(0.074)
Net loss	(0.098)	(0.074)
Total assets	18,532,659	4,845,024
Total non-current liabilities	2,501,386	-

PesoRama is experiencing rapid growth in its stores and sales, with its first store being opened in the year ended January 31, 2020. Net losses to date are primarily a result of general and administrative expenses and business development expenses incurred over each financial year. Some of these losses in the year ended January 31, 2020 were offset by retail revenue recognized.

**Selected Annual Information**

The following table sets out selected annual financial information of PesoRama and is derived from audited annual financial data prepared by management in accordance with IFRS.

<i><b>For the year ended January 31</b></i>	<b>2020</b>	<b>2019</b>
Net revenue	1,700,595	-
Net income(loss)	(3,777,780)	(970,429)
Comprehensive income (loss)	(3,810,095)	(970,243)
Net income (loss) per share (basic & diluted):	(0.098)	(0.074)

The following section provides an overview of the Company's financial performance during the year ended January 31, 2020 compared with the same period in 2019.

*Revenue*

Total revenue for the year ended January 31, 2020 was \$1,700,595, compared to \$nil for the same period in 2019. Sales in 2020 were driven by the opening of the Company's first stores. The Company opened one store in September 2019, two stores in October 2019, one store in November 2019, and four stores in December 2019, for a total of eight open stores at January 31, 2020.

*Cost of Goods Sold and Gross Margin*

Cost of goods sold for the year ended January 31, 2020 was \$1,147,853, compared to \$nil for the same period in 2019. Gross margin was \$552,742, or 32.5% of sales. There was no revenue or cost of goods sold in the same period in 2019 because the Company had no operating retail locations.

*General, Administrative, and Store Operating Expenses ("G&A")*

G&A for the year ended January 31, 2020 totaled \$4,556,265, a 369.5% increase over \$970,429 for the same period in 2019. This increase is primarily related to the opening of eight stores.

*Other Income*

Other income for the year ended January 31, 2020 totaled \$162,777, compared with \$nil for the same period in 2019. Interest income makes up the majority (53.6%) of other income.

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*Income Taxes*

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss). For the years ended January 31, 2019 and 2020, no current income tax expense was recognized due to the Company being in a loss position.

*Net Loss*

Net loss increased to (\$3,777,780), or (\$0.098) per basic and diluted common share, for the year ended January 31, 2020, compared to (\$970,429), or (\$0.074) per diluted common share, for the same period in 2019. The increase in net loss is the result of the Company's first 8 stores opening between January 31, 2019 and January 31, 2020, with revenue growth temporarily lagging the corresponding up-front costs of the new stores.

**Liquidity and Capital Resources**

***Cash Flows for the Year Ended January 31, 2020***

*Cash Flows - Operating Activities*

For the year ended January 31, 2020, cash used in operating activities totaled (\$6,764,788), compared to (\$841,930) for the same period in 2019. This increase relates primarily to a net \$3,659,011 increase in inventory (\$nil for the same period in 2019) and a corresponding \$1,236,756 increase in sales taxes receivable, with no recovery of VAT as at January 31, 2020.

*Cash Flows - Investing Activities*

For the year ended January 31, 2020, cash used in investing activities totaled (\$5,070,204), compared with (\$4,497) for the same period in 2019. This increase relates primarily to an increase of (\$2,616,408) in purchases of property and equipment for the year ended January 31, 2020 in connection with the opening of the Company's first 8 stores, and to a short-term investment in Guaranteed Investment Certificates ("GICs") of (\$2,000,000).

*Cash Flows - Financing Activities*

For the year ended January 31, 2020, cash provided by financing activities totaled \$12,102,418, compared with \$5,403,400 for the same period in 2019. This increase relates primarily to the Company raising an additional \$6,955,876 in net proceeds through private placements in the year ended January 31, 2020 compared with the same period in 2019, partially offset by the beginning of (\$169,358) in lease payments in the year ended January 31, 2020.

***Capital Expenditures***

Capital expenditures mainly relate to investments in new stores. For the year ended January 31, 2020, capital expenditures totaled \$2,708,255, compared to \$4,497 for the same period in 2019. This increase was due to the opening of the Company's first 8 stores in the year ended January 31, 2020.

***Capital Resources***

Because all of its stores were opened in the year ending January 31, 2020, the Company does not yet generate sufficient cash flows from operating activities to fund its planned growth strategy in Mexico. As a result, the Company is heavily dependent upon external financing. As at January 31, 2020, the Company had \$4,673,131 of cash on hand, up slightly from 4,557,160 at January 31, 2019.

The Company's ability to pay the principal and interest on future debt, to refinance it, or to generate sufficient funds to pay for planned capital expenditures and investments will depend on its ability to raise funds through both equity and debt financing. As discussed in "Recent Events," the Company raised \$5,557,000 in gross proceeds through the issuance of debentures subsequent to October 31, 2020. The Company is also in the process of being acquired by

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Skyscape as part of the RTO Transaction, which will increase the Company's access to financing. The Company's ability to raise further financing and fund itself through operations is subject to general economic, financial, competitive, legislative, regulatory, or other factors that are beyond its control.

Barring further extraordinary circumstances arising from the COVID-19 pandemic, management believes that increasing cash flows from operations, together with the likelihood of future financing, will be adequate to meet the Company's future operating cash needs.

The Company's assumptions with respect to future liquidity needs may not be correct and funds available to it from the sources described herein may not be sufficient to enable it to service its indebtedness or cover any shortfall in funding for any unanticipated expenses.

*Contractual Obligations, Off-Balance Sheet Arrangements and Commitments*

Throughout the year ended January 31, 2020, the Company entered into various agreements with different vendors relating to the construction and improvement of its retail stores in Mexico. The remaining construction work is expected to be completed and paid within the fiscal year 2021. The Company also had retail stores and office lease commitments outstanding which have been recorded as lease liabilities in the financial statements.

Furthermore, in October 2020 and subsequent to October 31, 2020, JOI signed eight lease agreements for retail stores in Mexico City, Mexico. These leases are expected to commence in the first four months of 2021. Starting monthly base rent for these leases ranges between \$3,000 and \$5,400 (MEX \$50,000 and MEX \$90,000).

*Financial Instruments*

The Company has classified cash as fair value through the condensed consolidated interim statements of loss and comprehensive loss and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of the Company's financial instruments approximate their fair values due to their short periods to maturity.

**Related Party Transactions**

***Key management personnel***

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

During the years ended January 31, 2020 and January 31, 2019, there were separate related party transactions as follows:

- (i) Management fees of 720,000 (2019 - 285,417), to the key management personnel. As of January 31, 2020, no amount is owed.
- (ii) As of January 31, 2020, the amount of \$22,348 (2019 - \$37,175) is owing to a key management personnel and is recorded in accounting payable and accrued liabilities.
- (iii) Professional fees of \$25,000 (2019 - \$20,000) for accounting services of which a director of the Company is a partner.
- (iv) \$112,516 (2019 - \$3,598,901) of share-based payment expense for the share purchase warrants, performance warrants, and options issued to certain key management personnel, employees, and consultants of the Company.
- (v) Nil (2019 - \$12,500) of compensation expense for board meeting attendance is owed to directors of the

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Company.

(vi) During the year, the Company advanced a total of \$156,331 to the former CEO.

**Critical Accounting Estimates and Judgments**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following discusses the most significant accounting judgments and estimates that the Company made in the preparation of the Company's annual consolidated financial statements for the year ended January 31, 2020.

***Estimated useful life of long-lived assets***

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

***Income Taxes***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

***Share based compensation and agent's warrants***

All equity-settled, share-based awards and warrants issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation and warrants, estimates have to be made regarding the fair value of the underlying share(s), expected volatility in share's fair value, option life, dividend yield, risk-free rate, estimated life and estimated forfeitures at the initial grant date.

***Valuation of inventories***

Inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, future merchandising plans, and inventory shrinkage. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Changes to the inventory provisions and especially shrinkage can have a material impact on the results of the Corporation.

***Leases***

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available.

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If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use ("ROU") asset in a similar economic environment. Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

**New and Amended Accounting Standards Adopted**

The Company has adopted the following new accounting standards and interpretations effective February 1, 2019, unless otherwise noted. These changes were made in accordance with the applicable transitional provisions.

***IFRS 16 – Leases ("IFRS 16")***

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. On February 1, 2019, the Company adopted IFRS 16.

In accordance with IFRS 16, the Company determines if an arrangement is a lease at inception based on whether there is an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset and whether the Company has the right to direct the use of the asset. The Company has operating leases, on office and stores spaces, and no financing leases. For leases with terms greater than twelve (12) months, the Company records the related right-of-use asset and lease obligation at the present value of lease payments over the term. Leases may include fixed rental escalation clauses, renewal options and / or termination options that are factored into the determination of lease payments when appropriate.

The Company's leases do not provide a readily determinable implicit rate; therefore, an estimate of the Company's incremental borrowing rate is used to discount the lease payments based on information available at the lease commencement date. The discount rates used were between 9% and 12%. See Note 10 for further disclosures and detail regarding the Company's operating leases.

The adoption of IFRS 16 resulted in the recognition of ROU assets of \$3,127,227 and lease liabilities of \$2,756,945 in February 2019.

The following new accounting standards and interpretations have been adopted by the Company subsequent to January 31, 2020.

***IAS 1 – Presentation of Financial Statements ("IAS 1")***

- (a) IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

IAS 1 has been revised to incorporate a new definition of "material" and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The company does not expect that adoption of this amendment will have significant impact on the consolidated

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financial statements.

- (b) **IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")** IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IAS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The company does not expect that adoption of this amendment will have significant impact on the consolidated financial statements.

**Risks and Uncertainties**

Understanding and managing risks are important parts of the Company's strategic planning process. The board of directors tasks the Company's senior management with identifying and properly managing the principal risks related to the Company's business operations.

The Company manages these risks on an ongoing basis and has put in place certain guidelines to mitigate their financial impact, and the Company maintains cost-effective, comprehensive insurance coverage against most insurable events. The Company also gathers and analyzes economic and competitive data on a regular basis and senior management takes these findings into consideration when making strategic and operational decisions. Despite these guidelines and initiatives, the Company cannot provide assurances that any such efforts will be successful.

**Risks Related to Business Operations**

***COVID-19 Pandemic Outbreak***

The COVID-19 pandemic has had a significant impact on businesses through restrictions put in place by the Canadian and Mexican federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, Mexico and China and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

For the period consisting of the year ended January 31, 2020, the COVID-19 outbreak was not yet a pandemic and had no impact on the Company's operations.

***Merchandise and Operating Costs***

The Company's ability to provide quality merchandise at low price points is subject to a number of factors that are beyond its control, including merchandise costs, foreign exchange rate fluctuations, tariffs on imported goods, increases in labour costs (including any increases in the minimum wage), increases in rent and occupancy costs, fuel costs and inflation, all of which may reduce profitability and have an adverse impact on cash flows.

Labour costs are largely outside of the Company's control, driven by minimum wage legislation in each jurisdiction in which the Company has operations. Rent and occupancy costs, while substantial, offer multi-year visibility due to the long-term nature of leases. Historically, the Company has been able to negotiate leases on market terms and therefore benefits from a reasonable lead time to prepare for potential rent increases. Fuel cost

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increases or surcharges could also increase transportation costs and therefore impact profitability.

If management is unable to predict and respond promptly to these or other similar events, the merchandise and operating costs may increase, and the Company's business and financial results could be materially adversely affected.

Generally, management believes that, as seen in other countries, the fixed price point strategy can be flexible to address cost increases, allowing the Company to adjust its fixed price point to a higher maximum limit as required. The Company believes it can pivot as necessary to a multiple price-point strategy to adjust for increases in prices, unfavorable foreign exchange, or other developments that might otherwise erode margins. There is, however, no guarantee that the Company will continue to be successful in offsetting cost increases in a meaningful way. There can be no assurance that the Company will be able to pass on cost increases to customers if it wishes to maintain the compelling value of its product offering relative to competitors.

***Merchandise Selection and Replenishment***

The Company's success depends in large part on its ability to continually find, select and purchase quality merchandise at attractive prices in order to expand the assortment of products and replace underperforming goods to timely respond to evolving trends in demographics and consumer preferences, expectations and needs. Although management believes that the Company has strong and long-standing relationships with most of its suppliers, it may not be successful in maintaining a continuing and increasing supply of quality merchandise at attractive prices. If the Company cannot find or purchase the necessary amount of competitively priced merchandise to maintain its compelling product offering or to replace goods that are outdated or unprofitable, business and financial results could be materially adversely affected.

***Supply Chain***

Merchandise could become more expensive or unavailable, or deliveries could be subject to longer lead times, for a number of reasons, including:

- a) disruptions in the flow of imported goods due to factors such as raw material shortages, work stoppages and strikes, suppliers going out of business, factory closures resulting from changes in the economic or regulatory landscape of the country of origin, inflation, natural disasters, unusually adverse weather, pandemic or epidemic outbreaks such as the COVID-19 and political unrest in foreign countries;
- b) uncertainty and potential consolidation in the shipping industry in a context of overcapacity and carrier failures, which could eventually lead to rate increases;
- c) economic instability and international disputes;
- d) increases in the cost of purchasing or shipping foreign merchandise resulting from Mexico's failure to maintain normal trade relationships with foreign countries;
- e) increases in tariffs or the elimination of existing preferential tariffs on goods, restrictive changes to import quotas, and other adverse protectionist trade measures; and
- f) changes in currency exchange rates or policies and local economic conditions, including inflation in the country of origin. The development of one or more of these factors could materially adversely affect the Company's business and financial results.

If imported merchandise becomes more expensive, limited or unavailable, the Company may not be able to transition to alternative sources in time to meet the demand. Products from alternative sources may also be of lesser quality and/or more expensive than those currently imported. A disruption in the flow of imported merchandise or an increase in the cost of those goods due to these or other factors could significantly decrease sales and profits and have a material adverse impact on the Company's business and financial results.

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Management believes that the Company has good relationships with suppliers and that it is generally able to obtain competitive pricing and other terms. However, products are bought on an order-by-order basis and the Company has very few long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. If it fails to maintain good relationships with suppliers, or if suppliers' product costs are increased as a result of prolonged or repeated increases in the prices of certain raw materials, foreign exchange rate fluctuations, or changes in the economic or regulatory landscape of the country of origin, the Company may not be able to obtain attractive pricing. In addition, if it is unable to receive merchandise from suppliers on a timely basis because of interruptions in production or in shipping or other reasons that are beyond its control, the Company could experience merchandise shortages which could lead to lost sales or increased merchandise costs if alternative sources must be used, and business and financial results could be materially adversely affected.

***Brand Image and Reputation***

The Company has a brand that consumers increasingly associate with compelling value. Failure to maintain product safety and quality or ethical and socially responsible operations could materially adversely affect its brand image and reputation. Public concerns about the environmental impact of the Company's products and operations could also negatively impact consumers' perceptions of the Company's brand image. Any negative publicity about, or significant damage to, the Company's brand and reputation could have an adverse impact on customer perception and confidence, which could materially adversely affect the Company's business and financial results. Also, the pervasiveness and viral nature of social media could exacerbate any negative publicity with respect to its business practices and products.

***Distribution and Warehousing Network***

The Company must constantly replenish depleted inventory through deliveries of merchandise from suppliers to its warehouses, distribution centre and directly to stores by various means of transportation, including shipments by sea, train, and truck. Also, because of its reliance on third-party carriers, the Company is subject to carrier disruptions and increased costs due to factors beyond its control. Disruptions in the distribution network or the national and international transportation infrastructure could lead to delays or interruptions of service which, in turn, could materially adversely affect the Company's business and financial results.

As the Company continues its rapid expansion, additional warehouse and distribution centre capacity may be needed. If the Company does not plan efficiently for increased capacity, or is unable to locate new sites, either for sale or for rent, on favorable terms, or is unable to commission new warehousing or distribution operations on a timely basis, the Company may not be able to successfully execute its growth strategy or may incur additional costs, which could materially adversely affect its business and financial results.

***Inventory Shrinkage***

The Company is subject to the risk of inventory loss and administrative or operator errors, including mislabeling, as well as damage, theft, and fraud. The Company experiences inventory shrinkage in the normal course of its business and cannot ensure that incidences of inventory loss and theft will decrease in the future or that measures taken will effectively address inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if the Company were to experience higher rates of inventory shrinkage or were required to incur increased security costs to limit inventory theft, its business and financial results could be materially adversely affected.

***Real Estate***

All of the Company's stores are leased from unaffiliated third parties. Unless the terms of the Company's leases are extended, the properties, together with any improvements that were made, will revert to the property owners upon expiration of the lease terms. As the terms of those leases expire, the Company may not be able to renew leases or promptly find alternative locations that meet its needs on favourable terms, or at all. Also, breaching the terms of a lease may result in the Company incurring substantial penalties, including, among others, paying all amounts due to the landlord for the balance of the lease term. If one or more of the foregoing risks materializes, the Company's business and financial results could be materially adversely affected.

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***Seasonality***

Historically, the Company's highest sales have occurred in the fourth quarter, during the winter holidays selling season. Sales also generally increase ahead of other holidays and celebrations, such as Easter, Valentine's Day, and Halloween/Day of the Dead. Failure to adequately prepare for the holiday sales demands and the timing of certain holidays and of new store openings could have material adverse effects on the Company's business and financial results. In addition, the occurrence of unusually adverse weather, natural disasters, geopolitical events, pandemic or epidemic outbreaks or any other event beyond the Company's control and causing any disruption in its business activities or operations during a peak season could have an adverse effect on the distribution network and on store traffic, which could materially adversely affect its business and financial results.

***Private Brands***

The Company carries a substantial number of private brand items. Management believes that the Company's success in maintaining broad market acceptance of private brands depends on many factors, including pricing, quality and customer perception. If the Company does not achieve or maintain expected sales for private brands, or if it fails to successfully protect its proprietary rights in those brands or avoid claims related to the proprietary rights of third parties, its business and financial results could be materially adversely affected.

***Intellectual Property***

Management believes that trademarks and other proprietary rights are important to the Company's success and competitive position. Accordingly, the Company protects its trademarks and proprietary rights in Canada, Mexico and other relevant markets. However, monitoring the unauthorized use of one's intellectual property is difficult, and violations may not always become immediately known. Furthermore, the steps generally taken to address such violations, including sending demand letters and taking actions against third parties, may be inadequate to prevent imitation of products and concepts by others or to prevent others from claiming violations of their trademarks and proprietary rights by the Company. In addition, the Company's intellectual property rights may not have the value that management believes they have. If the Company is unsuccessful in protecting its intellectual property rights, or if another party prevails in litigation against it relating to its intellectual property rights, the value of the brand could be diminished, causing customer confusion and materially adversely affecting the Company's business and financial results. In addition, the Company may incur significant costs if it is required to change certain aspects of its branding and business operations.

***International Operations***

The Company's primary operations are in Mexico. Operations outside of Canada are exposed to risks inherent in foreign operations. These risks, which can vary substantially by market and jurisdiction, are described in many of the risk factors discussed in this section and also include the following:

- the adoption of laws, regulations and policies aimed at managing national economic conditions, such as increases in taxes, austerity measures that impact consumer spending, monetary policies that may impact inflation rates and currency fluctuations;
- the imposition of import restrictions or controls;
- the effects of legal and regulatory changes and the burdens and costs of compliance with a variety of foreign laws;
- changes in laws and policies that govern foreign investment and trade in the countries in which the Company operates, including in Latin America;
- breaches or violations of Canadian and other foreign anti-corruption and anti-bribery laws, including by the Company's employees, suppliers, contractors, agents or representatives;
- risks and costs associated with political and economic instability, corruption, and social and ethnic unrest in the countries in which the Company operates, including in Latin America;
- risks of operating in developing or emerging markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations and the enforceability of contract rights and intellectual property rights; and
- risks arising from the significant and rapid fluctuations in currency exchange markets, and the impact of any

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

decisions and positions taken to hedge such volatility.

**Financial Risks**

***Financial instruments***

The Company has classified cash as fair value through the condensed consolidated interim statements of loss and comprehensive loss and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of the Company's financial instruments approximate their fair values due to their short periods to maturity.

***Financial risk management***

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively.

The principal financial risks arising from financial instruments are liquidity risk, foreign currency risk, credit risk, and interest rate risk.

***Liquidity risk***

As at January 31, 2020, the Company's financial liabilities consist of accounts payable and accrued liabilities and lease liabilities which have contractual maturity dates within one year, with the exception of the long-term portion of lease liabilities, and the Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position as at January 31, 2020, management regards liquidity risk to be low.

***Foreign currency risk***

The Company's functional and the group's reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its Mexican subsidiaries, JOI, CANMEX and Pesorama Consulting whose functional currencies are the Mexican peso. As the Company operates internationally, certain of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are, therefore, subject to currency transaction and translation risks.

The Company has determined that as at January 31, 2020, the effect of a 10% increase or decrease in Mexican Peso against the Canadian dollar on financial assets and liabilities would have an impact on the condensed consolidated interim financial statements of approximately \$650,000.

At January 31, 2020, the Company has not entered into any hedging agreements to mitigate currency risks with respect to foreign exchange rates.

***Credit risk***

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist solely of cash since the Company does not make any sales on credit terms. The Corporation offsets the credit risk by depositing its cash with major financial institutions which have been assigned high credit ratings by internationally recognized credit rating agencies.

***Interest rate risk***

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk on cash. As such, fluctuations of interest rates for the interim period ending January 31, 2020 and January 31, 2020 would not have had a significant impact on the condensed

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

consolidated interim financial statements.

**Market Risks**

***Retail Competition***

The Company operates in the value retail industry, which is highly competitive with respect to, among other things, price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. This competitive environment could materially adversely affect the Company's business and financial results due to the lower prices, and thus lower margins, that could be required to maintain its competitive position. Companies operating in the value retail industry have limited ability to increase prices in response to increased costs. This limitation may also affect margins and financial performance.

The Company also competes for customers, employees, store sites, products and services and in other important aspects of its business with many other local, regional and national retailers, including multi-price dollar stores, variety and discount stores and mass merchants. These retailers compete in a variety of ways, including aggressive promotional activities, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities and price. Management expects that the Company's expansion plans will increasingly bring it into direct competition with those other retailers.

Given the lack of significant economic barriers for other companies to open dollar stores or develop dollar store concepts within their existing retail operations, competition may also increase due to new value retailers entering the markets in which the Company operates. If the Company fails to respond effectively to competitive pressures and changes in the retail markets, its business and financial results could be materially adversely affected.

***E-Commerce and Disruptive Technologies***

Although the discount retail market in Mexico is still emerging, the Company may face increased competition from the use of mobile and web-based technology that facilitates online shopping and real-time product and price comparisons. Failure to adequately assess and address this evolving retail trend could have a material adverse impact on the Company's business and financial results.

***Economic Conditions***

Adverse Mexican or global economic conditions affecting disposable consumer income, employment levels, consumer debt levels, credit availability, business conditions, fuel and energy costs, rent, inflation, interest rates and tax rates could materially adversely affect the Company's business and financial results by reducing consumer spending or causing customers to shift their spending to other products the Company either does not sell or does not sell as profitably, which could translate into decreased sales volumes, slower inventory turnover and lower gross margin for the Company. In addition, similar adverse economic conditions could materially adversely affect the Company, its suppliers or other business partners by reducing access to liquid funds or credit, increasing the cost of credit, limiting the ability to manage interest rate risk, increasing the risk of insolvency or bankruptcy of the Company, its suppliers, landlords or financial counterparties, increasing the cost of goods, and other impacts which cannot be fully anticipated.

**Human Resources Risks**

***Reliance on Key Personnel***

The Company's senior executives have extensive experience in the industry, with the Company, and with its suppliers, products, and customers. The loss of management knowledge, expertise, and technical proficiency resulting from the loss of one or more members of the core management team could result in a diversion of management resources or a temporary executive gap, and negatively affect the Company's ability to develop and pursue other business strategies, which could materially adversely affect its business and financial results. Also, the expertise pertaining to purchasing and import management, especially as it relates to the dollar store industry, is rare and the loss of key executives leading those functions could have a material adverse effect on the Company's

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ability to continue to offer a compelling product offering to its customers, which in turn could materially adversely affect its business and financial results.

***Recruitment, Retention and Management of Quality Employees***

Future growth and performance depend, among other things, on the Company's ability to attract, retain and motivate quality employees, many of whom are in positions with historically high rates of turnover. The Company's ability to meet its labour needs, while controlling labour costs, is subject to many external factors, including the competition for and availability of quality personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labour legislation (including changes in the process for employees to join a union) or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). In addition, the Company must be able to successfully manage personnel throughout its growing and increasingly geographically dispersed network of stores.

**Technology Risks**

***Information Technology Systems***

The Company depends on its information technology systems for the efficient functioning of its business, including financial reporting and accounting, purchasing, inventory management and replenishment, labour forecasting and scheduling, payroll processing, data storage, customer transactions processing and store communications. Enterprise-wide software solutions enable management to efficiently conduct operations, and gather, analyze and assess information across all business functions and geographic locations.

Management believes that the Company's information technology architecture is resilient, relying on redundant material components to prevent material failures and redundant telecommunication links to prevent communication failures. However, systems may be subject to damage or interruption resulting from power outages, telecommunication failures, computer viruses, security breaches, cyber-attacks and catastrophic events. Difficulties with the hardware and software platform may require the Company to incur substantial costs to repair or replace it, could result in a loss of critical data or could disrupt operations, including the Company's ability to timely ship and track product orders, forecast inventory requirements, manage the supply chain, process customer transactions and otherwise adequately service customers, which, in each case, could have a material adverse effect on the Company's business and financial results. Prolonged disruptions to information technology systems may reduce the efficiency of the Company's operations, which could materially adversely affect its business and financial results.

***Data Security and Privacy Breaches***

Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication of perpetrators of cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events. Cyber-threats in particular vary in technique and sources, are persistent, and are increasingly more targeted and difficult to detect and prevent.

Cyber-attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Company's information technology systems, networks and websites, the introduction of computer viruses and other malicious codes, and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. They could result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence. Cyber-attacks and security breaches could therefore materially adversely affect the Company's business and financial results.

While the Company has dedicated resources and utilizes third party technology products and services to help protect the Company's information technology systems and infrastructure as well as its proprietary and confidential information against security breaches and cyber incidents, such measures may not be adequate or effective to prevent or identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions,

## **PESORAMA INC. MANAGEMENT'S DISCUSSION AND ANALYSIS**

which could cause damage in excess of any available insurance, and could materially adversely affect its business and financial results.

### **Strategy and Corporate Structure Risks**

#### ***Growth Strategy***

The Company's ability to successfully execute its growth strategy will depend largely on its ability to successfully open and operate new stores, which, in turn, will depend on a number of operational, financial, and economic factors, including whether it can:

- locate, lease, build out, and open stores in suitable locations on a timely basis and on favourable economic terms;
- hire, train, and retain an increasing number of quality employees at competitive rates of compensation;
- supply an increasing number of stores with the proper mix and volume of merchandise;
- expand into new Mexican markets outside Mexico City, where it has limited presence;
- procure efficient logistics and transportation services for those new markets;
- successfully compete against local competitors; and
- build, expand and upgrade warehousing and distribution facilities as well as store support systems in an efficient, timely and economical manner.

Any failure by the Company to achieve these goals could materially adversely affect its ability to continue to grow. In addition, if the expansion occurs as planned, the Company's store base will include a relatively high proportion of stores with a relatively short history of operations. If new stores on average fail to achieve results comparable to existing stores, the Company's business and financial results could be materially adversely affected.

#### ***Corporate Structure***

PesoRama Inc. is a holding company and a substantial portion of its assets are the equity interests in its subsidiaries. As a result, the Company is subject to the risks attributable to PesoRama Inc.'s subsidiaries. As a holding company, PesoRama Inc. conducts substantially all its business through its subsidiaries, which generate substantially all of PesoRama Inc.'s revenues. Consequently, PesoRama Inc.'s cash flows, and its ability to meet financial obligations and to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to PesoRama Inc. The ability of these entities to pay dividends and other distributions will depend on their operating results and may potentially be constrained by various contractual restrictions. PesoRama Inc.'s subsidiaries are distinct legal entities and have no obligation to make funds available to PesoRama Inc. or any of its creditors, except in certain circumstances and subject to certain terms and conditions in the case of a subsidiary that is a guarantor of PesoRama Inc.'s obligations. In the event of a bankruptcy liquidation of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to PesoRama Inc.

#### **Business Continuity Risks**

##### ***Adverse Weather, Natural Disasters, Climate Change, Geopolitical Events, Pandemic and Epidemic Outbreaks***

The occurrence of one or more natural disasters, such as earthquakes and hurricanes, unusually adverse weather exacerbated by global climate change or otherwise, pandemic or epidemic outbreaks, boycotts and geopolitical events, such as civil unrest in countries in which suppliers are located or in which the Company operates, and acts of terrorism, or similar disruptions could materially adversely affect the Company's business and financial results. Furthermore, the impact of any such events on its business and financial results could be exacerbated if they occur during a period of the year when sales generally increase.

These events could result in physical damage to one or more of the Company's properties; increases in fuel or other energy prices; disruption to information systems; the temporary or long-term disruption in the supply of products from some local and overseas suppliers; the temporary disruption in the transportation of goods from overseas; delays in the delivery of goods to warehouses, distribution centres, or stores; the temporary or permanent closure

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of one or more warehouses or distribution centres or of one or more stores; the temporary reduction in the availability of products in stores; delays in opening new stores; a temporary workforce unavailability in a market or a surge in unemployment; the temporary reduction of store traffic; significant disruption in everyday life and consumer spending habits in the markets in which the Company operates; and/or the loss of sales. These factors could materially adversely affect the Company's business and financial results, for a short or long period, and there is no assurance that business will resume and reach historical levels after any such event.

***Insurance***

The Company's insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that management believes are reasonable based on the nature and size of the Company's operations. However, there are types of losses against which the Company cannot be insured or which management chose not to insure, in some cases because it believes it is not economically reasonable to do so, such as losses due to acts of war, nuclear disaster, pandemic, epidemic, reputational risks, supply chain issues, certain cyber risks, product recalls, employee turnover, strikes and some natural disasters. If the Company incurs these losses and they are material, its business and financial results could be materially adversely affected. In addition, certain material events may result in sizable losses for the insurance industry and materially adversely affect the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, the Company may elect to increase its level of self-insurance, accept higher deductibles, or reduce the amount of coverage in response to these market changes. Although it continues to maintain property insurance for catastrophic events, the Company is effectively self-insured for property losses up to the amount of its deductibles. If it experiences a greater number of these losses than anticipated, the Company's business and financial results could be materially adversely affected.

**Legal and Regulatory Risks**

***Product Liability Claims and Product Recalls***

The Company sells products manufactured by unaffiliated third parties. Manufacturers might not adhere to product safety requirements or quality control standards, and the Company might not identify the deficiency before merchandise is shipped to stores and sold to customers. As a result, the products sold by the Company may expose it to product liability claims relating to personal injury, death, or property damage, and may require the Company to take actions or act as a defendant in a litigation. In addition, if suppliers are unable or unwilling to recall products failing to meet quality standards, the Company may be required to remove merchandise from the shelves or recall those products at a substantial cost. Product liability claims and product recalls may affect customers' perception of the business or the brand and harm the Company's reputation, which may materially adversely affect its business and financial results. Although the Company maintains liability insurance to mitigate potential claims, it cannot be certain that coverage will be adequate or sufficient to cover for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.

***Litigation***

The Company's business is subject to the risk of litigation by employees, customers, consumers, product suppliers, service providers, other business partners, competitors, shareholders, government agencies, or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation, including, in the case of administrative proceedings, as a result of reviews by taxation authorities. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. In addition, certain of these lawsuits or claims, if decided adversely to the Company or settled by it, may result in liability material to its financial statements as a whole or may negatively affect operating results if changes to business operations are required. In addition, in connection with its business activities, the Company is subject to reviews by taxation authorities. There is no assurance that any such reviews will not result in taxation authorities challenging any of its tax filings.

The cost to defend litigation may be significant. There also may be adverse publicity associated with litigation, including without limitation litigation related to product safety, which could negatively affect customer perception of the

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business or the brand, regardless of whether the allegations are valid or whether the Company is ultimately found liable. As a result, litigation could materially adversely affect the Company's business and financial results.

***Regulatory Environment***

The Company is subject to many laws and regulations, including laws and regulations related to, among other things, permits and licences, product safety, labour practices, health and safety, merchandise quality, labelling, intellectual property, data privacy, environmental levies, trade and customs, bribery and corruption.

Compliance with existing or new laws and regulations, or changes in the interpretation, implementation or enforcement of any laws and regulations, could require the Company to make significant system or operating changes or require it to make significant expenditures or incur substantial costs, all of which could materially adversely affect its business and financial results. In addition, untimely compliance or non-compliance with any laws and regulations could trigger litigation or governmental enforcement action, or require the payment of any fines or penalties, and harm the Company's reputation, which could materially adversely affect the Company's business and financial results.

In addition, the Company and its representatives are subject to anti-corruption and anti-bribery laws that prohibit improper payments directly or indirectly to government officials, authorities, or persons defined in those anti-corruption and anti-bribery laws, to obtain business or other improper advantages in the conduct of business. Failure by the Company or any of its employees, subcontractors, suppliers, agents, and/or representatives to comply with anti-corruption and anti-bribery laws could result in criminal, civil and administrative legal sanctions and negative publicity, and could materially adversely affect the Company's business and financial results as well as its brand image and reputation.

***Environmental Compliance***

Under various federal, provincial, and local environmental laws and regulations, current or previous owners or occupants of property may become liable for the costs of investigating, removing and monitoring any hazardous substances found on the property. These laws and regulations often impose liability without regard to fault.

Accordingly, it is possible that environmental liabilities may arise in the future as a result of any generation and disposal of such hazardous materials. Although it has not been notified of, and management is not aware of, any current material environmental liability, claim, or non-compliance, the Company could incur costs in the future related to its properties to comply with, or address any violations under, environmental laws and regulations.

In the ordinary course of business, the Company sometimes uses, stores, handles or disposes of household products and cleaning supplies that are classified as hazardous materials under various environmental laws and regulations. Also, products sold by the Company may be subject to environmental regulations prohibiting or restricting the use of certain toxic substances in the manufacturing process.

The Company cannot predict the environmental laws or regulations that may be enacted in the future or how existing or future laws and regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretations of existing laws and regulations, may require additional expenditures or impose fines or penalties, which could vary substantially from those currently anticipated and could materially adversely affect the Company's business and financial results.

***Climate Change***

Climate change is an international concern that is receiving increasing attention worldwide. As a result, in addition to the physical risks associated with climate change, there is the risk that the government introduces climate change legislation and treaties that could result in increased costs, and therefore, decreased profitability of the Company's operations.

**PESORAMA INC.**  
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Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of greenhouse gas (GHG) emissions. GHG regulations could require the Company to purchase allowances to offset the Company's own emissions or result in an overall increase in costs or operating expenses, any of which could materially adversely affect the Company's business and financial results. While additional regulation of emissions in the future appears likely, it is too early to predict whether this regulation could ultimately have a material adverse effect on the Company's business or financial results.

***Shareholder Activism***

The Company may be subject to legal and business challenges in the operation of its business due to actions instituted by activist shareholders or others. Responding to such actions can be costly and time-consuming, disrupting business operations and diverting the attention of management and employees. Such investor activism could result in uncertainty of the direction of the Company, substantial costs and diversion of management's attention and resources, which could harm the business, hinder execution of the business strategy and initiatives and create adverse volatility in the market price and trading volume of the Company's shares.

**Internal Controls over Financial Reporting**

Management has developed a system for internal controls over financial reporting to provide reasonable assurance about the reliability of the financial information published and the preparation of the financial statements in accordance with IFRS. The CEO and the CFO are responsible for developing internal controls over financial reporting or the supervision of their development.

**Share Information**

The Company's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized.

As at January 31, 2020, there were 45,624,426 common shares issued and outstanding. In addition, there were 1,800,000 options, 1,910,520 agent's warrants, 7,500,000 performance warrants, and 22,397,760 share purchase warrants, each exercisable for one common share, issued and outstanding as at January 31, 2020. Assuming exercise of all outstanding options and warrants, there would have been 79,232,706 common shares issued and outstanding on a fully diluted basis as at January 31, 2020.

**Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**PesoRama Inc.**  
**Consolidated Financial Statements**

For the years ended January 31, 2021 and

January 31, 2020

# Draft Independent Auditor's Report

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To the Shareholders of PesoRama Inc.:

## Opinion

We have audited the consolidated financial statements of PesoRama Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2021 and January 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2021 and January 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Montréal, Québec



## Pesorama Inc.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

(Expressed in Canadian dollars (\$), unless otherwise noted)

	January 31, 2021 (\$)	January 31, 2020 (\$)
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	642,402	4,673,131
Short-term investment	-	2,054,395
Sales taxes receivable (note 7)	1,861,549	1,257,021
Subscription receivable	-	5,000
Deposits to suppliers	403,842	161,787
Prepaid expenses and other receivables	25,128	266,513
Inventory (note 6)	3,954,673	3,721,497
	<b>6,887,594</b>	<b>12,139,344</b>
<b>Non-current</b>		
Property and equipment (note 8)	2,937,008	2,610,772
Intangible assets (note 9)	166,321	72,597
Security deposits	152,382	95,974
Right-of-use assets (note 10)	3,269,663	2,751,176
	<b>6,525,374</b>	<b>5,530,519</b>
<b>Total assets</b>	<b>13,412,968</b>	<b>17,669,863</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	3,333,694	1,514,337
Current portion of lease liabilities (note 10)	640,877	251,318
	<b>3,974,571</b>	<b>1,765,655</b>
<b>Non-current</b>		
Lease liabilities (note 10)	3,040,769	2,501,386
<b>Total liabilities</b>	<b>7,015,340</b>	<b>4,267,041</b>
<b>Shareholders' Equity</b>		
Share capital (note 11)	17,447,504	17,235,218
Warrants reserve (note 12)	513,028	724,459
Share-based compensation reserve (note 13)	223,483	223,483
Accumulated other comprehensive loss	(6,829)	(32,129)
Deficit	(11,779,558)	(4,748,209)
<b>Total equity</b>	<b>6,397,628</b>	<b>13,402,822</b>
<b>Total liabilities and shareholders' equity</b>	<b>13,412,968</b>	<b>17,669,863</b>

The accompanying notes are an integral part of these consolidated financial statements

Going concern (Note 1)

Commitments (Note 20)

Subsequent events (Note 21)

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## Pesorama Inc.

### CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars (\$), unless otherwise noted)

	Year ended January 31, 2021	Year ended January 31, 2020
	(\$)	(\$)
Revenue	4,507,426	1,700,595
Cost of sales		
Inventory expensed	3,108,357	1,048,692
Distribution costs	513,620	112,484
<b>Gross margin</b>	<b>885,449</b>	<b>539,419</b>
General, administrative and store operating expenses (Note 19)	5,582,892	4,093,714
Depreciation and amortization (Note 19)	1,467,619	449,228
<b>Operating loss</b>	<b>6,165,062</b>	<b>4,003,523</b>
Financing costs (Note 19)	730,803	(62,966)
Other items (Note 19)	149,911	(162,777)
<b>Loss before income taxes</b>	<b>7,045,776</b>	<b>3,777,780</b>
Income taxes (Note 14)	-	-
<b>Net loss</b>	<b>7,045,776</b>	<b>3,777,780</b>
Other comprehensive (income)/loss		
Cumulative translation adjustment	(25,300)	32,315
<b>Net comprehensive loss</b>	<b>7,020,476</b>	<b>3,810,095</b>
<b>Net loss per share, basic and diluted</b>	<b>0.153</b>	<b>0.098</b>
<b>Weighted average shares outstanding, basic and diluted</b>	<b>46,012,082</b>	<b>38,664,933</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Pesorama Inc.****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**(Expressed in Canadian dollars (\$), unless otherwise noted)**For the year ended January 31, 2020**

	Number of common shares	Share capital (\$)	Reserve for shares to be issued (\$)	Shares to be issued (\$)	Warrants reserve (\$)	Share-based compensation reserve (\$)	Accumulated other comprehensive loss (\$)	Deficit (\$)	Total shareholders' equity (\$)
<b>Balance, January 31, 2019</b>	<b>25,412,500</b>	<b>4,784,515</b>	<b>481,786</b>	<b>65,000</b>	<b>81,600</b>	<b>110,984</b>	<b>186</b>	<b>(970,429)</b>	<b>4,553,642</b>
Shares issued pursuant to private placements at price of \$0.75 per share (note 11(b)(iii) (iv), (v), (vi), (vii) and \$1.00 per share (note 11(b)(ix))	17,122,760	13,097,047	-	-	520,273	-	-	-	<b>13,617,320</b>
Share issuance costs (note 11(b)(iii), (iv), (v), (vi), (vii), (ix), (x))	135,000	(1,479,380)	-	-	122,586	-	-	-	<b>(1,356,794)</b>
Shares issued for penalty rights (note 11(b)(xi))	1,500,000	481,786	(481,786)	-	-	-	-	-	-
Consideration for marketing services (note 11(b)(viii))	366,666	275,000	-	-	-	-	-	-	<b>275,000</b>
Stock options exercised (note 11(b)(ii))	62,500	25,000	-	(25,000)	-	-	-	-	-
Share purchase warrants exercised (note 11(b)(i))	1,025,000	51,250	-	(40,000)	-	-	-	-	<b>11,250</b>
Share-based compensation:									
Stock options (note 13)	-	-	-	-	-	112,499	-	-	<b>112,499</b>
Foreign currency translation adjustment of foreign operations	-	-	-	-	-	-	(32,315)	-	<b>(32,315)</b>
Net loss for the period	-	-	-	-	-	-	-	(3,777,780)	<b>(3,777,780)</b>
<b>Balance, January 31, 2020</b>	<b>45,624,426</b>	<b>17,235,218</b>	<b>-</b>	<b>-</b>	<b>724,459</b>	<b>223,483</b>	<b>(32,129)</b>	<b>(4,748,209)</b>	<b>13,402,822</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Pesorama Inc.**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 (Expressed in Canadian dollars (\$), unless otherwise noted)

**For the year ended January 31, 2021**

	Number of common shares	Share capital (\$)	Reserve for shares to be issued (\$)	Shares to be issued (\$)	Warrants reserve (\$)	Share-based compensation reserve (\$)	Accumulated other comprehensive loss (\$)	Deficit (\$)	Total shareholders' equity (\$)
<b>Balance, January 31, 2020</b>	<b>45,624,426</b>	<b>17,235,218</b>	-	-	<b>724,459</b>	<b>223,483</b>	<b>(32,129)</b>	<b>(4,748,209)</b>	<b>13,402,822</b>
Shares issued for penalty rights (note 11(b)(xii))	310,100	211,431	-	-	(211,431)	-	-	-	-
Share-based compensation:									
Performance warrants (note 11(b)(xv))	1,250,000	1,250	-	-	-	-	-	-	<b>1,250</b>
Share issuance cost refund (note 11(b)(xiv))	-	14,032	-	-	-	-	-	-	<b>14,032</b>
Cancelled penalty rights shares (note 11(b)(xiii))	(44,916)	(14,427)	-	-	-	-	-	14,427	-
Foreign currency translation adjustment of foreign operations	-	-	-	-	-	-	25,300	-	<b>25,300</b>
Net loss for the period	-	-	-	-	-	-	-	(7,045,776)	<b>(7,045,776)</b>
<b>Balance, January 31, 2021</b>	<b>47,139,610</b>	<b>17,447,504</b>	-	-	<b>513,028</b>	<b>223,483</b>	<b>(6,829)</b>	<b>(11,779,558)</b>	<b>6,397,628</b>

The accompanying notes are an integral part of these consolidated financial statements.

## Pesorama Inc.

### CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian dollars (\$), unless otherwise noted)

	Year ended January 31, 2021 (\$)	Year ended January 31, 2020 (\$)
<b>Operating Activities</b>		
Net loss for the period	(7,045,776)	(3,777,780)
<b>Adjustments for items not affecting cash:</b>		
Depreciation and amortization (Note 8 & 9)	813,143	71,596
Depreciation right-of-use assets (Note 10)	654,476	369,989
Share based compensation	-	112,499
Interest on short-term investment	(6,420)	(54,395)
Interest on lease liabilities (Note 10)	315,616	162,734
Marketing expenses	-	183,333
Write-off of due from related party (Note 15)	156,331	-
<b>Changes in working capital items:</b>		
Sales taxes receivable	(723,876)	(1,236,756)
Subscription receivable	5,000	-
Deposits to suppliers	(254,740)	(159,179)
Prepaid expenses and other receivables	77,943	104,616
Inventory	(466,111)	(3,659,011)
Security deposits	(60,387)	(94,427)
Accounts payable and accrued liabilities	1,906,649	1,211,993
<b>Cash used in operating activities</b>	<b>(4,628,152)</b>	<b>(6,764,788)</b>
<b>Investing activities</b>		
Purchase of property and equipment (Note 8)	(1,336,756)	(2,616,408)
Purchase of intangible assets (Note 9)	(184,354)	(91,847)
Proceeds of short-term investment	2,060,815	(2,000,000)
<b>Cash used in investing activities</b>	<b>539,705</b>	<b>(4,708,255)</b>
<b>Financing activities</b>		
Common shares and warrants issued pursuant to private placements	-	13,617,320
Share issuance costs	-	(1,356,794)
Haywood Securities retainer refund (Note 11(xiv))	14,032	-
Proceeds from exercise of performance warrants (Note 11(xv))	1,250	11,250
Lease payments (Note 10)	(535,966)	(531,307)
<b>Cash provided by financing activities</b>	<b>(520,684)</b>	<b>11,740,469</b>
<b>Cash, beginning of period</b>	<b>4,673,131</b>	<b>4,557,160</b>
Effect of foreign currency translation on cash	578,402	(151,455)
Net (decrease) increase in cash	(4,609,131)	267,426
<b>Cash, end of period</b>	<b>642,402</b>	<b>4,673,131</b>

The accompanying notes are an integral part of these consolidated financial statements.

## 1. NATURE OF OPERATIONS

PesoRama Inc. (the "Company" or "PesoRama") was incorporated on October 16, 2017 under the Business Corporations Act (Canada). The Company's registered office is located at 1900, 520 - 3rd Avenue SW Calgary, Alberta T2P 0R3.

The Company is the ultimate parent company of its wholly owned subsidiaries, Canmex Dollar Stores, S.A. de C.V. ("CANMEX"), which was incorporated on December 5, 2018 in Mexico City, Mexico, Joi Canadian Stores, S.A. de C.V. ("JOI"), which was incorporated on April 23, 2019 in Mexico City, Mexico, Pesorama Consulting Services, S.A. de C.V. ("Pesorama Consulting"), which was incorporated on June 27, 2019 in Mexico City, Mexico and Pesorama Stores Services, S.A. de C.V. ("Pesorama Stores"), which was incorporated on May 19 2020 in Mexico City, Mexico. Pesorama Stores was inactive as at January 31, 2021. PesoRama is operating discount retail stores in Mexico offering consumers a high variety of products with focus on the single price point segment of the retail market.

### *Going concern*

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the year ended January 31, 2021, the Company incurred a net loss of \$7,045,776 (January 31, 2020 - \$3,777,780) and used \$4,628,152 of cash from operating activities (January 31, 2020— used \$6,764,788) and as at January 31, 2021 had an accumulated deficit of \$11,779,558 (January 31, 2020 — accumulated deficit of \$4,748,209). The Company will need to raise additional financing to continue operations and fund its expansion strategy consisting of opening additional stores. In addition, management understands that the current economic conditions are impacted by the global outbreak of COVID-19 (refer to Note 4).

Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. No adjustments have been made to the amounts and classification of assets, liabilities, revenues, and expenses to reflect these uncertainties, should the company not be successful in raising additional funds, and any adjustments required to the accounts could be material.

The Company closed senior unsecured convertible debenture financing (the "Debentures") in two tranches on March 2 and April 1, 2021, issuing 5,542 Debentures at a face value of \$1,000 each for total gross proceeds of \$5,542,000 to support ongoing store operations and new store openings. See Note 21 for further disclosures regarding unsecured convertible debenture financing.

In addition, PesoRama has entered into an amalgamation agreement dated March 8, 2021, with Skyscape Capital Inc. ("Skyscape"), a capital pool company as defined under TSX Venture Exchange, whereby Skyscape and PesoRama will complete a reverse acquisition transaction to ultimately form the resulting issuer, which will continue to carry on the business of PesoRama. Please see Note 21 for further disclosures regarding the reverse takeover. As of the date of these consolidated financial statements, the Company continues to move forward with the reverse acquisition transaction, with an expected closure in the third quarter of the current fiscal year.

Management believes that the going concern assumption is appropriate for these consolidated financial statements and that the Company will be able to meet its budgeted capital and administrative costs as well as other potential commitments during the upcoming year and beyond. There is no guarantee that the Company will be successful in either its operating or financing endeavors.

## 2. BASIS OF PREPARATION

### *Statement of compliance*

These 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"). These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company (the "Board") on September 21, 2021.

**Basis of measurement**

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

**Foreign and presentation currency**

The Company's functional currency is the Canadian dollar ("CAD"), and its subsidiaries CANMEX's, JOI's and Pesorama Consulting's functional currencies are the Mexican peso ("MXN"). The Company's presentation currency is the Canadian dollar.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the financial position date. The resulting exchange gains and losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of transaction.

Presentation currency

The results and financial position of Canmex, JOI and Pesorama Consulting are translated into Canadian dollars for presentation purposes using the following procedures:

- (a) Assets and liabilities for each statement of financial position presented (i.e. including comparatives) are translated at the closing rate at the date of that statement of financial position;
- (b) Income and expenses for each statement presenting profit or loss and other comprehensive loss (i.e. including comparatives) are translated at the average exchange rates for the period at which the transactions occurred; and
- (c) Equity items for each statement of financial position presented are translated at historical rates; and
- (d) All resulting exchange differences are recognized in other comprehensive loss.

**Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. As of January 31, 2021, the subsidiaries of the Company are CANMEX, JOI, Pesorama Consulting and Pesorama Stores which are incorporated under the jurisdiction of Mexico and an officer of the Company holds certain nominal interest in for legal purposes. No non-controlling interest is attributed to these nominal holdings.

All transactions and balances between companies are eliminated on consolidation.

The consolidating entities include:

	<u>% of ownership</u>	<u>Jurisdiction</u>
PesoRama Inc.	Parent	Canada
Canmex Dollar Stores, S.A.de C.V.	100%	Mexico
Joi Canadian Stores, S.A. de C.V.	100%	Mexico
Pesorama Consulting Services, S.A. de C.V.	100%	Mexico
Pesorama Stores Services, S.A de C.V. (inactive at year-end)	100%	Mexico

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Cash and Cash Equivalents

Cash in the consolidated statement of financial position is comprised of cash and short-term deposits, which have an original maturity of three months or less or are readily convertible into a known amount of cash. At January 31, 2021 and 2020, the Company had no cash equivalents.

#### Short-term investment

At January 31, 2021, the Company held \$nil (2020 - \$2,000,000) in Guaranteed Investment Certificates (GICs). The prior year GICs were subject to a 2% interest per annum and matured in March 2020.

#### Inventory

The Company's inventory at the warehouse and stores consist of merchandise purchased and held for resale and are valued at the lower of cost and net realizable value.

Cost is determined on a weighted-average cost basis. Cost of inventory include amounts paid to suppliers, duties, and freight into the warehouse as well as costs directly associated with warehousing and distribution to stores and receiving at stores.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### Cost of sales

Cost of sales includes the cost of inventory purchased, outbound transportation costs, warehousing, distribution costs and receiving costs at the store.

#### Advances/Deposits

Advances are stated at their cost and represent amounts towards purchase orders to vendors that relate to merchandise to be acquired for sale in Mexican stores. As of January 31, 2021, the deposits to suppliers balance is \$403,842 (2020 - \$161,787).

#### Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period end and adjusted if appropriate. Property and equipment are depreciated through profit and loss over their estimated useful lives using the straight-line method:

Type of assets	Estimated useful life
Communication equipment	3 years
Computer Hardware	3 years
Furniture and Equipment, Office and Stores	10 years
Leasehold improvements	40 months

### Intangible Assets

Intangible assets consist of costs incurred to acquire software licenses. Intangible assets are considered finite-lived assets and recorded at cost less accumulated amortization and accumulated impairment, if any. Subsequent expenditures are capitalized only when they increase the expected future economic benefits embodied in the asset. Amortization is recorded using the straight-line method and is intended to amortize the intangible assets over their estimated useful lives. Software in development is not amortized until it is ready for use.

Type of assets	Estimated useful life
Software licenses	1 year

### Leases

As a lessee, the Company recognizes a lease obligation and a right-of-use asset in the consolidated statements of financial position on a present-value basis at the date when the leased asset is available for use. Each lease payment is apportioned between a finance charge and a reduction of the lease obligation. Finance charges are recognized in finance cost in the consolidated statements of loss and comprehensive loss. The right-of-use asset is depreciated over the shorter of its estimated useful life and the lease term on a straight-line basis.

Lease obligations are initially measured at the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease, or if this rate cannot be determined, the Company's incremental borrowing rate. Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of the lease obligation;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- and rehabilitation costs.

The lease liability is subsequently measured at amortized cost using the effective interest method and is remeasured when the expected lease payments change as a result of new assessments of contractual options and residual value guarantees.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of loss and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less.

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**Equity****Share-based payment transactions**

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share-based payments to non-employees are measured at the fair value of the services rendered. In situations where the fair value of the goods or services received by the Company as consideration cannot be reliably measured, transactions are measured at fair value of the equity instruments granted. The fair value of the share-based payments is recognized together with a corresponding increase in equity over a period that services are provided or goods are received.

The Company grants share purchase warrants, performance warrants and options under its Share-based Compensation plan described in Note 13 to employees, consultants, directors, and others providing similar services.

The fair value of share purchase warrants, performance warrants and options granted is measured at the grant date using an option-pricing model. Subsequently, the fair value expected to vest is charged to operations over the vesting period. Equity instruments granted to third parties in exchange for goods or services are measured at the fair value of the goods or services received, unless the fair value cannot be reliably measured, and charged to operations over the vesting period.

**Unit placements**

Proceeds from unit placements are allocated between common shares and share purchase warrants issued using the residual method. Under the residual method, the proceeds received are first allocated to share purchase warrants based on the fair value estimated at the grant date based on the Black-Scholes pricing model with the residual amount allocated to the equity component. Transaction costs of equity transactions are treated as a deduction from equity.

**Other elements of equity**

Reserves include charges related to options and share purchase warrants until such options and share purchase warrants are exercised.

**Loss per Share**

The Company presents the basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings or loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Diluted loss per share is equal to basic loss per share as any effects of the potential convertible securities would be anti-dilutive.

**Related Party Transactions**

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

**Provisions**

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. The Company bases its accruals on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating and settling matters. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

**Revenue recognition**

Revenue is recognized when control of a good or service is transferred to a customer. A five-step recognition model is used to apply the standard as follows: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. The revenues of the Company come from the sale of products that are recognized at a point in time. Sales of products in the consolidated statement of loss and comprehensive loss are recognized by the Company when control of the goods has been transferred, being when the customer tenders payment and takes possession of the merchandise at the stores and that all obligations have been fulfilled. All sales are final. Revenue is shown net of sales tax and discounts.

**Income taxes**

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss.

**Current tax**

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

**Deferred tax**

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. 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 of a change in the enacted or substantively enacted tax rates are recognized in profit or loss or in equity depending on the item to which the adjustment relates. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

**Financial instruments****FINANCIAL ASSETS****Recognition and initial measurement**

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

**Classification and subsequent measurement**

On initial recognition, financial assets are classified as at amortized cost, fair value through other comprehensive income ("FVOCI") or FVTPL. The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

**Financial assets are classified as follows:**

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange, and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of subscription receivable and security deposits.
- FVOCI - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income

calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at FVTPL - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at FVTPL. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and cash equivalents
- Designated at FVTPL — On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

#### **Business model assessment**

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation, which best reflects the way the business is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

#### **Contractual cash flow assessment**

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest based on their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

#### **Impairment**

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions.

The Company applies the simplified approach for all of its financial assets. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

#### **Derecognition of financial assets**

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expired or are settled.

**FINANCIAL LIABILITIES****Recognition and initial measurement**

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

**Classification and subsequent measurement**

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains, and losses relating to a financial liability are recognized in profit or loss.

**Derecognition of financial liabilities**

The Company derecognizes a financial liability only when its contractual obligations are discharged, are cancelled, or expire.

The following table indicates the accounting method used for measurement and classification of financial assets and liabilities:

<b>Financial asset/liability</b>	<b>Asset/Liability Measurement Classification</b>		
Cash and cash equivalents	Asset	Fair value	FVTPL
Short-term investment	Asset	Fair value	FVTPL
Subscription receivable	Asset	Amortized cost	Amortized cost
Security deposits	Asset	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Liability	Amortized cost	Amortized cost
Lease liabilities	Liability	Amortized cost	Amortized cost

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

**Valuation of inventory**

Inventory includes items that have been marked down to management's best estimate of their net realizable value, with the markdown included in cost of sales in the period in which it is determined. The Company estimates its inventory provisions based on a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, future merchandising plans, inventory shrinkage, and product expiry where applicable. The accuracy of the Company's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Changes to the inventory provisions and especially shrinkage can have a material impact on the results of the Company.

**Leases**

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available due to the lessor not providing information regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets. The incremental borrowing rate is the interest rate the Company would

pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. See Note 10 for further disclosures and detail regarding the Company's leases.

#### **Estimated useful life of long-lived assets**

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual depreciation and amortization expense, and future impairment charges or recoveries.

#### **Share based compensation and agent's warrants**

All equity-settled, share-based awards and warrants issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation and warrants, estimates have to be made regarding the fair value of the underlying share(s), expected volatility in share's fair value, option life, dividend yield, risk-free rate, estimated life, and estimated forfeitures at the initial grant date.

#### **Provisions**

The Company bases its provisions on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Company may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity.

#### **Income Taxes**

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### **Significant areas where management's judgment has been applied**

##### **COVID-19**

The global outbreak of coronavirus ("COVID-19") has had a significant impact on businesses through the restrictions put in place by the Canadian and Mexican federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, Mexico and China and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition. For the period subsequent to year-end, the Company was able to keep its stores open and operational as the business segment in which the Company operates was deemed an essential service in Mexico.

##### **Functional currency**

The functional currency of the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgments to identify the primary economic environment. The Company reconsiders the functional currency of an entity if there is a significant change in the events and/or conditions which determine the primary economic environment. Based on the Company's review, no change to the functional currency of the Company or any of its subsidiaries was necessary.

Subsidiaries	Country of incorporation	Ownership	Functional currency
PesoRama Inc.	Canada	100%	Canadian Dollar (CAD)
Canmex Dollar Stores, S.A. de C.V.	Mexico	100%	Mexican Peso (MXN)
Joi Canadian Stores, S.A. de C.V.	Mexico	100%	Mexican Peso (MXN)
Pesorama Consulting Services, S.A. de C.V.	Mexico	100%	Mexican Peso (MXN)
Pesorama Stores Services, S.A de C.V.	Mexico	100%	Mexican Peso (MXN)

### Impairment of Long-lived Assets

Property and equipment and definite-lived intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. For the purposes of measuring recoverable values, assets are aggregated into cash generating units ("CGUs") based on an assessment of the lowest levels for which there are separately identifiable cash inflows. The determination of individual CGUs is based on management's judgment regarding shared infrastructure, geographical proximity and similar exposure to market risk. At January 31, 2021, the Company has assessed that each of its stores constitute a CGU as well as Canmex operations. The recoverable value is the greater of an asset's fair value less costs of disposal and its value in use. In assessing the 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 risk specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value. Impairment losses are recognized in the consolidated statements of loss and comprehensive loss.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in the consolidated statements of loss and comprehensive loss.

## 5. NEW ACCOUNTING PRONOUNCEMENTS

The Company has adopted the following new accounting standards and interpretations in current year effective February 1, 2020.

- (a) *Amendment to IFRS 3: Definition of a Business* (the "IFRS 3 Amendment"). In October 2018, the IASB issued the IFRS 3 Amendment clarifying the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The IFRS 3 Amendment provides an assessment framework to determine when a series of integrated activities is not a business. The IFRS 3 Amendment is effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, however early application is permitted. The adoption of the amendments had no material impact on the Company's consolidated financial statements.
- (b) *IAS 1 - Presentation of Financial Statements* ("IAS 1"). IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. IAS 1 has been revised to incorporate a new definition of "material" and IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The adoption of the amendments had no material impact on the Company's consolidated financial statements.
- (c) *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8"). IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IAS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The adoption of the amendment had no material impact on the Company's consolidated financial statements.

The following is a summary of new standards issued:

- (a) *Amendments to IAS 1: Classification of Liabilities as Current or Non-Current* (the "Amendments to IAS 1"). In January 2020, the IASB issued the Amendments to IAS 1, which aim to promote consistency in applying the requirements by helping companies determine whether, in the statement

of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The Amendments to IAS 1 include clarifying the classification requirements for debt a company might settle by converting it into equity. The Amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. However on June 24, 2020, the IASB deferred the effective date of this amendment previously effective for years beginning on or after January 1, 2022 by one year to January 1, 2023 due to COVID-19 pandemic, with early adoption permitted.

- (b) *Amendment to IFRS 16: Leases.* In May 2020, the IASB issued *Covid-19-Related Rent Concessions* as an amendment to IFRS 16 (the "IFRS 16 Amendment"). The pronouncement amended IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. These 2020 amendments are applicable to rent concessions up till June 30, 2021 and are effective for annual periods beginning on or after June 1, 2020. The Board has issued further amendments *Covid-19-Related Rent Concessions* beyond 30 June 2021 (the 2021 amendments), to allow a one-year extension to the practical expedient – i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The 2021 amendments were issued on 31 March 2021 and are effective for annual periods beginning on or after 1 April 2021
- (c) *Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (the "Amendments to IAS 37").* In May 2020, the IASB issued the Amendments to IAS 37, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

## 6. INVENTORY

	January 31, 2021	January 31, 2020
	\$	\$
Inventory finished goods	3,954,673	3,721,497

The Company's inventory balance consists of inventory held at the Company's warehouse and stores as at January 31, 2021. The cost of inventories included in cost of sales for the year ended January 31, 2021 was \$3,205,725 (2020 - \$1,048,692), including \$155,478 in inventory write-downs (2020 - \$nil) as a result of the year-end physical inventory count.

## 7. SALES TAXES RECEIVABLE

Sales tax receivable consists of goods and services tax (GST) of PesoRama and net value added tax ("VAT") of JOI, Canmex and Pesorama Consulting as at January 31, 2021. Both GST and VAT are indirect taxes which are refundable for amounts paid by each entity to their vendors. GST returns for PesoRama are filed on a quarterly basis. As at January 31, 2021, JOI, Canmex and Pesorama Consulting are not able to claim refunds until they comply with certain conditions set out by the Mexican tax authorities. Subsequent to year-end, the Company is in the process of preparing the necessary documents to apply to reclaim these amounts.

Legal Entity	Tax Type	January 31, 2021 (\$)	January 31, 2020 (\$)
GST Receivable - Pesorama Canada Inc.	GST	83,269	-
VAT Receivable - Mexican subsidiaries	VAT	1,778,280	1,257,021
<b>Total</b>		<b>1,861,549</b>	<b>1,257,021</b>

Notes to Consolidated Financial Statements

For the years ended January 31, 2021 and January 31, 2020

(Expressed in Canadian dollars (\$), unless otherwise noted)

8. PROPERTY AND EQUIPMENT

For the year ended January 31, 2021

	Cost Opening Balance	FX	Additions	Cost Ending Balance	Acc. Dep. Opening Balance	FX	Current year depr.	Acc. Dep. Balance	Net book value - Jan 31, 2021	Net book value - Jan 31, 2020
Furniture and equipment, office	38,573	(2,341)	6,626	42,858	(2,483)	64	(3,928)	(6,347)	36,511	36,090
Furniture and equipment, stores	333,994	(33,928)	325,396	625,462	(6,758)	79	(46,599)	(53,278)	572,184	327,236
Computer hardware	74,109	(6,370)	84,160	151,899	(9,656)	1,065	(31,785)	(40,375)	111,524	64,453
Communication equipment	90,363	(9,179)	-	81,184	(6,217)	318	(24,042)	(29,941)	51,243	84,147
Leasehold improvements	2,113,683	(214,716)	920,574	2,819,541	(14,836)	501	(639,660)	(653,995)	2,165,546	2,098,846
<b>Total</b>	<b>2,650,722</b>	<b>(266,534)</b>	<b>1,336,756</b>	<b>3,720,944</b>	<b>(39,950)</b>	<b>2,027</b>	<b>(746,014)</b>	<b>(783,936)</b>	<b>2,937,008</b>	<b>2,610,772</b>

For the year ended January 31, 2020

	Cost Opening Balance	FX	Additions	Cost Ending Balance	Acc. Dep. Opening Balance	FX	Current year depr.	Acc. Dep. Balance	Net book value - Jan 31, 2020	Net book value - Jan 31, 2019
Furniture and equipment, office	-	-	38,573	38,573	-	-	(2,483)	(2,483)	36,090	-
Furniture and equipment, stores	-	-	333,994	333,994	-	-	(6,758)	(6,758)	327,236	-
Computer hardware	4,497	-	69,612	74,109	(675)	-	(8,981)	(9,656)	64,453	3,822
Communication equipment	-	-	90,363	90,363	-	-	(6,217)	(6,217)	84,146	-
Leasehold improvements	-	-	2,113,683	2,113,683	-	-	(14,836)	(14,836)	2,098,847	-
<b>Total</b>	<b>4,497</b>	<b>-</b>	<b>2,646,225</b>	<b>2,650,722</b>	<b>(675)</b>	<b>-</b>	<b>(39,275)</b>	<b>(39,950)</b>	<b>2,610,772</b>	<b>3,822</b>

Leasehold improvements include a total of \$nil relating to renovation work in progress for certain stores for which no depreciation has been recorded in the year ended January 31, 2021 (January 31, 2020 - \$432,596). As at January 31, 2021, the Company has committed to construction contracts relating to renovation work to be done in preparation for its new stores for a total of \$108,691 (Note 20)

**9. INTANGIBLE ASSETS**

	Cost Opening Balance	FX	Additions	Cost Ending Balance	Acc. Amor. Opening Balance	FX	Current year Amor.	Acc. Amor. Ending Balance	Net book value - Jan 31, 2021	Net book value - Jan 31, 2020
Software license	113,797	(12,994)	102,751	203,554	(41,200)	(10,506)	(67,129)	(118,835)	84,719	72,597
Software in development	-	-	81,603	81,603	-	-	-	-	81,603	-
<b>Total</b>	<b>113,797</b>	<b>(12,994)</b>	<b>184,354</b>	<b>285,157</b>	<b>(41,200)</b>	<b>(10,506)</b>	<b>(67,129)</b>	<b>(118,835)</b>	<b>166,322</b>	<b>72,597</b>

	Cost Opening Balance	FX	Additions	Cost Ending Balance	Acc. Amor. Opening Balance	FX	Current year Amor.	Acc. Amor. Ending Balance	Net book value - Jan 31, 2020	Net book value - Jan 31, 2019
Software license	-	-	113,797	113,797	-	-	(41,200)	(41,200)	72,597	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>113,797</b>	<b>113,797</b>	<b>-</b>	<b>-</b>	<b>(41,200)</b>	<b>(41,200)</b>	<b>72,597</b>	<b>-</b>

Software in development represents work performed by a third-party contractor to improve the Company's software for tracking sales and inventory at its stores as well as create interfaces to the general ledger. The software is expected to be fully implemented by December 31, 2021. No amortization was claimed on the software in development during the year as it was not ready to be put to use as at the year-end.

**10. LEASES**

The Company adopted IFRS 16 during the year-ended January 31, 2020. The Company recognized right-of-use assets for 8 store leases for Joi and 1 office for Canmex signed during the year ended January 31, 2020, with a corresponding lease liability which are initially measured at the present value of the future lease payments. The Company then recognizes depreciation of right-of-use of assets and interest expense on lease liabilities in the statement of loss and comprehensive loss.

Leases may include fixed rental escalation clauses, renewal options and / or termination options that are factored into the determination of lease payments when appropriate. The Company's leases did not provide a readily determinable implicit rate; therefore, an estimate of the Company's incremental borrowing rate was used to discount the lease payments based on information available at the lease commencement date. The discount rates used were between 9% and 12%.

During the year ended January 31, 2021, the company recorded three new store leases for Joi in addition to the existing leases. As at January 31, 2021, the ROU and lease liability balance comprises of 13 store leases for Joi and 1 office lease for Canmex.

**Notes to Consolidated Financial Statements**

For the years ended January 31, 2021 and January 31, 2020

(Expressed in Canadian dollars (\$), unless otherwise noted)

*Right-of-use Assets*

	2021	2020
	\$	\$
Cost - Opening balance	3,121,806	-
Adoption of IFRS 16	-	3,127,227
Additions	1,438,016	-
Effect of foreign exchange rate changes	(312,280)	(5,421)
Cost - Ending balance at January 31	4,247,542	3,121,806
Accumulated depreciation - Opening balance	370,630	-
Depreciation on ROU assets	654,476	369,989
Effect of foreign exchange rate changes	(47,227)	641
Accumulated depreciation - Ending balance at January 31	977,879	370,630
Ending balance at January 31	3,269,663	2,751,176

*Lease Liability*

	2021	2020
	\$	\$
Opening balance	2,752,704	-
Adoption of IFRS 16	-	2,756,945
Additions	1,417,952	-
Interest expense	315,616	162,735
Lease payments	(535,966)	(169,358)
Effect of foreign exchange rate changes	(268,660)	2,382
Ending balance, net	3,681,646	2,752,704

Subsequent to the adoption of IFRS 16, the following leases were remeasured with a reassessment of lease liability and ROU during the year ended January 31, 2021.

- Canmex Office lease – The premises lease expire in December 2021. The lease liability was remeasured with the exercise of renewal option of 2 years, now expiring in December 2023.
- Joi store lease – One of the store lease was remeasured due to rent concession occurring as a result of COVID-19 pandemic which was accounted as a lease modification.

	2021	2020
	\$	\$
Current portion	640,877	251,318
Non-current portion	3,040,769	2,501,386
Total balance	3,681,646	2,752,704

The table below summarizes the remaining expected lease payments under leases as of January 31, 2021:

<b>Fiscal Years</b>		
2022	\$	1,051,139
2023		1,127,435
2024		1,212,431
2025		1,009,484
2026		313,561
Thereafter		32,160
Less: imputed interest		(1,064,564)
<b>Present value of operating lease liabilities</b>	<b>\$</b>	<b>3,681,646</b>

## 11. SHARE CAPITAL

### a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value.

### b) Common shares issued and outstanding

#### For the year ended January 31, 2020

- (i) During the year, a total of 1,025,000 share purchase warrants were exercised for total proceeds of \$51,250.
- (ii) On January 29, 2019, the Company received cash of \$25,000 from an employee towards shares to be issued for the exercise of options. On February 21, 2019, 62,500 common shares were issued.
- (iii) In March 19, 2019, a private placement was closed for an aggregate of 5,907,557 units, consisting of one common share and one share purchase warrant, at a price of \$0.75 per unit and for total gross proceeds of \$4,430,668. Each share purchase warrant entitles the holder to purchase one common share at a price of \$1.25 and has an expiry term of 24 months. The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission and agent's expenses of \$361,963 as agent's fee and issued 331,637 agent's warrants (see Note 12).
- (iv) In April 3, 2019, a private placement was closed for an aggregate of 2,371,340 units, consisting of one common share and one share purchase warrant, at a price of \$0.75 per unit and for total gross proceeds of \$1,778,505. Each share purchase warrant entitles the holder to purchase one common share at a price of \$1.25 and has an expiry term of 24 months. The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission and agent's expenses of \$122,706 as agent's fee and issued 163,608 agent's warrants (see Note 12).
- (v) In May 24, 2019, a private placement was closed for an aggregate of 2,192,100 units, consisting of one common share and one share purchase warrant, at a price of \$0.75 per unit and for total gross proceeds of \$1,644,075. Each share purchase warrant entitles the holder to purchase one common share at a price of \$1.25 and has an expiry term of 24 months. The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission and agent's expenses of \$129,085 as agent's fee and issued 153,447 agent's warrants (see Note 12).

- (vi) In May 30, 2019, a private placement was closed for an aggregate of 2,737,430 units, consisting of one common share and one share purchase warrant, at a price of \$0.75 per unit and for total gross proceeds of \$2,053,073. Each share purchase warrant entitles the holder to purchase one common share at a price of \$1.25 and has an expiry term of 24 months. The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission and agent's expenses of \$51,627 as agent's fee and issued 68,435 agent's warrants. In addition, a total of 135,000 common shares and 135,000 share purchase warrants were issued as finder fees to a member of key management of the Company (see Note 12).
- (vii) In June 7, 2019, a private placement was closed for an aggregate of 813,333 units, consisting of one common share and one share purchase warrant, at a price of \$0.75 per unit and for total gross proceeds of \$610,000. Each share purchase warrant entitles the holder to purchase one common share at a price of \$1.25 and has an expiry term of 24 months. The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission of \$42,350 and agent's expenses as agent's fee and issued 56,333 agent's warrants (see Note 12).
- (viii) On July 31, 2019, 366,666 common shares were issued for \$275,000 in connection with a marketing agreement dated May 31, 2019 as consideration for general marketing services to be provided from an undisclosed third party in relation to the Company's going public transaction. The value of the services was stipulated by the marketing agreement and as such the value of the shares issued were measured accordingly.
- (ix) In December 23, 2019, a private placement was closed for an aggregate of 3,101,000 units, consisting of one common share and one liquidity warrant, at a price of \$1.00 per unit and for total gross proceeds of \$3,101,000. Each liquidity warrant entitles the holder to receive, for no additional consideration, one-tenth of one (0.10) common share, subject to adjustments, in the event that a liquidity transaction does not occur on or before the Liquidity Deadline (see Note 13 (b)). The residual method was used to allocate the proceeds between the common shares and the warrants. In connection therewith, the Company paid a cash commission and agent's expenses of \$385,933 as agent's fee and issued 186,060 agent's warrants (see Note 12).
- (x) In connection with all the private placements closed during the year, the Company incurred legal costs of \$262,599.
- (xi) As part of the brokered placement in September 2018 and October 2018, the Company agreed to issue an additional 10 % of the common shares sold if a liquidity event does not occur within 12 months of the closing date of the offering. A "Liquidity Event" means a transaction with a capital pool company or other that is a reporting issuer in at least one jurisdiction of Canada by way of plan of arrangement, amalgamation, reverse take-over, qualifying transaction, or any other business combination or other similar transaction pursuant to which its common shares (or the common shares of the resulting issuer) are listed on the TSX Venture Exchange, the Canadian Securities Exchange, or any other exchange as mutually agreed upon by the Company and the broker agent. At January 31, 2020, as a result of the Liquidity Event not occurring a total of 1,500,000 common shares were issued as penalty rights (the "Penalty Shares").

For the year ended January 31, 2021

- (xii) As part of the brokered placement that occurred in December 23, 2019, the Company issued a total of 3,101,000 liquidity warrants. Each liquidity warrant entitles the holder to receive, for no additional consideration, one-tenth of one (0.10) common share, subject to adjustments, in the event that a liquidity transaction does not occur on or before the Liquidity Deadline. A "Liquidity Transaction" means in respect of the Company: (i) listing of the Company's securities on a stock exchanged recognized by the Company and the warrant holders (a "Recognized Exchange"); or (ii) a merger, combination, reverse take-over, amalgamation, plan of arrangement, qualifying transaction or other form of business combination with or into any other person, the securities of which are listed on a Recognized Exchange; or (iii) the sale or exchange of all or substantially all of the common shares for cash or the sale of all or substantially all of the assets of the Company followed by one or more liquidating distributions for cash."

In addition, the Liquidity Deadline is defined as the later of;

- (a) On or before 6 months following the agreement closing date (June 23, 2020); or,
- (b) If the Company executes a non-binding letter agreement to complete a liquidity transaction before June 23, 2020 the deadline will be extended by 6 additional months from the date of execution of such non-binding letter agreement.

On June 24, 2020, as a result of the Liquidity Event not occurring, a total of 310,100 common shares were issued as liquidity penalty rights and a total of \$211,431 (i.e. the value allocated to the liquidity warrants on issuance of the units) was reclassified from the warrant reserve to share capital.

- (xiii) In relation to the issuance of the Penalty Shares during the year ended January 31, 2020, a total of 44,916 Penalty Shares with a value of \$14,427 were not claimed by their intended recipients. They were therefore returned to treasury and cancelled on May 8, 2020.
- (xiv) On October 19, 2020, the Company received a refund of \$14,032 related to a retainer paid as part of share issuance costs associated with private placements in the year ended January 31, 2020. This refund reduced share issuance costs, resulting in an increase to net share capital.
- (xv) On November 24, 2020, performance warrants were exercised to purchase 1,250,000 (inclusive of the shares to be issued under Note 13) shares at \$0.001 per Share for cash proceeds of \$1,250.

## 12. AGENTS AND FINDERS WARRANTS

During the fiscal year ended January 31, 2021, no new agents or finders warrants were issued. Agents warrants are exercisable at any time prior to the date that is twenty-four months from the date of issuance.

The following table reflects the continuity of agents warrants issued and outstanding for the period from January 31, 2019 to January 31, 2021:

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, January 31, 2019</b>	816,000	0.40
Issued pursuant to the March 2019 private placement	331,637	0.75
Issued pursuant to the April 2019 private placement	163,608	0.75
Issued pursuant to the May 2019 private placement	153,447	0.75
Issued pursuant to the May 2019 private placement	135,000	0.75
Issued pursuant to the May 2019 private placement	68,435	1.25
Issued pursuant to the June 2019 private placement	56,333	1.25
Issued pursuant to the December 2019 private placement	186,060	1.00
<b>Balance, January 31, 2020 and January 31, 2021</b>	<b>1,910,520</b>	<b>0.66</b>

Agents and finders warrants are exercisable at any time prior to the date that is twenty-four months from the date of issuance. The fair value of the agent's warrants issued during the year ended January 31, 2019 was estimated using the Black-Scholes option-pricing model with the following estimated assumptions:

Fair value of underlying share price	0.40-1.25
Risk-free interest rate	2.21% to 2.39%
Dividend yield	0%
Volatility	30%*
Expected life	3.6 to 3.7 years
Forfeiture rate	0%

The weighted-average grant date fair value for the agent's warrants issued during the year ended January 31, 2020 is \$0.11. The fair value of those agent's warrants was estimated using the Black-Scholes option-pricing model with the following estimated assumptions:

Fair value of underlying share	\$0.73
Risk-free interest rate	1.40% to 1.64%
Dividend yield	0%
Volatility	30%*
Expected life	2 years
Forfeiture rate	0%

\* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history since Pesorama is not publicly traded.

As at January 31, 2021, the following agents and finders warrants were outstanding:

Issue Date	Exercise price	Number of warrants	Weighted average remaining life (years)	Number of warrants exercisable
September 14, 2018	0.40	784,000	*	784,000
October 4, 2018	0.40	32,000	*	32,000
March 21, 2019	0.75	331,637	0.14	331,637
April 3, 2019	0.75	163,608	0.18	163,608
May 24, 2019	0.75	153,447	0.32	153,447
May 30, 2019	0.75	135,000	0.33	135,000
May 30, 2019	1.25	68,435	0.33	68,435
June 7, 2019	1.25	56,333	0.35	56,333
December 23, 2019	1.00	186,060	0.90	186,060
<b>Balance January 31, 2021</b>		<b>1,910,520</b>	<b>0.35</b>	<b>1,910,520</b>

\* These agent warrants are exercisable at any time prior to the date that is 24 months from the date of listing on the TSX Venture exchange or such other recognized stock exchange.

### 13. SHARE-BASED COMPENSATION

During the year ended January 31, 2021, no stock options or share purchase warrants were issued. All outstanding stock options had vested by January 31, 2020.

The following table reflects the continuity of share-based compensation issued and outstanding for the period from January 31, 2019 to January 31, 2021:

	Number of share purchase warrants	Number of performance warrants	Number of options	Exercise price (\$)
<b>Balance, January 31, 2019</b>	5,275,000	7,500,000	1,862,500	
Granted (a)	14,021,760	-	-	1.25
Granted (b)	3,101,000	-	-	Nil
Granted (c)	-	500,000	-	
Exercised (Note 11(b)(i))	(1,025,000)	-	-	0.05
Exercised (Note 11(b)(ii))	-	-	(62,500)	0.40
<b>Balance, January 31, 2020</b>	21,372,760	8,000,000	1,800,000	
Exercised (Note 11(b)(xii))	(3,101,000)	-	-	-
Exercised (Note 11(b)(xv))	-	(1,250,000)	-	0.001
Cancelled (Note 15(vi))	(250,000)	-	-	0.05
<b>Balance, January 31, 2021</b>	<b>18,021,760</b>	<b>6,750,000</b>	<b>1,800,000</b>	

The following table reflects the share purchase warrants and performance warrants issued and outstanding as at January 31, 2021:

Exercise price	Number of warrants outstanding	Weighted average remaining life (years)	Number of warrants exercisable
0.05	4,000,000	*	4,000,000
0.001	6,750,000	2.40	6,750,000
1.25	14,021,760	0.22	14,021,760
<b>Balance January 31, 2021</b>	<b>24,771,760</b>	<b>0.93</b>	<b>24,771,760</b>

\*Share purchase warrants are exercisable before the earlier of the following: a) the share purchase warrant holder ceases to act in its capacity as a director, officer, employee, or consultant of the Company; b) the share purchase warrant holder is terminated by the Company; and c) six months after the occurrence of a Liquidity Event.

The following table reflects the share options issued and outstanding as at January 31, 2021:

Exercise price	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable
0.40	1,800,000	2.75	1,800,000
<b>Balance January 31, 2021</b>	<b>1,800,000</b>	<b>2.75</b>	<b>1,800,000</b>

**a) Subscriber Warrants**

**For the year ended January 31, 2021**

During year ended January 31, 2021, no new share purchase warrants were issued or exercised

**For the year ended January 31, 2020**

During the year ended January 31, 2020, the Company issued 14,021,760 subscriber warrants pursuant to private placements executed during the year (see Note 11). The share purchase warrants are exercisable in 24 months from the date of closing date of offering at a price of \$1.25 per warrant. The weighted-average grant date fair value for the subscriber warrants issued in the current year is \$0.03. The fair value of the subscriber warrants granted during the year ended January 31, 2020 was determined using the residual method. Since Pesorama is not publicly traded, the Company determined that the warrants were more reliably measurable and valued the warrants using an iterative process on a Black-Scholes option-pricing model with the following assumptions:

Weighted-average grant date share price	\$0.76
Risk-free interest rate	1.40% to 1.64%
Dividend yield	0%
Volatility	30%*
Expected life	2 years
Forfeiture rate	0%

\* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history since the Pesorama is not publicly traded.

**b) Liquidity Warrants**

**For the year ended January 31, 2021**

On June 24, 2020, as a result of the Liquidity Event discussed in Note 11(b)(xii) not occurring, a total of 310,100 common shares were issued against liquidity penalty rights and a total of \$211,431 (i.e. the value allocated to the liquidity warrants on issuance of the units) was reclassified from the warrant reserve to share capital.

**For the year ended January 31, 2020**

On December 23, 2019, the Company issued 3,101,000 liquidity warrants to investors, as discussed in Notes 11(b)(ix) and (xii). At the date of the grant of the liquidity warrants, management determined the probability of a Liquidity Event occurring within the Liquidity Deadline to be 50%. The fair value of the liquidity warrants granted during the year ended January 31, 2021 was determined using the residual method. Since Pesorama is not publicly traded, the Company determined that the warrants were more reliably measurable and valued the warrants using an iterative process on a Black-Scholes option-pricing model with the following:

Grant date fair value of the underlying share	\$0.93
Risk-free interest rate	1.40% to 1.64%
Dividend yield	0%
Volatility	30%*
Expected life	2 years
Forfeiture rate	0%
Probability of a liquidity event occurring within the Liquidity Deadline	50%

\* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history since Pesorama is not publicly traded.

**c) Performance Warrants**

**For the year ended January 31, 2021**

On November 24, 2020, performance warrants were exercised to purchase 1,250,000 shares at \$0.001 per share for cash proceeds of \$1,250.

**For the year ended January 31, 2020**

On October 4, 2019, 500,000 performance warrants were issued with an exercise price of \$0.001 per warrant and an expected life of 5 years. Due to their minimal exercise price, the warrants were deemed to have a nominal value and no warrant reserve was recorded.

**d) Stock Options**

**For the year ended January 31, 2021**

No stock options were issued in fiscal year 2021.

**For the year ended January 31, 2020**

No stock options were issued in fiscal year 2020 and a total of 62,500 stock options were exercised into common shares.

**14. INCOME TAX**

The income tax recovery differs from the amount computed by applying Canadian statutory rates to net loss before income taxes for the years ended January 31, 2021 and 2020, respectively, as a result of the following:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Net loss before taxes	(7,045,776)	(3,777,780)
Domestic statutory rate	26.50%	26.50%
Expected tax recovery	(1,867,131)	(1,001,112)
Effect of tax rate in foreign jurisdiction	(215,317)	(63,908)
Share issue costs	-	(359,550)
Share-based compensation and other	167,252	116,570
Deferred tax assets not recognized	1,915,196	1,308,000
Income taxes	-	-

The major components of tax expense for the years ended January 31, 2021 and 2020 are outlined below:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	1,915,196	1,308,000
Deferred tax arising from the write-down of a deferred tax asset	(1,915,196)	(1,308,000)

## Notes to Consolidated Financial Statements

For the years ended January 31, 2021 and January 31, 2020

(Expressed in Canadian dollars (\$), unless otherwise noted)

	2021	2020
	\$	\$
Non-capital loss carryforwards - Canada	6,353,580	3,047,109
Net operating loss carryforwards - Mexico	4,824,318	1,609,107
Property and equipment - Canada	43,484	45,601
Property and equipment - Mexico	342,757	12,520
Share issue costs - Canada	1,108,248	1,505,645
Right-of-use assets - Mexico	(3,227,605)	(2,691,363)
Lease liabilities - Mexico	3,634,288	2,708,324
Accounts payable and accrued liabilities - Mexico	-	112,456
Prepaid expenses - Mexico	(97,843)	(12,761)
Intangible assets - Mexico	-	(91,847)
	12,981,227	6,244,791

The Company has the following non-capital loss and net operating loss carryforwards, available to reduce income taxes in future periods, for which no deferred tax asset has been recognized, subject to the final determination by the tax authorities and expiring in the following years:

## Canada:

Expiry Date	Non-Capital Loss \$
2039	885,300
2040	2,161,809
2041	3,306,471
	6,353,580

## Mexico:

Expiry Date	Net Operating Loss (in Pesos)
2039	331,926
2040	25,554,612
2041	52,014,211
	77,900,749

## 15. RELATED PARTIES

**Key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

During the years ended January 31, 2021 and January 31, 2020, there were separate related party transactions as follows:

- (i) Management fees of 633,542 (2020 – 720,000) related to the key management personnel were incurred, of which \$529,375 was paid at January 31, 2021. The remaining balance of \$104,167 was outstanding in accounts payable and accrued liabilities as current liabilities as at January 31, 2021 (2020 - \$22,348)
- (ii) Professional fees for accounting services totaling \$78,828 (2020 – \$25,000) were paid to an accounting firm of which a former PesoRama director is a partner.
- (iii) The amount of \$Nil (2020 - \$112,516) of share-based payment expense was incurred for share purchase warrants, performance warrants, and options issued to certain key management personnel, employees, and consultants of the Company.

- (iv) A total of 1,250,000 performance warrants with an exercise price of \$0.001 were exercised during the year, for total proceeds of \$1,250. No other warrants or options were exercised by key management personnel during the year ended January 31, 2021.
- (v) During the year, the amounts due from a member of key management of \$156,331 were written-off.
- (vi) On December 8, 2020, 250,000 warrants with an exercise price of \$0.05 held by two former directors were cancelled upon their not being re-elected to the Board, as per the terms of the warrant agreements.

## 16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### *Financial instruments*

As at January 31, 2021, the Company's financial instruments consist of cash and cash equivalents, security deposits, accounts payable and accrued liabilities, and lease liabilities (see Note 3 for a more detailed discussion of accounting for financial instruments).

### *Financial risk management*

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively.

The principal financial risks arising from financial instruments are liquidity risk, foreign currency risk, credit risk, and interest rate risk.

### *Liquidity risk*

As at January 31, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities and lease liabilities which have contractual maturity dates within one year, with the exception of the long-term portion of lease liabilities (refer to Note 10 for breakdown of remaining lease payments relating to long-term portion of lease liability), and the Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position as at January 31, 2021 management regards liquidity risk to be low.

### *Foreign currency risk*

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company's functional and reporting currency is the Canadian dollar but it is exposed to foreign currency risk with respect to the expenditures incurred by its Mexican subsidiaries, JOI, CANMEX and Pesorama Consulting whose functional currencies are the Mexican peso. As the Company operates internationally, certain of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are, therefore, subject to currency transaction and translation risks.

The impact to the net loss and comprehensive loss for the year ended January 31, 2021 had the US dollar ("USD") to CAD exchange rate changed by 10 percent would amount to approximately \$600 (2020 – nil), and the impact to net loss and comprehensive loss for the year had the CAD to MXN exchange rate changed by 10 percent would amount to approximately \$21,200 (2020 – nil).

At January 31, 2021, the Company has not entered into any hedging agreements to mitigate currency risks with respect to foreign exchange rates.

**Credit risk**

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist solely of cash since the Company does not make any sales on credit terms. The Company offsets the credit risk by depositing its cash with major financial institutions, which have been assigned high credit ratings by internationally recognized credit rating agencies.

**Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. As such, fluctuations of interest rates for the years ending January 31, 2021 and January 31, 2020 would not have had a significant impact on the consolidated financial statements since the Company has no debts.

**17. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its store operations in Mexico, and to maintain a flexible capital structure. The Company considers its capital to be its shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets. To maintain or adjust its capital structure, the Company may issue new common shares or debentures, acquire or dispose of assets or adjust the amount of cash.

To facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing development efforts, the Company does not pay out dividends. There are no external restrictions on the Company's capital.

**18. OPERATING SEGMENT**

The company operates in one reportable segment being the retail industry in Mexico, but has assets in two geographic areas, being Canada and Mexico.

	Canada \$	Mexico \$	Total \$
<b>Year ended January 31, 2021</b>			
Revenue		4,507,426	4,507,426
Non-current assets	19,307	6,506,067	6,525,374
<b>Year ended January 31, 2020</b>			
Revenue		1,700,595	1,700,595
Non-current assets	23,223	5,507,296	5,530,519

**19. EXPENSES BY NATURE**

	Year Ended December 31,	
	2021	2020
	\$	\$
<b>General, administrative and store operating expenses</b>		
Management fees (Note 15)	633,542	720,000
Salaries	1,050,196	213,983
Subcontracted employees	1,177,944	930,000
Professional fees	1,614,814	964,136
Brokerage fees	28,791	43,783
Office expenses	563,139	155,036
Security and monitoring	123,723	93,416
Repairs and maintenance	161,668	97,120
Share-based compensation (Note 13)	-	112,499
Travel expenses	57,560	433,807
Marketing and promotion	171,515	329,934
<b>Total</b>	<b>5,582,892</b>	<b>4,093,714</b>
<b>Depreciation and amortization</b>		
Depreciation on property and equipment (Note 8)	746,014	38,039
Amortization on intangible assets (Note 9)	67,129	41,200
Depreciation, right-of-use assets (Note 10)	654,476	369,989
<b>Total</b>	<b>1,467,619</b>	<b>449,228</b>
<b>Financing costs</b>		
Interest on lease liabilities (Note 10)	315,616	162,734
Interest and bank charges	43,506	19,974
Foreign exchange loss (gain)	371,681	(245,674)
<b>Total</b>	<b>730,803</b>	<b>(62,966)</b>
<b>Other items</b>		
Write-off of due from related parties (Note 15)	156,331	-
Interest income	(6,420)	(87,309)
Other income	-	(75,468)
<b>Total</b>	<b>149,911</b>	<b>(162,777)</b>

**20. COMMITMENTS**

Throughout the year ended January 31, 2021, the Company entered into various agreements with different vendors relating to the construction and improvement of its retail stores in Mexico (see Note 8). The remaining construction work is expected to be completed and paid within the fiscal year 2022. As at January 31, 2021, the Company has committed to construction contracts relating to this construction work for a total of \$108,691. The Company also had retail stores and office lease commitments outstanding, which have been recorded as lease liabilities of \$3,681,646 in the financial statements (see Note 10).

Furthermore, at January 31, 2021, JOI had signed lease agreements for seven retail stores in the Mexico City, Mexico area that had not yet been made available for possession by the property owners. These leases are expected to commence in the first six months of the fiscal year ending January 31, 2022 and have terms of 5 years. Starting monthly base rent for these leases ranges between \$3,274 and \$10,751 and will increase over the terms of the leases.

## **21. SUBSEQUENT EVENTS**

### **Warrant exercises**

On March 17, 2021, broker warrants were exercised to purchase 28,601 common shares at \$0.75 per share for cash proceeds of \$21,451.

On May 6, 2021, performance warrants were exercised to purchase 1,250,000 common shares at \$0.001 per share for cash proceeds of \$1,250.

On July 16, 2021, share purchase warrants were exercised to purchase 250,000 common shares at \$0.05 per share for cash proceeds of \$12,500.

On September 20, 2021, performance warrants were exercised to purchase 500,000 common shares at \$0.001 per share for cash proceeds of \$500.

### **Warrant transfer and exercise**

On April 14, 2021, 475,000 share purchase warrants issued on April 19, 2018 were transferred at the request of their original holder to two new warrant holders (237,000 and 238,000 warrants). All 475,000 warrants were immediately exercised by the new holders at \$0.05 per share for cash proceeds to the Company of \$23,750.

### **Warrants expiry date amendment**

On March 17, 2021 the expiry date of certain subscriber warrants issued on March 21, 2019 for 5,907,557 shares and subscriber warrants issued on May 30, 2019 for 2,737,430 shares was amended to the earlier of;

- (i) The date which is twenty-four (24) months from the date which the common shares are listed on a recognized Canadian securities exchange and
- (ii) The date which is five years (5) from the issue date

### **Options forfeiture**

On March 8, 2021, 550,000 stock options held by four former PesoRama directors who were not re-elected at a special shareholder meeting on December 8, 2020 were forfeited in accordance with the terms of the option agreements, which require exercise of outstanding options within three months of termination to avoid forfeiture. None of the 550,000 options held by the directors upon their termination were exercised.

### **Reverse Take-Over**

On March 8, 2021, the Company entered into a definitive agreement with Skyscape whereby Skyscape and PesoRama will complete a reverse takeover transaction ("RTO Transaction") to ultimately form the resulting issuer, which will continue to carry on the business of PesoRama. PesoRama has agreed to, among other things, exchange all issued and outstanding Company shares on the basis of one Skyscape share for each PesoRama share. PesoRama would then be amalgamated with Skyscape's wholly owned subsidiary, 11518003 Canada Inc., to form a new wholly owned subsidiary. It is intended that, immediately prior to the completion of the RTO Transaction, Skyscape will change its name to "PesoRama Inc." The RTO Transaction is intended to serve as Skyscape's qualifying transaction under Exchange Policy 2.4 – Capital Pool Companies.

### **Termination of CEO**

On August 16, 2021, the employment of PesoRama's CEO was terminated. A total of 2,500,000 outstanding performance warrants and 400,000 vested but unexercised options held by the CEO were forfeited immediately upon termination of employment.

The Company has received notice from the former CEO's legal counsel regarding notice of wrongful dismissal. The Company is currently unable to determine the likelihood that any litigation brought against it from this notice would result in an adverse judgment, nor to estimate potential losses from any such litigation associated with this termination.

### **PesoRama Debenture Financing**

On March 2, 2021, PesoRama closed the first tranche of Debenture financing, issuing 4,832 Debentures at a face value of \$1,000 each for gross proceeds of \$4,832,000. On April 1, 2021, the Company closed the second tranche, issuing an additional 710 Debentures at a face value of \$1,000 each for gross proceeds of \$710,000. Total transaction fees on both tranches were \$446,255, for net proceeds of \$5,095,745, before finders warrants. The Debentures

bear an annual interest rate of 9.875% compounding semi-annually and have a maturity date of March 2, 2023 (the "Maturity Date"). The Company may, at its sole discretion, redeem the debentures at any time prior to the Maturity Date at a redemption price equal to 1.25 times the outstanding principal amount plus all accrued and unpaid interest up to and including the redemption date. Successful completion of the RTO Transaction will trigger automatic conversion of all outstanding Debentures to PesoRama shares, equal to the face value of outstanding Debentures plus accrued but unpaid interest up to the date of the RTO Transaction, divided by 85% of the Company's share price on the date of the RTO Transaction. Interest is payable upon the earlier of a) maturity, b) automatic conversion, or c) redemption. Each Debenture is convertible to PesoRama Shares at a rate of 85% of the per-share price attributed to the Company's shares on the RTO Transaction date.

In the event that the RTO Transaction or other qualifying liquidity event is not completed on or prior to the date 12 months from the closing of the offering, the Debenture holders shall be issued one \$100 principal amount of senior unsecured convertible debenture (an "Additional Debenture") for each Debenture held, for no additional consideration.

Each Debenture also includes 50 warrants, each of which entitles the holder to purchase one share at a price of \$1.25. The warrants for the two tranches are set to expire on March 2, 2023 and April 1, 2023, respectively. However, if the daily volume-weighted average price of the Shares exceeds \$2.00 per Share for a period of at least 10 consecutive trading days, the Company may, at its sole discretion, elect to accelerate the expiry date. If the Company makes this election, they must notify all warrant holders within 5 trading days of their intention to accelerate the expiry date. The accelerated expiry date may not be less than 30 days after the date upon which notice is given.

Finder warrants of 5,034 were issued to brokers in connection with the debenture financing above, where the holder of the number of finder warrants is entitled to subscribe for and purchase a number of common shares of PesoRama Inc. at any time on or before the expiry date of March 2, 2023, and April 1, 2023, respectively. This will be equal to the product obtained by multiplying (a) the quotient obtained by dividing 1,000 by the conversion price; and (b) 7 percent, for each warrant exercised at the exercise price per common share that is equal to the conversion price.

#### **Legal Claim for Unpaid Professional Fees**

Subsequent to January 31, 2021, a certain legal professional firm (the "Legal Firm") initiated legal proceedings against the Company in regards to unpaid legal fees of approximately \$690,000 owed by the Company to the Legal Firm. In July 2021, the Company initiated legal action against the Legal Firm on the grounds of professional negligence in association with legal services provided to the Company. At this point in time, the Company is currently unable to determine the outcome nor able to estimate potential losses from these proceedings.

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended January 31, 2021**

*The following management's discussion and analysis ("MD&A") dated September 21, 2021 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of PesoRama Inc. (together with its consolidated subsidiaries, referred to as "PesoRama", the "Company", "we", "us" 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 year ended January 31, 2021. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and notes for the year ended January 31, 2021 (as hereinafter defined).*

*Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Company's annual consolidated financial statements for the year ended January 31, 2021 (as hereinafter defined) have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").*

*For the purpose of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares (the "Shares"); (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.*

*The Company manages its business as one reportable segment. The functional and reporting currency of the Company is the Canadian dollar.*

**Forward-Looking Statements**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements") about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or other future events or developments. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "projects", "forecasts", "budgets", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic conditions and the competitive environment within the retail industry in Mexico, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of this MD&A: future increases in operating costs (including increases in statutory minimum wages); future increases in merchandise costs (including as a result of tariff disputes); inability to sustain assortment and replenishment of merchandise; increase in the cost or a disruption in the flow of imported goods (including as a result of the global outbreak of COVID-19); failure to maintain brand image and reputation; disruption of distribution infrastructure; inventory shrinkage; inability to renew store, warehouse and head office leases on favourable terms; inability to increase warehouse and distribution centre capacity in a timely manner; seasonality; market acceptance of private brands; failure to protect trademarks and other proprietary rights; foreign exchange rate fluctuations; potential losses associated with using

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

derivative financial instruments; level of indebtedness and inability to generate sufficient cash to service debt; changes in creditworthiness and credit rating and the potential increase in the cost of capital; interest rate risk associated with variable rate indebtedness; competition in the retail industry; disruptive technologies; general economic conditions; departure of senior executives; failure to attract and retain quality employees; disruption in information technology systems; inability to protect systems against cyber-attacks; unsuccessful execution of the growth strategy; holding company structure; adverse weather; pandemic or epidemic outbreaks; natural disasters; climate change; geopolitical events and political unrest in foreign countries; unexpected costs associated with current insurance programs; product liability claims and product recalls; litigation; regulatory and environmental compliance; and shareholder activism.

These factors are not intended to represent a complete list of the factors that could affect the Company; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as at September 21, 2021 and management has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

All the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

**Non-GAAP Measures**

This MD&A as well as the Company's annual consolidated financial statements and notes for the year ended January 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). However, certain financial measures in this document do not have a standardized meaning as prescribed by IFRS, and therefore are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented to provide shareholders and potential investors with additional measures for analyzing the Company's ability to generate funds to finance its operations and information regarding its liquidity. The additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

**Reverse Take-Over**

On March 8, 2021, the Company entered into a definitive agreement with Skyscape Capital Inc. ("Skyscape"), a capital pool company listed on the TSX Venture Exchange (the "Exchange"), whereby Skyscape and PesoRama will complete a reverse take-over transaction (the "RTO Transaction") to ultimately form the resulting issuer, which will continue to carry on the business of PesoRama. PesoRama has agreed to, among other things, exchange all issued and outstanding Shares on the basis of one Skyscape share for each PesoRama Share. PesoRama would then be amalgamated with Skyscape's wholly owned subsidiary, 11518003 Canada Inc., to form a new wholly owned subsidiary. It is intended that, immediately prior to the completion of the RTO Transaction, Skyscape will change its name to "PesoRama Inc." The RTO Transaction is intended to serve as Skyscape's qualifying transaction under Exchange Policy 2.4 – *Capital Pool Companies*.

**Recent Events**

***Warrant transfer and exercises***

On November 24, 2020, performance warrants were exercised to purchase 1,250,000 Shares at \$0.001 per Share for cash proceeds of \$1,250.

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

On March 17, 2021, broker warrants were exercised to purchase 28,601 common shares at \$0.75 per share for cash proceeds of \$21,451.

On April 14, 2021, 475,000 share purchase warrants issued on April 19, 2018 were transferred at the request of their original holder to two new warrant holders (237,000 and 238,000 warrants). All 475,000 warrants were immediately exercised by the new holders at \$0.05 per share for cash proceeds to the Company of \$23,750.

On May 6, 2021, performance warrants were exercised to purchase 1,250,000 common shares at \$0.001 per share for cash proceeds of \$1,250.

On July 16, 2021, share purchase warrants were exercised to purchase 250,000 common shares at \$0.05 per share for cash proceeds of \$12,500.

On September 20, 2021, performance warrants were exercised to purchase 500,000 common shares at \$0.001 per share for cash proceeds of \$500.

***Warrants expiry date amendment***

On March 17, 2021 the expiry date of certain subscriber warrants issued on March 21, 2019 for 5,907,557 shares and subscriber warrants issued on May 30, 2019 for 2,737,430 shares was amended to the earlier of;

- (i) The date which is twenty-four (24) months from the date which the common shares are listed on a recognized Canadian securities exchange and
- (ii) The date which is five years (5) from the issue date

***PesoRama Debenture Financing***

On March 2, 2021, PesoRama closed the first tranche of its senior unsecured convertible debenture financing (the "Debentures"), issuing 4,832 Debentures at a face value of \$1,000 each for gross proceeds of \$4,832,000. On April 1, 2021, the Company closed the second tranche, issuing an additional 710 Debentures at a face value of \$1,000 each for gross proceeds of \$710,000. Total transaction fees on both tranches were \$446,255, for net proceeds of \$5,095,745, before finders warrants. The Debentures bear an annual interest rate of 9.875% compounding semi-annually and have a maturity date of March 2, 2023 (the "Maturity Date"). The Company may, at its sole discretion, redeem the debentures at any time prior to the Maturity Date at a redemption price equal to 1.25 times the outstanding principal amount plus all accrued and unpaid interest up to and including the redemption date. Successful completion of the RTO Transaction will trigger automatic conversion of all outstanding Debentures to PesoRama Shares, equal to the face value of outstanding Debentures plus accrued but unpaid interest up to the date of the RTO Transaction, divided by 85% of the Company's share price on the date of the RTO Transaction. Interest is payable upon the earlier of a) maturity, b) automatic conversion, or c) redemption. Each Debenture is convertible to PesoRama Shares at a rate of 85% of the per-Share price attributed to the Company's Shares on the RTO Transaction date.

In the event that the RTO Transaction or other qualifying liquidity event is not completed on or prior to the date 12 months from the closing of the offering, the Debenture holders shall be issued one \$100 principal amount of senior unsecured convertible debenture (an "Additional Debenture") for each Debenture held, for no additional consideration.

Each Debenture also includes 50 warrants, each of which entitles the holder to purchase one Share at a price of \$1.25. The warrants for the two tranches are set to expire on March 2, 2023 and April 1, 2023, respectively. However, if the daily volume-weighted average price of the Shares exceeds \$2.00 per Share for a period of at least 10 consecutive

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trading days, the Company may, at its sole discretion, elect to accelerate the expiry date. If the Company makes this election, they must notify all warrant holders within 5 trading days of their intention to accelerate the expiry date. The accelerated expiry date may not be less than 30 days after the date upon which notice is given.

Finder warrants of 5,034 were issued to brokers in connection with the debenture financing above, where the holder of the number of finder warrants is entitled to subscribe for and purchase a number of common shares of PesoRama Inc. at any time on or before the expiry date of March 2, 2023, and April 1, 2023, respectively. This will be equal to the product obtained by multiplying (a) the quotient obtained by dividing 1,000 by the conversion price; and (b) 7 percent, for each warrant exercised at the exercise price per common share that is equal to the conversion price.

***Legal Claim for Unpaid Professional Fees***

Subsequent to January 31, 2021, a certain legal professional firm (the "Legal Firm") initiated legal proceedings against the Company in regard to unpaid legal fees of approximately \$690,000 owed by the Company to the Legal Firm. In July 2021, the Company initiated legal action against the Legal Firm on the grounds of professional negligence in association with legal services provided to the Company. At this point in time, the Company is currently unable to determine the outcome nor able to estimate potential losses from these proceedings.

***Termination of CEO***

On August 16, 2021, the employment of PesoRama's CEO was terminated. A total of 2,500,000 outstanding performance warrants and 400,000 vested but unexercised options held by the CEO were forfeited immediately upon termination of employment.

The Company has received notice from the former CEO's legal counsel regarding notice of wrongful dismissal. The Company is currently unable to determine the likelihood that any litigation brought against it from this notice would result in an adverse judgment, nor to estimate potential losses from any such litigation associated with this termination.

**Overview**

***PesoRama's Business***

PesoRama was incorporated October 16, 2017 under the Business Corporations Act (Canada). The Company's registered office is located at 1900, 520 – 3<sup>rd</sup> Avenue SW, Calgary, Alberta T2P 0R3.

The Company is the ultimate parent company of its wholly owned subsidiaries:

- Canmex Dollar Stores, S.A. de C.V. ("CANMEX"), which was incorporated on December 5, 2018 in Mexico City, Mexico;
- Joi Canadian Stores, S.A. de C.V. ("JOI"), which was incorporated on April 23, 2019 in Mexico City, Mexico to hold the operating assets of PesoRama;
- PesoRama Consulting Services, S.A. de C.V. ("PesoRama Consulting"), which was incorporated on June 27, 2019 in Mexico City, Mexico; and
- PesoRama Stores Services, S.A de C.V. ("PesoRama Stores"), which was incorporated on May 19 2020 in Mexico City, Mexico. PesoRama Stores was inactive as at January 31, 2021.

PesoRama operates "dollar stores" in Mexico offering consumers a wide variety of products with focus on the single price point segment of the retail market. As at September 21, 2021, the Company operates 18 stores. Stores average 6,000 square feet and offer a wide variety of consumable products, general merchandise, and seasonal items,

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including private label and branded products. Merchandise is sold in individual or multiple units at select, fixed price points up to MXN \$25. All stores are corporately operated and are strategically located in high-traffic areas such as strip malls and shopping centers in the greater Mexico City area, with plans to eventually expand to other areas of Mexico.

The Company's strategy is to grow sales, operating income, net earnings, earnings per share and cash flows by expanding its Mexican store network, by being a first-mover brand in what management views as an underserved and growing Mexican dollar-store industry, and by providing value for customers through its broad product offerings, fixed price points and enhanced shopping experience. The Company has signed leases for an additional 2 new stores and expects to have at least 25 operating stores by January 31, 2022.

**Factors Affecting Results of Operations**

***Revenue***

Revenue is recognized when control of a good or service is transferred to a customer. A five-step recognition model is used to apply the standard as follows: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. The revenues of the Corporation come from the sale of products that are recognized at a point in time. Sales of products in the consolidated statement of loss and comprehensive loss are recognized by the Corporation when control of the goods has been transferred, being when the customer tenders payment and takes possession of the merchandise at the stores and that all obligations have been fulfilled. All sales are final. Revenue is shown net of sales tax and discounts.

The Company is currently monitoring the impact of the COVID-19 pandemic on its sales, as further discussed below. Refer to the section of this MD&A entitled "Risks and Uncertainties" for a discussion about the risks associated with seasonality and business continuity.

***Cost of Sales***

Cost of sales consists primarily of purchased inventory and distribution expense (explained further below). The Company records vendor rebates, consisting of volume purchase rebates, when it is probable that they will be received and the amounts are reasonably estimable. The rebates are recorded as a reduction of cost of inventory.

Because the functional currency of the Company's Mexican subsidiaries is the Mexican peso (the "peso"), and because the Company's Mexican subsidiaries purchase goods in currencies other than the peso, the Company's cost of sales is affected by fluctuations in foreign currencies against the peso.

***Distribution Expense***

Distribution expense represents transportation costs (which are largely variable and proportional to the Company's sales volume) as well as warehouse and distribution centre occupancy costs. Shipping and transportation costs, including surcharges on transportation costs, are a significant component of distribution expense. When fuel costs fluctuate, shipping and transportation costs increase or decrease, as applicable, because the carriers generally pass on these cost changes to the Company. Because of the high volatility of fuel costs, it is difficult to forecast the fuel surcharges the Company may incur from its carriers.

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***General, Administrative and Store Operating Expenses***

The Company's general, administrative and store operating expenses ("G&A") consist of store labour, which is primarily variable and proportional to its sales volume, as well as general store maintenance costs, salaries and related benefits of corporate and field management team members, administrative office expenses, professional fees, and other related expenses. G&A also includes variable and non-indexed rental expenses for the Company's stores that are excluded from the lease liability under IFRS 16. Fixed and indexed rental payments are capitalized as a lease liability under IFRS 16.

***Economic or Industry-Wide Factors Affecting the Company***

On March 11, 2020, the World Health Organization declared the rapidly spreading novel coronavirus ("COVID-19") outbreak a pandemic. The COVID-19 pandemic has had a significant impact on businesses through the restrictions put in place by the Canadian and Mexican federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, Mexico, and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition. For the period consisting of and subsequent to the year ended January 31, 2021, the Company was able to keep its stores open and operational as the business segment in which the Company operates was deemed an essential service in Mexico.

**Key Financial Results**

The following table summarizes PesoRama's key financial results over the past two years:

<b><i>For the year ended January 31</i></b>	<b>2021</b>	<b>2020</b>
Total revenue	4,507,426	1,700,595
Loss from continuing operations	(7,045,776)	(3,777,780)
Net loss	(7,045,776)	(3,777,780)
Loss per share (basic and diluted)		
Loss from continuing operations	(0.153)	(0.098)
Net loss	(0.153)	(0.098)
Total assets	13,412,968	17,669,863
Total non-current liabilities	3,040,769	2,501,386

PesoRama is experiencing rapid growth in its stores and sales, with its first store opened in the year ended January 31, 2020. Net losses to date are primarily a result of general and administrative expenses and business development expenses incurred over each financial year. Some of these losses in the year ended January 31, 2021 were offset by retail revenue recognized.

**Selected Annual Information**

The following table sets out selected annual financial information of PesoRama and is derived from audited annual financial data prepared by management in accordance with IFRS.

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<i>For the year ended January 31</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net revenue	4,507,426	1,700,595	-
Net income(loss)	(7,045,776)	(3,777,780)	(970,429)
Comprehensive income (loss)	(7,020,476)	(3,810,095)	(970,243)
Net income (loss) per share (basic & diluted):	(0.153)	(0.098)	(0.074)

The following section provides an overview of the Company's financial performance during the year ended January 31, 2021 compared with the same period in 2020.

*Revenue*

Total revenue for the year ended January 31, 2021 was \$4,507,426, compared to \$1,700,595 for the same period in 2020. Sales in 2021 were driven by the opening of additional stores. The Company opened one store in October 2020 and two stores in November 2020, for a total of eleven open stores as at January 31, 2021.

*Cost of Goods Sold and Gross Margin*

Cost of goods sold for the year ended January 31, 2021 was \$3,621,977, compared to \$1,161,176 for the same period in 2020. Gross margin was \$885,449, or 19.64% of sales, compared to \$539,419 or 31.72% for the same period in 2020.

*General, Administrative, and Store Operating Expenses ("G&A")*

G&A for the year ended January 31, 2021 totaled \$5,582,892, a 36.38% increase over \$4,093,714 for the same period in 2020. This increase is primarily related to the opening of three additional stores.

*Other Income (loss)*

Other income (loss) for the year ended January 31, 2021 totaled a loss of \$149,911, compared with income of \$162,777 for the same period in 2020. Interest income makes up -4.28% of other income (loss) in the current period.

*Income Taxes*

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss). For the years ended January 31, 2021 and 2020, no current income tax expense was recognized due to the Company being in a loss position.

*Net Loss*

Net loss increased to (\$7,045,776), or (\$0.153) per basic and diluted common share, for the year ended January 31, 2021, compared to (\$3,777,780), or (\$0.098) per basic and diluted common share, for the same period in 2020. The increase in net loss is the result of the Company's additional 3 stores opening between January 31, 2020 and January 31, 2021, with revenue growth temporarily lagging the corresponding up-front costs of the new stores.

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**Liquidity and Capital Resources**

***Cash Flows for the Year Ended January 31, 2021***

*Cash Flows - Operating Activities*

For the year ended January 31, 2021, cash used in operating activities totaled (\$4,628,152), compared to (\$6,764,788) for the same period in 2020. This decrease relates primarily to an increase in store expenses due to new stores being opened and previously opened stores in the prior year being open for the entire year ended January 31, 2021, inventory remaining fairly stable in the period ended January 31, 2021 after a significant ramp-up in the same period in 2020, and a significant increase in accounts payable in the period ended January 31, 2021.

*Cash Flows - Investing Activities*

For the year ended January 31, 2021, cash from investing activities totaled \$539,705, compared with (\$4,708,255) used in the same period in 2020. This increase relates to proceeds of short-term investment in Guaranteed Investment Certificates ("GICs") of \$2,060,815 in the year ended January 31, 2021 compared with an investment of (\$2,000,000) for the same period in 2020, and to a lower level of property and equity purchases (\$1,336,756 for 3 stores for the year ended January 31, 2021 compared with \$2,616,408 for 8 stores for the same period in 2020).

*Cash Flows - Financing Activities*

For the year ended January 31, 2021, cash provided by financing activities totaled (\$520,684), compared with \$11,740,469 for the same period in 2020. This decrease relates primarily to the Company not raising financing in the year ended January 31, 2021, compared with \$12,260,526 in net proceeds raised through private placements in the same period in 2020.

***Capital Expenditures***

Capital expenditures mainly relate to investments in new stores. For the year ended January 31, 2021, capital expenditures totaled \$1,521,110 compared to \$2,760,021 for the same period in 2020. This decrease was due to the opening of the Company's additional 3 stores in the year ended January 31, 2021.

***Capital Resources***

Because three additional stores were opened in the year ended January 31, 2021, the Company does not yet generate sufficient cash flows from operating activities to fund its planned growth strategy in Mexico. As a result, the Company is heavily dependent upon external financing. As at January 31, 2021, the Company had \$642,402 of cash on hand, down from 4,673,131 at January 31, 2020.

The Company's ability to pay the principal and interest on future debt, to refinance it, or to generate sufficient funds to pay for planned capital expenditures and investments will depend on its ability to raise funds through both equity and debt financing. As discussed in "Recent Events," the Company raised \$5,542,000 in gross proceeds through the issuance of debentures subsequent to January 31, 2021. The Company is also in the process of being acquired by Skyscape as part of the RTO Transaction, which will increase the Company's access to financing. The Company's ability to raise further financing and fund itself through operations is subject to general economic, financial, competitive, legislative, regulatory, or other factors that are beyond its control.

Barring further extraordinary circumstances arising from the COVID-19 pandemic, management believes that increasing cash flows from operations, together with the likelihood of future financing, will be adequate to meet the Company's future operating cash needs.

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The Company's assumptions with respect to future liquidity needs may not be correct and funds available to it from the sources described herein may not be sufficient to enable it to service its indebtedness or cover any shortfall in funding for any unanticipated expenses.

*Contractual Obligations, Off-Balance Sheet Arrangements and Commitments*

Throughout the year ended January 31, 2021, the Company entered into various agreements with different vendors relating to the construction and improvement of its retail stores in Mexico. The remaining construction work is expected to be completed and paid within the fiscal year 2021. The Company also had retail stores and office lease commitments outstanding which have been recorded as lease liabilities in the financial statements.

Furthermore, at January 31, 2021, JOI had signed lease agreements for seven retail stores in the Mexico City, Mexico area that had not yet been made available for possession by the property owners. These leases are expected to commence in the first six months of the fiscal year ending January 31, 2022 and have terms of 5 years. Starting monthly base rent for these leases ranged between \$3,274 and \$10,751 and will increase over the terms of the leases.

*Financial Instruments*

The Company has classified cash as fair value through the consolidated statements of loss and comprehensive loss and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of the Company's financial instruments approximate their fair values due to their short periods to maturity.

**Related Party Transactions**

***Key management personnel***

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

During the years ended January 31, 2021 and January 31, 2020, there were separate related party transactions as follows:

- (i) Management fees of 633,542 (2020 – 720,000), to the key management personnel, of which \$529,375 was paid at January 31, 2021. The remaining \$104,167 was outstanding at January 31, 2021 (2020 - \$22,348).
- (ii) Professional fees of \$78,828 (2020 - \$25,000) for accounting services were paid to an accounting firm of which a former director of the Company is a partner.
- (iii) The amount of \$Nil (2020 - \$112,516) of share-based payment expense for the share purchase warrants, performance warrants, and options issued to certain key management personnel, employees, and consultants of the Company.
- (iv) A total of 1,250,000 performance warrants with exercise price of \$0.001 were exercised during the year, for total proceeds of \$1,250. No other warrants or options were exercised by key management personnel during the year ended January 31, 2021.
- (v) During the year, the amount due from a member of key management of \$156,331 were written-off.

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- (vi) On December 8, 2020, 250,000 warrants with an exercise price of \$0.05 held by two former directors were cancelled upon their not being re-elected to the Board, per the terms of the warrant agreements.

**Critical Accounting Estimates and Judgments**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following discusses the most significant accounting judgments and estimates that the Company made in the preparation of the Company's annual consolidated financial statements for the year ended January 31, 2021.

***Estimated useful life of long-lived assets***

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

***Income Taxes***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

***Share based compensation and agent's warrants***

All equity-settled, share-based awards and warrants issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation and warrants, estimates have to be made regarding the fair value of the underlying share(s), expected volatility in share's fair value, option life, dividend yield, risk-free rate, estimated life and estimated forfeitures at the initial grant date.

***Valuation of inventories***

Inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, future merchandising plans, and inventory shrinkage. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Changes to the inventory provisions and especially shrinkage can have a material impact on the results of the Corporation.

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***Provisions***

The Company bases its provisions on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Company may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity.

***Leases***

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use ("ROU") asset in a similar economic environment. Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

**New and Amended Accounting Standards Adopted**

The Company has adopted the following new accounting standards and interpretations effective February 1, 2020, unless otherwise noted. These changes were made in accordance with the applicable transitional provisions.

***Amendment to IFRS 3: Definition of a Business (the "IFRS 3 Amendment")***

In October 2018, the IASB issued the IFRS 3 Amendment clarifying the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The IFRS 3 Amendment provides an assessment framework to determine when a series of integrated activities is not a business. The IFRS 3 Amendment is effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, however early application is permitted. The adoption of the amendments had no material impact on the Company's consolidated financial statements.

***IAS 1 – Presentation of Financial Statements ("IAS 1")***

IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

IAS 1 has been revised to incorporate a new definition of "material" and IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The adoption of the amendments had no material impact on the Company's consolidated financial statements.

***IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")***

IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting

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corrections of prior period errors The standard requires compliance with any specific IAS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The amendment is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The adoption of the amendment had no material impact on the Company's consolidated financial statements.

The following is a summary of new standards issued:

### ***Amendments to IAS 1: Classification of Liabilities as Current or Non-Current (the "Amendments to IAS 1")***

In January 2020, the IASB issued the Amendments to IAS 1, which aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The Amendments to IAS 1 include clarifying the classification requirements for debt a company might settle by converting it into equity. The Amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. However, on June 24, 2020, the IASB deferred the effective date of this amendment previously effective for years beginning on or after January 1, 2022 by one year to January 1, 2023 due to COVID-19 pandemic, with early adoption permitted

### ***Amendment to IFRS 16: Leases***

In May 2020, the IASB issued Covid-19-Related Rent Concessions as an amendment to IFRS 16 (the "IFRS 16 Amendment"). The pronouncement amended IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. These 2020 amendments are applicable to rent concessions up till June 30, 2021 and are effective for annual periods beginning on or after June 1, 2020. The Board has issued further amendments Covid-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendments), to allow a one-year extension to the practical expedient – i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The 2021 amendments were issued on 31 March 2021 and are effective for annual periods beginning on or after 1 April 2021.

### ***Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (the "Amendments to IAS 37")***

In May 2020, the IASB issued the Amendments to IAS 37, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

### **Risks and Uncertainties**

Understanding and managing risks are important parts of the Company's strategic planning process. The board of directors tasks the Company's senior management with identifying and properly managing the principal risks related to the Company's business operations.

The Company manages these risks on an ongoing basis and has put in place certain guidelines to mitigate their financial impact, and the Company maintains cost-effective, comprehensive insurance coverage against most insurable events. The Company also gathers and analyzes economic and competitive data on a regular basis and senior management takes these findings into consideration when making strategic and operational decisions. Despite these guidelines and initiatives, the Company cannot provide assurances that any such efforts will be successful.

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**Risks Related to Business Operations**

***COVID-19 Pandemic Outbreak***

The COVID-19 pandemic has had a significant impact on businesses through restrictions put in place by the Canadian and Mexican federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, Mexico and China and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

For the period consisting of and subsequent to the year ended January 31, 2021, the Company was able to keep its stores open and operational as the business segment in which the Company operates was deemed an essential service in Mexico .

***Merchandise and Operating Costs***

The Company's ability to provide quality merchandise at low price points is subject to a number of factors that are beyond its control, including merchandise costs, foreign exchange rate fluctuations, tariffs on imported goods, increases in labour costs (including any increases in the minimum wage), increases in rent and occupancy costs, fuel costs and inflation, all of which may reduce profitability and have an adverse impact on cash flows.

Labour costs are largely outside of the Company's control, driven by minimum wage legislation in each jurisdiction in which the Company has operations. Rent and occupancy costs, while substantial, offer multi-year visibility due to the long-term nature of leases. Historically, the Company has been able to negotiate leases on market terms and therefore benefits from a reasonable lead time to prepare for potential rent increases. Fuel cost increases or surcharges could also increase transportation costs and therefore impact profitability.

If management is unable to predict and respond promptly to these or other similar events, the merchandise and operating costs may increase, and the Company's business and financial results could be materially adversely affected.

Generally, management believes that, as seen in other countries, the fixed price point strategy can be flexible to address cost increases, allowing the Company to adjust its fixed price point to a higher maximum limit as required. The Company believes it can pivot as necessary to a multiple price-point strategy to adjust for increases in prices, unfavorable foreign exchange, or other developments that might otherwise erode margins. There is, however, no guarantee that the Company will continue to be successful in offsetting cost increases in a meaningful way. There can be no assurance that the Company will be able to pass on cost increases to customers if it wishes to maintain the compelling value of its product offering relative to competitors.

***Merchandise Selection and Replenishment***

The Company's success depends in large part on its ability to continually find, select and purchase quality merchandise at attractive prices in order to expand the assortment of products and replace underperforming goods to timely respond to evolving trends in demographics and consumer preferences, expectations and needs. Although management believes that the Company has strong and long-standing relationships with most of its suppliers, it may

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not be successful in maintaining a continuing and increasing supply of quality merchandise at attractive prices. If the Company cannot find or purchase the necessary amount of competitively priced merchandise to maintain its compelling product offering or to replace goods that are outdated or unprofitable, business and financial results could be materially adversely affected.

***Supply Chain***

Merchandise could become more expensive or unavailable, or deliveries could be subject to longer lead times, for a number of reasons, including:

- a) disruptions in the flow of imported goods due to factors such as raw material shortages, work stoppages and strikes, suppliers going out of business, factory closures resulting from changes in the economic or regulatory landscape of the country of origin, inflation, natural disasters, unusually adverse weather, pandemic or epidemic outbreaks such as the COVID-19 and political unrest in foreign countries;
- b) uncertainty and potential consolidation in the shipping industry in a context of overcapacity and carrier failures, which could eventually lead to rate increases;
- c) economic instability and international disputes;
- d) increases in the cost of purchasing or shipping foreign merchandise resulting from Mexico's failure to maintain normal trade relationships with foreign countries;
- e) increases in tariffs or the elimination of existing preferential tariffs on goods, restrictive changes to import quotas, and other adverse protectionist trade measures; and
- f) changes in currency exchange rates or policies and local economic conditions, including inflation in the country of origin. The development of one or more of these factors could materially adversely affect the Company's business and financial results.

If imported merchandise becomes more expensive, limited or unavailable, the Company may not be able to transition to alternative sources in time to meet the demand. Products from alternative sources may also be of lesser quality and/or more expensive than those currently imported. A disruption in the flow of imported merchandise or an increase in the cost of those goods due to these or other factors could significantly decrease sales and profits and have a material adverse impact on the Company's business and financial results.

Management believes that the Company has good relationships with suppliers and that it is generally able to obtain competitive pricing and other terms. However, products are bought on an order-by-order basis and the Company has very few long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. If it fails to maintain good relationships with suppliers, or if suppliers' product costs are increased as a result of prolonged or repeated increases in the prices of certain raw materials, foreign exchange rate fluctuations, or changes in the economic or regulatory landscape of the country of origin, the Company may not be able to obtain attractive pricing. In addition, if it is unable to receive merchandise from suppliers on a timely basis because of interruptions in production or in shipping or other reasons that are beyond its control, the Company could experience merchandise shortages which could lead to lost sales or increased merchandise costs if alternative sources must be used, and business and financial results could be materially adversely affected.

***Brand Image and Reputation***

The Company has a brand that consumers increasingly associate with compelling value. Failure to maintain product

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safety and quality or ethical and socially responsible operations could materially adversely affect its brand image and reputation. Public concerns about the environmental impact of the Company's products and operations could also negatively impact consumers' perceptions of the Company's brand image. Any negative publicity about, or significant damage to, the Company's brand and reputation could have an adverse impact on customer perception and confidence, which could materially adversely affect the Company's business and financial results. Also, the pervasiveness and viral nature of social media could exacerbate any negative publicity with respect to its business practices and products.

***Distribution and Warehousing Network***

The Company must constantly replenish depleted inventory through deliveries of merchandise from suppliers to its warehouses, distribution centre and directly to stores by various means of transportation, including shipments by sea, train, and truck. Also, because of its reliance on third-party carriers, the Company is subject to carrier disruptions and increased costs due to factors beyond its control. Disruptions in the distribution network or the national and international transportation infrastructure could lead to delays or interruptions of service which, in turn, could materially adversely affect the Company's business and financial results.

As the Company continues its rapid expansion, additional warehouse and distribution centre capacity may be needed. If the Company does not plan efficiently for increased capacity, or is unable to locate new sites, either for sale or for rent, on favorable terms, or is unable to commission new warehousing or distribution operations on a timely basis, the Company may not be able to successfully execute its growth strategy or may incur additional costs, which could materially adversely affect its business and financial results.

***Inventory Shrinkage***

The Company is subject to the risk of inventory loss and administrative or operator errors, including mislabeling, as well as damage, theft, and fraud. The Company experiences inventory shrinkage in the normal course of its business and cannot ensure that incidences of inventory loss and theft will decrease in the future or that measures taken will effectively address inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if the Company were to experience higher rates of inventory shrinkage or were required to incur increased security costs to limit inventory theft, its business and financial results could be materially adversely affected.

***Real Estate***

All of the Company's stores are leased from unaffiliated third parties. Unless the terms of the Company's leases are extended, the properties, together with any improvements that were made, will revert to the property owners upon expiration of the lease terms. As the terms of those leases expire, the Company may not be able to renew leases or promptly find alternative locations that meet its needs on favourable terms, or at all. Also, breaching the terms of a lease may result in the Company incurring substantial penalties, including, among others, paying all amounts due to the landlord for the balance of the lease term. If one or more of the foregoing risks materializes, the Company's business and financial results could be materially adversely affected.

***Seasonality***

Historically, the Company's highest sales have occurred in the fourth quarter, during the winter holidays selling season. Sales also generally increase ahead of other holidays and celebrations, such as Easter, Valentine's Day, and Halloween/Day of the Dead. Failure to adequately prepare for the holiday sales demands and the timing of certain holidays and of new store openings could have material adverse effects on the Company's business and financial results. In addition, the occurrence of unusually adverse weather, natural disasters, geopolitical events, pandemic or epidemic outbreaks or any other event beyond the Company's control and causing any disruption in its business

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activities or operations during a peak season could have an adverse effect on the distribution network and on store traffic, which could materially adversely affect its business and financial results.

***Private Brands***

The Company carries a substantial number of private brand items. Management believes that the Company's success in maintaining broad market acceptance of private brands depends on many factors, including pricing, quality and customer perception. If the Company does not achieve or maintain expected sales for private brands, or if it fails to successfully protect its proprietary rights in those brands or avoid claims related to the proprietary rights of third parties, its business and financial results could be materially adversely affected.

***Intellectual Property***

Management believes that trademarks and other proprietary rights are important to the Company's success and competitive position. Accordingly, the Company protects its trademarks and proprietary rights in Canada, Mexico and other relevant markets. However, monitoring the unauthorized use of one's intellectual property is difficult, and violations may not always become immediately known. Furthermore, the steps generally taken to address such violations, including sending demand letters and taking actions against third parties, may be inadequate to prevent imitation of products and concepts by others or to prevent others from claiming violations of their trademarks and proprietary rights by the Company. In addition, the Company's intellectual property rights may not have the value that management believes they have. If the Company is unsuccessful in protecting its intellectual property rights, or if another party prevails in litigation against it relating to its intellectual property rights, the value of the brand could be diminished, causing customer confusion and materially adversely affecting the Company's business and financial results. In addition, the Company may incur significant costs if it is required to change certain aspects of its branding and business operations.

***International Operations***

The Company's primary operations are in Mexico. Operations outside of Canada are exposed to risks inherent in foreign operations. These risks, which can vary substantially by market and jurisdiction, are described in many of the risk factors discussed in this section and also include the following:

- the adoption of laws, regulations and policies aimed at managing national economic conditions, such as increases in taxes, austerity measures that impact consumer spending, monetary policies that may impact inflation rates and currency fluctuations;
- the imposition of import restrictions or controls;
- the effects of legal and regulatory changes and the burdens and costs of compliance with a variety of foreign laws;
- changes in laws and policies that govern foreign investment and trade in the countries in which the Company operates, including in Latin America;
- breaches or violations of Canadian and other foreign anti-corruption and anti-bribery laws, including by the Company's employees, suppliers, contractors, agents or representatives;
- risks and costs associated with political and economic instability, corruption, and social and ethnic unrest in the countries in which the Company operates, including in Latin America;
- risks of operating in developing or emerging markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations and the enforceability of contract rights and intellectual property rights; and
- risks arising from the significant and rapid fluctuations in currency exchange markets, and the impact of any decisions and positions taken to hedge such volatility.

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**Financial Risks**

***Financial instruments***

The Company has classified cash as fair value through the condensed consolidated interim statements of loss and comprehensive loss and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of the Company's financial instruments approximate their fair values due to their short periods to maturity.

***Financial risk management***

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively.

The principal financial risks arising from financial instruments are liquidity risk, foreign currency risk, credit risk, and interest rate risk.

***Liquidity risk***

As at January 31, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities and lease liabilities which have contractual maturity dates within one year, with the exception of the long-term portion of lease liabilities, and the Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position as at January 31, 2021, management regards liquidity risk to be low.

***Foreign currency risk***

The Company's functional and the group's reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its Mexican subsidiaries, JOI, CANMEX and Pesorama Consulting whose functional currencies are the Mexican peso. As the Company operates internationally, certain of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are, therefore, subject to currency transaction and translation risks.

The impact to the net loss and comprehensive loss for the year ended January 31, 2021 had the US dollar ("USD") to CAD exchange rate changed by 10 percent would amount to approximately \$600 (2020 – immaterial), and the impact to net loss and comprehensive loss for the year had the CAD to MXN exchange rate changed by 10 percent would amount to approximately \$21,200 (2020 – immaterial).

At January 31, 2021, the Company has not entered into any hedging agreements to mitigate currency risks, respect to foreign exchange rates.

***Credit risk***

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist solely of cash since the Company does not make any sales on credit terms. The Corporation offsets the credit risk by depositing its cash with major financial institutions which have been assigned high credit ratings by internationally recognized credit rating agencies.

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***Interest rate risk***

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. As such, fluctuations of interest rates for the years ended January 31, 2021 and 2020 would not have had a significant impact on the consolidated financial statements since the Company has no debts.

**Market Risks**

***Retail Competition***

The Company operates in the value retail industry, which is highly competitive with respect to, among other things, price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. This competitive environment could materially adversely affect the Company's business and financial results due to the lower prices, and thus lower margins, that could be required to maintain its competitive position. Companies operating in the value retail industry have limited ability to increase prices in response to increased costs. This limitation may also affect margins and financial performance.

The Company also competes for customers, employees, store sites, products and services and in other important aspects of its business with many other local, regional and national retailers, including multi-price dollar stores, variety and discount stores and mass merchants. These retailers compete in a variety of ways, including aggressive promotional activities, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities and price. Management expects that the Company's expansion plans will increasingly bring it into direct competition with those other retailers.

Given the lack of significant economic barriers for other companies to open dollar stores or develop dollar store concepts within their existing retail operations, competition may also increase due to new value retailers entering the markets in which the Company operates. If the Company fails to respond effectively to competitive pressures and changes in the retail markets, its business and financial results could be materially adversely affected.

***E-Commerce and Disruptive Technologies***

Although the discount retail market in Mexico is still emerging, the Company may face increased competition from the use of mobile and web-based technology that facilitates online shopping and real-time product and price comparisons. Failure to adequately assess and address this evolving retail trend could have a material adverse impact on the Company's business and financial results.

***Economic Conditions***

Adverse Mexican or global economic conditions affecting disposable consumer income, employment levels, consumer debt levels, credit availability, business conditions, fuel and energy costs, rent, inflation, interest rates and tax rates could materially adversely affect the Company's business and financial results by reducing consumer spending or causing customers to shift their spending to other products the Company either does not sell or does not sell as profitably, which could translate into decreased sales volumes, slower inventory turnover and lower gross margin for the Company. In addition, similar adverse economic conditions could materially adversely affect the Company, its suppliers or other business partners by reducing access to liquid funds or credit, increasing the cost of credit, limiting the ability to manage interest rate risk, increasing the risk of insolvency or bankruptcy of the Company, its suppliers, landlords or financial counterparties, increasing the cost of goods, and other impacts which cannot be fully anticipated.

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**Human Resources Risks**

***Reliance on Key Personnel***

The Company's senior executives have extensive experience in the industry, with the Company, and with its suppliers, products, and customers. The loss of management knowledge, expertise, and technical proficiency resulting from the loss of one or more members of the core management team could result in a diversion of management resources or a temporary executive gap, and negatively affect the Company's ability to develop and pursue other business strategies, which could materially adversely affect its business and financial results. Also, the expertise pertaining to purchasing and import management, especially as it relates to the dollar store industry, is rare and the loss of key executives leading those functions could have a material adverse effect on the Company's ability to continue to offer a compelling product offering to its customers, which in turn could materially adversely affect its business and financial results.

***Recruitment, Retention and Management of Quality Employees***

Future growth and performance depend, among other things, on the Company's ability to attract, retain and motivate quality employees, many of whom are in positions with historically high rates of turnover. The Company's ability to meet its labour needs, while controlling labour costs, is subject to many external factors, including the competition for and availability of quality personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labour legislation (including changes in the process for employees to join a union) or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). In addition, the Company must be able to successfully manage personnel throughout its growing and increasingly geographically dispersed network of stores.

**Technology Risks**

***Information Technology Systems***

The Company depends on its information technology systems for the efficient functioning of its business, including financial reporting and accounting, purchasing, inventory management and replenishment, labour forecasting and scheduling, payroll processing, data storage, customer transactions processing and store communications. Enterprise-wide software solutions enable management to efficiently conduct operations, and gather, analyze and assess information across all business functions and geographic locations.

Management believes that the Company's information technology architecture is resilient, relying on redundant material components to prevent material failures and redundant telecommunication links to prevent communication failures. However, systems may be subject to damage or interruption resulting from power outages, telecommunication failures, computer viruses, security breaches, cyber-attacks and catastrophic events. Difficulties with the hardware and software platform may require the Company to incur substantial costs to repair or replace it, could result in a loss of critical data or could disrupt operations, including the Company's ability to timely ship and track product orders, forecast inventory requirements, manage the supply chain, process customer transactions and otherwise adequately service customers, which, in each case, could have a material adverse effect on the Company's business and financial results. Prolonged disruptions to information technology systems may reduce the efficiency of the Company's operations, which could materially adversely affect its business and financial results.

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***Data Security and Privacy Breaches***

Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication of perpetrators of cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events. Cyber-threats in particular vary in technique and sources, are persistent, and are increasingly more targeted and difficult to detect and prevent.

Cyber-attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Company's information technology systems, networks and websites, the introduction of computer viruses and other malicious codes, and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. They could result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence. Cyber-attacks and security breaches could therefore materially adversely affect the Company's business and financial results.

While the Company has dedicated resources and utilizes third party technology products and services to help protect the Company's information technology systems and infrastructure as well as its proprietary and confidential information against security breaches and cyber incidents, such measures may not be adequate or effective to prevent or identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions, which could cause damage in excess of any available insurance, and could materially adversely affect its business and financial results.

**Strategy and Corporate Structure Risks**

***Growth Strategy***

The Company's ability to successfully execute its growth strategy will depend largely on its ability to successfully open and operate new stores, which, in turn, will depend on a number of operational, financial, and economic factors, including whether it can:

- locate, lease, build out, and open stores in suitable locations on a timely basis and on favourable economic terms;
- hire, train, and retain an increasing number of quality employees at competitive rates of compensation;
- supply an increasing number of stores with the proper mix and volume of merchandise;
- expand into new Mexican markets outside Mexico City, where it has limited presence;
- procure efficient logistics and transportation services for those new markets;
- successfully compete against local competitors; and
- build, expand and upgrade warehousing and distribution facilities as well as store support systems in an efficient, timely and economical manner.

Any failure by the Company to achieve these goals could materially adversely affect its ability to continue to grow. In addition, if the expansion occurs as planned, the Company's store base will include a relatively high proportion of stores with a relatively short history of operations. If new stores on average fail to achieve results comparable to existing stores, the Company's business and financial results could be materially adversely affected.

***Corporate Structure***

PesoRama Inc. is a holding company and a substantial portion of its assets are the equity interests in its subsidiaries. As a result, the Company is subject to the risks attributable to PesoRama Inc.'s subsidiaries. As a holding company, PesoRama Inc. conducts substantially all its business through its subsidiaries, which generate substantially all of

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PesoRama Inc.'s revenues. Consequently, PesoRama Inc.'s cash flows, and its ability to meet financial obligations and to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to PesoRama Inc. The ability of these entities to pay dividends and other distributions will depend on their operating results and may potentially be constrained by various contractual restrictions. PesoRama Inc.'s subsidiaries are distinct legal entities and have no obligation to make funds available to PesoRama Inc. or any of its creditors, except in certain circumstances and subject to certain terms and conditions in the case of a subsidiary that is a guarantor of PesoRama Inc.'s obligations. In the event of a bankruptcy liquidation of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to PesoRama Inc.

**Business Continuity Risks**

***Adverse Weather, Natural Disasters, Climate Change, Geopolitical Events, Pandemic and Epidemic Outbreaks***

The occurrence of one or more natural disasters, such as earthquakes and hurricanes, unusually adverse weather exacerbated by global climate change or otherwise, pandemic or epidemic outbreaks, boycotts and geopolitical events, such as civil unrest in countries in which suppliers are located or in which the Company operates, and acts of terrorism, or similar disruptions could materially adversely affect the Company's business and financial results. Furthermore, the impact of any such events on its business and financial results could be exacerbated if they occur during a period of the year when sales generally increase.

These events could result in physical damage to one or more of the Company's properties; increases in fuel or other energy prices; disruption to information systems; the temporary or long-term disruption in the supply of products from some local and overseas suppliers; the temporary disruption in the transportation of goods from overseas; delays in the delivery of goods to warehouses, distribution centres, or stores; the temporary or permanent closure of one or more warehouses or distribution centres or of one or more stores; the temporary reduction in the availability of products in stores; delays in opening new stores; a temporary workforce unavailability in a market or a surge in unemployment; the temporary reduction of store traffic; significant disruption in everyday life and consumer spending habits in the markets in which the Company operates; and/or the loss of sales. These factors could materially adversely affect the Company's business and financial results, for a short or long period, and there is no assurance that business will resume and reach historical levels after any such event.

***Insurance***

The Company's insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that management believes are reasonable based on the nature and size of the Company's operations. However, there are types of losses against which the Company cannot be insured or which management chose not to insure, in some cases because it believes it is not economically reasonable to do so, such as losses due to acts of war, nuclear disaster, pandemic, epidemic, reputational risks, supply chain issues, certain cyber risks, product recalls, employee turnover, strikes and some natural disasters. If the Company incurs these losses and they are material, its business and financial results could be materially adversely affected. In addition, certain material events may result in sizable losses for the insurance industry and materially adversely affect the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, the Company may elect to increase its level of self-insurance, accept higher deductibles, or reduce the amount of coverage in response to these market changes. Although it continues to maintain property insurance for catastrophic events, the Company is effectively self-insured for property losses up to the amount of its deductibles. If it experiences a greater number of these losses than anticipated, the Company's business and financial results could be materially adversely affected.

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**Legal and Regulatory Risks**

***Product Liability Claims and Product Recalls***

The Company sells products manufactured by unaffiliated third parties. Manufacturers might not adhere to product safety requirements or quality control standards, and the Company might not identify the deficiency before merchandise is shipped to stores and sold to customers. As a result, the products sold by the Company may expose it to product liability claims relating to personal injury, death, or property damage, and may require the Company to take actions or act as a defendant in a litigation. In addition, if suppliers are unable or unwilling to recall products failing to meet quality standards, the Company may be required to remove merchandise from the shelves or recall those products at a substantial cost. Product liability claims and product recalls may affect customers' perception of the business or the brand and harm the Company's reputation, which may materially adversely affect its business and financial results. Although the Company maintains liability insurance to mitigate potential claims, it cannot be certain that coverage will be adequate or sufficient to cover for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.

***Litigation***

The Company's business is subject to the risk of litigation by employees, customers, consumers, product suppliers, service providers, other business partners, competitors, shareholders, government agencies, or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation, including, in the case of administrative proceedings, as a result of reviews by taxation authorities. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. In addition, certain of these lawsuits or claims, if decided adversely to the Company or settled by it, may result in liability material to its financial statements as a whole or may negatively affect operating results if changes to business operations are required. In addition, in connection with its business activities, the Company is subject to reviews by taxation authorities. There is no assurance that any such reviews will not result in taxation authorities challenging any of its tax filings.

The cost to defend litigation may be significant. There also may be adverse publicity associated with litigation, including without limitation litigation related to product safety, which could negatively affect customer perception of the business or the brand, regardless of whether the allegations are valid or whether the Company is ultimately found liable. As a result, litigation could materially adversely affect the Company's business and financial results.

***Regulatory Environment***

The Company is subject to many laws and regulations, including laws and regulations related to, among other things, permits and licences, product safety, labour practices, health and safety, merchandise quality, labelling, intellectual property, data privacy, environmental levies, trade and customs, bribery and corruption.

Compliance with existing or new laws and regulations, or changes in the interpretation, implementation or enforcement of any laws and regulations, could require the Company to make significant system or operating changes or require it to make significant expenditures or incur substantial costs, all of which could materially adversely affect its business and financial results. In addition, untimely compliance or non-compliance with any laws and regulations could trigger litigation or governmental enforcement action, or require the payment of any fines or penalties, and harm the Company's reputation, which could materially adversely affect the Company's business and financial results.

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In addition, the Company and its representatives are subject to anti-corruption and anti-bribery laws that prohibit improper payments directly or indirectly to government officials, authorities, or persons defined in those anti-corruption and anti-bribery laws, to obtain business or other improper advantages in the conduct of business. Failure by the Company or any of its employees, subcontractors, suppliers, agents, and/or representatives to comply with anti-corruption and anti-bribery laws could result in criminal, civil and administrative legal sanctions and negative publicity, and could materially adversely affect the Company's business and financial results as well as its brand image and reputation.

***Environmental Compliance***

Under various federal, provincial, and local environmental laws and regulations, current or previous owners or occupants of property may become liable for the costs of investigating, removing and monitoring any hazardous substances found on the property. These laws and regulations often impose liability without regard to fault.

Accordingly, it is possible that environmental liabilities may arise in the future as a result of any generation and disposal of such hazardous materials. Although it has not been notified of, and management is not aware of, any current material environmental liability, claim, or non-compliance, the Company could incur costs in the future related to its properties to comply with, or address any violations under, environmental laws and regulations.

In the ordinary course of business, the Company sometimes uses, stores, handles or disposes of household products and cleaning supplies that are classified as hazardous materials under various environmental laws and regulations. Also, products sold by the Company may be subject to environmental regulations prohibiting or restricting the use of certain toxic substances in the manufacturing process.

The Company cannot predict the environmental laws or regulations that may be enacted in the future or how existing or future laws and regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretations of existing laws and regulations, may require additional expenditures or impose fines or penalties, which could vary substantially from those currently anticipated and could materially adversely affect the Company's business and financial results.

***Climate Change***

Climate change is an international concern that is receiving increasing attention worldwide. As a result, in addition to the physical risks associated with climate change, there is the risk that the government introduces climate change legislation and treaties that could result in increased costs, and therefore, decreased profitability of the Company's operations.

Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of greenhouse gas (GHG) emissions. GHG regulations could require the Company to purchase allowances to offset the Company's own emissions or result in an overall increase in costs or operating expenses, any of which could materially adversely affect the Company's business and financial results. While additional regulation of emissions in the future appears likely, it is too early to predict whether this regulation could ultimately have a material adverse effect on the Company's business or financial results.

***Shareholder Activism***

The Company may be subject to legal and business challenges in the operation of its business due to actions

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

instituted by activist shareholders or others. Responding to such actions can be costly and time-consuming, disrupting business operations and diverting the attention of management and employees. Such investor activism could result in uncertainty of the direction of the Company, substantial costs and diversion of management's attention and resources, which could harm the business, hinder execution of the business strategy and initiatives and create adverse volatility in the market price and trading volume of the Company's shares.

**Internal Controls over Financial Reporting**

Management has developed a system for internal controls over financial reporting to provide reasonable assurance about the reliability of the financial information published and the preparation of the financial statements in accordance with IFRS. The CEO and the CFO are responsible for developing internal controls over financial reporting or the supervision of their development.

**Share Information**

The Company's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized.

As at January 31, 2021, there were 47,139,610 common shares issued and outstanding. In addition, there were 1,800,000 options, 1,910,520 agent's warrants, 6,750,000 performance warrants, and 18,021,760 share purchase warrants, each exercisable for one common share, issued and outstanding as at January 31, 2021.

**Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**PesoRama Inc.**  
**Interim Condensed Consolidated Financial Statements**  
**For the three months ended April 30, 2021**  
(Expressed in Canadian dollars)  
(Unaudited)

**NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim condensed consolidated financial statements of PesoRama Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

# PESORAMA INC.

## Interim Condensed Consolidated Statements of Financial Position (Expressed in Canadian Dollars) (unaudited)

	As at April 30, 2021	As at January 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,393,605	642,402
Taxes receivable (Note 5)	2,061,136	1,861,549
Deposits to suppliers	496,637	403,842
Prepaid expenses and other receivables	47,991	25,128
Inventory (Note 4)	3,907,050	3,954,673
<b>Total current assets</b>	<b>9,906,419</b>	<b>6,887,594</b>
<b>Non-current assets</b>		
Property and equipment (Note 6)	3,589,684	2,937,008
Intangible assets (Note 7)	166,056	166,321
Security deposits	147,396	152,382
Right-of-use assets (Note 8)	4,778,648	3,269,663
<b>Total non-current assets</b>	<b>8,681,784</b>	<b>6,525,374</b>
<b>Total assets</b>	<b>18,588,203</b>	<b>13,412,968</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	3,564,892	3,333,694
Current portion of lease liabilities (Note 8)	822,367	640,877
<b>Total current liabilities</b>	<b>4,387,259</b>	<b>3,974,571</b>
<b>Non-current liabilities</b>		
Lease liabilities (Note 8)	4,408,506	3,040,769
Convertible debentures (Note 9)	3,730,020	-
Derivative financial instrument (Note 9)	1,432,337	-
<b>Total non-current liabilities</b>	<b>9,570,863</b>	<b>3,040,769</b>
<b>Total liabilities</b>	<b>13,958,122</b>	<b>7,015,340</b>
<b>Shareholders' Equity</b>		
Share capital (Note 10)	17,493,563	17,447,504
Warrants reserve (Note 11)	635,804	513,028
Share-based compensation reserve (Note 12)	223,483	223,483
Accumulated other comprehensive loss	(339,857)	(6,829)
Deficit	(13,382,913)	(11,779,558)
<b>Total shareholders' equity</b>	<b>4,630,080</b>	<b>6,397,628</b>
<b>Total liabilities and shareholders' equity</b>	<b>18,588,202</b>	<b>13,412,968</b>

*The accompanying notes to the unaudited interim condensed consolidated financial statements are an integral part of these statements*

**Nature of operations (Note 1)**

**Commitments (Note 18)**

**Subsequent events (Note 19)**

**PESORAMA INC.****Interim Condensed Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)  
(Unaudited)**

	Three Months Ended	
	April 30, 2021	April 30, 2020
Revenue	1,658,907	897,627
Cost of sales		
Inventory expensed	897,150	583,968
Distribution costs	247,480	150,228
<b>Gross margin</b>	<b>514,277</b>	<b>163,431</b>
General, administrative, and store operating expenses (Note 17)	1,382,234	1,173,579
Depreciation and amortization (Note 17)	544,978	265,246
<b>Operating loss</b>	<b>(1,412,935)</b>	<b>(1,275,394)</b>
Financing costs (Note 17)	221,502	759,922
Other items (Note 17)	(31,082)	9,985
<b>Net Loss</b>	<b>(1,603,355)</b>	<b>(2,045,301)</b>
<b>Net comprehensive loss</b>		
Currency translation adjustment	(333,028)	(455,005)
<b>Net comprehensive loss</b>	<b>(1,936,383)</b>	<b>(2,500,306)</b>
<b>Basic and diluted loss per share</b>	<b>(0.034)</b>	<b>(0.045)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>47,239,143</b>	<b>45,624,426</b>

*The accompanying notes to the unaudited interim condensed consolidated financial statements are an integral part of these statements*

**PESORAMA INC.****Interim Condensed Consolidated Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)****(unaudited)**

	Number of Common Shares	Share capital	Warrants reserve	Share-based compensation reserve	Accumulated other comprehensive loss	Deficit	Total Shareholders Equity
Balance at January 31, 2021	47,139,610	17,447,504	513,028	223,483	(6,829)	(11,779,558)	6,397,628
Exercise of broker warrants (Note 10(b)(i))	28,601	22,309	(858)	-	-	-	21,451
Exercise of share purchase warrants (Note 10(b)(ii))	475,000	23,750	-	-	-	-	23,750
Issuance of subscriber warrants associated with convertible debentures (Note 12(a)(i))	-	-	22,579	-	-	-	22,579
Issuance of finders warrants associated with convertible debentures (Note 11(i))	-	-	101,055	-	-	-	101,055
Currency translation adjustment of foreign operations	-	-	-	-	(333,028)	-	(333,028)
Net loss for the period	-	-	-	-	-	(1,603,355)	(1,603,355)
<b>Balance at April 30, 2021</b>	<b>47,643,211</b>	<b>17,493,563</b>	<b>635,804</b>	<b>223,483</b>	<b>(339,857)</b>	<b>(13,382,913)</b>	<b>4,630,080</b>
Balance at January 31, 2020	45,624,426	17,235,218	724,459	223,483	(32,129)	(4,748,209)	13,402,822
Currency translation adjustment of foreign operations	-	-	-	-	(455,005)	-	(455,005)
Net loss for the period	-	-	-	-	-	(2,045,301)	(2,045,301)
<b>Balance at April 30, 2020</b>	<b>45,624,426</b>	<b>17,235,218</b>	<b>724,459</b>	<b>223,483</b>	<b>(487,134)</b>	<b>(6,793,510)</b>	<b>10,902,516</b>

*The accompanying notes to the unaudited interim condensed consolidated financial statements are an integral part of these statements*

**PESORAMA INC.****Interim Condensed Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)****(unaudited)**

	<b>Three Months Ended</b>	
	<b>April 30, 2021</b>	<b>April 30, 2020</b>
<b>Operating Activities</b>		
Net Loss	(1,603,355)	(2,045,301)
Adjustments for items not affecting cash:		
Depreciation and amortization	252,359	122,965
Depreciation, right-of-use assets	292,619	142,281
Interest on short-term investment	-	(6,420)
Interest on lease liabilities	137,095	73,827
Interest on convertible debentures	82,524	-
Accretion on convertible debentures	107,723	-
Changes in non-cash working capital items		
Taxes receivable	(261,022)	(606,723)
Deposits to suppliers	(116,262)	(4,920)
Prepaid expenses and other receivables	(15,197)	(137,040)
Inventory	(50,446)	(348,626)
Security deposits	-	(1,431)
Accounts payable and accrued liabilities	289,869	788,745
<b>Net cash and cash equivalents used in operating activities</b>	<b>(884,093)</b>	<b>(2,022,643)</b>
<b>Investing Activities</b>		
Purchase of property and equipment	(988,531)	(314,122)
Purchase of intangible assets	(13,758)	(105,517)
Proceeds of short-term investment	-	2,060,815
<b>Net cash and cash equivalents used in investing activities</b>	<b>(1,002,289)</b>	<b>1,641,176</b>
<b>Financing Activities</b>		
Options and subscriber warrants exercised	23,750	-
Agents and finders warrants exercised	21,451	-
Cash received for debentures issued	5,542,000	-
Debenture issue costs	(446,255)	-
Lease payments	(343,564)	(114,656)
<b>Net cash and cash equivalents (used in) provided by financing activities</b>	<b>4,797,382</b>	<b>(114,656)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>642,402</b>	<b>4,673,131</b>
Effect of foreign currency translation on cash	(159,798)	833,840
<b>Net decrease in cash and cash equivalents</b>	<b>2,911,000</b>	<b>(496,123)</b>
<b>Cash and cash equivalents, end of period</b>	<b>3,393,604</b>	<b>5,010,848</b>

*The accompanying notes to the unaudited interim condensed consolidated financial statements are an integral part of these statements*

## 1. NATURE OF OPERATIONS

PesoRama Inc. (the "Company" or "PesoRama") was incorporated on October 16, 2017, under the Business Corporations Act (Canada). The Company's registered office is located at 1900, 520 - 3rd Avenue SW Calgary, Alberta T2P 0R3.

The Company is the ultimate parent company of its wholly owned subsidiaries, Canmex Dollar Stores, S.A. de C.V. ("CANMEX"), which was incorporated on December 5, 2018 in Mexico City, Mexico, Joi Canadian Stores, S.A. de C.V. ("JOI"), which was incorporated on April 23, 2019 in Mexico City, Mexico, Pesorama Consulting Services, S.A. de C.V. ("Pesorama Consulting"), which was incorporated on June 27, 2019 in Mexico City, Mexico and Pesorama Stores Services, S.A de C.V. ("Pesorama Stores"), which was incorporated on May 19, 2020 in Mexico City, Mexico. Pesorama Stores was inactive as at April 30, 2021. PesoRama is operating discount retail stores in Mexico offering consumers a high variety of products with focus on the single price point segment of the retail market.

### **Going concern**

These interim condensed consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the three months ended April 30, 2021, the Company incurred a net loss of \$1.6 million (April 30, 2020 - \$2.0 million) and used \$0.9 million of cash from operating activities (April 30, 2020 - used \$2.0 million) and as at April 30, 2021 had an accumulated deficit of \$13.4 million (April 30, 2020 - accumulated deficit of \$6.8 million). The Company will need to raise additional financing to continue operations and fund its expansion strategy consisting of opening additional stores. In addition, management understands that the current economic conditions are impacted by the global outbreak of COVID-19.

Although the Company has been successful in the past in obtaining financing and believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. No adjustments have been made to the amounts and classification of assets, liabilities, revenues, and expenses to reflect these uncertainties, should the company not be successful in raising additional funds, and any adjustments required to the accounts could be material.

The Company closed unsecured convertible debenture financing (the "Debentures") during the three months ended April 30, 2021, issuing 5,542 Debentures at a face value of \$1,000 each for total gross proceeds of \$5,542,000 to support ongoing store operations and new store openings. See Note 9 (Convertible Debentures) for further disclosures regarding unsecured convertible debenture financing.

In addition, PesoRama has entered into an amalgamation agreement dated March 8, 2021, with Skyscape Capital Inc. ("Skyscape"), a capital pool company as defined under TSX Venture Exchange, whereby Skyscape and PesoRama will complete a reverse acquisition transaction to ultimately form the resulting issuer, which will continue to carry on the business of PesoRama. Please see Note 3 for further disclosures regarding the reverse takeover. As of the date these financials were issued, the Company continues to move forward with the reverse acquisition transaction, with an expected closure in the third quarter of the current fiscal year.

Management believes that the going concern assumption is appropriate for these interim condensed consolidated financial statements and that the Company will be able to meet its budgeted capital and administrative costs as well as other potential commitments during the upcoming year and beyond. There is no guarantee that the Company will be successful in either its operating or financing endeavors. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these interim condensed consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities, and these adjustments could be significant.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### **Basis of presentation**

The unaudited interim condensed consolidated financial statements of the Company have been prepared under International Financial Reporting Standards ("IFRS") in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). The policies applied in these unaudited interim condensed consolidated financial statements are based on IFRS' issued and

**Notes to Interim Condensed Consolidated Financial Statements***For the three months ended April 30, 2021**(Expressed in Canadian dollars (\$), unless otherwise noted)*

outstanding as at September 21, 2021, the date the Board of Directors approved these unaudited interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements follow the same accounting policies and method of computation as the Company's annual audited consolidated financial statements for the year ended January 31, 2021, except for certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These interim condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended January 31, 2021.

***Basis of measurement***

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss ("FVTPL") and lease liabilities and convertible debentures recorded at amortized cost. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

***Functional and presentation currency***

The Company's functional currency is the Canadian dollar ("CAD"), and its subsidiaries CANMEX's, JOI's and Pesorama Consulting's functional currencies are the Mexican peso ("MXN"). The Company's presentation currency is the Canadian dollar, which is the functional currency of the parent entity, PesoRama Inc.

**Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the financial position date. The resulting exchange gains and losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of transaction.

**Presentation currency**

The results and financial position of Canmex, JOI and Pesorama Consulting are translated into Canadian dollars for presentation purposes using the following procedures:

- (a) Assets and liabilities for each statement of financial position presented (i.e. including comparatives) are translated at the closing rate at the date of that statement of financial position;
- (b) Income and expenses for each statement presenting profit or loss and other comprehensive loss (i.e. including comparatives) are translated at the average exchange rates for the period at which the transactions occurred; and
- (c) Equity items for each statement of financial position presented are translated at historical rates; and
- (d) All resulting exchange differences are recognized in other comprehensive loss.

***Basis of consolidation***

The interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Subsidiaries are included in the interim condensed consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. As of April 30, 2021, the subsidiaries of the Company are CANMEX, JOI, Pesorama Consulting and Pesorama Stores which are incorporated under the jurisdiction of Mexico and an officer of the Company holds certain nominal interest in for legal purposes. No non-controlling interest is attributed to these nominal holdings.

**Notes to Interim Condensed Consolidated Financial Statements**

*For the three months ended April 30, 2021*

*(Expressed in Canadian dollars (\$), unless otherwise noted)*

All transactions and balances between companies are eliminated on consolidation. Each entity within the consolidated group determines its own functional currency and items included in the interim condensed consolidated financial statements of each entity are measured using the functional currency.

The interim condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

The consolidating entities include:

	<b>% of ownership</b>	<b>Jurisdiction</b>
PesoRama Inc.	Parent	Canada
Canmex Dollar Stores, S.A. de C.V.	100%	Mexico
Joi Canadian Stores, S.A. de C.V.	100%	Mexico
PesoRama Consulting Services, S.A. de C.V.	100%	Mexico
PesoRama Stores Services, S.A. de C.V. (inactive at year-end)	100%	Mexico

***Use of judgments, estimates and assumptions***

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The judgements, estimates, and assumptions applied in these Interim condensed consolidated Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial statements for the year ended January 31, 2021, with the exception of additional judgments, estimates, and assumptions applied in connection with the convertible debentures and derivative financial instrument discussed in Note 9.

**3. RTO TRANSACTION**

On March 8, 2021, the Company entered into a definitive agreement with Skyscape whereby Skyscape and PesoRama will complete a reverse takeover transaction (the "RTO Transaction") to ultimately form the resulting issuer, which will continue to carry on the business of PesoRama. PesoRama has agreed to, among other things, exchange all issued and outstanding shares on the basis of one Skyscape share for each PesoRama common share. PesoRama would then be amalgamated with Skyscape's wholly owned subsidiary, 11518003 Canada Inc., to form a new wholly owned subsidiary. It is intended that, immediately prior to the completion of the RTO Transaction, Skyscape will change its name to "PesoRama Inc." The RTO Transaction is intended to serve as Skyscape's qualifying transaction under Exchange Policy 2.4 – Capital Pool Companies.

**4. INVENTORY**

As of April 30, 2021, the Company maintained finished good inventory of \$3,907,050 (January 31, 2021 - \$3,954,673). The Company's inventory balance consists of inventory held at the Company's warehouse and stores as at April 30, 2021. The cost of inventories included in cost of sales for the three months ended April 30, 2021, was \$897,150 (April 30, 2020 - \$583,968).

**5. SALES TAX RECEIVABLE**

Sales tax receivable consists of goods and services tax (GST) of PesoRama and net value added tax ("VAT") of JOI, Canmex and Pesorama Consulting as at April 30, 2021. Both GST and VAT are indirect taxes which are refundable for amounts paid by each entity

## Notes to Interim Condensed Consolidated Financial Statements

For the three months ended April 30, 2021

(Expressed in Canadian dollars (\$), unless otherwise noted)

to their vendors. GST returns for PesoRama are filed on a quarterly basis. As at April 30, 2021, the Company is in the process of claiming VAT refunds for JOI, Canmex and Pesorama Consulting.

Legal Entity	Tax Type	April 30, 2021	January 31, 2021
PesoRama Inc.	GST	101,569	49,651
Joi Canadian Stores, S.A. de C.V.	VAT	1,765,367	1,594,364
Canmex Dollar Stores, S.A. de C.V.	VAT	224,819	225,049
Pesorama Consulting Services, S.A. de C.V.	VAT	(30,619)	(41,133)
<b>Total</b>		<b>2,061,136</b>	<b>1,827,931</b>

## 6. PROPERTY AND EQUIPMENT

For the three months ended April 30, 2021

	Cost opening balance	FX	Additions	Cost ending balance	Opening balance, acc. depr.	FX	Current year depr.	Acc. depr.	Apr 30, 2021 - Net book value	Jan 31, 2021 - Net book value
Furniture and equipment, office	42,858	(894)	1,632	43,596	(6,347)	115	(1,058)	(7,290)	36,306	36,511
Furniture and equipment, stores	625,461	(20,461)	24,750	629,750	(53,278)	1,951	(15,486)	(66,813)	562,937	572,183
Computer hardware	151,899	(4,485)	23,056	170,470	(40,375)	1,196	(11,202)	(50,381)	120,089	111,524
Communication equipment	81,184	(2,656)	-	78,528	(29,941)	1,060	(5,970)	(34,851)	43,677	51,243
Leasehold improvements	2,819,542	(92,238)	939,093	3,666,397	(653,995)	24,216	(209,943)	(839,722)	2,826,675	2,165,547
<b>Total</b>	<b>3,720,944</b>	<b>(120,734)</b>	<b>988,531</b>	<b>4,588,741</b>	<b>(783,936)</b>	<b>28,538</b>	<b>(243,659)</b>	<b>(999,057)</b>	<b>3,589,684</b>	<b>2,937,008</b>

Leasehold improvements include a total of \$1,046,084 relating to renovation work in progress for certain stores for which no amortization has been recorded in the period ended April 30, 2021 (January 31, 2021 - \$nil). As at April 30, 2021, the Company has committed to construction contracts relating to renovation work to be done in preparation for its new stores for a total of \$828,725.

## 7. INTANGIBLE ASSETS

For the three months ended April 30, 2021

	Cost opening balance	FX	Additions	Cost ending balance	Opening balance, acc. depr.	FX	Current year depr.	Acc. depr.	Apr 30, 2021 - Net book value	Jan 31, 2021 - Net book value
Software license	203,554	(6,659)	13,758	210,653	(118,836)	4,006	(8,700)	(123,530)	87,123	84,718
Software in development	81,603	(2,670)	-	78,933	-	-	-	-	78,933	81,603
<b>Total</b>	<b>285,157</b>	<b>(9,329)</b>	<b>13,758</b>	<b>289,586</b>	<b>(118,836)</b>	<b>4,006</b>	<b>(8,700)</b>	<b>(123,530)</b>	<b>166,056</b>	<b>166,321</b>

Software in development represents work performed by a third-party contractor to improve the Company's software for tracking sales and inventory at its stores as well as create interfaces to the general ledger. The software is expected to be fully implemented by December 31, 2021. No amortization was claimed on the software in development during the three months ended April 30, 2021 as it was not ready to be placed in service at quarter end.

## Notes to Interim Condensed Consolidated Financial Statements

For the three months ended April 30, 2021

(Expressed in Canadian dollars (\$), unless otherwise noted)

**8. LEASES**

The operating leases of the Company relate to 20 store leases for Joi and 1 office lease for Canmex.

*Right-of-use Assets*

	<b>2021</b>	<b>2020</b>
Cost - Opening balance	4,247,542	3,121,806
Additions	1,886,928	-
Effect of foreign exchange rate changes	(138,954)	(530,010)
Cost - Ending balance at April 30	5,995,516	2,591,796
Accumulated depreciation - Opening balance	977,879	370,630
Depreciation on ROU assets	274,672	142,281
Effect of foreign exchange rate changes	(35,683)	(74,045)
Accumulated depreciation - Ending balance at April 30	1,216,868	441,866
Ending balance at April 30	4,778,648	2,149,930

*Lease Liability*

	<b>2021</b>	<b>2020</b>
Opening balance - January 31	3,681,646	2,752,704
Additions	1,854,475	-
Lease liability expense	137,095	73,827
Lease payments	(343,564)	(104,920)
Effect of foreign exchange rate changes	(98,779)	(446,083)
Ending balance, net - April 30	5,230,873	2,275,528
	<b>2021</b>	<b>2020</b>
Current portion	822,367	343,241
Non-current portion	4,408,506	1,932,287
Total balance	5,230,873	2,275,528

The table below summarizes the remaining expected lease payments under operating leases as of April 30, 2021:

<i>Fiscal Years</i>	
2022	1,034,246
2023	1,589,592
2024	1,691,570
2025	1,514,500
2026	862,490
Thereafter	271,185
Less: imputed interest	(1,732,710)
Present value of operating lease liabilities	5,230,873

**9. CONVERTIBLE DEBENTURES**

On March 2, 2021, PesoRama closed the first tranche of its senior unsecured convertible debenture financing (the "Debentures"), issuing 4,832 Debentures at a face value of \$1,000 each for gross proceeds of \$4,832,000. On April 1, 2021, the Company closed the second tranche, issuing an additional 710 Debentures at a face value of \$1,000 each for gross proceeds of \$710,000. Total transaction fees on both tranches were \$446,255, for net proceeds of \$5,095,745, before finders warrants. The Debentures bear an annual interest rate of 9.875% compounding semi-annually and have a maturity date of March 2, 2023 (the "Maturity Date"). The Company may, at its sole discretion, redeem the debentures at any time prior to the Maturity Date at a redemption price equal to 1.25

## Notes to Interim Condensed Consolidated Financial Statements

For the three months ended April 30, 2021

(Expressed in Canadian dollars (\$), unless otherwise noted)

times the outstanding principal amount plus all accrued and unpaid interest up to and including the redemption date. Successful completion of the RTO Transaction will trigger automatic conversion of all outstanding Debentures to PesoRama common shares (the "Shares" or the "PesoRama Shares"), equal to the face value of outstanding Debentures plus accrued but unpaid interest up to the date of the RTO Transaction, divided by 85% of the Company's Share price on the date of the RTO Transaction. Interest is payable upon the earlier of a) maturity, b) automatic conversion, or c) redemption. Each Debenture is convertible to PesoRama Shares at a rate of 85% of the per-Share price attributed to the Company's Shares on the RTO Transaction date.

In the event that the RTO Transaction or other qualifying liquidity event is not completed on or prior to the date 12 months from the closing of the offering, the Debenture holders shall be issued one \$100 principal amount of senior unsecured convertible debenture (an "Additional Debenture") for each Debenture held, for no additional consideration.

Each Debenture also includes 50 warrants, each of which entitles the holder to purchase one Share at a price of \$1.25. The warrants for the two tranches are set to expire on March 2, 2023 and April 1, 2023, respectively. However, if the daily volume-weighted average price of the Shares exceeds \$2.00 per Share for a period of at least 10 consecutive trading days, the Company may, at its sole discretion, elect to accelerate the expiry date. If the Company makes this election, they must notify all warrant holders within 5 trading days of their intention to accelerate the expiry date. The accelerated expiry date may not be less than 30 days after the date upon which notice is given.

Finder warrants of 5,034 were issued to brokers in connection with the debenture financing above, whereby the holders may purchase a number of PesoRama Shares at any time on or before the expiry date of March 2, 2023, and April 1, 2023, respectively. The number of Shares will be equal to the product obtained by multiplying (a) the quotient obtained by dividing 1,000 by the conversion price; and (b) 7 percent, for each warrant exercised at the exercise price per Share that is equal to the conversion price.

The conversion feature within the Debentures is considered an embedded derivative liability as the contractual right is for conversion to a variable number of Shares depending on the per-Share price attributed to the Company's Shares on the RTO Transaction date. The Black-Scholes option pricing model was used to estimate the fair value of the embedded derivative liability using the assumptions of Share price, expected Share price volatility, remaining life of the underlying conversion feature, expected dividend yield and the risk-free interest rate relevant at each date when such valuation is estimated (see Note 11 for specific valuation details).

On the date of issuance, the Company recognized a fair value of \$1,432,337, net of transaction costs, for embedded derivative liability at issuance, and a fair value of \$22,579, net of transaction costs, for the warrants at issuance (see Note 12), with a residual value assigned to the debt component of the Debentures of \$3,539,773, net of transaction costs. The embedded derivative liability and the debt component of the convertible debenture have been classified to non-current liabilities within the statement of financial position.

The components of the Company's Debentures as at April 30, 2021 are as follows:

	Liability Component	Derivative Liability	Warrant Component	Total
On date of issuance, net of transaction costs	3,539,773	1,432,337	22,579	4,994,689
Interest expense	82,524	-	-	82,524
Accretion	107,723	-	-	107,723
Balance, April 30, 2021	3,730,020	1,432,337	22,579	5,184,936

## 10. SHARE CAPITAL

### a) Authorized share capital

The authorized share capital consists of an unlimited number of PesoRama common shares (the "Shares"). The Shares do not have a par value.

**b) Common shares issued and outstanding**

*For the three months ended April 30, 2021*

- (i) On March 17, 2021, broker warrants issued on March 21, 2019 were exercised to purchase 28,601 Shares at \$0.75 per share for cash proceeds of \$21,451.
- (ii) On April 14, 2021, share purchase warrants issued on April 19, 2018 were exercised to purchase 475,000 Shares at \$0.05 per Share for cash proceeds of \$23,750.

**11. AGENTS AND FINDERS WARRANTS**

*For the three months ended April 30, 2021*

- (i) On March 2, 2021 and April 1, 2021, the Company closed both tranches of its convertible debentures offering (see Note 9). In connection with the first tranche, on March 2, 2021 the Company issued 4,559 finders warrants to purchase a total of 375,447 Shares. In connection with the second tranche, on April 1, 2021 the Company issued 475 finders warrants to purchase a total of 39,118 Shares. The fair value of the warrants issued was estimated using the Black-Scholes option-pricing model with the following estimated assumptions:

Fair value of underlying Share price	\$1.00
Risk-free interest rate	0.22% to 0.24%
Dividend yield	0%
Volatility	30%*
Expected life	2 years
Forfeiture rate	0%

- (ii) On March 17, 2021, broker warrants were exercised to purchase 28,601 Shares at \$0.75 per Share for cash proceeds of \$21,451.
- (iii) During the three months ended April 30, 2021, the expiry date of 317,300 outstanding agents warrants issued March 21, 2019 and 149,344 outstanding agent warrants issued April 7, 2019 was amended to the earlier of the date which is twenty-four (24) months from the date which the Shares are listed on a recognized Canadian securities exchange, and December 31, 2021.

The following table reflects the continuity of agents warrants issued and outstanding for the period from January 31, 2020 to April 30, 2021:

	<b>Number of warrants</b>	<b>Weighted average exercise price (\$)</b>
<b>Balance, January 31, 2020</b>	1,910,520	0.66
<b>Balance, January 31, 2021</b>	1,910,520	0.66
Issued March 1, 2021	4,559	0.85
Issued April 1, 2021	475	0.85
Exercised March 2021	(28,601)	0.75
<b>Balance, April 30, 2021</b>	1,886,953	0.66

## Notes to Interim Condensed Consolidated Financial Statements

For the three months ended April 30, 2021

(Expressed in Canadian dollars (\$), unless otherwise noted)

As at April 30, 2021, the following agents and finders warrants were outstanding:

Issue date	Exercise price	Number of warrants	Weighted average remaining life (years)	Number of warrants exercisable
September 14, 2018	0.40	784,000	*	784,000
October 4, 2018	0.40	32,000	*	32,000
March 21, 2019	0.75	317,300	†	317,300
April 3, 2019	0.75	149,344	†	149,344
May 24, 2019	0.75	153,447	0.07	153,447
May 30, 2019	0.75	135,000	0.08	135,000
May 30, 2019	1.25	68,435	0.08	68,435
June 7, 2019	1.25	56,333	0.10	56,333
December 23, 2019	1.00	186,060	0.65	186,060
March 2, 2021	0.85	4,559	1.84	4,559
April 1, 2021	0.85	475	1.92	475
<b>Balance, April 30, 2021</b>	<b>0.66</b>	<b>1,886,953</b>	<b>0.09</b>	<b>1,886,953</b>

\* These agent warrants are exercisable at any time prior to the earlier of 1) the date that is 24 months from the date of listing on the TSX Venture exchange or such other recognized stock exchange or 2) five years from the issue date.

† These agent warrants are exercisable at any time prior to the earlier of 1) the date that is 24 months from the date of listing on the TSX Venture exchange or such other recognized stock exchange or 2) December 31, 2021.

## 12. SHARE-BASED COMPENSATION

### a) Subscriber and Share Purchase Warrants

*For the three months ended April 30, 2021*

- (i) In connection with the Debenture issuances on March 2 and April 1, the Company issued 277,100 subscriber warrants, each of which entitles the holder to purchase one Share at a price of \$1.25. The warrants for the two tranches are set to expire on March 2, 2023, and April 1, 2023, respectively. However, if the daily volume-weighted average price of the Shares exceeds \$2.00 per Share for a period of at least 10 consecutive trading days, the Company may, at its sole discretion, elect to accelerate the expiry date. If the Company makes this election, they must notify all warrant holders within 5 trading days of their intention to accelerate the expiry date. The accelerated expiry date may not be less than 30 days after the date upon which notice is given.

The fair value of the warrants issued was estimated using the Black-Scholes option-pricing model with the following estimated assumptions:

Fair value of underlying share price	\$1.00
Risk-free interest rate	0.22% to 0.24%
Dividend yield	0%
Volatility	30%*
Expected life	2 years
Forfeiture rate	0%

\* Volatility was estimated using companies that the Company considers comparable that have trading and volatility history since the Pesorama is not publicly traded.

- (ii) On April 14, 2021, 475,000 share purchase warrants issued on April 19, 2018, were transferred at the request of their original holder to two new warrant holders (237,000 and 238,000 warrants). All 475,000 warrants were immediately exercised by the new holders at \$0.05 per Share for cash proceeds to the Company of \$23,750.

**Notes to Interim Condensed Consolidated Financial Statements**

*For the three months ended April 30, 2021*

*(Expressed in Canadian dollars (\$), unless otherwise noted)*

- (iii) During the three months ended April 30, 2021, the expiry date of 5,907,557 subscriber warrants issued on March 21, 2019 for and 2,737,430 subscriber warrants issued on May 30, 2019 was amended to the earlier of a) the date which is 24 months from the date which the common shares are listed on a recognized Canadian securities exchange and b) the date which is 5 years from the issue date.

For the three months ended April 30, 2020

No performance warrants were issued, exercised, or forfeited in the three months ended April 30, 2021.

**b) Performance Warrants**

For the three months ended April 30, 2021

No performance warrants were issued, exercised, or forfeited in the three months ended April 30, 2021.

For the three months ended April 30, 2020

No performance warrants were issued, exercised, or forfeited in the three months ended April 30, 2020.

**c) Stock Options**

For the three months ended April 30, 2021

No stock options were issued or exercised in the three months ended April 30, 2021.

On March 8, 2021, 550,000 stock options held by four former PesoRama directors who were not re-elected at a special shareholder meeting on December 8, 2020 were forfeited in accordance with the terms of the option agreements, which require exercise of outstanding options within three months of termination to avoid forfeiture. None of the 550,000 options held by the directors upon their termination were exercised.

For the three months ended April 30, 2020

No stock options were issued, exercised, or forfeited in the three months ended April 30, 2020.

The following table reflects the continuity of subscriber/share purchase warrants and performance warrants issued and outstanding for the period from January 31, 2020 to April 30, 2021:

	Number of subscriber/share purchase warrants	Number of performance warrants	Exercise price (\$)
<b>Balance, January 31, 2020</b>	21,372,760	8,000,000	
<b>Balance, April 30, 2020</b>	21,372,760	8,000,000	
Exercised	(3,101,000)	-	-
Exercised	-	(1,250,000)	0.001
Forfeited	(250,000)	-	0.05
<b>Balance, January 31, 2021</b>	18,021,760	6,750,000	
Granted	277,100	-	1.25
Exercised	(475,000)	-	0.05
<b>Balance, April 30, 2021</b>	17,823,860	6,750,000	

## Notes to Interim Condensed Consolidated Financial Statements

For the three months ended April 30, 2021

(Expressed in Canadian dollars (\$), unless otherwise noted)

The following table reflects the share purchase warrants and performance warrants issued and outstanding as at April 30, 2021:

Exercise price	Number of warrants outstanding	Weighted average remaining life (years)	Number of warrants exercisable
0.05	3,525,000	*	3,525,000
0.001	6,750,000	2.15	6,750,000
1.25	8,644,987	†	8,644,987
1.25	5,653,873	0.13	5,653,873
<b>Balance, April 30, 2021</b>	<b>24,573,860</b>		<b>24,573,860</b>

\*Share purchase warrants are exercisable before the earlier of the following: a) the share purchase warrant holder ceases to act in its capacity as a director, officer, employee, or consultant of the Company; b) the share purchase warrant holder is terminated by the Company; and c) six months after the occurrence of a Liquidity Event.

†The expiry date of these subscriber warrants is the earlier of a) the date which is 24 months from the date which the common shares are listed on a recognized Canadian securities exchange and b) the date which is 5 years from the issue date.

The following table reflects the continuity of share options issued and outstanding for the period from January 31, 2020 to April 30, 2021:

	Number of options	Exercise price (\$)
<b>Balance, January 31, 2020</b>	1,800,000	0.40
<b>Balance, April 30, 2020</b>	1,800,000	0.40
<b>Balance, January 31, 2021</b>	1,800,000	0.40
Forfeited	(550,000)	0.40
<b>Balance, April 30, 2021</b>	<b>1,250,000</b>	<b>0.40</b>

The following table reflects the share options issued and outstanding as at April 30, 2021:

Exercise price	Number of options outstanding	Weighted average remaining life (years)	Number of options exercisable
0.40	1,250,000	2.50	1,250,000
<b>Balance, April 30, 2021</b>	<b>1,250,000</b>		<b>1,250,000</b>

### 13. RELATED PARTIES

#### *Key management personnel*

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

During the three months ended April 30, 2021 and April 30, 2020, there were separate related party transactions as follows:

- (i) Management fees of \$163,125 (2020 - \$163,125) related to the key management personnel were paid during the three months ended April 30, 2021.
- (ii) Professional fees for accounting services totaling \$25,416 (2020 – nil) were incurred for services provided by an accounting firm of which a former PesoRama director is a partner, of which \$2,240 had been paid at April 30, 2021.

- (iii) On March 8, 2021, 550,000 stock options held by four former PesoRama directors who were not re-elected at a special shareholder meeting on December 8, 2020 were forfeited in accordance with the terms of the option agreements, which require exercise of outstanding options within three months of termination to avoid forfeiture. None of the 550,000 options held by the directors upon their termination were exercised.

## 14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### *Financial instruments*

As at April 30, 2021, the Company's financial instruments consist of cash and cash equivalents, security deposits, convertible debentures with embedded derivative, accounts payable and accrued liabilities, and lease liabilities.

### *Financial risk management*

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively.

The principal financial risks arising from financial instruments are liquidity risk, foreign currency risk, credit risk, and interest rate risk.

### *Liquidity risk*

As at April 30, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities, convertible debentures, derivative financial instruments, and lease liabilities. Each of these liabilities have contractual maturity dates within one year, with the exception of the long-term portion of lease liabilities (refer to note 10 for breakdown of remaining lease payments relating to long-term portion of lease liability) and the convertible debentures based on maturity date. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position as at April 30, 2021 management regards liquidity risk to be low.

### *Foreign currency risk*

The Company's functional and reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its Mexican subsidiaries, JOI, CANMEX and Pesorama Consulting whose functional currencies are the Mexican peso. As the Company operates internationally, certain of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are, therefore, subject to currency transaction and translation risks.

At April 30, 2021, the Company has not entered into any hedging agreements to mitigate currency risks, with respect to foreign exchange rates.

### *Credit risk*

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist solely of cash since the Company does not make any sales on credit terms. The Company manages credit risk by depositing its cash with major financial institutions, which have been assigned high credit ratings by internationally recognized credit rating agencies.

### *Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. As such, fluctuations of interest rates for the period ending April 30, 2021 and 2020, would not have had a significant impact on the interim condensed consolidated financial statements. Furthermore, the Company is not currently exposed to interest rate risk on its interest-bearing debentures given these debt instruments are all subject to fixed interest rates.

## Notes to Interim Condensed Consolidated Financial Statements

For the three months ended April 30, 2021

(Expressed in Canadian dollars (\$), unless otherwise noted)

**16. OPERATING SEGMENT**

The company operates in one reportable segment being the retail industry in Mexico, but has assets in two geographic areas, being Canada and Mexico.

	Canada	Mexico	Total
<b>Three months ended April 30, 2021</b>			
<b>Revenue</b>	-	1,658,907	1,658,907
<b>Non-current assets</b>	17,688	8,664,096	8,681,784
 Three months ended April 30, 2020			
Revenue	-	897,627	897,627
Non-current assets	22,243	4,712,465	4,734,708

**17. EXPENSES BY NATURE**

<b>For the three months ended April 30</b>	<b>2021</b>	<b>2020</b>
<b>General, administrative and store operating expenses</b>		
Management fees (Note 15)	165,300	163,125
Salaries	333,864	63,526
Distribution expenses	-	20,540
Subcontracted employees	278,555	510,134
Professional fees	319,990	84,524
Brokerage fees	36,884	4,691
Office expenses	154,348	178,808
Security and monitoring	36,034	39,198
Repairs and maintenance	42,059	64,834
Share-based compensation (note 10)	-	-
Travel expenses	7,743	18,860
Marketing and promotion	7,457	25,339
<b>Total</b>	<b>1,382,234</b>	<b>1,173,579</b>
<b>Depreciation and amortization</b>		
Depreciation	252,359	122,965
Depreciation, right-of-use assets (note 8)	292,619	142,281
<b>Total</b>	<b>544,978</b>	<b>265,246</b>
<b>Financing costs</b>		
Interest on lease liabilities	137,095	73,827
Interest on convertible debentures	82,524	-
Accretion on convertible debentures	107,723	-
Bank and other finance charges	16,221	9,251
Foreign exchange loss (gain)	(122,061)	676,844
<b>Total</b>	<b>221,502</b>	<b>759,922</b>
<b>Other items</b>		
Interest income	-	(6,420)
Other income	(31,082)	16,405
<b>Total</b>	<b>(31,082)</b>	<b>9,985</b>

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**18. COMMITMENTS**

Throughout the three months ended April 30, 2021, the Company entered into various agreements with different vendors relating to the construction and improvement of its retail stores in Mexico (see note 6). The remaining construction work is expected to be completed and paid within the fiscal year 2022. As at April 30, 2021, the Company has committed to construction contracts relating to this construction work for a total of \$828,725. The Company also had retail stores and office lease commitments outstanding, which have been recorded as lease liabilities of \$5,230,873 in the financial statements (see note 8).

At April 30, 2021, JOI had not signed any lease agreements for retail stores that had not yet been made available for possession by the property owner.

**19. SUBSEQUENT EVENTS****Warrant exercises**

On May 6, 2021, performance warrants were exercised to purchase 1,250,000 Shares at \$0.001 per Share for cash proceeds of \$1,250.

On July 16, 2021, share purchase warrants were exercised to purchase 250,000 Shares at \$0.05 per Share for cash proceeds of \$12,500.

On September 20, 2021, performance warrants were exercised to purchase 500,000 Shares at \$0.001 per Share for cash proceeds of \$500.

**Legal Claim for Unpaid Professional Fees**

Subsequent to period end, a certain legal professional firm (the "Legal Firm") initiated legal proceedings against the Company in regard to unpaid legal fees of approximately \$690,000 owed by the Company to the Legal Firm, all of which have been accrued at April 30, 2021 in accounts payable and accrued liabilities. In July 2021, the Company initiated legal action against the Legal Firm on the grounds of professional negligence in association with legal services provided to the Company. At this point in time, the Company is currently unable to determine the outcome nor able to estimate potential losses from these proceedings.

**Termination of CEO**

On August 16, 2021, the employment of PesoRama's CEO was terminated. A total of 2,500,000 outstanding performance warrants and 400,000 vested but unexercised options held by the CEO were forfeited immediately upon termination of employment.

The Company has received notice from the former CEO's legal counsel regarding notice of wrongful dismissal. The Company is currently unable to determine the likelihood that any litigation brought against it from this notice would result in an adverse judgment, nor to estimate potential losses from any such litigation associated with this termination.

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Three Months Ended April 30, 2021**

*The following management's discussion and analysis ("MD&A") dated September 21, 2021 is intended to assist readers in understanding the business environment, strategies, performance and risk factors of PesoRama Inc. (together with its consolidated subsidiaries, referred to as "PesoRama", the "Company", "we", "us" 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 three months ended April 30, 2021. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and notes for the three months ended April 30, 2021 (as hereinafter defined).*

*Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Company's interim condensed consolidated financial statements for the three months ended April 30, 2021 as well as the audited consolidated financial statements for the year ended January 31, 2021 (as hereinafter defined) have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").*

*For the purpose of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares (the "Shares"); (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.*

*The Company manages its business as one reportable segment. The functional and reporting currency of the Company is the Canadian dollar.*

**Forward-Looking Statements**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements") about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or other future events or developments. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "projects", "forecasts", "budgets", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic conditions and the competitive environment within the retail industry in Mexico, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of this MD&A: future increases in operating costs (including increases in statutory minimum wages); future increases in merchandise

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

costs (including as a result of tariff disputes); inability to sustain assortment and replenishment of merchandise; increase in the cost or a disruption in the flow of imported goods (including as a result of the global outbreak of COVID-19); failure to maintain brand image and reputation; disruption of distribution infrastructure; inventory shrinkage; inability to renew store, warehouse and head office leases on favourable terms; inability to increase warehouse and distribution centre capacity in a timely manner; seasonality; market acceptance of private brands; failure to protect trademarks and other proprietary rights; foreign exchange rate fluctuations; potential losses associated with using derivative financial instruments; level of indebtedness and inability to generate sufficient cash to service debt; changes in creditworthiness and credit rating and the potential increase in the cost of capital; interest rate risk associated with variable rate indebtedness; competition in the retail industry; disruptive technologies; general economic conditions; departure of senior executives; failure to attract and retain quality employees; disruption in information technology systems; inability to protect systems against cyber-attacks; unsuccessful execution of the growth strategy; holding company structure; adverse weather; pandemic or epidemic outbreaks; natural disasters; climate change; geopolitical events and political unrest in foreign countries; unexpected costs associated with current insurance programs; product liability claims and product recalls; litigation; regulatory and environmental compliance; and shareholder activism.

These factors are not intended to represent a complete list of the factors that could affect the Company; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as at August 31, 2021, and management has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

All the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

**Non-GAAP Measures**

This MD&A as well as the Company's interim condensed consolidated financial statements and notes for the three months ended April 30, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). However, certain financial measures in this document do not have a standardized meaning as prescribed by IFRS, and therefore are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented to provide shareholders and potential investors with additional measures for analyzing the Company's ability to generate funds to finance its operations and information regarding its liquidity. The additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

**Reverse Take-Over**

On March 8, 2021, the Company entered into a definitive agreement with Skyscape Capital Inc. ("Skyscape"), a capital pool company listed on the TSX Venture Exchange (the "Exchange"), whereby Skyscape and PesoRama will complete a reverse take-over transaction (the "RTO Transaction") to ultimately form the resulting issuer, which will continue to carry on the business of PesoRama. PesoRama has agreed to, among other things, exchange all issued and outstanding Shares on the basis of one Skyscape share for each PesoRama Share. PesoRama would then be amalgamated with Skyscape's wholly owned subsidiary, 11518003 Canada Inc., to form a new wholly owned subsidiary. It is intended

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

that, immediately prior to the completion of the RTO Transaction, Skyscape will change its name to "PesoRama Inc." The RTO Transaction is intended to serve as Skyscape's qualifying transaction under Exchange Policy 2.4 – *Capital Pool Companies*.

**Recent Events**

***Warrant transfers and exercises***

On March 17, 2021, broker warrants were exercised to purchase 28,601 common shares at \$0.75 per share for cash proceeds of \$21,451.

On April 14, 2021, 475,000 share purchase warrants issued on April 19, 2018 were transferred at the request of their original holder to two new warrant holders (237,000 and 238,000 warrants). All 475,000 warrants were immediately exercised by the new holders at \$0.05 per share for cash proceeds to the Company of \$23,750.

On May 6, 2021, performance warrants were exercised to purchase 1,250,000 common shares at \$0.001 per share for cash proceeds of \$1,250.

On July 16, 2021, share purchase warrants were exercised to purchase 250,000 common shares at \$0.05 per share for cash proceeds of \$12,500.

On September 20, 2021, performance warrants were exercised to purchase 500,000 Shares at \$0.001 per Share for cash proceeds of \$500.

***Warrants expiry date amendment***

On March 17, 2021, the expiry date of 5,907,557 subscriber warrants issued on March 21, 2019 and 2,737,430 subscriber warrants issued on May 30, 2019 was amended to the earlier of

- (i) The date which is twenty-four (24) months from the date which the common shares are listed on a recognized Canadian securities exchange, and
- (ii) The date which is five years (5) from the issue date.

Also during the three months ended April 30, 2021, the expiry date of 317,300 outstanding agents warrants issued March 21, 2019 and 149,344 outstanding agent warrants issued April 7, 2019 was amended to the earlier of the date which is twenty-four (24) months from the date which the Shares are listed on a recognized Canadian securities exchange, and December 31, 2021.

***PesoRama Debenture Financing***

On March 2, 2021, PesoRama closed the first tranche of its senior unsecured convertible debenture financing (the "Debentures"), issuing 4,832 Debentures at a face value of \$1,000 each for gross proceeds of \$4,832,000. On April 1, 2021, the Company closed the second tranche, issuing an additional 710 Debentures at a face value of \$1,000 each for gross proceeds of \$710,000. Total transaction fees on both tranches were \$446,255, for net proceeds of \$5,095,745, before finders warrants. The Debentures bear an annual interest rate of 9.875% compounding semi-annually and have a maturity date of March 2, 2023 (the "Maturity Date"). The Company may, at its sole discretion,

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

redeem the debentures at any time prior to the Maturity Date at a redemption price equal to 1.25 times the outstanding principal amount plus all accrued and unpaid interest up to and including the redemption date. Successful completion of the RTO Transaction will trigger automatic conversion of all outstanding Debentures to PesoRama Shares, equal to the face value of outstanding Debentures plus accrued but unpaid interest up to the date of the RTO Transaction, divided by 85% of the Company's share price on the date of the RTO Transaction. Interest is payable upon the earlier of a) maturity, b) automatic conversion, or c) redemption. Each Debenture is convertible to PesoRama Shares at a rate of 85% of the per-Share price attributed to the Company's Shares on the RTO Transaction date.

In the event that the RTO Transaction or other qualifying liquidity event is not completed on or prior to the date 12 months from the closing of the offering, the Debenture holders shall be issued one \$100 principal amount of senior unsecured convertible debenture (an "Additional Debenture") for each Debenture held, for no additional consideration.

Each Debenture also includes 50 warrants, each of which entitles the holder to purchase one Share at a price of \$1.25. The warrants for the two tranches are set to expire on March 2, 2023 and April 1, 2023, respectively. However, if the daily volume-weighted average price of the Shares exceeds \$2.00 per Share for a period of at least 10 consecutive trading days, the Company may, at its sole discretion, elect to accelerate the expiry date. If the Company makes this election, they must notify all warrant holders within 5 trading days of their intention to accelerate the expiry date. The accelerated expiry date may not be less than 30 days after the date upon which notice is given.

Finder warrants of 5,034 were issued to brokers in connection with the debenture financing above, where the holder of the number of finder warrants is entitled to subscribe for and purchase a number of PesoRama shares at any time on or before the expiry date of March 2, 2023, and April 1, 2023, respectively. This will be equal to the product obtained by multiplying (a) the quotient obtained by dividing 1,000 by the conversion price; and (b) 7 percent, for each warrant exercised at the exercise price per Share that is equal to the conversion price.

***Legal Claim for Unpaid Professional Fees***

In the three months ended April 30, 2022, a certain legal professional firm (the "Legal Firm") initiated legal proceedings against the Company in regard to unpaid legal fees of approximately \$690,000 owed by the Company to the Legal Firm. In July 2021, the Company initiated legal action against the Legal Firm on the grounds of professional negligence in association with legal services provided to the Company. At this point in time, the Company is currently unable to determine the outcome nor able to estimate potential losses from these proceedings.

***Termination of CEO***

On August 16, 2021, the employment of PesoRama's CEO was terminated. A total of 2,500,000 outstanding performance warrants and 400,000 vested but unexercised options held by the CEO were forfeited immediately upon termination of employment.

The Company has received notice from the former CEO's legal counsel regarding notice of wrongful dismissal. The Company is currently unable to determine the likelihood that any litigation brought against it from this notice would result in an adverse judgment, nor to estimate potential losses from any such litigation associated with this termination.

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Overview**

***PesoRama's Business***

PesoRama was incorporated October 16, 2017 under the Business Corporations Act (Canada). The Company's registered office is located at 1900, 520 – 3<sup>rd</sup> Avenue SW, Calgary, Alberta T2P 0R3.

The Company is the ultimate parent company of its wholly owned subsidiaries:

- Canmex Dollar Stores, S.A. de C.V. ("CANMEX"), which was incorporated on December 5, 2018 in Mexico City, Mexico;
- Joi Canadian Stores, S.A. de C.V. ("JOI"), which was incorporated on April 23, 2019 in Mexico City, Mexico to hold the operating assets of PesoRama;
- PesoRama Consulting Services, S.A. de C.V. ("PesoRama Consulting"), which was incorporated on June 27, 2019 in Mexico City, Mexico; and
- PesoRama Stores Services, S.A de C.V. ("PesoRama Stores"), which was incorporated on May 19 2020 in Mexico City, Mexico. PesoRama Stores was inactive as at April 30, 2021.

PesoRama operates "dollar stores" in Mexico offering consumers a wide variety of products with focus on the single price point segment of the retail market. As at August 31, 2021, the Company operates 18 stores. Stores average 6,000 square feet and offer a wide variety of consumable products, general merchandise, and seasonal items, including private label and branded products. Merchandise is sold in individual or multiple units at select, fixed price points up to MXN \$25. All stores are corporately operated and are strategically located in high-traffic areas such as strip malls and shopping centers in the greater Mexico City area, with plans to eventually expand to other areas of Mexico.

The Company's strategy is to grow sales, operating income, net earnings, earnings per share and cash flows by expanding its Mexican store network, by being a first-mover brand in what management views as an underserved and growing Mexican dollar-store industry, and by providing value for customers through its broad product offerings, fixed price points and enhanced shopping experience. The Company has signed leases for an additional 2 new stores and expects to have at least 25 operating stores by January 31, 2022.

***Key Items in the Three Months Ended April 30, 2021***

Compared to the three months ended April 30, 2020:

- Sales increased by 84.81% to \$1,658,907;
- Gross margin was 31.00% of sales, compared to 18.21% of sales;
- EBITDA increased to -52.81% of sales, compared to -190.80% of sales;
- Operating loss decreased to -93.93% of sales, compared to -142.09% of sales; and
- Net loss per common share (basic and diluted) decreased by 17.44%, to (\$0.037) from (\$0.045).

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Factors Affecting Results of Operations**

***Revenue***

Revenue is recognized when control of a good or service is transferred to a customer. A five-step recognition model is used to apply the standard as follows: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. The revenues of the Corporation come from the sale of products that are recognized at a point in time. Sales of products in the consolidated statement of loss and comprehensive loss are recognized by the Corporation when control of the goods has been transferred, being when the customer tenders payment and takes possession of the merchandise at the stores and that all obligations have been fulfilled. All sales are final. Revenue is shown net of sales tax and discounts.

The Company is currently monitoring the impact of the COVID-19 pandemic on its sales, as further discussed below. Refer to the section of this MD&A entitled "Risks and Uncertainties" for a discussion about the risks associated with seasonality and business continuity.

***Cost of Sales***

Cost of sales consists primarily of purchased inventory and distribution expense (explained further below). The Company records vendor rebates, consisting of volume purchase rebates, when it is probable that they will be received and the amounts are reasonably estimable. The rebates are recorded as a reduction of cost of inventory.

Because the functional currency of the Company's Mexican subsidiaries is the Mexican peso (the "peso"), and because the Company's Mexican subsidiaries purchase goods in currencies other than the peso, the Company's cost of sales is affected by fluctuations in foreign currencies against the peso.

***Distribution Expense***

Distribution expense represents transportation costs (which are largely variable and proportional to the Company's sales volume) as well as warehouse and distribution centre occupancy costs. Shipping and transportation costs, including surcharges on transportation costs, are a significant component of distribution expense. When fuel costs fluctuate, shipping and transportation costs increase or decrease, as applicable, because the carriers generally pass on these cost changes to the Company. Because of the high volatility of fuel costs, it is difficult to forecast the fuel surcharges the Company may incur from its carriers.

***General, Administrative and Store Operating Expenses***

The Company's general, administrative and store operating expenses ("G&A") consist of store labour, which is primarily variable and proportional to its sales volume, as well as general store maintenance costs, salaries and related benefits of corporate and field management team members, administrative office expenses, professional fees, and other related expenses. G&A also includes variable and non-indexed rental expenses for the Company's stores that are excluded from the lease liability under IFRS 16. Fixed and indexed rental payments are capitalized as a lease liability under IFRS 16.

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***Economic or Industry-Wide Factors Affecting the Company***

On March 11, 2020, the World Health Organization declared the rapidly spreading novel coronavirus ("COVID-19) outbreak a pandemic. The COVID-19 pandemic has had a significant impact on businesses through the restrictions put in place by the Canadian and Mexican federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, Mexico, and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition. For the period consisting of and subsequent to the three months ended April 30, 2021, the Company was able to keep its stores open and operational as the business segment in which the Company operates was deemed an essential service in Mexico.

**Results of Operations**

***Analysis of Results for the Three Months Ended April 30, 2021***

The following section provides an overview of the Company's financial performance during the three months ended April 30, 2021 compared with the same period in 2020.

***Revenue***

Sales in the three months ended April 30, 2021 increased by 84.81% to \$1,658,907, compared to \$897,627 for the same period in 2020. Significant sales growth in the three months ended April 30, 2021 was fueled by growth in the total number of PesoRama stores over the past 12 months, from 8 stores on April 30, 2020 to 11 stores on April 30, 2021. In addition, due to the COVID-19 pandemic in 2020 which resulted in a global lockdown, this resulted in lower revenue than anticipated for the same period in 2020.

***Gross Margin***

Gross margin before distribution expenses was 45.92% of sales in the three months ended April 30, 2021, compared to 34.94% of sales for the same period in 2020. Gross margin was higher in the three months ended April 30, 2021 as the Company's existing stores became more firmly established.

***General, Administrative, and Store Operating Expenses ("G&A")***

G&A for the three months ended April 30, 2021 totaled \$1,382,234, a 17.78% increase over \$1,173,579 for the same period in 2020. This increase is primarily related to the continued growth in the total number of stores. G&A for the three months ended April 30, 2021 represented 83.32% of sales, compared to 130.74% of sales for the same period in 2020. The relative decrease is the result of increased sales.

***Depreciation and Amortization***

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The depreciation and amortization expense increased by 105.46%, to \$544,978 for the three months ended April 30, 2021 from \$265,246 for the same period in 2020. The increase relates primarily to leasehold improvements on the new stores and equipment.

*Financing Costs*

Financing costs decreased by 70.87%, from \$759,922 for the three months ended April 30, 2020 to \$221,502 for the same period in 2021. The decrease is primarily due to a decrease of \$798,905 of exchange loss, as well as an increase of \$63,268 of interest on lease liabilities due to a substantial increase in the number of active leases as stores are opened. Furthermore, interest and accretion on convertible debentures for the three months ended April 30, 2021 of \$82,524 and \$107,723, respectively, were also incurred (April 30, 2020 - \$nil).

*Income Taxes*

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss). For the three-month periods ended April 30, 2021 and 2020, no current income tax expense was recognized due to the Company being in a loss position.

*Net Loss*

Net loss decreased to \$1,603,355, or \$0.034 per basic and diluted common share, for the three months ended April 30, 2021, compared to \$2,045,301, or \$0.045 per diluted common share, for the same period in 2020. The decrease in net loss is the result of decrease in financing cost and increase in other income between April 30, 2020 and April 30, 2021, with revenue growth increasing to corresponding up-front costs of the new stores.

**Liquidity and Capital Resources**

***Cash Flows for the Three Months Ended April 30, 2021***

*Cash Flows - Operating Activities*

For the three months ended April 30, 2021, cash used in operating activities totaled a net outflow of \$884,093, compared to an outflow of \$2,022,643 for the same period in 2020. This decrease is attributable to a \$798,905 change to foreign exchange gain of \$122,061 in the three months ended April 30, 2021 compared with a loss of (\$676,844) in the same period in 2020, and inventory and taxes receivable remaining fairly stable in the three months ended April 30, 2021 after a significant ramp-up in the same period in 2020.

*Cash Flows - Investing Activities*

For the three months ended April 30, 2021, cash flows used in investing activities totaled a net outflow of \$1,002,289, compared with net inflows of \$1,641,176 for the same period in 2020. This decrease relates primarily to there being no short-term investments for the three months ended April 30, 2021 compared to the maturation of a short-term investment in Guaranteed Investment Certificates ("GICs"), in which \$2,060,815 was received upon maturity for the same period in 2020, as well as a significant increase in purchases of property and equipment in the three months ended April 30, 2021 compared with the same period in 2020.

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*Cash Flows - Financing Activities*

For the three months ended April 30, 2021, cash flows provided from financing activities totaled \$4,797,382, compared with net outflows of \$114,656 for the same period in 2020. This increase results primarily from the Company raising net proceeds of \$5,542,000 through private placements in the three months ended April 30, 2021, partially offset by increased lease payments.

***Capital Expenditures***

Capital expenditures mainly relate to investments in new stores. For the three months ended April 30, 2021, capital expenditures totaled \$1,002,289 compared to \$419,639 for the same period in 2020. This increase was mainly due to an increase in leasehold improvements on stores that were open or preparing to open at April 30, 2021, compared with April 30, 2020.

***Capital Resources***

Because three additional stores were newly opened, the Company does not yet generate sufficient cash flows from operating activities to fund its planned growth strategy in Mexico. As a result, the Company is heavily dependent upon external financing. As at April 30, 2021, the Company had \$3,393,605 of cash on hand, down from \$5,010,848 at April 30, 2020.

The Company's ability to pay the principal and interest on future debt, to refinance it, or to generate sufficient funds to pay for planned capital expenditures and investments will depend on its ability to raise funds through both equity and debt financing. As discussed in "Recent Events," the Company raised \$5,542,000 in gross proceeds through the issuance of debentures on March 2, 2021 and April 1, 2021. The Company is also in the process of being acquired by Skyscape as part of the RTO Transaction, which will increase the Company's access to financing. The Company's ability to raise further financing and fund itself through operations is subject to general economic, financial, competitive, legislative, regulatory, or other factors that are beyond its control.

Barring further extraordinary circumstances arising from the COVID-19 pandemic, management believes that increasing cash flows from operations, together with the likelihood of future financing, will be adequate to meet the Company's future operating cash needs.

The Company's assumptions with respect to future liquidity needs may not be correct and funds available to it from the sources described herein may not be sufficient to enable it to service its indebtedness or cover any shortfall in funding for any unanticipated expenses.

*Contractual Obligations, Off-Balance Sheet Arrangements and Commitments*

Throughout the three months ended April 30, 2021, the Company entered into various agreements with different vendors relating to the construction and improvement of its retail stores in Mexico. The remaining construction work is expected to be completed and paid within the year ended January 31, 2022. As at April 30, 2021, the Company has committed to construction contracts relating to this construction work for a total of \$828,725. The Company also had retail stores and office lease commitments outstanding, which have been recorded as lease liabilities of \$5,230,873 in the financial statements.*Financial Instruments*

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The Company has classified cash as fair value through the condensed consolidated interim statements of loss and comprehensive loss and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of the Company's financial instruments approximate their fair values due to their short periods to maturity.

**Related Party Transactions**

***Key management personnel***

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

During the three months ended April 30, 2021 and April 30, 2020, there were separate related party transactions as follows:

- (i) Management fees of \$163,125 (April 30, 2020 – \$163,125) related to the key management personnel were paid during the three months ended April 30, 2021.
- (ii) Professional fees for accounting services totaling \$25,416 (2020 – nil) were incurred for services provided by an accounting firm of which a former PesoRama director is a partner, of which \$2,240 had been paid at April 30, 2021.
- (iii) On March 8, 2021, 550,000 stock options held by four former PesoRama directors who were not re-elected at a special shareholder meeting on December 8, 2020 were forfeited in accordance with the terms of the option agreements, which require exercise of outstanding options within three months of termination to avoid forfeiture. None of the 550,000 options held by the directors upon their termination were exercised.

**Critical Accounting Estimates and Judgments**

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following discusses the most significant accounting judgments and estimates that the Company made in the preparation of the Company's interim condensed consolidated financial statements for the three months ended April 30, 2021.

***Estimated useful life of long-lived assets***

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all

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pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

***Income Taxes***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

***Share based compensation and warrants***

All equity-settled, share-based awards and warrants issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation and warrants, estimates have to be made regarding the fair value of the underlying share(s), expected volatility in share's fair value, option life, dividend yield, risk-free rate, estimated life and estimated forfeitures at the initial grant date.

***Valuation of inventories***

Inventories include items that have been marked down to management's best estimate of their net realizable value and are included in cost of sales in the period in which the markdown is determined. The Corporation estimates its inventory provisions based on the consideration of a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, future merchandising plans, and inventory shrinkage. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends.

Changes to the inventory provisions and especially shrinkage can have a material impact on the results of the Corporation.

***Provisions***

The Company bases its provisions on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Company may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity.

***Leases***

Leases requires lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to

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obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Leases requires lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

***New and Amended Accounting Standards Adopted***

The following is a summary of new standards issued:

***Amendments to IAS 1: Classification of Liabilities as Current or Non-Current (the "Amendments to IAS 1")***

In January 2020, the IASB issued the Amendments to IAS 1, which aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The Amendments to IAS 1 include clarifying the classification requirements for debt a company might settle by converting it into equity. The Amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. However, on June 24, 2020, the IASB deferred the effective date of this amendment previously effective for years beginning on or after January 1, 2022 by one year to January 1, 2023 due to COVID-19 pandemic, with early adoption permitted.

***Amendment to IFRS 16: Leases***

In May 2020, the IASB issued Covid-19-Related Rent Concessions as an amendment to IFRS 16 (the "IFRS 16 Amendment"). The pronouncement amended IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after April 1, 2021, with earlier adoption permitted.

***Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (the "Amendments to IAS 37")***

In May 2020, the IASB issued the Amendments to IAS 37, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

**Risks and Uncertainties**

Understanding and managing risks are important parts of the Company's strategic planning process. The board of directors tasks the Company's senior management with identifying and properly managing the principal risks related to the Company's business operations.

The Company manages these risks on an ongoing basis and has put in place certain guidelines to mitigate their financial impact, and the Company maintains cost-effective, comprehensive insurance coverage against most insurable events. The Company also gathers and analyzes economic and competitive data on a regular basis and senior management takes these findings into consideration when making strategic and operational decisions. Despite these guidelines and initiatives, the Company cannot provide assurances that any such efforts will be successful.

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**Risks Related to Business Operations**

***COVID-19 Pandemic Outbreak***

The COVID-19 pandemic has had a significant impact on businesses through restrictions put in place by the Canadian and Mexican federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, Mexico and China and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

For the period consisting of and subsequent to the three months ended April 30, 2021, the Company was able to keep its stores open and operational as the business segment in which the Company operates was deemed an essential service in Mexico.

***Merchandise and Operating Costs***

The Company's ability to provide quality merchandise at low price points is subject to a number of factors that are beyond its control, including merchandise costs, foreign exchange rate fluctuations, tariffs on imported goods, increases in labour costs (including any increases in the minimum wage), increases in rent and occupancy costs, fuel costs and inflation, all of which may reduce profitability and have an adverse impact on cash flows.

Labour costs are largely outside of the Company's control, driven by minimum wage legislation in each jurisdiction in which the Company has operations. Rent and occupancy costs, while substantial, offer multi-year visibility due to the long-term nature of leases. Historically, the Company has been able to negotiate leases on market terms and therefore benefits from a reasonable lead time to prepare for potential rent increases. Fuel cost increases or surcharges could also increase transportation costs and therefore impact profitability.

If management is unable to predict and respond promptly to these or other similar events, the merchandise and operating costs may increase, and the Company's business and financial results could be materially adversely affected.

Generally, management believes that, as seen in other countries, the fixed price-point strategy provides some flexibility to address cost increases by allowing the Company to adjust the selling price on certain items. Additionally, the Company believes it can pivot as necessary to a multiple price-point strategy to adjust for increases in prices, unfavorable foreign exchange, or other developments that might otherwise erode margins. There is, however, no guarantee that the Company will continue to be successful in offsetting cost increases in a meaningful way. There can be no assurance that the Company will be able to pass on cost increases to customers if it wishes to maintain the compelling value of its product offering relative to competitors.

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***Merchandise Selection and Replenishment***

The Company's success depends in large part on its ability to continually find, select and purchase quality merchandise at attractive prices in order to expand the assortment of products and replace underperforming goods to timely respond to evolving trends in demographics and consumer preferences, expectations and needs. Although management believes that the Company has strong and long-standing relationships with most of its suppliers, it may not be successful in maintaining a continuing and increasing supply of quality merchandise at attractive prices. If the Company cannot find or purchase the necessary amount of competitively priced merchandise to maintain its compelling product offering or to replace goods that are outdated or unprofitable, business and financial results could be materially adversely affected.

***Supply Chain***

Merchandise could become more expensive or unavailable, or deliveries could be subject to longer lead times, for a number of reasons, including:

- a) disruptions in the flow of imported goods due to factors such as raw material shortages, work stoppages and strikes, suppliers going out of business, factory closures resulting from changes in the economic or regulatory landscape of the country of origin, inflation, natural disasters, unusually adverse weather, pandemic or epidemic outbreaks such as the COVID-19 and political unrest in foreign countries;
- b) uncertainty and potential consolidation in the shipping industry in a context of overcapacity and carrier failures, which could eventually lead to rate increases;
- c) economic instability and international disputes;
- d) increases in the cost of purchasing or shipping foreign merchandise resulting from Mexico's failure to maintain normal trade relationships with foreign countries;
- e) increases in tariffs or the elimination of existing preferential tariffs on goods, restrictive changes to import quotas, and other adverse protectionist trade measures; and
- f) changes in currency exchange rates or policies and local economic conditions, including inflation in the country of origin. The development of one or more of these factors could materially adversely affect the Company's business and financial results.

If imported merchandise becomes more expensive, limited or unavailable, the Company may not be able to transition to alternative sources in time to meet the demand. Products from alternative sources may also be of lesser quality and/or more expensive than those currently imported. A disruption in the flow of imported merchandise or an increase in the cost of those goods due to these or other factors could significantly decrease sales and profits and have a material adverse impact on the Company's business and financial results.

Management believes that the Company has good relationships with suppliers and that it is generally able to obtain competitive pricing and other terms. However, products are bought on an order-by-order basis and the Company has very few long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. If it fails to maintain good relationships with suppliers, or if suppliers' product costs are increased as a result of

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prolonged or repeated increases in the prices of certain raw materials, foreign exchange rate fluctuations, or changes in the economic or regulatory landscape of the country of origin, the Company may not be able to obtain attractive pricing. In addition, if it is unable to receive merchandise from suppliers on a timely basis because of interruptions in production or in shipping or other reasons that are beyond its control, the Company could experience merchandise shortages which could lead to lost sales or increased merchandise costs if alternative sources must be used, and business and financial results could be materially adversely affected.

***Brand Image and Reputation***

The Company has a brand that consumers increasingly associate with compelling value. Failure to maintain product safety and quality or ethical and socially responsible operations could materially adversely affect its brand image and reputation. Public concerns about the environmental impact of the Company's products and operations could also negatively impact consumers' perceptions of the Company's brand image. Any negative publicity about, or significant damage to, the Company's brand and reputation could have an adverse impact on customer perception and confidence, which could materially adversely affect the Company's business and financial results. Also, the pervasiveness and viral nature of social media could exacerbate any negative publicity with respect to its business practices and products.

***Distribution and Warehousing Network***

The Company must constantly replenish depleted inventory through deliveries of merchandise from suppliers to its warehouses, distribution centre and directly to stores by various means of transportation, including shipments by sea, train, and truck. Also, because of its reliance on third-party carriers, the Company is subject to carrier disruptions and increased costs due to factors beyond its control. Disruptions in the distribution network or the national and international transportation infrastructure could lead to delays or interruptions of service which, in turn, could materially adversely affect the Company's business and financial results.

As the Company continues its rapid expansion, additional warehouse and distribution centre capacity may be needed. If the Company does not plan efficiently for increased capacity, or is unable to locate new sites, either for sale or for rent, on favorable terms, or is unable to commission new warehousing or distribution operations on a timely basis, the Company may not be able to successfully execute its growth strategy or may incur additional costs, which could materially adversely affect its business and financial results.

***Inventory Shrinkage***

The Company is subject to the risk of inventory loss and administrative or operator errors, including mislabeling, as well as damage, theft, and fraud. The Company experiences inventory shrinkage in the normal course of its business and cannot ensure that incidences of inventory loss and theft will decrease in the future or that measures taken will effectively address inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if the Company were to experience higher rates of inventory shrinkage or were required to incur increased security costs to limit inventory theft, its business and financial results could be materially adversely affected.

***Real Estate***

All of the Company's stores are leased from unaffiliated third parties. Unless the terms of the Company's leases are extended, the properties, together with any improvements that were made, will revert to the property owners upon

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expiration of the lease terms. As the terms of those leases expire, the Company may not be able to renew leases or promptly find alternative locations that meet its needs on favourable terms, or at all. Also, breaching the terms of a lease may result in the Company incurring substantial penalties, including, among others, paying all amounts due to the landlord for the balance of the lease term. If one or more of the foregoing risks materializes, the Company's business and financial results could be materially adversely affected.

***Seasonality***

Historically, the Company's highest sales have occurred in the fourth quarter, during the winter holidays selling season. Sales also generally increase ahead of other holidays and celebrations, such as Easter, Valentine's Day, and Halloween/Day of the Dead. Failure to adequately prepare for the holiday sales demands and the timing of certain holidays and of new store openings could have material adverse effects on the Company's business and financial results. In addition, the occurrence of unusually adverse weather, natural disasters, geopolitical events, pandemic or epidemic outbreaks or any other event beyond the Company's control and causing any disruption in its business activities or operations during a peak season could have an adverse effect on the distribution network and on store traffic, which could materially adversely affect its business and financial results.

***Private Brands***

The Company carries a substantial number of private brand items. Management believes that the Company's success in maintaining broad market acceptance of private brands depends on many factors, including pricing, quality and customer perception. If the Company does not achieve or maintain expected sales for private brands, or if it fails to successfully protect its proprietary rights in those brands or avoid claims related to the proprietary rights of third parties, its business and financial results could be materially adversely affected.

***Intellectual Property***

Management believes that trademarks and other proprietary rights are important to the Company's success and competitive position. Accordingly, the Company protects its trademarks and proprietary rights in Canada, Mexico and other relevant markets. However, monitoring the unauthorized use of one's intellectual property is difficult, and violations may not always become immediately known. Furthermore, the steps generally taken to address such violations, including sending demand letters and taking actions against third parties, may be inadequate to prevent imitation of products and concepts by others or to prevent others from claiming violations of their trademarks and proprietary rights by the Company. In addition, the Company's intellectual property rights may not have the value that management believes they have. If the Company is unsuccessful in protecting its intellectual property rights, or if another party prevails in litigation against it relating to its intellectual property rights, the value of the brand could be diminished, causing customer confusion and materially adversely affecting the Company's business and financial results. In addition, the Company may incur significant costs if it is required to change certain aspects of its branding and business operations.

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***International Operations***

The Company's primary operations are in Mexico. Operations outside of Canada are exposed to risks inherent in foreign operations. These risks, which can vary substantially by market and jurisdiction, are described in many of the risk factors discussed in this section and also include the following:

- the adoption of laws, regulations and policies aimed at managing national economic conditions, such as increases in taxes, austerity measures that impact consumer spending, monetary policies that may impact inflation rates and currency fluctuations;
- the imposition of import restrictions or controls;
- the effects of legal and regulatory changes and the burdens and costs of compliance with a variety of foreign laws;
- changes in laws and policies that govern foreign investment and trade in the countries in which the Company operates, including in Latin America;
- breaches or violations of Canadian and other foreign anti-corruption and anti-bribery laws, including by the Company's employees, suppliers, contractors, agents or representatives;
- risks and costs associated with political and economic instability, corruption, and social and ethnic unrest in the countries in which the Company operates, including in Latin America;
- risks of operating in developing or emerging markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations and the enforceability of contract rights and intellectual property rights; and
- risks arising from the significant and rapid fluctuations in currency exchange markets, and the impact of any decisions and positions taken to hedge such volatility.

**Financial Risks**

***Financial instruments***

As at April 30, 2021, the Company's financial instruments consist of cash and cash equivalents, security deposits, convertible debentures with embedded derivative, accounts payable and accrued liabilities, and lease liabilities.

***Financial risk management***

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively.

The principal financial risks arising from financial instruments are liquidity risk, foreign currency risk, credit risk, and interest rate risk.

***Liquidity risk***

As at April 30, 2021, the Company's financial liabilities consist of accounts payable and accrued liabilities, convertible debentures, and lease liabilities. Each of these liabilities have contractual maturity dates within one year, with the exception of the long-term portion of lease liabilities and the convertible debentures based on maturity date. The

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Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position as at April 30, 2021, management regards liquidity risk to be low.

***Foreign currency risk***

The Company's functional and reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its Mexican subsidiaries, JOI, CANMEX and Pesorama Consulting whose functional currencies are the Mexican peso. As the Company operates internationally, certain of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are, therefore, subject to currency transaction and translation risks.

At April 30, 2021, the Company has not entered into any hedging agreements to mitigate currency risks, with respect to foreign exchange rates.

***Credit risk***

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist solely of cash since the Company does not make any sales on credit terms. The Company offsets the credit risk by depositing its cash with major financial institutions which have been assigned high credit ratings by internationally recognized credit rating agencies.

***Interest rate risk***

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. As such, fluctuations of interest rates for the period ending April 30, 2021 and 2020 would not have had a significant impact on the interim condensed consolidated financial statements. Furthermore, the Company is not currently exposed to interest rate risk on its interest-bearing debentures given these debt instruments are all subject to fixed interest rates.

**Market Risks**

***Retail Competition***

The Company operates in the value retail industry, which is highly competitive with respect to, among other things, price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. This competitive environment could materially adversely affect the Company's business and financial results due to the lower prices, and thus lower margins, that could be required to maintain its competitive position. Companies operating in the value retail industry have limited ability to increase prices in response to increased costs. This limitation may also affect margins and financial performance.

The Company also competes for customers, employees, store sites, products, and services and in other important aspects of its business with many other local, regional, and national retailers, including multi-price dollar stores, variety and discount stores and mass merchants. These retailers compete in a variety of ways, including aggressive promotional activities, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities and price. Management expects that the Company's expansion plans will increasingly bring it into direct competition with those other retailers.

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Given the lack of significant economic barriers for other companies to open dollar stores or develop dollar store concepts within their existing retail operations, competition may also increase due to new value retailers entering the markets in which the Company operates. If the Company fails to respond effectively to competitive pressures and changes in the retail markets, its business and financial results could be materially adversely affected.

***E-Commerce and Disruptive Technologies***

Although the discount retail market in Mexico is still emerging, the Company may face increased competition from the use of mobile and web-based technology that facilitates online shopping and real-time product and price comparisons. Failure to adequately assess and address this evolving retail trend could have a material adverse impact on the Company's business and financial results.

***Economic Conditions***

Adverse Mexican or global economic conditions affecting disposable consumer income, employment levels, consumer debt levels, credit availability, business conditions, fuel and energy costs, rent, inflation, interest rates and tax rates could materially adversely affect the Company's business and financial results by reducing consumer spending or causing customers to shift their spending to other products the Company either does not sell or does not sell as profitably, which could translate into decreased sales volumes, slower inventory turnover and lower gross margin for the Company. In addition, similar adverse economic conditions could materially adversely affect the Company, its suppliers or other business partners by reducing access to liquid funds or credit, increasing the cost of credit, limiting the ability to manage interest rate risk, increasing the risk of insolvency or bankruptcy of the Company, its suppliers, landlords or financial counterparties, increasing the cost of goods, and other impacts which cannot be fully anticipated.

**Human Resources Risks**

***Reliance on Key Personnel***

The Company's senior executives have extensive experience in the industry, with the Company, and with its suppliers, products, and customers. The loss of management knowledge, expertise, and technical proficiency resulting from the loss of one or more members of the core management team could result in a diversion of management resources or a temporary executive gap, and negatively affect the Company's ability to develop and pursue other business strategies, which could materially adversely affect its business and financial results. Also, the expertise pertaining to purchasing and import management, especially as it relates to the dollar store industry, is rare and the loss of key executives leading those functions could have a material adverse effect on the Company's ability to continue to offer a compelling product offering to its customers, which in turn could materially adversely affect its business and financial results.

***Recruitment, Retention and Management of Quality Employees***

Future growth and performance depend, among other things, on the Company's ability to attract, retain and motivate quality employees, many of whom are in positions with historically high rates of turnover. The Company's ability to meet its labour needs, while controlling labour costs, is subject to many external factors, including the competition for and availability of quality personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labour

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legislation (including changes in the process for employees to join a union) or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). In addition, the Company must be able to successfully manage personnel throughout its growing and increasingly geographically dispersed network of stores.

**Technology Risks**

***Information Technology Systems***

The Company depends on its information technology systems for the efficient functioning of its business, including financial reporting and accounting, purchasing, inventory management and replenishment, labour forecasting and scheduling, payroll processing, data storage, customer transactions processing and store communications. Enterprise-wide software solutions enable management to efficiently conduct operations, and gather, analyze, and assess information across all business functions and geographic locations.

Management believes that the Company's information technology architecture is resilient, relying on redundant material components to prevent material failures and redundant telecommunication links to prevent communication failures. However, systems may be subject to damage or interruption resulting from power outages, telecommunication failures, computer viruses, security breaches, cyber-attacks and catastrophic events. Difficulties with the hardware and software platform may require the Company to incur substantial costs to repair or replace it, could result in a loss of critical data or could disrupt operations, including the Company's ability to timely ship and track product orders, forecast inventory requirements, manage the supply chain, process customer transactions and otherwise adequately service customers, which, in each case, could have a material adverse effect on the Company's business and financial results. Prolonged disruptions to information technology systems may reduce the efficiency of the Company's operations, which could materially adversely affect its business and financial results.

***Data Security and Privacy Breaches***

Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication of perpetrators of cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events. Cyber-threats in particular vary in technique and sources, are persistent, and are increasingly more targeted and difficult to detect and prevent.

Cyber-attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Company's information technology systems, networks and websites, the introduction of computer viruses and other malicious codes, and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. They could result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence. Cyber-attacks and security breaches could therefore materially adversely affect the Company's business and financial results.

While the Company has dedicated resources and utilizes third party technology products and services to help protect the Company's information technology systems and infrastructure as well as its proprietary and confidential information against security breaches and cyber incidents, such measures may not be adequate or effective to prevent or identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions,

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which could cause damage in excess of any available insurance, and could materially adversely affect its business and financial results.

**Strategy and Corporate Structure Risks**

***Growth Strategy***

The Company's ability to successfully execute its growth strategy will depend largely on its ability to successfully open and operate new stores, which, in turn, will depend on a number of operational, financial, and economic factors, including whether it can:

- locate, lease, build out, and open stores in suitable locations on a timely basis and on favourable economic terms;
- hire, train, and retain an increasing number of quality employees at competitive rates of compensation;
- supply an increasing number of stores with the proper mix and volume of merchandise;
- expand into new Mexican markets outside Mexico City, where it has limited presence;
- procure efficient logistics and transportation services for those new markets;
- successfully compete against local competitors; and
- build, expand and upgrade warehousing and distribution facilities as well as store support systems in an efficient, timely and economical manner.

Any failure by the Company to achieve these goals could materially adversely affect its ability to continue to grow. In addition, if the expansion occurs as planned, the Company's store base will include a relatively high proportion of stores with a relatively short history of operations. If new stores on average fail to achieve results comparable to existing stores, the Company's business and financial results could be materially adversely affected.

***Corporate Structure***

PesoRama Inc. is a holding company and a substantial portion of its assets are the equity interests in its subsidiaries. As a result, the Company is subject to the risks attributable to PesoRama Inc.'s subsidiaries. As a holding company, PesoRama Inc. conducts substantially all its business through its subsidiaries, which generate substantially all of PesoRama Inc.'s revenues. Consequently, PesoRama Inc.'s cash flows, and its ability to meet financial obligations and to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to PesoRama Inc. The ability of these entities to pay dividends and other distributions will depend on their operating results and may potentially be constrained by various contractual restrictions. PesoRama Inc.'s subsidiaries are distinct legal entities and have no obligation to make funds available to PesoRama Inc. or any of its creditors, except in certain circumstances and subject to certain terms and conditions in the case of a subsidiary that is a guarantor of PesoRama Inc.'s obligations. In the event of a bankruptcy liquidation of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to PesoRama Inc.

**Business Continuity Risks**

***Adverse Weather, Natural Disasters, Climate Change, Geopolitical Events, Pandemic and Epidemic Outbreaks***

The occurrence of one or more natural disasters, such as earthquakes and hurricanes, unusually adverse weather

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exacerbated by global climate change or otherwise, pandemic or epidemic outbreaks, boycotts and geopolitical events, such as civil unrest in countries in which suppliers are located or in which the Company operates, and acts of terrorism, or similar disruptions could materially adversely affect the Company's business and financial results. Furthermore, the impact of any such events on its business and financial results could be exacerbated if they occur during a period of the year when sales generally increase.

These events could result in physical damage to one or more of the Company's properties; increases in fuel or other energy prices; disruption to information systems; the temporary or long-term disruption in the supply of products from some local and overseas suppliers; the temporary disruption in the transportation of goods from overseas; delays in the delivery of goods to warehouses, distribution centres, or stores; the temporary or permanent closure of one or more warehouses or distribution centres or of one or more stores; the temporary reduction in the availability of products in stores; delays in opening new stores; a temporary workforce unavailability in a market or a surge in unemployment; the temporary reduction of store traffic; significant disruption in everyday life and consumer spending habits in the markets in which the Company operates; and/or the loss of sales. These factors could materially adversely affect the Company's business and financial results, for a short or long period, and there is no assurance that business will resume and reach historical levels after any such event.

***Insurance***

The Company's insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that management believes are reasonable based on the nature and size of the Company's operations. However, there are types of losses against which the Company cannot be insured or which management chose not to insure, in some cases because it believes it is not economically reasonable to do so, such as losses due to acts of war, nuclear disaster, pandemic, epidemic, reputational risks, supply chain issues, certain cyber risks, product recalls, employee turnover, strikes and some natural disasters. If the Company incurs these losses and they are material, its business and financial results could be materially adversely affected. In addition, certain material events may result in sizable losses for the insurance industry and materially adversely affect the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, the Company may elect to increase its level of self-insurance, accept higher deductibles, or reduce the amount of coverage in response to these market changes. Although it continues to maintain property insurance for catastrophic events, the Company is effectively self-insured for property losses up to the amount of its deductibles. If it experiences a greater number of these losses than anticipated, the Company's business and financial results could be materially adversely affected.

**Legal and Regulatory Risks**

***Product Liability Claims and Product Recalls***

The Company sells products manufactured by unaffiliated third parties. Manufacturers might not adhere to product safety requirements or quality control standards, and the Company might not identify the deficiency before merchandise is shipped to stores and sold to customers. As a result, the products sold by the Company may expose it to product liability claims relating to personal injury, death, or property damage, and may require the Company to take actions or act as a defendant in a litigation. In addition, if suppliers are unable or unwilling to recall products failing to meet quality standards, the Company may be required to remove merchandise from the shelves or recall those products at a substantial cost. Product liability claims and product recalls may affect customers' perception of the business or the brand and harm the Company's reputation, which may materially adversely affect its business and financial results. Although the Company maintains liability insurance to mitigate potential claims, it cannot be certain

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that coverage will be adequate or sufficient to cover for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.

***Litigation***

The Company's business is subject to the risk of litigation by employees, customers, consumers, product suppliers, service providers, other business partners, competitors, shareholders, government agencies, or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation, including, in the case of administrative proceedings, as a result of reviews by taxation authorities. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. In addition, certain of these lawsuits or claims, if decided adversely to the Company or settled by it, may result in liability material to its financial statements as a whole or may negatively affect operating results if changes to business operations are required. In addition, in connection with its business activities, the Company is subject to reviews by taxation authorities. There is no assurance that any such reviews will not result in taxation authorities challenging any of its tax filings.

The cost to defend litigation may be significant. There also may be adverse publicity associated with litigation, including without limitation litigation related to product safety, which could negatively affect customer perception of the business or the brand, regardless of whether the allegations are valid or whether the Company is ultimately found liable. As a result, litigation could materially adversely affect the Company's business and financial results.

***Regulatory Environment***

The Company is subject to many laws and regulations, including laws and regulations related to, among other things, permits and licences, product safety, labour practices, health and safety, merchandise quality, labelling, intellectual property, data privacy, environmental levies, trade and customs, bribery and corruption.

Compliance with existing or new laws and regulations, or changes in the interpretation, implementation or enforcement of any laws and regulations, could require the Company to make significant system or operating changes or require it to make significant expenditures or incur substantial costs, all of which could materially adversely affect its business and financial results. In addition, untimely compliance or non-compliance with any laws and regulations could trigger litigation or governmental enforcement action, or require the payment of any fines or penalties, and harm the Company's reputation, which could materially adversely affect the Company's business and financial results.

In addition, the Company and its representatives are subject to anti-corruption and anti-bribery laws that prohibit improper payments directly or indirectly to government officials, authorities, or persons defined in those anti-corruption and anti-bribery laws, to obtain business or other improper advantages in the conduct of business. Failure by the Company or any of its employees, subcontractors, suppliers, agents, and/or representatives to comply with anti-corruption and anti-bribery laws could result in criminal, civil and administrative legal sanctions and negative publicity, and could materially adversely affect the Company's business and financial results as well as its brand image and reputation.

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***Environmental Compliance***

Under various federal, provincial, and local environmental laws and regulations, current or previous owners or occupants of property may become liable for the costs of investigating, removing and monitoring any hazardous substances found on the property. These laws and regulations often impose liability without regard to fault.

Accordingly, it is possible that environmental liabilities may arise in the future as a result of any generation and disposal of such hazardous materials. Although it has not been notified of, and management is not aware of, any current material environmental liability, claim, or non-compliance, the Company could incur costs in the future related to its properties to comply with, or address any violations under, environmental laws and regulations.

In the ordinary course of business, the Company sometimes uses, stores, handles or disposes of household products and cleaning supplies that are classified as hazardous materials under various environmental laws and regulations. Also, products sold by the Company may be subject to environmental regulations prohibiting or restricting the use of certain toxic substances in the manufacturing process.

The Company cannot predict the environmental laws or regulations that may be enacted in the future or how existing or future laws and regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretations of existing laws and regulations, may require additional expenditures or impose fines or penalties, which could vary substantially from those currently anticipated and could materially adversely affect the Company's business and financial results.

***Climate Change***

Climate change is an international concern that is receiving increasing attention worldwide. As a result, in addition to the physical risks associated with climate change, there is the risk that the government introduces climate change legislation and treaties that could result in increased costs, and therefore, decreased profitability of the Company's operations.

Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of greenhouse gas (GHG) emissions. GHG regulations could require the Company to purchase allowances to offset the Company's own emissions or result in an overall increase in costs or operating expenses, any of which could materially adversely affect the Company's business and financial results. While additional regulation of emissions in the future appears likely, it is too early to predict whether this regulation could ultimately have a material adverse effect on the Company's business or financial results.

***Shareholder Activism***

The Company may be subject to legal and business challenges in the operation of its business due to actions instituted by activist shareholders or others. Responding to such actions can be costly and time-consuming, disrupting business operations and diverting the attention of management and employees. Such investor activism could result in uncertainty of the direction of the Company, substantial costs and diversion of management's attention and resources, which could harm the business, hinder execution of the business strategy and initiatives and create adverse

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volatility in the market price and trading volume of the Company's shares.

**Internal Controls over Financial Reporting**

Management has developed a system for internal controls over financial reporting to provide reasonable assurance about the reliability of the financial information published and the preparation of the financial statements in accordance with IFRS. The CEO and the CFO are responsible for developing internal controls over financial reporting or the supervision of their development.

**Share Information**

The Company's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized.

As at April 30, 2021, there were 47,643,211 common shares issued and outstanding. In addition, there were 1,250,000 options, 1,886,953 agents and finders warrants, 6,750,000 performance warrants, and 17,823,860 share purchase warrants.

**Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**SCHEDULE C**

**Pro Forma Financial Statements of the Resulting Issuer**

(See Attached)

# PesoRama Inc.

## PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	PesoRama Inc.	Skyscape Inc.	Note Ref.	Pro Forma Adjustments	Pro Forma Consolidated
	\$ CDN	\$ CDN		\$ CDN	\$ CDN
	As at April 30, 2020	As at June 30, 2021			
<b>Assets</b>					
<b>Current assets:</b>					
Cash	3,393,605	39,050	e) f)	● 13,750	3,446,405
Sales taxes receivable	2,007,432	-			2,007,432
Deposits to suppliers	496,637	-			496,637
Prepaid expenses	47,991	-			47,991
Inventory	3,907,050	-			3,907,050
<b>Total current assets</b>	<b>9,852,715</b>	<b>39,050</b>		<b>13,750</b>	<b>9,905,515</b>
<b>Non-current assets</b>					
Property and equipment	3,589,684				3,589,684
Intangible assets	166,056				166,056
Security deposits	147,396				147,396
Right-of-use assets	4,778,648				4,778,648
<b>Total non-current assets</b>	<b>8,681,784</b>	-		-	<b>8,681,784</b>
<b>Total assets</b>	<b>18,534,499</b>	<b>39,050</b>		<b>13,750</b>	<b>18,587,299</b>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	3,656,295	200,299	c) d)	● ●	3,856,594
Current portion of lease liabilities	822,367				822,367
<b>Total current liabilities</b>	<b>4,478,662</b>	<b>200,299</b>		-	<b>4,678,961</b>
<b>Non-current liabilities</b>					
Lease liabilities	4,408,506				4,408,506
Convertible debentures	3,730,020		c) d)	● ●	3,730,020
Derivative financial instrument	1,432,337		d)	●	1,432,337
<b>Total non-current liabilities</b>	<b>9,570,863</b>	-		-	<b>9,570,863</b>
<b>Total liabilities</b>	<b>14,049,525</b>	<b>200,299</b>		-	<b>14,249,824</b>

## PesoRama Inc.

### PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	PesoRama Inc.	Skyscape Inc.	Note Ref.	Pro Forma Adjustments	Pro Forma Consolidated
	\$ CDN	\$ CDN		\$ CDN	\$ CDN
	<i>As at April 30, 2020</i>	<i>As at June 30, 2021</i>			
<b>Shareholders' equity</b>					
Share capital	17,493,563	651,354	b) b) d) e) f)	(651,354) 2,000,000 ● ● 13,750	19,507,313
Warrants reserve	635,804	-	d) e)	● ●	635,804
Share-based compensation reserve	223,483	101,363	b) b)	(101,363) ●	223,483
Accumulated other comprehensive loss	(339,857)	-			(339,857)
Deficit	(13,528,019)	(913,966)	b) b) c)	913,966 (2,161,249) -	(15,689,268)
<b>Total shareholders' equity</b>	<b>4,484,974</b>	<b>(161,249)</b>		<b>13,750</b>	<b>4,337,475</b>
<b>Total liabilities and shareholders' equity</b>	<b>18,534,499</b>	<b>39,050</b>		<b>13,750</b>	<b>18,587,299</b>

## PesoRama Inc.

### PRO FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

As at June 30, 2021

	PesoRama Inc.	Skyscape Inc.	Note Ref.	Pro Forma Adjustments	Pro Forma Consolidated
	\$ CDN	\$ CDN		\$ CDN	\$ CDN
	<i>Three months ended April 30, 2020</i>	<i>Six months ended June 30, 2021</i>			
Revenue	1,658,907	-		-	1,658,907
Cost of sales					
Inventory expensed	897,150	-		-	897,150
Distribution costs	247,480	-		-	247,480
Gross margin	514,277	-		-	514,277
General and administrative expenses	1,527,443	246,744		-	1,774,187
Depreciation and amortization	544,978	-		-	544,978
Operating loss	1,558,144	246,744		-	1,804,888
Financing costs	221,399	22,546	b) c)	2,161,249 ●	2,405,194
Other items	(31,082)	-		-	(31,082)
Net loss	1,748,461	269,290		2,161,249	4,179,000
Other comprehensive loss					
Cumulative transaction adjustment	(333,028)	-		-	(333,028)
Net comprehensive loss	1,415,433	269,290		2,161,249	3,845,972
Net loss per share, basic and diluted	(0.037)	(0.269)			(0.082)
Weighted average shares outstanding, basic and diluted	47,239,143	1,000,000	a) b) b) d) e) f)	1,000,000 (2,000,000) 2,000,000 ● ● 1,500,000	50,739,143

## **1. Basis of Presentation**

As Skyscape does not meet the definition of a business under IFRS 3, Business Combinations, the Transaction will be accounted for under IFRS 2, Share Based Payment. Under IFRS 2, the Transaction is measured at the fair value of the PesoRama shares deemed to have been issued by PesoRama to Skyscape shareholders in order for the ownership interest in the combined entity to be the same as if the Transaction had taken the legal form of PesoRama acquiring 100% of Skyscape.

Under reverse acquisition accounting, any difference in the fair value of the PesoRama shares deemed to have been issued by PesoRama (the fair value of the consideration transferred) and the fair value of Skyscape's identifiable net assets acquired represents a listing expense, which has been recorded in retained earnings in the unaudited pro forma statement of financial position and to financing cost in the unaudited pro forma statement of loss and comprehensive loss.

The resulting issuer from the Transaction (the "Resulting Issuer") will operate as a discount retail company with its core operations in Mexico continuing the business of PesoRama. The pro forma consolidated financial statements show the effects of the Transaction as though it had occurred on June 30, 2021.

The unaudited pro forma financial statements have been prepared from information derived from and should be read in conjunction with the following:

1. The unaudited interim condensed consolidated financial statements of PesoRama for the period ended April 30, 2021.
2. The unaudited interim condensed consolidated financial statements of Skyscape for the period ended June 30, 2021.
3. Unless otherwise noted, the unaudited pro forma consolidated financial statements and accompanying notes are presented in Canadian Dollars.

The unaudited pro forma consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and, in the opinion of management, include all adjustments necessary for fair presentation. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of Skyscape and PesoRama.

The unaudited pro forma consolidated financial statements have been prepared for illustration purposes only and may not be indicative of the Resulting Issuer's financial position had the Transaction been in effect at the date indicated.

## **2. Pro Forma Adjustments**

Pursuant to the Definitive Agreement (the "Agreement") dated March 8, 2021, between Skyscape and PesoRama, Skyscape will acquire 100% of the issued and outstanding share capital of PesoRama, whereby the shareholders of PesoRama will receive post-consolidation shares of Skyscape in exchange for their shares of PesoRama. The unaudited pro forma consolidated financial statements include the following assumptions and adjustments as set forth in the Agreement.

- a) One million common shares of Skyscape acquired in the secondary market prior to the completion of the RTO were required to be deposited in escrow. As a result, Skyscape weighted-average shares at June 30, 2021 did not include these 1 million shares. For the pro forma statement, these shares were

added to the weighted-average share total to arrive at the total number of Skyscape shares (2 million) to be replaced by the deemed issuance of PesoRama shares.

b) Retained deficit of Skyscape is eliminated since Skyscape is a predecessor corporation without active business operations. Existing share capital is eliminated as the 2,000,000 Skyscape shares previously issued and outstanding are replaced with subsequent issuer shares valued at \$1.00 per share. Existing share-based compensation reserve is also eliminated as the 200,000 Skyscape options previously outstanding are replaced with subsequent issuer options valued via a Black-Scholes pricing model at \$●, or \$● per option, based on a stock price of \$1.00, exercise price of \$0.50, maturity of ● years, risk-free rate of ●% and volatility of ●%. The net consideration transferred by PesoRama will be allocated to the net assets acquired and transaction costs will be expensed. Fair value of the RTO was determined using the share price of PesoRama on the most recent private placement financing on December 23, 2019. The preliminary purchase price of \$2,000,000 has been allocated as follows:

- Deemed issuance price of units issued to former shareholders of Skyscape \$1.00
- Deemed issuance of shares to former shareholders of Skyscape 2,000,000
- Total Consideration \$2,000,000
  
- Total Consideration \$2,000,000
- Net assets acquired: Cash less Accounts Payable (\$161,249)
- Subtotal \$1,838,751
- Plus: Issuance of 200,000 Subsequent Issuer options to replace Skyscape options \$●
- Net Listing expenses \$2,161,249

c) Interest expense on the Debentures using the effective interest method includes accretion of both future value of the Debentures as well as transaction costs. Accrued interest at the coupon rate from the inception of the Debentures through the Transaction date was \$●. Debt accretion was \$●. Total interest expense using the effective interest method was \$●.

d) In accordance with the terms of the Debentures, all outstanding Debentures are converted to PesoRama conversion securities (“Conversion Securities”) on the date of the Transaction. Each Conversion Security consists of one share and one half a warrant, with each whole warrant having an exercise price of \$1.25 and being exercisable for two years from the date of conversion. The warrants were valued at \$● using a Black-Scholes pricing model based on a stock price of \$1.00, exercise price of \$1.25, maturity of two years, risk-free rate of ●%, and volatility of ●%. The Debentures are converted into the number of Conversion Securities equal to the face value of all outstanding Debentures plus unpaid accrued interest divided by 85% of the share price on the date of the Transaction. See detail below:

Face value of debentures	\$5,542,000
Plus: unpaid accrued interest	●
<hr/>	
Total face value and unpaid accrued interest	●
Share price on date of the Transaction	\$1.00
85% of the share price	\$0.85
<hr/>	
Number of Conversion Securities	●
Preliminary share value	\$●
Preliminary warrant value	\$●

Initial fair value of debt portion	\$●
Plus: accretion	●
Plus: coupon interest	●
Plus: conversion feature (equity)	●
<hr/> Total conversion value	\$●
Allocated to shares	\$●
Allocated to warrants	●
<hr/> Total value of Conversion Securities	\$●

- e) Skyscape intends to complete a brokered offering of between \$● million and \$● million in connection with closing the Transaction (the "Offering"). The Offering will involve units consisting of one share and one warrant with an exercise price of \$● and an exercise period of two years. The warrants were valued at \$● using a Black-Scholes pricing model based on a share price of \$1.00, exercise price of \$●, maturity of two years, risk-free rate of ●%, and volatility of ●%. See details below:

Gross proceeds	\$●
Less: transaction costs	\$●
<hr/> Estimated net proceeds	\$●
Number of shares	●
Preliminary value of shares (\$1.00 each)	\$●
Number of warrants	●
Preliminary value of warrants	\$●
<b>Allocation of net proceeds</b>	
Allocated to shares	\$●
Allocated to warrants	●
<hr/> Net proceeds	\$●

- f) Subsequent to April 30, 2021, PesoRama had the following changes to its equity instruments:
- 1,250,000 performance warrants were exercised to purchase 1,250,000 common shares at \$0.001 per share for cash proceeds of \$1,250. The warrants had a nominal fair value.
  - 250,000 milestone warrants were exercised to purchase 250,000 common shares at \$0.05 per share for cash proceeds of \$12,500. The warrants had a nominal fair value.
  - As a result of the termination of a key member of management, 400,000 options and 2,500,000 performance warrants were forfeited on August 16, 2021. There was no financial impact, as these options and warrants were fully vested.

### 3. Pro Forma Share Capital

Description	Number	Amount \$	Notes
PesoRama issued and outstanding common shares as at April 30, 2021	47,643,211	17,493,563	
Deemed issuance of shares to former Skyscape shareholders	2,000,000	2,000,000	2b)
Forced conversion of outstanding PesoRama Debentures (net of transaction costs)	•	•	2d)
Offering proceeds (net of transaction costs)	•	•	2e)
Exercise of warrants and options subsequent to April 30, 2021	1,500,000	13,750	2f)
<hr/>			
Total	•	\$•	

**SCHEDULE D**  
**Audit Committee Charter**  
(See Attached)

## AUDIT COMMITTEE CHARTER

### *Primary Objective*

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities to: (i) review financial reports and financial information provided to any regulatory authority or provided for release to the public and the Corporation's shareholders; (ii) review the Corporation's disclosure control systems; (iii) review the Corporation's internal control systems with respect to finance, accounting and legal compliance; and (iv) review the Corporation's accounting and financial reporting processes.

### *Composition*

The Committee shall be composed of not less than three (3) directors, the majority of whom shall be independent and 'unrelated', as determined by the Board of Directors in accordance with applicable legislation and any requirements of such exchanges on which the securities of the Corporation are traded. The Committee's composition shall be in compliance with the stated requirements of Multilateral Instrument 52-110 "Audit Committees" and any amendments thereto.

All members of the Committee shall be financially literate and have a working familiarity with basic accounting and finance practices.

All members of the Committee shall be appointed by the Board of Directors at such time as shall be determined and shall serve until their successors are duly appointed. Any member may be removed or replaced by direction of the Board of Directors and shall in any event cease to be a member of the Committee forthwith upon such member ceasing to be a director of the Corporation. Committee members shall be entitled to such remuneration for serving on the Committee as may from time to time be determined by the Board.

### *Meetings*

The members of the Committee so appointed shall elect from among their number a Chairman of the Committee. Such Chairman will appoint a secretary with responsibility for maintaining minutes of all meetings. The Secretary shall not be required to be a member of the Committee or a director of the Corporation and can be changed at any time upon notice from the Chairman.

The Committee shall meet as many times as it in its discretion deems necessary to discharge its responsibilities but in no event shall the Committee meet less than four (4) times per year. The time at which, and the place where, Committee meetings are held, the calling of the meetings and the procedure in respect of such meetings shall be determined by the Committee, unless provisions to the contrary are contained in the Corporation's by-laws or other constating documents or the Board of Directors shall determine otherwise. No business may be transacted unless a quorum of the Committee is present, the majority of the members of the Committee comprising such quorum. If the number of members of the Committee is an even number, one half of the number of members plus one shall constitute a quorum.

The Committee may invite or require the attendance at any meeting of such officers and employees of the Corporation, internal and external legal counsel or such other persons as the Committee deems necessary in order for the Committee to discharge its duties and responsibilities. The external independent auditors of the Corporation should be requested and, if deemed necessary, required to attend meetings of the Committee and to make presentations to the Committee as is deemed appropriate.

The Committee shall meet not less than once annually with the Corporation's independent auditors and without the presence of management. The Committee shall also meet with the independent auditors and management at least quarterly to review the Corporation's financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, and any press releases related thereto.

Notwithstanding the foregoing, and subject to the Corporation's constating documents, governing legislation and applicable regulatory and exchange rules, the Chairman of the Committee may exercise the powers of the Committee

between meetings if required. In the event the Chairman does so exercise such powers, the Chairman shall immediately report in writing to the members of the Committee the actions or decisions taken in the name of the Committee and the same shall be recorded in the minutes of the Committee.

### ***Duties and Responsibilities***

- periodically review and, as required, recommend to the Corporation's Governance Committee any revisions or updates to this Mandate for the Governance Committee to forward to the Board of Directors for approval and implementation
- review interim quarterly financial statements and the audited annual financial statement, including related Management's Discussion and Analysis of Financial Condition and Results of Operations, together with any press releases related thereto and make a recommendation to the Board of Directors for approval and implementation.
- discuss and review with management all financial information and earnings guidance which may be provided to the public in advance of the provision of such communication
- satisfy itself, on behalf of the Board of Directors, that all quarterly and annual financial results, and attendant Management's Discussion and Analysis of Financial Condition and Results of Operations, present fairly the financial condition of the Corporation and are in accordance with generally accepted accounting principles
- act as an independent and objective party to monitor the Corporation's financial reporting process and the system of internal controls, including, as required, inspection of all books and records of the Corporation and its subsidiaries, discussion of such accounts and records and the financial position of the Corporation with senior management and the auditors of the Corporation and its subsidiaries and the commissioning of such reports or supplemental information as may be required in relation to the above
- recommend to the Board of Directors the appointment, retention, termination and compensation of the Corporation's independent auditors
- evaluate and oversee the work of the Corporation's independent auditors, including receipt and review of all reports and recommendations
- review the independent auditor's reports of all critical accounting policies and practices to be used, alternative treatments of financial information within generally accepted accounting principles, ramifications and use of alternative disclosures and treatments and other communications between the independent auditors and the Corporation's management
- satisfy itself on behalf of the Board of Directors as to the 'independence from management' of the external auditors, within the meaning given to such term in the rules and pronouncements of the applicable regulatory authorities and professional governing bodies
- ensure the independent auditor's rotation of the audit partner satisfies all regulatory requirements
- annually review and evaluate the performance of the Corporation's independent auditors and the audit partner, including opinions of management, and make such recommendations to the Board of Directors as appropriate
- review the annual audit plan and such advice as may be provided with respect to management and internal controls
- monitor the Corporation's internal accounting controls, information gathering systems and management reporting of internal control systems

- review with management and the independent auditors the relevance and appropriateness of the Corporation's accounting policies, recommended changes and approval thereof
- satisfy itself that the Corporation has implemented appropriate systems of internal control over financial reporting and the safeguarding of the Corporation's assets; review "risk management" procedures, including the identification of significant risks and the establishment of appropriate procedures to manage such risks; monitor corporate performance in light of acceptable risks
- review and approve the Corporation's communication and disclosure policies and controls and monitor compliance therewith
- review and approve the Corporation's investment and treasury policies and monitor compliance therewith
- review the annual proposed budget prepared by the Corporation's executive and make a recommendation to the Board of Directors for approval and implementation

perform such other activities consistent with the Corporation's constituting documents, governing law and regulatory and exchange requirement as may be requested by the Board of Directors