

PesoRama Inc.
(Formerly Skyscape Capital Inc.)
Condensed Consolidated Interim Financial Statements
For the three and nine months ended October 31, 2022 and 2021
(Expressed in Canadian dollars)
(Unaudited)

PESORAMA INC.
Condensed Consolidated Interim Statements of Financial Position

<i>(Expressed in Canadian dollars)</i>	October 31, 2022 - Unaudited	January 31, 2022 - Audited
ASSETS		
Current assets		
Cash and cash equivalents	\$ 983,172	\$ 891,030
Restricted Cash	-	5,335,170
Taxes receivable (Note 5)	560,995	729,133
Deposits to suppliers	236,596	172,774
Prepaid expenses and other receivables	385,806	99,090
Inventory (Note 4)	4,258,415	2,527,650
Total current assets	6,424,984	9,754,847
Non-current assets		
Property and equipment (Note 6)	4,317,295	3,972,252
Intangible assets (Note 7)	15,564	6,673
Security deposits	212,963	150,686
Right-of-use assets (Note 8)	4,326,553	3,905,930
Total non-current assets	8,872,375	8,035,541
Total assets	\$ 15,297,359	\$ 17,790,388
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,721,750	\$ 5,136,724
Subscription Receipts (Note 10)	-	5,311,322
Current portion of lease liabilities (Note 8)	1,544,024	1,053,016
Total current liabilities	7,265,774	11,501,062
Non-current liabilities		
Lease liabilities (Note 8)	3,931,841	3,749,199
Convertible debentures (Note 9)	-	6,017,477
Derivative financial instrument (Note 9)	-	1,280,082
Total non-current liabilities	3,931,841	11,046,758
Total liabilities	11,197,615	22,547,820
Shareholders' Equity		
Share capital (Note 10)	33,917,533	17,507,813
Warrants reserve (Note 11, 12)	4,068,339	588,684
Share-based compensation reserve (Note 12)	1,472,445	223,483
Accumulated other comprehensive income (loss)	236,431	(182,664)
Deficit	(35,595,004)	(22,894,748)
Total shareholders' equity	4,099,744	(4,757,432)
Total liabilities and shareholders' equity	\$ 15,297,359	\$ 17,790,388

Nature of operations (Note 1)

Commitments and contingencies (Note 16)

See accompanying notes to the condensed consolidated interim financial statements.

PESORAMA INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

<i>(Unaudited, expressed in Canadian dollars)</i>	Three Months Ended October 31,		Nine months ended October 31,	
	2022	2021	2022	2021
Sales	4,125,085	2,627,762	9,376,121	6,351,907
Cost of sales				
Inventory expensed (Note 4)	2,575,931	1,704,331	5,792,628	3,887,069
Inventory write-downs (Note 4)	193,311	-	696,089	-
Distribution costs	205,319	350,720	926,024	824,912
Gross profit	1,150,524	572,711	1,961,380	1,639,926
General, administrative, and store operating expenses (Note 15)	2,621,560	1,586,287	7,167,641	4,336,856
Depreciation and amortization (Note 15)	1,271,125	720,628	2,371,027	1,849,122
Operating loss	(2,742,161)	(1,734,204)	(7,577,288)	(4,546,052)
Financing costs (Note 15)	239,450	485,127	644,752	1,330,292
Listing expense (Note 3)	-	-	3,730,224	-
Other items (Note 15)	542,387	(305,309)	747,992	(7,130)
Net loss	(3,523,998)	(1,914,022)	(12,700,256)	(5,869,214)
Currency translation adjustment	213,192	(241,999)	419,095	(241,900)
Net comprehensive loss	(3,310,806)	(2,156,021)	(12,281,161)	(6,111,114)
Basic and diluted loss per share	(0.05)	(0.04)	(0.18)	(0.12)
Weighted average number of common shares outstanding - basic and diluted	72,819,543	49,336,037	71,754,868	48,499,577

See accompanying notes to the condensed consolidated interim financial statements.

PESORAMA INC.

Condensed Consolidated Interim Statements of Shareholder's Equity

<i>Unaudited, expressed in Canadian dollars</i>	Number of Common Shares (Note 10)	Share capital (Note 10)	Warrants reserve (Note 11)	SBC reserve ⁽¹⁾ (Note 12)	AOCL ⁽²⁾	Deficit	Total
Balance January 31, 2022	49,643,211	17,507,813	588,684	223,483	(182,664)	(22,894,748)	(4,757,432)
Shares issued pursuant to the RTO Transaction	2,000,000	1,600,000	-	-	-	-	1,600,000
Stock options issued pursuant to the RTO Transaction	-	-	-	73,492	-	-	73,492
Shares issued for subscription receipts and offering	10,035,170	7,495,564	-	-	-	-	7,495,564
Warrants issued for subscription receipts	-	-	1,950,717	-	-	-	1,950,717
Shares issued for structuring fee	1,750,000	1,400,000	-	-	-	-	1,400,000
Shares issued upon conversion of convertible debentures	8,499,858	5,866,656	-	-	-	-	5,866,656
Issuance of warrants upon conversion of the convertible debentures	-	-	1,463,377	-	-	-	1,463,377
Shares issued upon exercise of warrants	950,000	47,500	-	-	-	-	47,500
Warrants issued for over-allotment option	-	-	65,561	-	-	-	65,561
Share-based compensation	-	-	-	1,175,470	-	-	1,175,470
Other comprehensive income for the period	-	-	-	-	419,095	-	419,095
Net loss for the period	-	-	-	-	-	(12,700,256)	(12,700,256)
Balance October 31, 2022	72,878,239	33,917,533	4,068,339	1,472,445	236,431	(35,595,004)	4,099,744
Balance January 31, 2021	47,139,610	17,447,504	513,028	223,483	(7,382)	(11,821,934)	6,354,699
Shares issued upon exercise of broker warrants	28,601	22,309	(858)	-	-	-	21,451
Shares issued upon exercise of milestone warrants	725,000	36,250	-	-	-	-	36,250
Shares issued upon exercise of performance warrants	1,750,000	1,750	-	-	-	-	1,750
Warrants issued with convertible debentures	-	-	62,184	-	-	-	62,184
Other comprehensive loss for the period	-	-	-	-	(241,900)	-	(241,900)
Net loss for the period	-	-	-	-	-	(5,869,214)	(5,869,214)
Balance October 31, 2021	49,643,211	17,507,813	574,354	223,483	(249,282)	(17,691,148)	365,220

(1) Share-based compensation reserve

(2) Accumulated other comprehensive income (loss)

See accompanying notes to the condensed consolidated interim financial statements.

PESORAMA INC.
Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended October 31,

<i>(Unaudited, expressed in Canadian dollars)</i>	2022	2021
Operating Activities		
Net loss for the period	(12,700,256)	(5,869,214)
Adjustments for items not affecting cash:		
Depreciation and amortization (Note 6 and 7)	1,408,298	985,961
Depreciation, right-of-use assets (Note 8)	962,729	863,161
Share-based compensation (Note 12)	1,175,470	-
Interest on lease liabilities (Note 8)	506,057	464,439
Interest on convertible debentures (Note 9)	14,427	356,245
Accretion on convertible debentures (Note 9)	18,048	394,177
Unrealized loss on derivative liability	-	16,626
Non-cash portion of listing expense (Note 3)	3,697,074	-
Write-down of inventory (Note 4)	696,089	-
Changes in non-cash working capital items		
Taxes receivable	229,184	(872,259)
Deposits to suppliers	(123,467)	(107,786)
Prepaid expenses and other receivables	(179,227)	5,986
Inventory	(2,033,453)	312,792
Security deposits	(41,614)	(730)
Accounts payable and accrued liabilities	(452,776)	1,717,766
Cash used in operating activities	(6,823,417)	(1,732,836)
Investing Activities		
Purchase of property and equipment (Note 6)	(1,295,259)	(2,522,407)
Purchase of intangible assets (Note 7)	(10,526)	(16,027)
Cash acquired from RTO Transaction (Note 3)	10,064	-
Cash used in investing activities	(1,295,721)	(2,538,434)
Financing Activities		
Proceeds received from issuance of shares from offering units (Note 10)	3,760,000	-
Share issuance costs (Note 10)	(450,676)	-
Proceeds received from issuance of warrants from offering units (Note 11)	940,000	-
Proceeds received from issuance of over-allotment warrants (Note 11)	70,500	-
Warrants issuance costs (Note 11)	(119,304)	-
Proceeds from exercise of options, milestone/performance warrants (Note 12)	47,500	38,000
Proceeds from exercise of agents' and finders' warrants	-	21,451
Proceeds received for debentures issued (Note 9)	-	5,542,000
Debenture issuance costs (cash) (Note 9)	-	(446,255)
Lease payments (Note 8)	(1,356,590)	(873,945)
Cash provided by financing activities	2,891,430	4,281,251
Cash and restricted cash, beginning of period	6,226,200	642,402
Effect of foreign currency translation on cash	(15,320)	(1,266)
Net (decrease) increase in cash	(5,227,708)	9,981
Cash, end of period	983,172	651,117

See accompanying notes to the condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS

PesoRama Inc. (the “Company” or “PesoRama”), which formerly operated under the name Skyscape Capital Inc. (“Skyscape”) was incorporated on January 9, 2018, under the Business Corporations Act (Ontario).

On February 8, 2022, the Company completed a transaction whereby Skyscape acquired all of the issued and outstanding common shares of a private entity, incorporated in Canada, also known as PesoRama Inc. (“Old PesoRama” or the “Private Company”), which was subsequently amalgamated with a wholly-owned subsidiary of Skyscape to become PesoRama Holdings Inc. (“PesoRama Holdings”). The transaction constituted a reverse asset acquisition in accordance with International Financial Reporting Standards (“IFRS”), whereby the shareholders of Old PesoRama took control of Skyscape (the “RTO Transaction” or “RTO”). Pursuant to the RTO Transaction, Skyscape changed its name to PesoRama Inc. See Note 3 for further details.

Through PesoRama’s wholly owned subsidiaries, Canmex Dollar Stores, S.A. de C.V. (“Canmex”), Joi Canadian Stores, S.A. de C.V. (“Joi”), Pesorama Consulting Services, S.A. de C.V. (“Pesorama Consulting”), and Pesorama Stores Services, S.A. de C.V. (“Pesorama Stores”), the Company operates discount retail stores in Mexico, under the JOi Canadian Stores brand, offering consumers a high variety of products with focus on the single price point segment of the retail market. During the nine months ended October 31, 2022, the Company expanded their product offering by adding two additional price points thus becoming part of the multi-price point segment of the retail market.

References within these financial statements to the “Company” or “PesoRama” for periods, dates and/or transactions prior to the RTO Transaction are in reference to Old PesoRama, as the corporate entity of interest pre-RTO Transaction. Alternatively, references within these financial statements to the “Company” or “PesoRama” for periods, dates and/or transactions subsequent to the RTO Transaction are in reference to PesoRama (formerly Skyscape), as the corporate entity of interest post-RTO Transaction. The comparative periods reflected in these financial statements are those of the Private Company, as the financials are a continuance of Old PesoRama. The Company’s registered office is located at 77 King Street West, Suite 700, Toronto, ON, M5K 1G8. The common shares of the Company are listed on the TSX Venture Exchange (“TSXV”) under the symbol “PESO”.

Going concern

These condensed consolidated interim 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 nine months ended October 31, 2022, the Company incurred a net loss of \$12.7 million (October 31, 2021 - \$5.9 million) and used \$6.8 million of cash in operating activities (October 31, 2021 - used \$1.7 million). As of October 31, 2022, the Company had a working capital deficiency of \$0.8 million (January 31, 2022 – \$1.7million). The Company will need to raise additional financing to continue operations and fund its expansion strategy consisting of opening additional stores during the foreseeable future. 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. These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern. 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.

Management believes that the going concern assumption is appropriate for these condensed consolidated interim 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 PRESENTATION

Statement of compliance

The unaudited condensed consolidated interim financial statements of the Company have been prepared under International Financial Reporting Standards (“IFRS”) in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

These unaudited condensed consolidated interim 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, 2022, except for certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended January 31, 2022. These unaudited condensed consolidated interim financial statements were authorized for issuance by the Company’s Board of Directors on December 21, 2022.

Comparative figures

Certain comparative figures have been reclassified to conform with the basis of presentation applied for the three and nine months ended October 31, 2022.

Basis of measurement

These condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars. The Company’s functional currency and that of its Canadian subsidiary is the Canadian dollar while each of its subsidiaries in Mexico has a Mexican peso functional currency, which is the primary economic environment in which each subsidiary operates.

Use of judgments, estimates and assumptions

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 judgments, estimates, and assumptions applied in these condensed consolidated interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's audited annual consolidated financial statements for the year ended January 31, 2022, with the exception of additional estimates and assumptions applied in connection with the convertible debentures and derivative financial instrument discussed in Note 9.

Significant accounting policies

The Company's significant accounting policies can be read in Note 3 to the Company's annual audited consolidated financial statements for the year ended January 31, 2022.

3. REVERSE TAKE OVER TRANSACTION ("RTO")

On February 8, 2022 (the "RTO Date"), Skyscape completed the RTO Transaction to acquire all of the issued and outstanding common shares of Old PesoRama. In connection with the RTO Transaction, Skyscape changed its name to PesoRama Inc. The RTO served as Skyscape's qualifying transaction under Exchange Policy 2.4 – Capital Pool Companies.

The RTO Transaction constituted a reverse asset acquisition of PesoRama by Old PesoRama rather than a business combination as the Company (then being Skyscape) did not meet the definition of a "business", in accordance with IFRS 3, with the PesoRama's main attribute being its public listing. The RTO Transaction has been measured at the fair value of the common shares and options that are deemed to have been issued to the Company's historical shareholders. Accordingly, the RTO Transaction has been recorded in these condensed consolidated interim financial statements using a basis of accounting as summarized below:

- a) The historical equity of the Company has been eliminated and the excess of the fair value of deemed issuance of the equity instruments over the fair value of the net assets acquired has been recorded as listing expense in net loss during the period ended October 31, 2022;
- b) The accumulated deficit and other equity balances presented in these condensed consolidated interim financial statements are those of Old PesoRama;
- c) The assets and liabilities of Old PesoRama are included in these condensed consolidated interim financial statements on a pre-transaction basis of accounting;
- d) The net assets of PesoRama were measured at their estimated fair value on the RTO Date; and
- e) Comparative information presented in these condensed consolidated interim financial statements is that of Old PesoRama.

PESORAMA INC.
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Under this basis of accounting, as consideration for 100% of the outstanding common shares of the Company (formerly Skyscape) by way of reverse acquisition, the Private Company issued 2,000,000 common shares to the shareholders of the Company (formerly Skyscape) and 200,000 stock options to replace the Company's (formerly Skyscape) stock options. The common shares were assigned a value of \$0.80 per share (derived from previous offerings of units of Old Pesorama done in conjunction with the RTO) and the stock options were assigned a value of \$0.3675 per option based on a Black-Scholes valuation, for total consideration of \$1,673,492 before transaction costs. The consideration has been allocated first to the fair value of the net assets acquired, with any excess to a non-cash listing expense as follows:

Consideration	
2,000,000 shares at a value of \$0.80 per share	1,600,000
200,000 stock options at a value of \$0.3675 per option	73,492
Total Consideration	1,673,492
Net assets (liabilities)	
Cash and cash equivalents	10,064
Accounts payable ⁽²⁾	(633,646)
Total net assets (liabilities) acquired at fair value	(623,582)
Excess attributed to the cost of listing	2,297,074
Transaction costs related to the RTO	
Legal and other professional fees ⁽¹⁾	1,433,150
Listing Expense	3,730,224

(1) Transaction costs consist of \$33,150 of legal costs and a \$1,400,000 structuring fee which was paid in common shares as described in Note 10.

(2) As of the date of the RTO, \$600,000 of the accounts payable balance was for legal services rendered to Skyscape by a law firm of which a certain director of the Company is also a partner.

4. INVENTORY

As of October 31, 2022, the Company maintained finished goods inventory of \$4,258,415 (January 31, 2022 - \$2,527,650). The Company's inventory balance consists of inventory held at the Company's warehouse and stores, as well as inventory in transit from suppliers for which risk of loss during transit lies with the Company. The cost of inventories included in cost of sales for the nine months ended October 31, 2022, was \$5,792,628 (October 31, 2021 - \$3,887,069). During the nine months ended October 31, 2022, there was a total of \$696,089 in inventory write-downs (October 31, 2021 - \$nil). The cost of inventories included in cost of sales for the three months ended October 31, 2022, was \$2,575,931 (October 31, 2021 - \$1,704,331). During the three months ended October 31, 2022, there was a total of \$193,311 in inventory write-downs (October 31, 2021 - \$nil).

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5. TAXES RECEIVABLE

Taxes receivable consists of goods and services tax (“GST”) of PesoRama and net value added tax (“VAT”) of Joi, Canmex and Pesorama Consulting as at October 31, 2022. Both GST and VAT are indirect taxes which are refundable for amounts paid by each entity to their vendors, net of indirect taxes collected for amounts charged by each entity to their customers. GST returns for PesoRama are filed on a quarterly basis. Since April 30, 2022, the Company is in the process of claiming VAT refunds for Joi, Canmex and Pesorama Consulting accumulated from prior operating periods. After a reserve against VAT receivable of \$2.98million and \$2 million that was recorded as of October 31, 2022 and January 31, 2022 respectively, the balance of taxes receivable as of October 31, 2022 and January 31, 2022 is as follows:

The table summarizes VAT receivable and payable balances as of October 31, 2022:

Legal Entity	Tax Type	October 31, 2022	January 31, 2022
PesoRama Inc.	GST	45,830	55,339
PesoRama Holdings	GST	22,674	-
Canadian GST Receivable		68,504	55,339
Joi Canadian Stores, S.A. de C.V.	VAT	3,215,094	2,319,187
Canmex Dollar Stores, S.A. de C.V.	VAT	235,927	438,386
Pesorama Consulting Services, S.A. de C.V.	VAT	16,602	(91,786)
VAT receivable reserve		(2,975,132)	(1,991,993)
Mexican VAT Receivable		492,491	673,794
Total		560,995	729,133

PESORAMA INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended October 31, 2022

6. PROPERTY AND EQUIPMENT

As at October 31, 2022, the balances of the Company's property and equipment are as follows:

Cost	Furniture and equipment, office	Furniture and equipment, Stores	Computer Hardware	Communication equipment	Leasehold improvements	Total
As at January 31, 2021	42,858	625,462	151,899	81,184	2,819,541	3,720,944
Capital expenditures	3,520	108,991	140,870	-	2,119,473	2,372,854
Foreign exchange	(606)	(13,877)	(3,118)	(1,792)	(63,613)	(83,006)
As at January 31, 2022	45,772	720,576	289,651	79,392	4,875,401	6,010,792
Capital expenditures	2,512	304,056	71,063	13,653	903,975	1,295,259
Foreign exchange	3,721	106,419	37,339	10,281	636,186	793,946
As at October 31, 2022	52,005	1,131,051	398,053	103,326	6,415,562	8,099,997
Accumulated Amortization						
As at January 31, 2021	(6,347)	(53,278)	(40,375)	(29,941)	(653,995)	(783,936)
Additions	(4,225)	(71,489)	(67,987)	(23,833)	(1,104,952)	(1,272,486)
Foreign exchange	73	1,222	758	676	15,153	17,882
As at January 31, 2022	(10,499)	(123,545)	(107,604)	(53,098)	(1,743,794)	(2,038,540)
Additions	(3,613)	(70,722)	(76,180)	(20,955)	(1,233,860)	(1,405,330)
Foreign exchange	(862)	(19,537)	(16,515)	(7,741)	(294,177)	(338,832)
As at October 31, 2022	(14,974)	(213,804)	(200,299)	(81,794)	(3,271,831)	(3,782,702)
Net book value						
As at January 31, 2022	35,273	597,031	182,047	26,294	3,131,607	3,972,252
As at October 31, 2022	37,031	917,247	197,754	21,532	3,143,731	4,317,295

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7. INTANGIBLE ASSETS

As at October 31, 2022, the balances of the Company's intangible assets are as follows:

Cost	Software Licenses	Brand Names	Software in Development	Total
As at January 31, 2021	203,554	-	81,603	285,157
Capital expenditures	11,789	4,144	-	15,933
Impairment	-	-	(79,854)	(79,854)
Foreign exchange	(4,501)	(3)	(1,749)	(6,253)
As at January 31, 2022	210,842	4,141	-	214,983
Capital expenditures	4,501	6,025	-	10,526
Foreign exchange	24,981	925	-	25,906
As at October 31, 2022	240,324	11,091	-	251,415
Accumulated Amortization				
As at January 31, 2021	(118,836)	-	-	(118,836)
Additions	(92,047)	(110)	-	(92,157)
Foreign exchange	2,683	-	-	2,683
As at January 31, 2022	(208,200)	(110)	-	(208,310)
Additions	(2,748)	(220)	-	(2,968)
Foreign exchange	(24,546)	(27)	-	(24,573)
As at October 31, 2022	(235,494)	(357)	-	(235,851)
Net book value				
As at January 31, 2022	2,642	4,031	-	6,673
As at October 31, 2022	4,830	10,734	-	15,564

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8. LEASES

The leases of the Company relate to 22 store leases and 2 office leases.

Right-of-use Assets

Cost	
As at January 31, 2021	4,247,542
Additions	1,889,589
Foreign exchange	(100,995)
As at January 31, 2022	6,036,136
Additions	1,045,473
Lease remeasurement	(100,457)
Foreign exchange	672,745
As at October 31, 2022	7,653,897
Accumulated Depreciation	
As at January 31, 2021	977,879
Depreciation	1,174,675
Foreign exchange	(22,348)
At as January 31, 2022	2,130,206
Depreciation	962,729
Foreign exchange	234,409
As at October 31, 2022	3,327,344
Net Book Value	
At as January 31, 2022	3,905,930
As at October 31, 2022	4,326,553

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Lease Liability

As at January 31, 2021	3,681,646
Additions	1,878,410
Interest on lease liability	714,677
Lease payments	(1,235,463)
Foreign exchange	(237,055)
As at January 31, 2022	4,802,215
Additions	1,045,473
Interest on lease liability	506,057
Lease payments	(1,356,590)
Lease remeasurement	(100,457)
Foreign exchange	579,167
As at October 31, 2022	5,475,865
Current portion	1,544,024
Non-current portion	3,931,841
Total lease liability	5,475,865

The table below summarizes the remaining expected lease payments as at October 31, 2022:

<i>Fiscal Years</i>	
2023	1,664,108
2024	1,796,492
2025	1,673,856
2026	918,770
2027	366,767
Thereafter	363,390
Less: imputed interest	(1,307,518)
Present value of operating lease liabilities	5,475,865

During the nine months ended October 31, 2022, the Company remeasured their leases due to changes in lease payments adjusted by Consumer Price Index in accordance with the lease agreements. This resulted in a decrease in the lease liability, as a result of the decrease in the present value of the remaining lease payments, and a decrease in the right of use assets balance.

9. CONVERTIBLE DEBENTURES

On March 2, 2021, PesoRama closed the first tranche of convertible debentures (the “Debentures” or the “Convertible 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 for gross proceeds of \$710,000. On December 30, 2021, the Company closed the third tranche, issuing an additional 1,160 Debentures for gross proceeds of \$1,160,000. Total cash transaction fees on the three tranches were \$529,780, for net proceeds received of \$6,172,220. The Debentures had an annual interest rate of 9.875% compounding semi-annually and

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payable upon the early of a) the maturity date of the Debentures, b) automatic conversion of the Debentures, or c) upon redemption of the Debentures. The first two tranches originally had a maturity date of March 2, 2023, and April 1, 2023, respectively (the "March Maturity Date"), while the third tranche originally had a maturity date of December 30, 2023 (the "December Maturity Date"; both dates collectively referred to as the "Maturity Dates"). The Company could, at its sole discretion, redeem the Debentures at any time prior to the Maturity Dates 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 would trigger automatic conversion of all outstanding Debentures to PesoRama securities of the same type issued pursuant to concurrent financing raised by the Company (the "Conversion Securities"). Each Debenture was convertible to PesoRama common shares at a rate of 85% of the per-share price attributed to the Company's common shares on the RTO Transaction date.

Each Debenture also included 50 warrants, each of which entitles the holder to purchase one common share at a price of \$1.25. A total of 6,194 finders warrants were also issued to brokers in connection with the debenture financing arrangement. Each finders warrant allows the holders thereof to purchase a number of PesoRama common shares 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 common shares depending on the per-Share price attributed to the Company's common shares on the RTO Transaction date. A fair value model was used to estimate the fair value of each of the debt component and the embedded derivative liability. Using the residual value approach, the proceeds received were first allocated to the derivative liability, with the residual amount being allocated to the debt component, and any remaining amount being assigned to the related warrants. Because the assessed fair value of the debt component and embedded derivative liability exceeded net proceeds, the warrant component was assigned a value of nil.

On the dates of issuance, the Company recognized the debt components at their present value of \$4,939,646, net of transaction costs, and the embedded derivative liability at a fair value of \$1,271,060. Transaction costs of \$115,000, which includes cash transaction costs of \$100,491 and fair value of finders warrants of \$14,509, attributed to the embedded derivative liability were recognized as an expense during the year ended January 31, 2022.

On February 8, 2022, upon completion of the RTO transaction, the Debentures were automatically converted into units of the Company resulting in the issuance of 8,499,858 common shares and 8,499,858 subscriber warrants. Each subscriber warrant entitles the holder thereof to purchase one common share at a price of \$1.25 until two years from the date of issuance. Refer to Note 10 and 11 for additional details.

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The components of the Company's Debentures as at October 31, 2022 are as follows:

	Liability Component	Derivative Liability	Total
On date of issuance	5,430,940	1,271,060	6,702,000
Cash transaction costs	(429,292)	-	(429,292)
Finders warrants	(62,001)	-	(62,001)
On date of issuance, net of transaction costs	4,939,647	1,271,060	6,210,707
Interest expense	503,122	-	503,122
Accretion	574,708	-	574,708
Unrealized loss on derivative liability	-	9,022	9,022
Balance, January 31, 2022	6,017,477	1,280,082	7,297,559
Interest expense	14,427	-	14,427
Accretion	18,048	-	18,048
Conversion of debt at RTO date	(6,049,952)	(1,280,082)	(7,330,034)
Balance, October 31, 2022	-	-	-

10. SHARE CAPITAL

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. Outstanding common shares as at October 31, 2022 are as follows:

	Common shares	Amount (\$)
Balance, January 31, 2021	47,139,610	17,447,504
Shares issued through warrant exercise (viii)(ix)(x)	2,503,601	60,309
Balance, January 31, 2022	49,643,211	17,507,813
Shares issued pursuant to the RTO Transaction (Note 3)	2,000,000	1,600,000
Shares issued for Subscription Receipts and Offering (i) (ii)	10,035,170	7,495,564
Shares issued for structuring fee (iii)	1,750,000	1,400,000
Shares issued for the conversion of debentures (iv)	8,499,858	5,866,656
Shares issued upon warrant exercise (v)(vi)(vii)	950,000	47,500
Balance, October 31, 2022	72,878,239	33,917,533

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- (i) On November 19, 2021, the Company completed a non-brokered private placement offering of an aggregate of 5,335,170 subscription receipts (the "Subscription Receipts") at a price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$5,335,170. On February 8, 2022, upon completing the RTO Transaction, each Subscription Receipt was automatically converted into one common share of PesoRama and one PesoRama subscriber warrant. A value of \$4,268,136, before issuance costs, was allocated to the 5,335,170 common shares issued. Additionally, issuance costs of \$30,332 were allocated to the common shares, for a total net amount of \$4,237,804 recognized as attributed to the common shares. See Note 11 for further details regarding the warrants issued.

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- (ii) Upon completion of the RTO Transaction, the Company completed a prospectus offering (the “Offering”) and issued 4,700,000 common shares and 4,700,000 subscriber warrants (“Offering Warrants”) of PesoRama in addition to the units previously issued. A value of \$3,760,000 before issuance costs, was allocated to the 4,700,000 common shares. On completion of the Offering, PesoRama paid a cash commission to a syndicate of agents (the “Agents”) per an agency agreement (the “Agency Agreement”) and issued 316,500 PesoRama subscriber warrants (the “Agent Offering Warrants”) to the Agents. Each Agent Offering Warrant entitles the holder thereof to purchase one PesoRama common share at a price of \$1.00 per share until the date that is 24 months from the closing of the Offering. Issuance costs amounting to \$502,240 were attributed to the common shares, for a total net amount recognized of \$3,257,760. In total the Company paid cash issuance costs of \$550,975 relating to the Offering. The Agent Offering Warrants were assessed a fair value of \$76,825, using the Black-Sholes option pricing model, and was included as part of the issuance costs of the Offering, allocated proportionately between the common shares issued and the Offering Warrants. See Note 11 for further details regarding the Offering Warrants.
- (iii) On November 19, 2021, PesoRama, Old PesoRama, Fundamental HS, SC, Antonio Heredia (a partner of Fundamental), and Beragua Capital Advisory SL (“Beragua”), a company related to Fundamental’s partners, entered into a structuring fee agreement (the “Structuring Fee Agreement”). Pursuant to the Structuring Fee Agreement, Skyscape agreed to pay to Mr. Heredia and Beragua a fee for advisory services in connection with the RTO Transaction, payable through the issuance of an aggregate of 1,750,000 PesoRama common shares at a deemed value of \$1.00 per share. The fair value of the shares issued is \$1,400,000.
- (iv) On February 8, 2022, upon completion of the RTO transaction, the Debentures were automatically converted into 8,499,858 common shares and 8,499,858 subscriber warrants of the Company. On the RTO Date, the Company allocated \$5,866,656 of the value of the Debentures and the embedded derivative liability to the common shares issued.
- (v) On March 1, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at \$0.05 per share for cash proceeds received of \$5,000. No amount was reclassified from warrant reserve to share capital as these warrants were initially valued at nil.
- (vi) On June 16, 2022, 750,000 milestone warrants were exercised to purchase 750,000 common shares at \$0.05 per share for cash proceeds received of \$37,500. No amount was reclassified from warrant reserve to share capital as these warrants were initially valued at nil.
- (vii) On September 23, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at \$0.05 per share for cash proceeds received of \$5,000. No amount was reclassified from warrant reserve to share capital as these warrants were initially valued at nil.

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- (viii) On March 17, 2021, broker warrants issued on March 21, 2019, were exercised to purchase 28,601 common shares at \$0.75 per share for cash proceeds of \$21,451. Warrants reserve of \$858 were reclassified to share capital in connection with this exercise.

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- (ix) On April 14, 2021, and July 16, 2021, milestone warrants issued on April 19, 2018, were exercised to purchase 475,000 common shares and 250,000 common shares, respectively, at \$0.05 per share for cash proceeds of \$23,750 and \$12,500, respectively. No warrants reserve was reclassified to share capital as these warrants were initially valued at nil.
- (x) On May 6, 2021, and September 20, 2021, performance warrants were exercised to purchase 1,250,000 and 500,000 common shares, respectively, at \$0.001 per share for cash proceeds of \$1,250 and \$500, respectively. No warrants reserve was reclassified to share capital as these warrants were initially valued at nil.

11. FINANCING-RELATED WARRANTS

The following table reflects the changes in financing-related warrants issued and outstanding up to October 31, 2022:

	Subscriber warrants	Agents/finders warrants	Total	Weighted average exercise price (\$)
Balance, January 31, 2021	14,021,760	1,910,520	15,932,280	1.18
Issued March 2, 2021 (vi)(vii)	241,600	4,559	246,159	1.24
Issued April 1, 2021 (vi)(vii)	35,500	475	35,975	1.24
Issued December 30, 2021 (vi)(vii)	58,000	1,160	59,160	1.24
Exercised March 2021 (viii)	-	(28,601)	(28,601)	0.75
Balance, January 31, 2022	14,356,860	1,888,113	16,244,973	1.16
Issued for Subscription Receipts (i)	5,335,170	-	5,335,170	1.25
Issued for the Offering (ii)	4,700,000	316,500	5,016,500	1.23
Issued for the Debentures (iii)	8,499,858	-	8,499,858	1.25
Issued for the over-allotment option (iv)	705,000	-	705,000	1.25
Balance, October 31, 2022	33,596,888	2,204,613	35,801,501	1.20

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- (i) On November 19, 2021, the Company completed a non-brokered private placement offering of an aggregate of 5,335,170 subscription receipts (the "Subscription Receipts") at a price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$5,335,170. On February 8, 2022, upon completing the RTO Transaction, each Subscription Receipt was automatically converted into one common share of PesoRama and one PesoRama subscriber warrant. Each subscriber warrant entitles the holder thereof to acquire one PesoRama common share at an exercise price of \$1.25 per share until February 8, 2024. A value of \$1,067,036, before issuance costs, was allocated to the subscriber warrants. Additionally, issuance costs of \$7,583 were allocated to the subscriber warrants, for a total net amount of \$1,059,453 recognized as attributed to the subscriber warrants. See Note 10 for further details regarding the common shares issued.

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- (ii) On February 8, 2022, the Company completed the public offering in conjunction with the completion of the RTO Transaction and issued 4,700,000 common shares and 4,700,000 subscriber Offering Warrants. Each Offering Warrant entitles the holder thereof to purchase one common share at a price of \$1.25 per share until the expiry date of February 8, 2024. A value of \$940,000, before issuance costs, was allocated to the value of the Offering Warrants and issuances costs of \$48,736 was attributed to the Offering Warrants for total net amount recognized of \$891,264. Included in the issuance costs of the Offering was 316,500 Offering Agent Warrants issued to the Agents by the Company. The Agent Offering Warrants entitle the holder thereof to purchase one common share of the Company at a price of \$1.00 per share until the date that is 24 months from the closing of the Offering. The Agent Offering Warrants were assessed a fair value of \$76,825, using the Black-Sholes option pricing model and the value allocated proportionately between the common shares issued and the Offering Warrants. See Note 10 for further details regarding the common shares issued.
- (iii) On February 8, 2022, upon completion of the RTO transaction, the Debentures, including the embedded derivative liability, were automatically converted into 8,499,858 common shares and 8,499,858 subscriber warrants of the Company. On the RTO Date, the Company allocated \$1,463,377 of the value of the Debentures and the embedded derivative liability to the value of the subscriber warrants issued.
- (iv) As part of the Agency Agreement, the Company granted the Agents an over-allotment option (the “Over-Allotment Option”), exercisable in whole or in part at the sole discretion of the Agents, at any time and from time to time for a period of 30 days from the RTO Date, under which the Agents could purchase up to a total of 705,000 additional units, either as units at a price of \$1.00 per Unit, as PesoRama shares at a price of \$0.90 per PesoRama share, or as common share purchase warrants of PesoRama at a price of \$0.10 per Resulting Issuer Warrant. On March 8, 2022, the Agents exercised the Over-Allotment Option to purchase 705,000 PesoRama warrants, for aggregate gross proceeds to the Company of \$70,500. Each warrant entitles the holder thereof to purchase one PesoRama share at a price of \$1.25 per share for a period of 24 months following the RTO Date. The Company incurred issuance costs of \$4,939 which have been netted against the value of the warrants issued.
- (v) In the event that the volume-weighted average price of the common shares of the Company is equal to or greater than \$2.00 over a 10 consecutive trading day period, the Company may, within 10 business days following such 10-day period, accelerate the expiry date of the subscriber warrants by issuing a press release, and in such case, the expiry date of the subscriber warrants shall be deemed to be the date that is 30 days following the issuance of the press release.

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- (vi) On March 2, April 1, and December 30, 2021, the Company closed three tranches of its Debenture offering (see Note 9). In connection with the first tranche, on March 2, 2021, the Company issued 241,600 subscriber warrants. In connection with the second tranche, on April 1, 2021, the Company issued 35,500 subscriber warrants. In connection with the third tranche, on December 30, 2021, the Company issued 58,000 subscriber warrants. Each subscriber warrant entitles the holder to purchase one Share at a price of \$1.25. The warrants for the first two tranches are set to expire on the earlier of 1) the date that is 24 months from the date of listing on the Exchange or 2) five years from the issue date. The warrants for the third tranche are set to expire on December 30, 2023.

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However, if the daily volume-weighted average price of the common 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 for the warrants of all three tranches. 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.

As discussed in Note 9, because there was no residual value after valuation of the debt component and embedded derivative liability associated with the Debentures, the subscriber warrants were assigned a nil value.

- (vii) In connection with the first tranche of its Debenture offering (see Note 9), on March 2, 2021, the Company issued 4,559 finders warrants. In connection with the second tranche, on April 1, 2021, the Company issued 475 finders warrants. In connection with the third tranche, on December 30, 2021, the Company issued 1,160 finders warrants. Each finders warrant can be exercised to purchase the number of common shares equal to 1,000 divided by the conversion price (85% of the Share price) multiplied by 7%. Total fair value assigned to finders warrants on the three tranches was \$76,514.
- (viii) 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.
- (ix) During the year ended January 31, 2022, the expiry dates of the following subscriber warrants 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:
 - (a) 5,907,557 subscriber warrants issued March 21, 2019
 - (b) 2,371,340 subscriber warrants issued April 30, 2019
 - (c) 2,192,100 subscriber warrants issued May 24, 2019
 - (d) 2,737,430 subscriber warrants issued May 30, 2019
 - (e) 813,333 subscriber warrants issued June 7, 2019
 - (f) 241,600 subscriber warrants issued March 2, 2021
 - (g) 35,500 subscriber warrants issued April 1, 2021

In addition to the revised expiry dates, the amended indentures stipulate that in the event that the daily volume-weighted average price of the common shares exceeds \$2.50 per share (\$2.00 per share for the subscriber warrants issued March 2 and April 1, 2021) for a period of 20 consecutive trading days (10 consecutive trading days for the subscriber warrants issued March 2 and April 1, 2021), the expiry date may be accelerated by the Company by giving notice to the warrant holders and the warrant agent within five trading days.

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(x) During the year ended January 31, 2022, the expiry date of the following outstanding agents and finders warrants was amended to the earlier of a) the date which is 24 months from the date the shares are listed on a recognized Canadian securities exchange and b) the date which is 5 years from the issue date:

- (a) 317,300 agents warrants issued March 21, 2019
- (b) 149,344 agents warrants issued April 3, 2019
- (c) 153,447 agents warrants issued May 24, 2019
- (d) 203,435 finders warrants issued May 30, 2019
- (e) 56,333 finders warrants issued June 7, 2019
- (f) 186,060 finders warrants issued December 23, 2019

As at October 31, 2022, the following financing-related warrants were outstanding and exercisable:

Issue date	Warrant type	Exercise price	Number of warrants	Weighted average remaining life (years)
2018-09-14	Agent warrants	0.40	784,000	1.27
2018-10-04	Agent warrants	0.40	32,000	1.27
2019-03-21	Subscriber warrants	1.25	5,907,557	1.27
2019-03-21	Agent warrants	0.75	317,300	1.27
2019-04-03	Subscriber warrants	1.25	2,371,340	1.27
2019-04-03	Agent warrants	0.75	149,344	1.27
2019-05-24	Subscriber warrants	1.25	2,192,100	1.27
2019-05-24	Agent warrants	0.75	153,447	1.27
2019-05-30	Subscriber warrants	1.25	2,737,430	1.27
2019-05-30	Finders warrants	1.25	68,435	1.27
2019-05-30	Finders warrants	0.75	135,000	1.27
2019-06-07	Subscriber warrants	1.25	813,333	1.27
2019-06-07	Finders warrants	1.25	56,333	1.27
2019-12-23	Agent warrants	1.00	186,060	1.27
2021-03-02	Subscriber warrants	1.25	241,600	1.27
2021-03-02	Finders warrants	0.84	4,559	0.33
2021-04-01	Subscriber warrants	1.25	35,500	1.27
2021-04-01	Finders warrants	0.92	475	0.42
2021-12-30	Subscriber warrants	1.25	58,000	1.27
2021-12-30	Finders warrants	1.67	1,160	1.16
2022-02-08	Subscriber warrants	1.25	18,535,028	1.27
2022-02-08	Finders warrants	1.00	316,500	1.27
2022-03-08	Subscriber warrants	1.25	705,000	1.27
Balance, October 31, 2022		1.22	35,801,501	1.27

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12. SHARE-BASED COMPENSATION, OTHER WARRANTS AND OPTIONS

The following table reflects the continuity of stock options and milestones and performance warrants as of October 31, 2022:

	Number of options	Number of milestone warrants	Number of performance warrants	Total	Weighted average exercise price (\$)
Balance, January 31, 2021	1,800,000	4,000,000	6,750,000	12,550,000	0.07
Exercised (vii)(viii)(ix)	-	(725,000)	(1,750,000)	(2,475,000)	0.02
Cancelled (x)(xi)	(950,000)	-	(2,500,000)	(3,450,000)	0.11
Balance, January 31, 2022	850,000	3,275,000	2,500,000	6,625,000	0.08
Issued pursuant to the RTO Transaction (i)	200,000	-	-	200,000	0.50
Granted (ii)	7,950,000	-	-	7,950,000	1.00
Forfeited (iii)	(400,000)	-	-	(400,000)	1.00
Expired	-	(2,325,000)	-	(2,325,000)	0.05
Exercised (iv) (v) (vi)	-	(950,000)	-	(950,000)	0.05
Balance, October 31, 2022	8,600,000	-	2,500,000	11,100,000	0.72

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- (i) On February 8, 2022, upon completion of the RTO Transaction as outlined in Note 3, Old PesoRama issued 200,000 stock options to replace PesoRama stock options. Out of total 200,000 options, 50,000 of these stock options can be exercised at a price of \$0.50 per option to acquire one common share any time until March 6, 2023, while the remaining 150,000 stock options can be exercised at a price of \$0.50 per option to acquire one common share any time until February 8, 2023. Using the Black-Scholes option pricing model the options were valued at \$41,574 in total, or \$0.2079 per option, using the following assumptions: dividend yield 0%, risk-free interest rate of 1.35%, expected volatility of 67%, stock price of \$0.60, and expected life of 1.0 years.
- (ii) On February 8, 2022, the Company granted 7,950,000 options to acquire common shares to certain directors, officers and employees of the Company at an exercise price of \$1.00 per common share. The options are for a five-year term, expiring in February 2027, and vesting one-fourth on each anniversary date from the date of grant over the first four years of the life of the options. During the three and nine months ended October 31, 2022, the Company recognized share-based compensation expense on these options of \$408,088 and \$1,192,743 respectively.
- (iii) During the nine months ended October 31, 2022, 400,000 stock options to certain employees were forfeited upon their departure. At the time of the forfeiture, none of the options had vested resulting in a reversal of the share-based compensation expense of \$nil and \$17,273 during the three and nine months ended October 31, 2022 respectively.

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- (iv) On March 1, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at \$0.05 per share for cash proceeds received of \$5,000. No amount was reclassified from warrant reserve to share capital as these warrants were initially valued at nil.
- (v) On June 16, 2022, 750,000 milestone warrants were exercised to purchase 750,000 common shares at \$0.05 per share for cash proceeds received of \$37,500. No amount was reclassified from warrant reserve to share capital as these warrants were initially valued at nil.
- (vi) On September 23, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at \$0.05 per share for cash proceeds received of \$5,000. No amount was reclassified from warrant reserve to share capital as these warrants were initially valued at nil.

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- (vii) On April 14, 2021, 475,000 milestone warrants issued on April 19, 2018, were exercised by the holders at \$0.05 per share for cash proceeds to the Company of \$23,750. No warrants reserve was reclassified to share capital as these warrants were initially valued at nil.
- (viii) On May 6, 2021, and September 20, 2021, performance warrants were exercised to purchase 1,250,000 and 500,000 common shares, respectively, at \$0.001 per share for cash proceeds of \$1,250 and \$500, respectively. No warrants reserve was reclassified to share capital as these warrants were initially valued at nil.
- (ix) On July 16, 2021, milestone warrants issued on April 19, 2018, were exercised to purchase 250,000 common shares at \$0.05 per share for cash proceeds of \$12,500. No warrants reserve was reclassified to share capital as these warrants were initially valued at nil.
- (x) 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 cancelled in accordance with the terms of the option agreements, which require exercise of outstanding options within three months of termination to avoid cancellation. None of the 550,000 options held by the directors upon their termination were exercised.
- (xi) 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 cancelled immediately upon termination of employment.

The estimated fair value of stock options granted in February 2022 was based on a Black-Scholes option pricing model with the following weighted average assumptions:

Expected forfeiture rate	10%
Risk-free interest rate	1.69%
Expected dividend yield	0%
Expected stock price volatility	67%
Expected option life	5 years
Fair value of options granted	\$0.269

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During the three and nine months ended October 31, 2022, the Company recognized \$408,088 and \$1,175,470 respectively (October 31, 2021 - \$nil) in share-based compensation expense.

The following table reflects share-based compensation options and warrants issued and outstanding as at October 31, 2022:

Type	Exercise price	Number outstanding	Weighted average remaining life (years)	Number exercisable
Performance warrants	0.001	2,500,000	0.54	2,500,000
Stock options	0.40	850,000	1.00	850,000
Stock options	0.50	200,000	0.27	200,000
Stock options	1.00	7,550,000	4.28	-
Balance, October 31, 2022	0.72	11,100,000	3.11	3,550,000

13. RELATED PARTIES

During the three and nine months ended October 31, 2022, there were separate related party transactions as follows:

- (i) Salaries, wages, and benefits and management fees of \$170,000 (2021 - \$226,170) and \$510,000 (2021 - \$629,211) relating to the key management personnel were incurred during the three and nine months ended October 31, 2022 respectively. Professional fees for accounting services of \$nil (2021 - \$61,100) and \$81,000 (2021 - \$123,600) were incurred during the three and nine months ended October 31, 2022 respectively, to the professional services company of which prior Chief Financial Officer is an officer and significant shareholder. As of October 31, 2022, all fees had been paid.
- (ii) Directors' and consulting fees of \$48,035 (2021 - nil) and \$165,337 (2021 - nil) were recognized in professional fees during the three and nine months ended October 31, 2022 respectively.
- (iii) On March 8, 2021, 550,000 stock options held by four former PesoRama directors were cancelled upon them not being re-elected to the Board on December 8, 2020, in accordance with the terms of the option agreements, which require exercise of outstanding options within three months of termination to avoid cancellation. None of the 550,000 options held by the directors upon their termination were exercised.
- (iv) On August 16, 2021, 400,000 stock options and 2,500,000 performance warrants held by the former CEO were cancelled in connection with his termination.
- (v) As part of the RTO Transaction, 1,750,000 PesoRama common shares at a deemed value of \$1.00 per share were issued to Fundamental HS, SC, as a structuring fee for advisory services in connection with the RTO Transaction. A director of PesoRama is also a partner of Fundamental.
- (vi) The Company incurred professional fees for legal services of \$nil and \$57,213 for the three and nine months ended October 31, 2022 respectively, which were provided by a law firm of which a certain director of the Company is also a partner. As at October 31, 2022, this balance has not yet been paid.

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- (vii) The Company incurred share-based compensation for options issued to key management personnel of \$391,872 and \$1,128,762 for the three and nine months ended October 31, 2022 respectively. The Company did not incur share-based compensation expense for the three and nine months ended October 31, 2021.

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments

As at October 31, 2022, the Company's financial instruments consist of cash and cash equivalents, security deposits, accounts payable and accrued liabilities.

The Company characterizes its fair value measurements of financial instruments into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the assets or liabilities either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

A financial instrument is classified to the lowest level hierarchy for which a significant input has been used in measuring fair value. The carrying amounts for cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their respective fair values due to the short-term maturities of those instruments. Security deposits approximate their fair value as of October 31, 2022 based on the expected receivable upon completion of the lease term. The carrying amount of the convertibles debentures approximated its fair value as it is the present value calculated using a market rate that was determined during the nine months ended October 31, 2022, up to the point in time of the conversion of the Debentures. The derivative financial instruments were measured at fair value based on level 3 inputs prior to conversion.

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 October 31, 2022, the Company's liabilities consist of accounts payable and accrued liabilities, 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 8 for breakdown of remaining lease payments relating to long-term portion of lease liability). The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. See further discussion relating to liquidity in Note 1.

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Foreign currency risk

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 and its subsidiaries operate internationally, certain of the Company's financial instruments and transactions are denominated in currencies other than their respective functional currencies. The results of the Company's operations are, therefore, subject to currency transaction and translation risks. As at October 31, 2022, the Company has not entered into any hedging agreements to mitigate currency risks, with respect to foreign exchange rates, as foreign currency risk was deemed to be low. A change of 5% in the CAD/MXN exchange rate on October 31, 2022 would not have a material impact on net loss.

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 of cash and cash equivalents, and security deposits, 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, and by only paying security deposits to reputable, well-established third parties.

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. Fluctuations of interest rates for the period ending October 31, 2022, would not have had a significant impact on the condensed consolidated interim financial statements. Furthermore, the Company was not exposed to interest rate risk on its interest-bearing debentures given these debt instruments were converted into common shares during the period ending October 31, 2022.

15. EXPENSES BY NATURE

	Three Months Ended		Nine Months Ended	
	October 31,	October 31,	October 31,	October 31,
	2022	2021	2022	2021
General, administrative and store operating expenses				
Management fees	152,889	119,973	466,005	450,408
Salaries, wages, and benefits	864,944	851,534	2,594,000	1,673,615
Subcontracted employees	4,046	7,645	15,382	546,570
Professional fees	716,693	281,012	1,458,541	759,621
Investor relations	63,875	10,249	373,915	54,338
Office expenses	290,349	188,747	746,321	500,666
Security and monitoring	4,684	29,562	11,262	114,151
Repairs and maintenance	75,481	73,215	215,947	170,319
Share-based compensation	408,088	-	1,175,470	-
Travel expenses	37,906	19,892	81,060	32,025
Marketing and promotion	2,605	4,458	29,738	35,143
Total	2,621,560	1,586,287	7,167,641	4,336,856

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Depreciation and amortization				
Depreciation	944,550	347,956	1,405,330	897,092
Amortization, intangible assets	145	78,796	2,968	88,869
Depreciation, right-of-use assets	326,430	293,876	962,729	863,161
Total	1,271,125	720,628	2,371,027	1,849,122
Financing costs				
Interest on lease liabilities	186,685	160,737	506,057	464,439
Interest on convertible debentures	-	136,818	14,427	356,245
Accretion on convertible debentures	-	146,805	18,048	394,177
Unrealized loss (gain) on derivative liability	-	5,542	-	16,626
Bank and other finance charges	39,617	20,095	87,429	55,024
Foreign exchange loss	13,148	15,130	18,791	43,781
Total	239,450	485,127	644,752	1,330,292
Other items				
Interest income	(1,507)	-	(3,209)	-
VAT recovery reserves	357,908	-	983,139	-
Other expense (income)	185,986	(305,309)	(231,938)	(7,130)
Total	542,387	(305,309)	747,992	(7,130)

16. COMMITMENTS AND CONTINGENCIES

Commitments

As of October 31, 2022, the Company had planned expenditures of \$270,889 associated with the construction of their new store location expected to open in the last quarter of fiscal 2023. The Company also had retail stores and office lease commitments outstanding, which have been recorded as lease liabilities of \$5,475,865 in the condensed consolidated interim financial statements (see Note 8).

Additionally, as at October 31, 2022, the Company had inventory purchase commitments of \$535,150. All these commitments are expected to be fulfilled and paid within the next twelve months.

Contingencies

Legal Claim for Unpaid Professional Fees

In February 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, all of which have been previously accrued 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.

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Trademark Infringement Claims

In December 2020, the Company was notified that a certain third party initiated a series of infringement claims with the Mexican Institute of Industrial Property (“MTO”) against Joi claiming that Joi’s trademark is similar to the plaintiff’s own registered trademark for its products. Joi’s initial response highlighted the fact that a) the goods cited are not under a trademark held by Joi but by Canmex, b) the MTO has granted trademark registration to Canmex for the trademark “Joi,” among others, and c) Joi’s name is not similar to the registered trademark of the plaintiff. The proceedings are ongoing as Joi awaits further action from the MTO.

The Company believes the third party’s claims to be without merit and anticipates a high likelihood of success in prevailing against the infringement claims. As such, the Company has not made any provision related to these claims.

Legal Claims from Former Joi Employees

At October 31, 2022, Joi had open legal claims from three former Joi employees. At this point in time, the Company is unable to determine the outcome nor able to reasonably estimate potential financial results from these proceedings. However, the maximum estimated financial claim is approximately \$72,000.

Legal Action from Former CEO

In November 2021, the former CEO of Old PesoRama (the “Former CEO”) filed a statement of claim in the Court of Queen's Bench of Alberta against the Company and its directors for wrongful termination, interference with contractual relations, engagement in civil conspiracy, abuse of civil process, oppressive conduct, and breach of fiduciary and other duties. The claim seeks a non-monetary compensation in the amount of 8,750,000 common shares of the Company. The Former CEO is also seeking, in the aggregate, approximately \$5.3 million in compensatory and punitive damages in connection with the foregoing claims.

The Company strongly disagree with all the Former CEO’s positions, believes that the claims are without merit and intend to vigorously defend themselves against the Former CEO’s claims. As such, the Company has not made any provision related to this litigation.

Legal Action from Former Directors

On July 4, 2022, three former directors (the “Plaintiffs”) of PesoRama Holdings Inc. (the “Defendant”) filed a statement of claim in the Court of Queen's Bench of Alberta against the Defendant. The claim alleges that the Plaintiffs are owed a total of \$335,000 of unpaid director compensation fees. The Defendant disagrees with all of the Plaintiffs’ positions, believes that the claim is without merit and continues to vigorously defend itself against the Plaintiffs’ claim.

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17. OPERATING SEGMENT

The company's retail operations in Mexico constitute its sole reportable segment, but it has assets in both Canada and Mexico.

	Canada	Mexico	Total
Revenue			
Nine month's ended October 31,			
2021	-	6,351,907	6,351,907
2022	-	9,376,121	9,376,121
Three month's ended October 31,			
2021	-	2,627,762	2,627,762
2022	-	4,125,085	4,125,085
Non-current assets			
October 31, 2022	20,442	8,851,933	8,872,375
January 31, 2022	12,827	8,022,714	8,035,541