

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis of Pesorama Inc. for the three-month periods ended April 30, 2022 and April 30, 2021 filed on SEDAR on June 29, 2022 (the "Previously Filed Management Discussion and Analysis") has been refiled to include adjustments in balances of inventory, prepaids and other receivables, taxes receivable, payables and equity balances, as well as, adjustment in cost of sales, general and administrative and other expenses that were made to the relating amended interim condensed consolidated financial statements for the three-month periods ended April 30, 2022 and April 30, 2021, which impact numbers disclosed in this document. In addition, this Management Discussion and Analysis includes a subsequent note for the event that occurred prior to re-filing of this document. Apart from the aforementioned changes, no other changes were made to the information presented in the document.

For the three months ended April 30, 2022

The following management's discussion and analysis ("MD&A") dated August 22, 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 financial results for the three months ended April 30, 2022. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and notes for the year ended January 31, 2022 (as hereinafter defined) as well as with the amended unaudited interim consolidated financial statements for the three-month ended April 30, 2022 and April 30, 2021 and the related notes thereto.

Unless otherwise indicated and as hereinafter provided, all financial information in this MD&A as well as the Company's interim condensed consolidated financial statements for the three months ended April 30, 2022 (as hereinafter defined) have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as outlined under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

For the purpose of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The Company manages its business as one reportable segment. The functional and reporting currency of the Company is the Canadian dollar.

Accounting Periods

All references to "Fiscal Quarter 2023" are to the Company's fiscal first quarter ended April 30, 2022; and

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

to "Fiscal Quarter 2022" are to the Company's fiscal first quarter ended April 30, 2021.

Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements") about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or other future events or developments. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "projects", "forecasts", "budgets", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic conditions and the competitive environment within the retail industry in Mexico, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of this MD&A: future increases in operating costs (including increases in statutory minimum wages); future increases in merchandise costs (including as a result of 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 favourable terms; inability to increase warehouse and distribution centre capacity in a timely manner; seasonality; market acceptance of private brands; failure to protect trademarks and other proprietary rights; foreign exchange rate fluctuations; potential losses associated with using derivative financial instruments; level of indebtedness and inability to generate sufficient cash to service debt; changes in creditworthiness and credit rating and the potential increase in the cost of capital; interest rate risk associated with variable rate indebtedness; competition in the retail industry; disruptive technologies; general economic conditions; departure of senior executives; failure to attract and retain quality employees; disruption in information technology systems; inability to protect systems against cyber-attacks; unsuccessful execution of the growth strategy; holding company structure; adverse weather; pandemic or epidemic outbreaks; natural disasters; climate change; geopolitical events and political unrest in foreign countries; unexpected costs associated with current insurance programs; product liability claims and product recalls; litigation; regulatory and environmental compliance; and shareholder activism.

These factors are not intended to represent a complete list of the factors that could affect the Company;

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as at August 22, 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

This MD&A as well as the Company's amended interim condensed consolidated financial statements and notes for the three months ended April 30, 2022, have been prepared in accordance with IFRS as issued by the IASB. However, certain financial measures in this document do not have a standardized meaning as prescribed by IFRS, and therefore are considered "non-GAAP measures". These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented to provide shareholders and potential investors with additional measures for analyzing the Company's ability to generate funds to finance its operations and information regarding its liquidity. 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. The additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

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.

EBITDA

"EBITDA" represents net loss (as presented in the Company's amended interim condensed consolidated statement of loss and comprehensive loss) plus depreciation and amortization, interest and finance expenses, income taxes, and other unique or extraordinary items that are not associated with the core operations of the Company.

A reconciliation of net loss to EBITDA is as follows:

PESORAMA INC.
AMENDED MANAGEMENT’S DISCUSSION AND ANALYSIS

<i>For the three months ended April 30</i>	2022	2021
Net loss	(6,308,433)	(1,716,748)
Add (remove):		
Depreciation and amortization	577,960	544,978
Financing costs	86,054	334,895
Listing expense	3,730,224	
Other items	212,713	(31,082)
EBITDA	(1,701,482)	(867,957)

Gross Margin

“Gross margin” represents gross profit (as presented in the Company’s amended interim condensed consolidated statement of loss and comprehensive loss) plus distribution costs divided by sales.

A reconciliation of gross margin is as follows:

<i>For the three months ended April 30</i>	2022	2021
Gross profit	361,622	514,277
Distribution costs	324,977	247,480
	686,599	761,757
Sales	2,247,273	1,658,907
EBITDA	30.6%	45.9%

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, S.A. de C.V. (“JOi”), and Pesorama Consulting Services, S.A. de C.V. (“Pesorama Consulting”), 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

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

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. 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".

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

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Company Events

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 2, 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 forfeiture

- (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 were forfeited in accordance with the terms of the option agreements, which require exercise of outstanding options within three months of termination to avoid forfeiture. None of the 550,000 options held by the directors upon their termination were exercised.
- (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

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

Warrants expiry date amendment

- (i) In March 2021, the expiry dates of the following subscriber warrants was amended to the earlier of a) the date which is 24 months from the date which the common shares are listed on a recognized Canadian securities exchange and b) the date which is 5 years from the issue date:
- (a) 5,907,557 subscriber warrants issued March 21, 2019
 - (b) 2,371,340 subscriber warrants issued April 30, 2019
 - (c) 2,192,100 subscriber warrants issued May 24, 2019
 - (d) 2,737,430 subscriber warrants issued May 30, 2019
 - (e) 813,333 subscriber warrants issued June 7, 2019
 - (f) 241,600 subscriber warrants issued March 2, 2021
 - (g) 35,500 subscriber warrants issued April 1, 2021

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,

PESORAMA INC.
AMENDED MANAGEMENT’S DISCUSSION AND ANALYSIS

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 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, Erica Fattore as Chief Executive Officer and President, Lynn Chapman as Chief Financial Officer, and Abdulmajeed Bawazeer as Chief Strategy Officer.

Legal Claim for Unpaid Professional Fees

PESORAMA INC.

AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

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. 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 April 30, 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 filed a statement of claim in the Court of Queen's Bench of Alberta against the Company, its other directors, Skyscape, and Skyscape's director Paul Pathak (collectively, the "Respondents").

The Former CEO's assertions include that he was wrongfully terminated, that the Respondents interfered with his contractual relations, engaged in a civil conspiracy, an abuse of civil process, and conduct that was oppressive and in breach of their applicable fiduciary and other duties. Among other things, the Former CEO is seeking: (i) to the extent necessary, an order appointing an inspector, and directing an investigation of the Company; (ii) a declaration that the Respondents' conduct was oppressive; (iii) an order replacing Rahim Bhaloo and Andrew Parks as directors of the Company; (iv) an order that the Company pay the Former CEO's interim and other costs of the proceedings; (v) a declaration that Mr. Bhaloo and Mr. Parks breached their legal, equitable and fiduciary duties; and (vi) an order directing the Respondents and the Company's officers and directors to deliver to the Former CEO 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.

In December 2021, the Former CEO brought an urgent application seeking various extraordinary, injunctive

PESORAMA INC.
AMENDED MANAGEMENT’S DISCUSSION AND ANALYSIS

relief against the Company before the Company’s scheduled annual general meeting. The Former CEO's application failed.

The Respondents strongly disagree with all the Former CEO’s positions, believe that the claims are without merit and intend to vigorously defend themselves against the Former CEO’s claims. In addition, the Company is considering all available recourse and intends to take litigation steps in the appropriate forum to protect its interests. As such, the Company has not made any provision related to this litigation.

Legal Claims from Former Board Members

After Q1, 2023, 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 intends to vigorously defend itself against the Plaintiffs’ claim.

Overview

PesoRama’s Business

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 19 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

PESORAMA INC.
AMENDED MANAGEMENT’S DISCUSSION AND ANALYSIS

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.

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 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 expense (explained further below). The Company records vendor rebates, consisting of volume purchase rebates, when it is probable that they will be received and the amounts are reasonably estimable. The rebates are recorded as a reduction of cost of inventory.

Because the functional currency of the Company’s Mexican subsidiaries is the Mexican peso (the “peso”), and because the Company’s Mexican subsidiaries purchase goods in currencies other than the peso, the Company’s cost of sales is affected by fluctuations in foreign currencies against the peso.

Distribution Cost

Distribution cost represents transportation costs (which are largely variable and proportional to the Company’s sales volume) as well as warehouse and distribution centre occupancy costs. Shipping and transportation costs, including surcharges on transportation costs, are a significant component of distribution expense. When fuel costs fluctuate, shipping and transportation costs increase or decrease, as applicable, because the carriers generally pass on these cost changes to the Company. Because of the high volatility of fuel costs, it is difficult to forecast the fuel surcharges the Company may incur from its carriers.

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

General, Administrative and Store Operating Expenses

The Company's general, administrative and store operating expenses ("G&A") consist of store labour, which is primarily variable and proportional to its sales volume, as well as general store maintenance costs, salaries and related benefits of corporate and field management team members, administrative office expenses, professional fees, and other related expenses. G&A also includes variable and non-indexed rental expenses for the Company's stores that are excluded from the lease liability under IFRS 16. Fixed and indexed rental payments are capitalized as a lease liability under IFRS 16.

Economic or Industry-Wide Factors Affecting the Company

On March 11, 2020, the World Health Organization declared the rapidly spreading novel coronavirus ("COVID-19) outbreak a pandemic. The COVID-19 pandemic has had a significant impact on businesses through the restrictions put in place by the Canadian and Mexican federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada, Mexico, and other countries to fight the virus. While the extent of the impact is unknown, the Company anticipates this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition. The Company has been able to keep its stores open and operational as the business segment in which the Company operates was deemed an essential service in Mexico.

Key Financial Results

The following table summarizes PesoRama's key financial results for the three months ended April 30, 2022 and 2021:

<i>For the three months ended April 30</i>	2022	2021
Total revenue	2,247,273	1,658,907
Cost of sales	1,885,651	1,144,630
Gross profit	361,622	514,277
Operating loss	(2,279,442)	(1,412,935)
Net loss	(6,308,433)	(1,716,748)
Net comprehensive loss	(6,223,287)	(2,049,776)

PESORAMA INC.
AMENDED MANAGEMENT’S DISCUSSION AND ANALYSIS

PesoRama is experiencing continued growth in its stores and sales, with its first store opened in the year ended January 31, 2020. Net losses to date are primarily a result of general corporate expenses, growing overhead and administrative expenses, and business development expenses incurred over each financial year. Some of these losses in each of the three months ended April 30, 2022 and 2021 were offset by sale revenue recognized.

<i>As at</i>	April 30, 2022	January 31, 2022
Working capital	4,137,774	(1,746,215)
Total assets	18,407,359	17,790,388
Total non-current liabilities	3,986,716	11,046,758
Shareholders equity	9,310,381	(4,757,432)

Analysis of Operational Results for the Three Months Ended April 30, 2022

The following section provides an overview of the Company’s financial performance during the three months ended April 30, 2022, compared with the same period in 2021.

Sales

Total sales revenue for the three months ended April 30, 2022 was \$2,247,273, compared to \$1,658,907 for the same period in 2021. The sales increase in Fiscal Quarter 2023 was driven primarily by the opening of seven new stores in Fiscal Year 2022 and increased volume at the Company’s previously opened stores.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the three months ended April 30, 2022, was \$1,885,651, compared to \$1,144,630 for the same period in 2021, including distribution costs recognized in each period. The increase was driven primarily by the same factors discussed in the “Revenue” section above. Gross profit for Fiscal Quarter 2023 was \$361,622, or 16% of sales, compared to \$514,277 or 31% for Fiscal Quarter 2022, due primarily to rising material and transportation costs.

General, Administrative, and Store Operating Expenses (“G&A”)

G&A for the three months ended April 30, 2022, totaled \$2,063,104, a 49% increase over \$1,382,234 for the same period in 2021. This increase is primarily related to a \$211,441 increase in personnel expenses (salaries, wages, and benefits as well as subcontracted employees) due to the ongoing expansion and opening of new stores (11 stores in Fiscal Quarter 2022 to 19 stores in Fiscal Quarter 2023), and a \$370,733 increase in share-based compensation. This increase was partially offset by a \$24,498 decrease in professional fees and a \$33,208 decrease in security and monitoring expense.

Depreciation and Amortization

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

Depreciation and amortization expense increased by 6%, to \$577,960 for the three months ended April 30, 2022, from \$544,978 for the same period in 2021. The increase relates primarily to leasehold improvements and right-of-use assets on new stores added in Fiscal Year 2022.

Financing Costs

Financing costs for the three months ended April 30, 2022, totaled \$86,054, compared with \$334,895 for the same period in 2021. The decrease was primarily driven by decrease in interest and accretion expenses on convertible debentures that were converted at the time of the RTO Transaction as well as increase in foreign exchange gains.

Listing Expense

The listing expense incurred by the Company was a one-time expense of \$3,730,224 for the three months ended April 30, 2022, relating to the aforementioned RTO Transaction. The listing was calculated as the difference between the fair value of the consideration paid (issuance of 2,000,000 common shares and 200,000 stock options) and the fair value of the net assets acquired, and the addition of transaction costs incurred in relation to the RTO Transaction that consisted of \$33,150 of legal costs and a \$ 1,400,000 structuring fee which was paid in common shares.

Other Items

Other items for the three months ended April 30, 2022 totaled a loss of \$212,713, compared with income of \$31,082 for the same period in 2021, representing a \$244,115 increase in other expenses.

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss). For the three months ended April 30, 2022 and 2021, no current income tax expense was recognized due to the Company being in a loss position.

Net Loss

Net loss increased to \$6,308,433, or \$0.09 loss per basic and diluted common share, for the three months ended April 30, 2022, compared to \$1,716,748, or \$0.04 loss per basic and diluted common share, for the same period in 2021. The increase in net loss is primarily the result of the listing expense of \$3,730,224 incurred by the Company in February 2022 as part of the RTO Transaction.

Summary of Consolidated Quarterly Results

PESORAMA INC.
AMENDED MANAGEMENT’S DISCUSSION AND ANALYSIS

Data from consolidated Statement of Loss	Fiscal 2023		Fiscal 2022				Fiscal 2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
	\$	\$	\$	\$	\$	\$	\$	\$	
Sales	2,247,273	2,998,270	2,627,762	2,065,238	1,658,907	2,708,799	1,093,967	704,660	
Net loss	(6,308,433)	(4,425,285)	(1,914,022)	(2,227,707)	(1,716,748)	(2,651,888)	(1,404,466)	(986,497)	
Net loss per share									
Basic	(0.090)	(0.091)	(0.039)	(0.046)	(0.036)	(0.057)	(0.031)	(0.022)	
Diluted	(0.090)	(0.091)	(0.039)	(0.046)	(0.036)	(0.057)	(0.031)	(0.022)	

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 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 or for a prolonged period could have an adverse effect on the Company’s distribution network and on store traffic, which could materially adversely affect operational and financial results.

Liquidity and Capital Resources

Cash Flows for the Three Months Ended April 30, 2022

Cash Flows – Operating Activities

For the three months ended April 30, 2022, cash used in operating activities totaled \$3,984,883, compared to cash used of \$997,486 for the same period in 2021. This increase in cash used relates primarily to larger cash outlays towards the reduction of outstanding payables and towards larger inventory purchases in Fiscal Quarter 2023 when compared to Fiscal Quarter 2022.

Cash Flows – Investing Activities

For the three months ended April 30, 2022, cash used in investing activities totaled \$1,032,218, compared with \$1,002,289 used in the comparative period in 2022. Cash outflows in each period were similar in nature as the Company continued expenditures in property and equipment in both periods.

Cash Flows – Financing Activities

For the three months ended April 30, 2022, cash provided by financing activities totaled \$3,767,667, compared with \$4,797,382 provided by financing activities for the same period in 2021. Financing cash inflows in Fiscal Quarter 2023 related to proceeds from the completed Offering, while financing cash

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

inflows in Fiscal Quarter 2022 related to proceeds from Convertible Debentures issued in that period.

Capital Expenditures

Capital expenditures mainly relate to investments in new stores. For Fiscal Quarter 2023, capital expenditures totaled \$1,042,282. This increase was due to ongoing construction with two additional stores being opened in Fiscal Quarter 2023 as part of the expansion strategy.

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 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 April 30, 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 April 30, 2022, the Company had \$4,990,925 of cash on hand (January 31, 2022 - \$891,030) and working capital of \$4,137,774 (January 31, 2022 - working capital deficiency of \$1,746,215).

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 interim condensed consolidated financial statements for the three months ended April 30, 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.

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

Contractual Obligations, Off-Balance Sheet Arrangements and Commitments

The Company continually enters into various agreements with different vendors relating to the construction and improvement of its retail stores in Mexico, with construction work expected to be completed and paid within a reasonable amount of time from commencement. The Company also has retail stores and office lease commitments outstanding which have been recorded as lease liabilities in the financial statements.

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

Related Party Transactions

During the months ended April 30, 2022, there were separate related party transactions as follows:

- (i) Management fees of \$170,000 (2021 – \$163,125) related to the key management personnel were incurred during the three months ended April 30, 2022. Professional fees for accounting services of \$48,600 (2021 – nil) were incurred during the year ended January 31, 2022 to the professional services company of which the Chief Financial Officer is an officer and significant shareholder. As at April 30, 2022, all fees had been paid.
- (ii) 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.
- (iii) On August 16, 2021, 400,000 stock options and 2,500,000 performance warrants held by the former CEO were cancelled in connection with his termination.
- (iv) A total of 1,750,000 performance warrants with an exercise price of \$0.001 were exercised during the year for total proceeds to the Company of \$1,750. No other warrants or options were exercised by key management personnel during the year ended January 31, 2022.
- (v) During the year ended January 31, 2021, the amounts due from a member of key management of \$156,331 were written off.
- (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. A director of PesoRama is also a partner of Fundamental.
- (vii) The Company incurred professional fees for legal services of \$57,213 for the three months ended April 30, 2022, which were provided by a law firm of which a certain director of the Company is also a partner. As at April 30, 2022, there were no outstanding payables owed to the law firm.

Critical Accounting Estimates and Judgments

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of inventory

Inventory includes items that have been marked down to management's best estimate of their net realizable value, with the markdown included in cost of sales in the period in which it is determined. The Company estimates its inventory provisions based on a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, future merchandising plans, inventory shrinkage, and product expiry 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 interim condensed consolidated 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.

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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.

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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 April 30, 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 of 100% of the net receivable balance for JOi and Canmex for all periods for which no refund-filing process

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

was undertaken yet.

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 April 30, 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 directors tasks the Company's senior management with identifying and properly managing the principal risks related to the Company's business operations.

The Company manages these risks on an ongoing basis and has put in place certain guidelines to mitigate their financial impact, and the Company maintains cost-effective, comprehensive insurance coverage against most insurable events. The Company also gathers and analyzes economic and competitive data on a regular basis and senior management takes these findings into consideration when making strategic and operational decisions. Despite these guidelines and initiatives, the Company cannot provide assurances that any such efforts will be successful.

Risks Related to Business Operations

COVID-19 Pandemic Outbreak

The COVID-19 pandemic has had a significant impact on businesses through restrictions put in place by the Canadian and Mexican federal, provincial/state and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the

PESORAMA INC.

AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

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 April 30, 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.

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,

PESORAMA INC.

AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

expectations and needs. Although management believes that the Company has strong and long-standing relationships with most of its suppliers, it may not be successful in maintaining a continuing and increasing supply of quality merchandise at attractive prices. If the Company cannot find or purchase the necessary amount of competitively priced merchandise to maintain its compelling product offering or to replace goods that are outdated or unprofitable, business and financial results could be materially adversely affected.

Supply Chain

Merchandise could become more expensive or unavailable, or deliveries could be subject to longer lead times, for a number of reasons, including:

- a) disruptions in the flow of imported goods due to factors such as raw material shortages, work stoppages and strikes, suppliers going out of business, factory closures resulting from changes in the economic or regulatory landscape of the country of origin, inflation, natural disasters, unusually adverse weather, pandemic or epidemic outbreaks such as the COVID-19 and political unrest in foreign countries;
- b) uncertainty and potential consolidation in the shipping industry in a context of overcapacity and carrier failures, which could eventually lead to rate increases;
- c) economic instability and international disputes;
- d) increases in the cost of purchasing or shipping foreign merchandise resulting from Mexico's failure to maintain normal trade relationships with foreign countries;
- e) increases in tariffs or the elimination of existing preferential tariffs on goods, restrictive changes to import quotas, and other adverse protectionist trade measures; and
- f) changes in currency exchange rates or policies and local economic conditions, including inflation in the country of origin. The development of one or more of these factors could materially adversely affect the Company's business and financial results.

If imported merchandise becomes more expensive, limited or unavailable, the Company may not be able to transition to alternative sources in time to meet the demand. Products from alternative sources may also be of lesser quality and/or more expensive than those currently imported. A disruption in the flow of imported merchandise or an increase in the cost of those goods due to these or other factors could significantly decrease sales and profits and have a material adverse impact on the Company's business and financial results.

Management believes that the Company has good relationships with suppliers and that it is generally able to obtain competitive pricing and other terms. However, products are bought on an order-by-order basis and the Company has very few long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. If it fails to maintain good relationships with suppliers, or if suppliers'

PESORAMA INC.

AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

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

PESORAMA INC.**AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS**

rates of inventory shrinkage or were required to incur increased security costs to limit inventory theft, its business and financial results could be materially adversely affected.

Real Estate

All of the Company's stores are leased from unaffiliated third parties. Unless the terms of the Company's leases are extended, the properties, together with any improvements that were made, will revert to the property owners upon expiration of the lease terms. As the terms of those leases expire, the Company may not be able to renew leases or promptly find alternative locations that meet its needs on favourable terms, or at all. Also, breaching the terms of a lease may result in the Company incurring substantial penalties, including, among others, paying all amounts due to the landlord for the balance of the lease term. If one or more of the foregoing risks materializes, the Company's business and financial results could be materially adversely affected.

Seasonality

Historically, the Company's highest sales have occurred in the fourth quarter, during the winter holidays selling season. Sales also generally increase ahead of other holidays and celebrations, such as Easter, Valentine's Day, and Halloween/Day of the Dead. Failure to adequately prepare for the holiday sales demands and the timing of certain holidays and of new store openings could have material adverse effects on the Company's business and financial results. In addition, the occurrence of unusually adverse weather, natural disasters, geopolitical events, pandemic or epidemic outbreaks or any other event beyond the Company's control and causing any disruption in its business 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

PESORAMA INC.

AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

prevent others from claiming violations of their trademarks and proprietary rights by the Company. In addition, the Company's intellectual property rights may not have the value that management believes they have. If the Company is unsuccessful in protecting its intellectual property rights, or if another party prevails in litigation against it relating to its intellectual property rights, the value of the brand could be diminished, causing customer confusion and materially adversely affecting the Company's business and financial results. In addition, the Company may incur significant costs if it is required to change certain aspects of its branding and business operations.

International Operations

The Company's primary operations are in Mexico. Operations outside of Canada are exposed to risks inherent in foreign operations. These risks, which can vary substantially by market and jurisdiction, are described in many of the risk factors discussed in this section and also include the following:

- the adoption of laws, regulations and policies aimed at managing national economic conditions, such as increases in taxes, austerity measures that impact consumer spending, monetary policies that may impact inflation rates and currency fluctuations;
- the imposition of import restrictions or controls;
- the effects of legal and regulatory changes and the burdens and costs of compliance with a variety of foreign laws;
- changes in laws and policies that govern foreign investment and trade in the countries in which the Company operates, including in Latin America;
- breaches or violations of Canadian and other foreign anti-corruption and anti-bribery laws, including by the Company's employees, suppliers, contractors, agents or representatives;
- risks and costs associated with political and economic instability, corruption, and social and ethnic unrest in the countries in which the Company operates, including in Latin America;
- risks of operating in developing or emerging markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations and the enforceability of contract rights and intellectual property rights; and
- risks arising from the significant and rapid fluctuations in currency exchange markets, and the impact of any decisions and positions taken to hedge such volatility.

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.

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial risk management

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively.

The principal financial risks arising from financial instruments are liquidity risk, foreign currency risk, credit risk, and interest rate risk.

Liquidity risk

As at April 30, 2022, the Company's liabilities consist of accounts payable and accrued liabilities, and lease liabilities. Each of these liabilities have contractual maturity dates within one year with the exception of the long-term portion of lease liabilities (Refer to Note 8 of the interim condensed consolidated 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 April 30, 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.

Credit risk

Credit risk is the risk of an unexpected loss if a third party fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and security deposits, since the Company does not make any sales on credit terms. The Company manages credit risk by depositing its cash with major financial institutions, which have been assigned high credit ratings by internationally recognized credit rating agencies, and by only paying security deposits to reputable, well-established third parties.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. Fluctuations of interest rates for the period ending January 31, 2022, would not have had

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

a significant impact on the consolidated financial statements. Furthermore, the Company was not exposed to interest rate risk on its interest-bearing debentures given these debt instruments were all subject to fixed interest rates.

Market Risks

Retail Competition

The Company operates in the value retail industry, which is highly competitive with respect to, among other things, price, store location, merchandise quality, assortment and presentation, in-stock consistency, and customer service. This competitive environment could materially adversely affect the Company's business and financial results due to the lower prices, and thus lower margins, that could be required to maintain its competitive position. Companies operating in the value retail industry have limited ability to increase prices in response to increased costs. This limitation may also affect margins and financial performance.

The Company also competes for customers, employees, store sites, products and services and in other important aspects of its business with many other local, regional and national retailers, including multi-price dollar stores, variety and discount stores and mass merchants. These retailers compete in a variety of ways, including aggressive promotional activities, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities and price. Management expects that the Company's expansion plans will increasingly bring it into direct competition with those other retailers.

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

PESORAMA INC.

AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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

PESORAMA INC.**AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS**

conduct operations, and gather, analyze and assess information across all business functions and geographic locations.

Management believes that the Company's information technology architecture is resilient, relying on redundant material components to prevent material failures and redundant telecommunication links to prevent communication failures. However, systems may be subject to damage or interruption resulting from power outages, telecommunication failures, computer viruses, security breaches, cyber-attacks and catastrophic events. Difficulties with the hardware and software platform may require the Company to incur substantial costs to repair or replace it, could result in a loss of critical data or could disrupt operations, including the Company's ability to timely ship and track product orders, forecast inventory requirements, manage the supply chain, process customer transactions and otherwise adequately service customers, which, in each case, could have a material adverse effect on the Company's business and financial results. Prolonged disruptions to information technology systems may reduce the efficiency of the Company's operations, which could materially adversely affect its business and financial results.

Data Security and Privacy Breaches

Information security risks have increased in recent years because of the proliferation of new technologies and the increased sophistication of perpetrators of cyber-attacks. Cyber incidents can result from deliberate attacks or unintentional events. Cyber-threats in particular vary in technique and sources, are persistent, and are increasingly more targeted and difficult to detect and prevent.

Cyber-attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Company's information technology systems, networks and websites, the introduction of computer viruses and other malicious codes, and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. They could result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence. Cyber-attacks and security breaches could therefore materially adversely affect the Company's business and financial results.

While the Company has dedicated resources and utilizes third party technology products and services to help protect the Company's information technology systems and infrastructure as well as its proprietary and confidential information against security breaches and cyber incidents, such measures may not be adequate or effective to prevent or identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions, which could cause damage in excess of any available insurance, and could materially adversely affect its business and financial results.

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

Legal and Regulatory Risks

Product Liability Claims and Product Recalls

The Company sells products manufactured by unaffiliated third parties. Manufacturers might not adhere to product safety requirements or quality control standards, and the Company might not identify the deficiency before merchandise is shipped to stores and sold to customers. As a result, the products sold by the Company may expose it to product liability claims relating to personal injury, death, or property damage, and may require the Company to take actions or act as a defendant in a litigation. In addition, if suppliers are unable or unwilling to recall products failing to meet quality standards, the Company may be required to remove merchandise from the shelves or recall those products at a substantial cost. Product liability claims and product recalls may affect customers' perception of the business or the brand and harm the Company's reputation, which may materially adversely affect its business and financial results. Although the Company maintains liability insurance to mitigate potential claims, it cannot be certain that coverage will be adequate or sufficient to cover for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms or at all.

Litigation

The Company's business is subject to the risk of litigation by employees, customers, consumers, product suppliers, service providers, other business partners, competitors, shareholders, government agencies, or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation, including, in the case of administrative proceedings, as a result of reviews by taxation authorities. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. In addition, certain of these lawsuits or claims, if decided adversely to the Company or settled by it, may result in liability material to its financial statements as a whole or may negatively affect operating results if changes to business operations are required. In addition, in connection with its business activities, the Company is subject to reviews by taxation authorities. There is no assurance that any such reviews will not result in taxation authorities challenging any of its tax filings.

The cost to defend litigation may be significant. There also may be adverse publicity associated with litigation, including without limitation litigation related to product safety, which could negatively affect customer perception of the business or the brand, regardless of whether the allegations are valid or whether the Company is ultimately found liable. As a result, litigation could materially adversely affect the Company's business and financial results.

Regulatory Environment

The Company is subject to many laws and regulations, including laws and regulations related to, among other things, permits and licences, product safety, labour practices, health and safety, merchandise

PESORAMA INC.**AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS**

quality, labelling, intellectual property, data privacy, environmental levies, trade and customs, bribery and corruption.

Compliance with existing or new laws and regulations, or changes in the interpretation, implementation or enforcement of any laws and regulations, could require the Company to make significant system or operating changes or require it to make significant expenditures or incur substantial costs, all of which could materially adversely affect its business and financial results. In addition, untimely compliance or non-compliance with any laws and regulations could trigger litigation or governmental enforcement action, or require the payment of any fines or penalties, and harm the Company's reputation, which could materially adversely affect the Company's business and financial results.

In addition, the Company and its representatives are subject to anti-corruption and anti-bribery laws that prohibit improper payments directly or indirectly to government officials, authorities, or persons defined in those anti-corruption and anti-bribery laws, to obtain business or other improper advantages in the conduct of business. Failure by the Company or any of its employees, subcontractors, suppliers, agents, and/or representatives to comply with anti-corruption and anti-bribery laws could result in criminal, civil and administrative legal sanctions and negative publicity, and could materially adversely affect the Company's business and financial results as well as its brand image and reputation.

Environmental Compliance

Under various federal, provincial, and local environmental laws and regulations, current or previous owners or occupants of property may become liable for the costs of investigating, removing and monitoring any hazardous substances found on the property. These laws and regulations often impose liability without regard to fault.

Accordingly, it is possible that environmental liabilities may arise in the future as a result of any generation and disposal of such hazardous materials. Although it has not been notified of, and management is not aware of, any current material environmental liability, claim, or non-compliance, the Company could incur costs in the future related to its properties to comply with, or address any violations under, environmental laws and regulations.

In the ordinary course of business, the Company sometimes uses, stores, handles or disposes of household products and cleaning supplies that are classified as hazardous materials under various environmental laws and regulations. Also, products sold by the Company may be subject to environmental regulations prohibiting or restricting the use of certain toxic substances in the manufacturing process.

The Company cannot predict the environmental laws or regulations that may be enacted in the future or how existing or future laws and regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretations of existing laws and regulations, may require additional expenditures or impose fines or penalties, which could vary substantially from those currently anticipated and could materially

PESORAMA INC.
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS

adversely affect the Company's business and financial results.

Climate Change

Climate change is an international concern that is receiving increasing attention worldwide. As a result, in addition to the physical risks associated with climate change, there is the risk that the government introduces climate change legislation and treaties that could result in increased costs, and therefore, decreased profitability of the Company's operations.

Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of greenhouse gas (GHG) emissions. GHG regulations could require the Company to purchase allowances to offset the Company's own emissions or result in an overall increase in costs or operating expenses, any of which could materially adversely affect the Company's business and financial results. While additional regulation of emissions in the future appears likely, it is too early to predict whether this regulation could ultimately have a material adverse effect on the Company's business or financial results.

Shareholder Activism

The Company may be subject to legal and business challenges in the operation of its business due to actions instituted by activist shareholders or others. Responding to such actions can be costly and time-consuming, disrupting business operations and diverting the attention of management and employees. Such investor activism could result in uncertainty of the direction of the Company, substantial costs and diversion of management's attention and resources, which could harm the business, hinder execution of the business strategy and initiatives and create adverse 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 April 30 2022, there were 72,028,239 common shares issued and outstanding. In addition, there were 9,000,000 stock options, 2,204,613 agents and finders warrants, 2,500,000 performance warrants, 3,175,000 milestone warrants, and 33,596,888 subscriber warrants, each exercisable for one common share, issued and outstanding as at April 30, 2022.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.