

**PESORAMA INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Three and Nine Months Ended October 31, 2022**

**Management's Discussion and Analysis**

The following management's discussion and analysis ("MD&A") dated December 21, 2022, 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"), formerly known as Skyscape Capital Inc. ("Skyscape"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's consolidated financial results for the three and nine months ended October 31, 2022. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended October 31, 2022 and accompanying notes, as well as the Company's audited annual consolidated financial statements and notes for the year ended January 31, 2022 (as hereinafter defined).

The condensed consolidated interim financial statements for the three and nine-month ending October 31, 2022 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")

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; (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 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.

**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:

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future increases in operating costs (including increases in statutory minimum wages); future increases in merchandise costs (including as a result of inflation and 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 favorable terms; inability to increase warehouse and distribution center 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 consolidated 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 December 13, 2022 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**

Certain financial measures used in this MD&A refer to certain 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. We believe that these measures are important supplemental metrics of operating and financial performance because they eliminate items that have less bearing on our operating and financial performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. These measures are provided as additional information to complement those IFRS measures by providing a further understanding of results of operations from management's perspective and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The below-described non-GAAP measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Refer to the section below for definitions of non-GAAP measures, as per National Instrument 52-112, Non-GAAP and Other Financial Measures, and for a reconciliation of the non-GAAP measures used and presented by the Company to the most directly comparable GAAP measures. In particular, Product Gross Margin, Adjusted EBITDA and EBITDA are non-GAAP measures.

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**Overview**

PesoRama Inc. (formerly Skyscape Capital Inc.) was incorporated under the Business Corporations Act (Ontario) on January 9, 2018. 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".

The Company is the ultimate parent company of its aforementioned wholly-owned Mexican subsidiaries through which PesoRama operates "dollar stores" in Mexico offering consumers a wide variety of products with focus on the value/dollar segment of the retail market. As at the date of this MD&A, the Company operates 21 stores. Stores average 5,400 square feet and offer a wide variety of private label general merchandise seasonal items, consumables, and branded products. Merchandise is sold in individual or multiple units at select, fixed price points up to MXN \$50. All stores are corporately operated and are strategically located in high-traffic areas such as shopping centers and strip malls in the greater Mexico City and surrounding 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, value proposition and enhanced shopping experience.

To date, PesoRama had opened up and is currently operating 21 stores, located in high-traffic shopping centers in Mexico City. As of the date of this MD&A, the Company has an additional signed lease for a store that is planned to be open in the current fiscal year. 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. Factors which may impact the Company's ability to execute its expansion strategy are discussed below. See *Strategy and Corporate Structure Risks*.

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.

**Company Events**

***Reverse Take-Over***

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.

Through PesoRama's wholly-owned subsidiaries, Canmex Dollar Stores, S.A. de C.V. ("Canmex"), JOi Canadian Stores,

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S.A. de C.V. ("JOi"), and 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 this MD&A 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 this MD&A 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 this MD&A are those of the Private Company, as the financials are a continuance of Old PesoRama.

In connection with the RTO, the Company recognized a one-time listing expense of \$3,730,224 in the condensed consolidated interim statements of loss and comprehensive loss for the nine months ended October 31, 2022.

***Financing Transactions***

In parallel with the RTO Transaction, the Company completed an overall financing, whereby PesoRama issued a total of 10,035,170 units ("Units") at \$1 per unit for total gross proceeds received of \$10,035,170. Each Unit consists of one PesoRama common share and one PesoRama common share purchase warrant. Events constituting this financing were as follows:

- (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.
- (ii) Under the terms of an agency agreement, the Company completed a prospectus offering (the "Offering") through a syndicate of agents (the "Agents") and issued 4,700,000 common shares and 4,700,000 subscriber warrants at the close of the RTO Transaction. On completion of the Offering, PesoRama paid a cash commission and issued 316,500 PesoRama subscriber warrants (the "Agent Warrants") to the Agents. Each Agent Warrant entitles the holder thereof to purchase one PesoRama common share at a price of \$1.00 per share until February 2027.

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 for a period of 30 days from the date of the RTO, 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 common shares at a price of \$0.90 per share, or as share purchase warrants at a price of \$0.10 per warrant. On March 8, 2022, the Agents exercised the Over-Allotment Option to purchase 705,000 share purchase warrants for aggregate gross proceeds to the Company of \$70,500. Each warrant entitles the holder to purchase one common share at a price of \$1.25 per share for a period of 24 months following the date of the RTO. In the event that the volume-weighted average price of the common shares on the Exchange is equal to or greater than \$2.00 over a 10 consecutive trading day period, the Company may, within 10 business days following such period, accelerate the share purchase warrant expiry date by issuing a news release to the date that is 30 days following the issuance of the news release.

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***Warrant transfer and exercises***

- (i) 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.
- (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.
- (iii) 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.
- (iv) 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.
- (v) On September 20, 2021, performance warrants were exercised to purchase 500,000 common shares at \$0.001 per share for cash proceeds of \$500.
- (vi) On March 1, 2022, milestone warrants were exercised to purchase 100,000 common shares at \$0.05 per share for cash proceeds of \$5,000.
- (vii) 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.
- (viii) On September 23, 2022, milestone warrants were exercised to purchase 100,000 common shares at \$0.05 per share for cash proceeds of \$5,000.

***Stock Options Grant***

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.

***Options and warrants forfeitures and expiration***

- (i) 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 expired in accordance with the terms of the option agreements, which require exercise of outstanding options within three months of termination to avoid expiration. None of the 550,000 options held by the directors upon their termination were exercised.
- (ii) On August 16, 2021, the employment of PesoRama's CEO (the "Former CEO") was terminated. A total of 2,500,000 outstanding performance warrants and 400,000 vested but unexercised options held by the Former CEO were cancelled immediately upon termination of employment

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***Warrants expiry date amendment***

- (i) In March 2021, the expiry dates of the following subscriber warrants were 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

As a result of the RTO Transaction, the expiry date for these warrants has been amended to February 2024 under the terms of the amendment. 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 TSX Trust (the "Warrant Agent") within five trading days.

- (ii) In preparation for the RTO Transaction, 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 common 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 a result of the RTO Transaction, the expiry date for these warrants has been amended to February 2024 under the terms of the amendment.

***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 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 of \$6,172,220, before finders warrants. The Debentures had an annual interest rate of 9.875% compounding semi-annually and had a maturity date of March 2, 2023 (the "Maturity Date") for the first two tranches and December 30, 2023 (the "December Maturity Date") for the third tranche. The Company, at its sole discretion, had the option to redeem the debentures at any time prior to their applicable maturity dates at a redemption price equal to 1.25 times

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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 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 was payable upon the earlier of a) maturity, b) automatic conversion, or c) redemption. Each Debenture, including accrued and unpaid interest, was convertible to PesoRama common 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 included 50 warrants, each of which entitles the holder to purchase one share at a price of \$1.25. The warrants for the first, second, and third tranches are set to expire on March 2, April 1, and December 30, 2023, respectively. 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. 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.

A total of 6,194 finder warrants were issued to brokers in connection with the debenture financing above, whereby 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 dates of March 2, April 1, and December 30, 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.

On the RTO Date, the Company converted all Debentures, including accrued interest, to common shares at the rate of one common share per \$0.85 of Debenture face value and accrued interest.

***Reconstitution of Board of Directors and New Officers***

In connection with the RTO Transaction, the board of directors of the Resulting Issuer was reconstituted to consist of: Rahim Bhaloo, Antonio Heredia, Paul Pathak and Andrew Parks. The Resulting Issuer also announced the appointment of Rahim Bhaloo as Executive Chairman and interim CFO, Erica Fattore as Chief Executive Officer and President, and Abdulmajeed Bawazeer as Chief Strategy Officer.

**Opening of a new store**

On December 10, 2022, PesoRama opened additional store in Jardines de la Hacienda neighborhood of San Marcos. The 4,800 square foot store is in the popular open-air Power Centre, located approximately 32 kilometers from Mexico City and adjacent to three main highways.

**Factors Affecting Results of Operations**

***Sales***

Sale revenue is recognized when control of a good or service is transferred to a customer. The Company uses the five-step contract-based analysis of transactions to determine when, if, and how much revenue can be recognized. The five steps include: (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

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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, i.e., when the customer tenders payment and takes possession of the merchandise at the stores and all obligations have been fulfilled. All sales are final. Sales 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 expenses (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, such as US and CAD dollars, against the peso.

***Distribution Cost***

Distribution cost represents transportation costs (which are largely variable and proportional to the Company's sales volume) as well as warehouse and distribution center 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. The outbreak reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which negatively impacted the Company's business and financial condition. While restrictions around the worlds are being lifted the future developments are uncertain and cannot be predicted with confidence.

**Overall Performance**

**EBITDA**

"EBITDA" represents net loss (as presented in the Company's condensed consolidated interim statements of loss and comprehensive loss) plus depreciation and amortization, interest, and income taxes. Adjusted EBITDA also considers other non-cash expenses such share-based compensation and unusual and non-recurring expenses such as the listing expense associated with the closing of the RTO.

A reconciliation of net loss to EBITDA is as follows:

	Three months ended October 31,		Nine months ended October 31,	
	2022	2021	2022	2021
Net loss	(3,523,998)	(1,914,022)	(12,700,256)	(5,869,214)
Add (remove):				
Depreciation and amortization	1,271,125	720,628	2,371,027	1,849,122
Interest expenses	186,685	297,555	520,484	820,684
<b>EBITDA</b>	<b>(2,066,188)</b>	<b>(895,839)</b>	<b>(9,808,745)</b>	<b>(3,199,408)</b>
Add (remove):				
Listing expense	-	-	3,730,224	-
Share-based compensation	408,088	-	1,175,470	-
<b>Adjusted EBITDA</b>	<b>(1,658,100)</b>	<b>(895,839)</b>	<b>(4,903,051)</b>	<b>(3,199,408)</b>

**Summary of Consolidated Quarterly Results**

Data from Consolidated Statement of Loss	Fiscal 2023			Fiscal 2022				Fiscal 2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Sales	4,125,085	3,003,763	2,247,273	2,998,270	2,627,762	2,065,238	1,658,907	2,708,799
Net loss	(3,523,998)	(2,867,825)	(6,308,433)	(5,090,207)	(1,914,022)	(2,351,837)	(1,716,748)	(2,651,888)
Net loss per Share								
Basic	(0.05)	(0.04)	(0.09)	(0.09)	(0.04)	(0.05)	(0.04)	(0.06)
Diluted	(0.05)	(0.04)	(0.09)	(0.09)	(0.04)	(0.05)	(0.04)	(0.06)

Historically, the Company's lowest sales results occur in the first quarter whereas the highest sales results occur in the fourth quarter, with December representing the high point of monthly sales. Sales also generally increase ahead

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of other holidays and celebrations, such as Valentine's Day, Holy Week, and Halloween, but the Company otherwise experiences limited seasonal fluctuations and expects this trend to continue. The occurrence of unusually adverse weather or an outbreak like the COVID-19 pandemic causing disruption in the Company's business activities or operations during a peak season such as major holidays and celebrations for a prolonged period could have an adverse effect on the Company's distribution network and on store traffic, which could materially adversely affect financial results.

***Financial and Operating Results for the Three and Nine Months Ended October 31, 2022***

The following table summarizes PesoRama's key financial results for the three months ended October 31, 2022, and 2021:

	<b>2022</b>	<b>2021</b>	<b>Variance \$</b>	<b>Variance %</b>
Total revenue	4,125,085	2,627,762	1,497,323	57%
Cost of sales	2,974,561	2,055,051	919,510	45%
Gross profit	1,150,524	572,711	577,813	101%
Operating loss	(2,742,161)	(1,734,204)	(1,007,957)	58%
Net loss	(3,523,998)	(1,914,022)	(1,609,976)	84%
Net comprehensive loss	(3,310,806)	(2,156,021)	(1,154,785)	54%

The following table summarizes PesoRama's key financial results for the nine months ended October 31, 2022, and 2021:

	<b>2022</b>	<b>2021</b>	<b>Variance \$</b>	<b>Variance %</b>
Total revenue	9,376,121	6,351,907	3,024,214	48%
Cost of sales	7,414,741	4,711,981	2,702,760	57%
Gross profit	1,961,380	1,639,926	321,454	20%
Operating loss	(7,577,288)	(4,546,052)	(3,031,236)	67%
Net loss	(12,700,256)	(5,869,214)	(6,831,042)	116%
Net comprehensive loss	(12,281,161)	(6,111,114)	(6,170,047)	101%

**Revenue**

Total sales revenue increased from \$2,627,762 to \$4,125,085 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$6,351,907 to \$9,376,121 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. In both periods, the sales increases were driven primarily by the opening of two additional stores since October 31, 2021, which generated additional revenues of \$430,265 and \$802,266 for the three and nine months ended October 31, 2022, respectively. The remaining sales increases of \$1,067,058 and \$2,221,948 for the three and nine months ended October 31, 2022 compared to the equivalent period in the prior year, were attributable to organic growth from previously opened stores.

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Cost of sales for the three months ended October 31, 2022, and 2021, was \$2,974,561 and \$2,055,051 respectively and is composed of the following items:

	<b>2022</b>	<b>2021</b>	<b>Variance \$</b>	<b>Variance %</b>
Cost of inventory	2,575,931	1,704,331	871,600	51%
Inventory write-downs	193,311	-	193,311	100%
Inventory used	2,769,242	1,704,331	1,064,911	62%
Distribution costs	205,319	350,720	(145,401)	(41)%
<b>Total cost of sales</b>	<b>2,974,561</b>	<b>2,055,051</b>	<b>919,510</b>	<b>45%</b>

Cost of sales for the nine months ended October 31, 2022, and 2021, was \$7,414,741 and \$4,711,981 and is composed of the following items:

	<b>2022</b>	<b>2021</b>	<b>Variance \$</b>	<b>Variance %</b>
Cost of inventory	5,792,628	3,887,069	1,905,559	49%
Inventory write-downs	696,089	-	696,089	100%
Inventory used	6,488,717	3,887,069	2,601,648	67%
Distribution costs	926,024	824,912	101,112	12%
<b>Total cost of sales</b>	<b>7,414,741</b>	<b>4,711,981</b>	<b>2,702,760</b>	<b>57%</b>

**Cost of inventory**

The cost of inventory increased from \$2,055,051 to \$2,974,561 for the three months ended October 31, 2022, compared to the equivalent period in the prior year and from \$4,711,981 to \$7,414,741 for the nine months ended October 31, 2022 compared to the equivalent period in the prior year. The increase was driven due to increase in sales, higher costs of merchandise due to increased inflation, and increased amount of procured items from domestic suppliers. The Company also introduced multiple price strategy, which resulted in higher priced units purchased at a higher cost.

**Inventory write-down**

Inventory impairment expense increased from \$nil to \$193,311 for the three months ended October 31, 2022, compared to the equivalent period in the prior year and from \$nil to \$696,089 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. The increase in inventory write-down is due to the increase in the quantity of inventory on hand at any given point to satisfy the increase in demand from the existing and upcoming stores. The total impairment estimate includes slow moving items as well as inventory which may be subject to a loss from damages or theft as of October 31, 2022. Significant portion of inventory that has been subject to the write-down is not damaged or obsolete and can be made available for sale upon opening of new stores and increased sales volumes.

**Distribution costs**

Distribution costs decreased from \$350,720 to \$205,319 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and increased from \$824,912 to \$926,024 for the nine months ended

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October 31, 2022, compared to the equivalent period in the prior year. The decrease for the three months ended October 31, 2022, is attributable to Company's strategy of buying larger quantities to reduce the distribution cost per item. The increase for the nine months ended October 31, 2022, was driven primarily by increased sales volume at the existing and newly opened stores compared to the same period in prior year.

*Product Gross Margin Analysis*

"Product Gross margin" represents gross profit (as presented in the Company's condensed consolidated interim statement of loss and comprehensive loss) plus inventory write-downs and distribution costs divided by sales for the three months ended October 31, 2022 and 2021.

	<b>2022</b>	<b>2021</b>
Gross profit	1,150,524	572,711
Inventory write-down	193,311	-
Distribution costs	205,319	350,720
	1,549,154	923,431
Sales	4,125,085	2,627,762
<b>Product Gross margin</b>	<b>37.6%</b>	<b>35.1%</b>

"Product Gross margin" represents gross profit (as presented in the Company's condensed consolidated interim statement of loss and comprehensive loss) plus inventory write-downs and distribution costs divided by sales for the nine months ended October 31, 2022, and 2021.

	<b>2022</b>	<b>2021</b>
Gross profit	1,961,380	1,639,926
Inventory write-down	696,089	-
Distribution costs	926,024	824,912
	3,583,493	2,464,838
Sales	9,376,121	6,351,907
<b>Product Gross margin</b>	<b>38.2%</b>	<b>38.8%</b>

Gross margin increased by 2.5% and decreased by 0.6% for the three and nine months ended October 31, 2022 respectively, compared to the equivalent period in the prior year. The decrease in gross margin during the nine months ended October 31, 2022 is primarily due to the increase in cost of merchandise, which was not passed on to the ending consumer through sale price increases. Additionally, the Company has been making more purchases of product under certain categories from domestic suppliers in the current year compared to prior year, which were at a higher cost. Domestic suppliers were relied on to avoid inventory shortages due to longer fleet time when purchasing abroad. The increase in gross margin for the three months ended October 31, 2022 is attributable to a decrease in distribution costs as a result of the Company purchasing in larger quantities which lowers the distribution cost per unit. Additionally, the Company was able to lower the cost of inventory through the bulk pricing available from purchasing larger quantities.

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*General, administrative and store operating expenses*

The following table summarizes PesoRama's general, administrative and store operating expenses for the three months ended October 31, 2022, and 2021:

	<b>October 31, 2022</b>	<b>October 31, 2021</b>	<b>Variance \$</b>	<b>Variance %</b>
Management fees	152,889	119,973	32,916	27%
Salaries, wages, and benefits	864,944	851,534	13,410	2%
Subcontracted employees	4,046	7,645	(3,599)	(47)%
Professional fees	716,693	281,012	435,681	155%
Investor relations	63,875	10,249	53,626	523%
Office expenses	290,349	188,747	101,602	54%
Security and monitoring	4,684	29,562	(24,878)	(84)%
Repairs and maintenance	75,481	73,215	2,266	3%
Share-based compensation	408,088	-	408,088	100%
Travel expenses	37,906	19,892	18,014	91%
Marketing and promotion	2,605	4,458	(1,853)	(42)%
	<b>2,621,560</b>	<b>1,586,287</b>	<b>1,035,273</b>	<b>65%</b>

The following table summarizes PesoRama's general, administrative and store operating expenses for the nine months ended October 31, 2022, and 2021:

	<b>October 31, 2022</b>	<b>October 31, 2021</b>	<b>Variance \$</b>	<b>Variance %</b>
Management fees	466,005	450,408	15,597	3%
Salaries, wages, and benefits	2,594,000	1,673,615	920,385	55%
Subcontracted employees	15,382	546,570	(531,188)	(97)%
Professional fees	1,458,541	759,621	698,920	92%
Investor relations	373,915	54,338	319,577	588%
Office expenses	746,321	500,666	245,655	49%
Security and monitoring	11,262	114,151	(102,889)	(90)%
Repairs and maintenance	215,947	170,319	45,628	27%
Share-based compensation	1,175,470	-	1,175,470	100%
Travel expenses	81,060	32,025	49,035	153%
Marketing and promotion	29,738	35,143	(5,405)	(15)%
	<b>7,167,641</b>	<b>4,336,856</b>	<b>2,830,785</b>	<b>65%</b>

Management fees

Management fees increased from \$119,973 to \$152,889 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$450,408 to \$466,005 for the nine months ended October 31, 2022. Management fees remained relatively consistent over the reporting periods.

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Salaries, wages and benefits

Salaries, wages and benefits expenses increased from \$851,534 to \$864,944 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$1,673,615 to \$2,594,000 for the nine months ended October 31, 2022 compared to the equivalent period in the prior year. The increase is due to the opening of two additional stores and increase in sales at the existing stores requiring additional in-store and head office personnel. Additionally, during 2022 fiscal year, there has been amendments to labour laws in Mexico, which effectively prohibited employers in Mexico from subcontracting certain personnel. As a result, the Company hired additional employees to service its operations.

Subcontracted employees

Subcontracting expenses decreased from \$7,645 to \$4,046 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$546,570 to \$15,382 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. The decrease is due to the amendments to labour laws, and the Company hiring additional employees to service its operations.

Professional fees

Professional fees are composed of legal fees, consulting and advisory fees as well as audit and accounting fees. Professional fees increased from \$281,012 to \$716,693 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$759,621 to \$1,458,541 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. This increase is primarily attributable to an increase in audit and accounting fees as a result of additional compliance requirements applicable to publicly traded companies. In addition, the Company also incurred legal fees as a result of the go public transaction and the ongoing legal claims disclosed below.

Investor relations

Investor relations expenses increased from \$10,249 to \$63,875 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$54,338 to \$373,915 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. The increase is due to a public company status requiring additional investor relations support services.

Office expenses

Office expenses increased from \$188,747 to \$290,349 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$500,666 to \$746,321 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. The increase is due to expansion and the additional leases the Company obtained after October 31, 2021. Additional stores require expenditures for insurance, licenses, electricity, and other administrative costs.

Security and monitoring

Security and monitoring expenses decreased from \$29,562 to \$4,684 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$114,151 to \$11,262 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. The decrease was due to cost benefit

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analysis performed, and a decision to eliminate additional security on-site, considering low values of merchandise at the stores, and hiring a loss prevention personnel at the corporate level.

Repairs and maintenance

The Company incurred repairs and maintenance expense of \$75,481 during the three months ended October 31, 2022 compared to \$73,215 during the equivalent period in prior year. Repairs and maintenance expense has remained consistent period over period. During the nine months ended October 31, 2022, the Company incurred repairs and maintenance expense of \$215,947 compared to \$170,319 during the equivalent period in prior year. The increase is primarily attributable to the increase in number of stores in operation from 18 stores during the nine months ended October 31, 2021, to 20 stores during the nine months ended October 31, 2022, which required additional general repairs and maintenance.

Share-based compensation

Share-based compensation expenses increased from \$nil to \$408,088 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$nil to \$1,175,470 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. The increase is attributable to the recognition of share-based compensation related to the outstanding 7,550,000 stock options granted in February 2022 to directors, officers and employees of the Company, which is recognized over the vesting period. All of the outstanding stock options in prior year were fully vested prior to the beginning of the first quarter of 2022 fiscal year resulting in no additional expense recognized for the three and nine months ended October 31, 2021.

Travel expenses

Travel expenses increased from \$19,982 to \$37,906 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$32,025 to \$81,060 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. The increase is due to the Company opening stores outside of Mexico City requiring travel to other parts of Mexico.

Marketing and promotion

Marketing and promotion expenses decreased from \$4,458 to \$2,605 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$35,143 to \$29,738 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. The decrease is primarily due to the Company focusing their resources on other aspects of their expansion efforts.

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*Depreciation and amortization*

The following table summarizes PesoRama's depreciation and amortization expenses for the three months ended October 31, 2022, and 2021:

	<b>October 31, 2022</b>	<b>October 31, 2021</b>	<b>Variance \$</b>	<b>Variance %</b>
Depreciation	944,550	347,956	596,594	171%
Amortization, intangible assets	145	78,796	(78,651)	(100)%
Depreciation, right-of-use assets	326,430	293,876	32,554	11%
<b>Total</b>	<b>1,271,125</b>	<b>720,628</b>	<b>550,497</b>	<b>76%</b>

The following table summarizes PesoRama's depreciation and amortization expenses for the nine months ended October 31, 2022, and 2021:

	<b>October 31, 2022</b>	<b>October 31, 2021</b>	<b>Variance \$</b>	<b>Variance %</b>
Depreciation	1,405,330	897,092	508,238	57%
Amortization, intangible assets	2,968	88,869	(85,901)	(97)%
Depreciation, right-of-use assets	962,729	863,161	99,568	12%
<b>Total</b>	<b>2,371,027</b>	<b>1,849,122</b>	<b>521,905</b>	<b>28%</b>

Depreciation and amortization

Depreciation expense is composed of depreciation on fixed assets. As of October 31, 2022, the Company holds fixed assets in the following categories: office furniture and equipment, store furniture and equipment, computer hardware, communication equipment and leasehold improvements.

Depreciation expenses on fixed assets increased from \$347,956 to \$944,550 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$897,092 to \$1,405,330 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. The increase is due to additions to leasehold improvements and furniture and equipment for the Company's new and existing stores.

As of October 31, 2022, the Company holds the intangible assets in the following categories: software licenses and brand names. Amortization expenses on intangible assets decreased from \$78,796 to \$145 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$88,869 to \$2,968 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. The decrease in amortization is due to the intangible asset impairment recognized in the last quarter of the year ended January 31, 2022 resulting in lower balance amortized over the remaining period.

Depreciation, right-of-use assets

Depreciation on right of use assets increased from \$293,876 to \$326,430 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$863,161 to \$962,729 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. This increase is due to the Company signing a new office lease as well as leases for additional two stores.

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*Financing Costs*

The following table summarizes PesoRama's finance costs for the three months ended October 31, 2022, and 2021:

	October 31, 2022	October 31, 2021	Variance \$	Variance %
Interest on lease liabilities	186,685	160,737	25,948	16%
Interest on convertible debentures	-	136,818	(136,818)	(100)%
Accretion on convertible debentures	-	146,805	(146,805)	(100)%
Unrealized loss (gain) on derivative liability	-	5,542	(5,542)	(100)%
Bank and other finance charges	39,617	20,095	19,522	97%
Foreign exchange loss (gain)	13,148	15,130	(1,982)	(13)%
<b>Total</b>	<b>239,450</b>	<b>485,127</b>	<b>(245,677)</b>	<b>(51)%</b>

The following table summarizes PesoRama's finance costs for the nine months ended October 31, 2022, and 2021:

	October 31, 2022	October 31, 2021	Variance \$	Variance %
Interest on lease liabilities	506,057	464,439	41,618	9%
Interest on convertible debentures	14,427	356,245	(341,818)	(96)%
Accretion on convertible debentures	18,048	394,177	(376,129)	(95)%
Unrealized loss (gain) on derivative liability	-	16,626	(16,626)	(100)%
Bank and other finance charges	87,429	55,024	32,405	59%
Foreign exchange loss (gain)	18,791	43,781	(24,990)	(57)%
<b>Total</b>	<b>644,752</b>	<b>1,330,292</b>	<b>(685,540)</b>	<b>(52)%</b>

Interest on lease liability

Interest on lease liabilities increased from \$160,737 to \$186,685 for the three months ended October 31, 2022, compared to the equivalent period in the prior year, and from \$464,439 to \$506,057 for the nine months ended October 31, 2022, compared to the equivalent period in the prior year. This increase is due to the Company signing a new office lease as well as leases for two additional stores.

Interest and accretion on convertible debt and unrealized loss on derivative liability

Interest and accretion on convertible debt and unrealized loss on derivative liability decreased to \$nil during the three and nine months ended October 31, 2022 due to the automatic conversion of the convertible debt upon closing of the RTO in February 2022.

**Liquidity and Capital Resources**

<b>As at</b>	<b>October 31, 2022</b>	<b>January 31, 2022</b>
Working capital	(840,790)	(1,746,215)
Total assets	15,297,359	17,790,388
Total non-current liabilities	3,931,841	11,046,758
Shareholders equity	4,099,744	(4,757,432)

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As at October 31, 2022, the Company had a working capital deficit of \$840,790 compared to \$1,746,215 as at January 31, 2021, an increase in working capital of \$905,425. Working capital increased primarily due to proceeds received from the issuance of share units during the nine months ended October 31, 2022. As at October 31, 2022, the Company has not generated profits or positive cash flows from operations. The Company's ability to continue its operations is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. The Company will require additional financing for continuing operations, to evaluate strategic opportunities, and for working capital purposes.

Cash Flows for the Nine Months Ended October 31, 2022

	October 31, 2022	October 31, 2021
Cash used in operating activities	(6,823,417)	(1,732,836)
Cash used in investing activities	(1,295,721)	(2,538,434)
Cash provided in financing activities	2,891,430	4,281,251

*Cash Flows – Operating Activities*

For the nine months ended October 31, 2022, cash used in operating activities totaled \$6,823,417, compared to cash used of \$1,732,836 in the equivalent period in the prior year. The increase in cash used relates primarily to larger cash outlays towards the reduction of outstanding payables and towards larger inventory purchases during the nine months ended October 31, 2022.

*Cash Flows – Investing Activities*

For the nine months ended October 31, 2022, cash used in investing activities totaled \$1,295,721, compared with \$2,538,434 in the equivalent period in the prior year. In prior period, the Company renovated and opened an additional seven stores during the nine months ended October 31, 2021; whereas there were an additional two stores opened during the nine months ended October 31, 2022, and an additional store opened in December 2022.

*Cash Flows – Financing Activities*

For the nine months ended October 31, 2022, cash provided by financing activities totaled \$2,891,430, compared with \$4,281,251 provided by financing activities in the equivalent period in the prior year. Financing cash inflows during the nine months ended October 31, 2022, were mostly from offering of units, while financing cash inflows during the nine months ended October 31, 2021 were mostly from issuance of Convertible Debentures.

**Capital Expenditures**

Capital expenditures mainly relate to investments in new stores. During the nine months ended October 31, 2022, the capital expenditures totaled \$1,295,259. These expenditures relate to the construction for three additional stores that are now open as of October 31, 2022.

**Capital Resources**

The Company's capital management objective is to have sufficient capital to be able to execute its business plan. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk

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characteristics of the retail industry. The continued development of the Company's expansion plan through the construction and opening of new stores is dependent upon the ability of the Company to secure sufficient funds through operations, credit facilities and other sources.

While additional stores were opened in the period ended October 31, 2022, the Company still 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 October 31, 2022, the Company had \$983,172 in cash (January 31, 2022 - \$891,030) and working capital deficiency of \$840,790 (January 31, 2022 - \$1,746,215).

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.

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.

The condensed consolidated interim financial statements for the three and nine months ended October 31, 2022, have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. Management believes that the going concern assumption is appropriate for the financial statements and that the Company will be able to meet its budgeted capital and administrative costs as well as its other potential capital commitments during the upcoming year and beyond. There is no guarantee that the Company will be successful in its retail and development activities and no certainty in fulfilling the Company's impending commitments (see further below). Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, the consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities, and these adjustments could be significant.

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 nine months ended October 31, 2022, the Company entered into various agreements with different vendors relating to the construction and improvement of its retail stores in Mexico. As of October 31, 2022, the Company has not committed to any construction contracts relating to the upcoming store until additional financing is secured. 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

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commitments are expected to be fulfilled and paid within the next twelve months.

**Legal Claims**

***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.

***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.

***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 \$40,000.

***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 disagrees 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 Claims from Former Board Members***

In July 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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**Related Party Transactions**

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 - \$626,211) relating to the key management personnel were incurred during the three and nine months ended October 31, 2022 respectively. As of October 31, 2022, all fees had been paid.

	Three months ended		Nine months ended	
	October 31,		October 31,	
	2022	2021	2022	2021
	(\$)	(\$)	(\$)	(\$)
841796 Ontario Limited <sup>(a)</sup>	62,500	104,167	187,500	229,167
Palm Eleven Investments Inc <sup>(b)</sup>	-	10,753	-	135,753
Erica Fattore, President and Chief Executive Officer	62,500	62,500	187,500	152,541
Abdulmajeed Bawazeer, Chief Strategy Officer	45,000	48,750	135,000	108,750
	170,000	226,170	510,000	626,211

(a) 841796 Ontario Limited is controlled by Rahim Bhaloo, founder and Executive Chairman of the board of the Company

(b) Palm Eleven Investments Inc. is controlled by Edward Sivitilli, former Chief Executive Officer of the Company)

- (ii) 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 for professional services rendered by Lancaster Capital Advisory Corp., a company of which Lynn Chapman, the prior Chief Financial Officer, is an officer and significant shareholder. As of October 31, 2022, all fees had been paid.
- (iii) 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.

	Three months ended		Nine months ended	
	October 31,		October 31,	
	2022	2021	2022	2021
	(\$)	(\$)	(\$)	(\$)
Fundamental HS, SC <sup>(a)</sup>	40,535	-	142,837	-
Andrew Parks	7,500	-	22,500	-
	48,035	-	165,337	-

(a) Antonio Heredia, director of the Company, is a partner at Fundamental HS, SC

- (iv) On March 8, 2021, 550,000 stock options held by four former PesoRama directors were cancelled upon their 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.

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Former director	Number of options cancelled
Charles Wachsberg	200,000
Robb McNaughton	150,000
Allan White	100,000
Andrew Taylor	100,000
	550,000

- (v) On August 16, 2021, 400,000 stock options and 2,500,000 performance warrants held by Ed Sivitilli, former CEO of the Company, were cancelled in connection with his termination.
- (vi) As part of the RTO Transaction, 1,750,000 PesoRama common shares were issued to Fundamental HS, SC, as a structuring fee for advisory services in connection with the RTO Transaction. Antonio Heredia, director of PesoRama, is also a partner of Fundamental HS, SC..
- (vii) 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 Chitiz Pathak LLP, a law firm of which Paul Pathak, Director of the Company, is also a partner. As at October 31, 2022, this balance has not yet been paid.
- (viii) 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. No share-based compensation was incurred during the three and nine months ended October 31, 2021.

	Three months ended October 31, 2022 (\$)	Nine months ended October 31, 2022 (\$)
Erica Fattore, President and Chief Executive Officer	148,642	428,152
Abdulmajeed Bawazeer, Chief Strategy Officer	86,482	249,106
Rahim Bhaloo, founder and Executive Chairman of the board of the Company	49,997	144,014
Antonio Heredia, Director	49,997	144,014
Paul Pathak, Director	37,836	108,984
Andrew Parks, Director	18,918	54,492
	391,872	1,128,762

**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.

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***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 or obsolescence 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 for initial measurement of real estate leases, as the implicit rates are not readily available due to the lessor not disclosing the fair value of underlying assets (including the lessor's initial direct costs). The incremental borrowing rate is the interest rate the Company would pay to borrow funds over a comparable term for an asset of comparable value in a comparable economic environment. In determining the period 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 8 of the condensed consolidated interim financial statements for further disclosures and detail regarding the Company's leases.

The Company considers renewal options included in leasing contracts and the likelihood of lease renewal when assessing lease terms and total payments. All of the Company's store leases have one renewal option of five years. The Company opens stores both in established malls and as standalone retail locations. Each approach has advantages and disadvantages that the Company is currently evaluating on a location-by-location basis. Certain stores in one type of location may ultimately be moved to the other type, depending on future store performance. Therefore, because of the relative recency of the Company's store openings and the Company's approach of opening both mall-based and standalone stores, the Company is not yet able to reasonably determine whether it will exercise renewal options in its existing stores and thus has not included any renewal options in evaluating the lease term. The Company will continue to assess the probability of renewing each of its leases at a minimum each reporting period.

***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;
- 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.

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***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.

***Provisions***

The Company bases its provisions on up-to-date developments, estimates of the outcomes of pending 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.

***Convertible Debentures and Derivative Financial Instruments***

The Company measures its derivative financial instruments at FVTPL using a fair value model that considers variables that are subject to managements estimates, judgements, and assumptions including, expected value at the date of the liquidity event, probability of the liquidity event occurring at various dates, and likely value of common shares received at the date of the liquidity event.

***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 differs 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 duration and severity of the outbreak, including the duration of business closures or disruptions, travel restrictions, 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 believes this outbreak has caused and may continue to cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively affect the Company's business and financial condition.

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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.

Taxes Receivable

The Company both collects and pays Mexico's Value-Added Tax ("VAT") for goods sold and goods and services received, respectively, in Mexico. The Company also pays Canada's Goods and Services Tax ("GST") for services received in Canada. The Company's status as a filer of VAT and GST means that it is required to file regular tax returns (monthly for VAT, quarterly for GST) with the appropriate government authority. Because the Company's primary operations are in Mexico, GST filings in Canada are straightforward and minimal. However, VAT filings in Mexico are of greater financial significance and complexity.

The Company has filed all VAT returns in a timely manner and is in the process of requesting refunds where applicable. In Mexico, this is a separate process from tax filing and is frequently time- and effort-intensive. The Company has engaged a tax specialist to assist in VAT-refund filings for certain prior periods. As at October 31, 2022, the refund-filing process had begun and several periods had been requested, but no refunds had been received.

As a result of the uncertainty surrounding refunds for the earlier periods, the Company recorded a reserve against VAT receivable balance for JOi and Canmex for all periods through October 31, 2022.

Impairment of Long-lived Assets

For the purposes of measuring recoverable values for impairment calculation purposes, 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 October 31, 2022, the Company has assessed that each of its stores constitutes a CGU.

**New and Amended Accounting Standards Adopted**

Several new standards and amendments to standards and interpretations are effective for the fiscal year beginning February 1, 2022, including the following:

- (i) *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16);*
- (ii) *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).*

Neither of these amendments is expected to have a significant impact on the consolidated financial statements of the Company.

**Risks and Uncertainties**

Understanding and managing risks are important parts of the Company's strategic planning process. The board of

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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 and uncertainties are discussed in great detail in the Company's Annual Information Form available on SEDAR at [www.sedar.com](http://www.sedar.com)

**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 period ended October 31, 2022, 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, raw material increases, 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.

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Generally, management believes that, as seen in other countries, the value/dollar retail 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 has pivoted as required to a multi price-point strategy to adjust for increases in prices, unfavorable foreign exchange, and 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 source, 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

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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 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

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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 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***

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 October 31, 2022, the Company's liabilities consist of accounts payable and accrued liabilities, and lease

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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 of the condensed consolidated interim financial statements for further disclosures and detail regarding the Company's leases). The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. See further discussion relating to liquidity above in the "Liquidity and Capital Resources" section.

***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.

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 loss and comprehensive 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. The Company was not exposed to interest rate risk on its interest-bearing debentures given these debt instruments were converted to equity.

**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

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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 profit 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

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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

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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 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.

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**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.

**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

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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.

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

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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 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

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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 common shares.

**Capital Structure Information**

The Company's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized.

As at the date of this MD&A, there were 72,878,239 common shares issued and outstanding. In addition, there were 8,600,000 stock options, and 38,301,512 warrants, each exercisable for one common share, issued and outstanding as at the date of this MD&A.

**Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).