

PesoRama Inc.
(Formerly Skyscape Capital Inc.)
Condensed Consolidated Interim Financial Statements
For the three and nine months ended October 31, 2023 and 2022
(Expressed in Canadian dollars)
(Unaudited)

NOTE TO READER

Under National Instrument 51-102, if an auditor has not performed a review of interim financial statements, they must be accompanied by a note indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these interim financial statements.

PESORAMA INC.
Condensed Consolidated Interim Statements of Financial Position

<i>(Expressed in Canadian dollars)</i>	October 31, 2023	January 31, 2023
	Unaudited	Audited
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,195,271	\$ 3,019,481
Deferred store opening costs (Note 4)	25,126	-
Deferred financing fees (Note 11)	1,033,939	-
Taxes receivable (Note 6)	229,268	41,872
Deposits to suppliers	171,864	99,310
Prepaid expenses and other receivables	183,473	275,646
Inventory (Note 5)	4,499,710	4,647,583
Total current assets	8,338,651	8,083,892
Non-current assets		
Long term taxes receivable (Note 6)	2,655,011	2,473,261
Property and equipment (Note 7)	3,476,453	3,851,738
Intangible assets (Note 8)	23,244	16,647
Security deposits	270,078	220,044
Right-of-use assets (Note 9)	3,586,444	4,151,728
Total non-current assets	10,011,230	10,713,418
Total assets	\$ 18,349,881	\$ 18,797,310
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,969,789	\$ 4,725,399
Current portion of lease liabilities (Note 9)	2,029,120	1,686,593
Total current liabilities	7,998,909	6,411,992
Non-current liabilities		
Lease liabilities (Note 9)	2,700,603	3,649,147
Long-term liability (Note 11)	4,732,814	-
Total non-current liabilities	7,433,417	3,649,147
Total liabilities	15,432,326	10,061,139
Shareholders' Equity		
Share capital (Note 12)	36,597,407	36,001,926
Warrants reserve (Note 13)	6,159,786	4,457,980
Share-based compensation reserve (Note 14)	2,517,487	1,886,901
Accumulated other comprehensive income	2,065,396	1,223,938
Deficit	(44,422,521)	(34,834,574)
Total shareholders' equity	2,917,555	8,736,171
Total liabilities and shareholders' equity	\$ 18,349,881	\$ 18,797,310

Nature of operations (Note 1)
Commitments and contingencies (Note 20)
Subsequent events (Note 21)

See accompanying notes to the condensed consolidated interim financial statements.

PESORAMA INC.

**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and nine months ended October 31,**

<i>(Unaudited, expressed in Canadian dollars)</i>	Three months ended		Nine months ended	
	2023	2022	2023	2022
Sales	5,206,856	4,125,085	14,140,796	9,376,121
Cost of sales				
Inventory expensed (Note 5)	2,981,239	2,575,931	8,270,484	5,792,628
Inventory write-off (Note 5)	141,926	193,311	382,614	696,089
Distribution costs	305,144	205,319	1,232,064	926,024
Gross profit	1,778,547	1,150,524	4,255,634	1,961,380
General, administrative, and store operating expenses (Note 18)	3,222,807	2,621,560	8,631,560	7,167,641
Depreciation and amortization (Note 18)	886,730	1,271,125	2,658,417	2,371,027
Operating loss	(2,330,990)	(2,742,161)	(7,034,343)	(7,577,288)
Financing costs (Note 18)	458,720	239,450	2,719,993	644,752
Listing expense (Note 3)	-	-	-	3,730,224
Other items (Note 18)	(65,511)	542,387	(166,389)	747,992
Net loss	(2,724,199)	(3,523,998)	(9,587,947)	(12,700,256)
Currency translation adjustment	(89,736)	213,192	841,458	419,095
Net comprehensive loss	(2,813,935)	(3,310,806)	(8,746,489)	(12,281,161)
Basic and diluted loss per share	(0.03)	(0.05)	(0.10)	(0.18)
Weighted average number of common shares outstanding - basic and diluted	94,106,927	72,819,543	92,096,687	71,754,868

See accompanying notes to the condensed consolidated interim financial statements.

PESORAMA INC.

Condensed Consolidated Interim Statements of Shareholders' Equity

<i>(Unaudited, expressed in Canadian dollars)</i>	Number of Common Shares (Note 11)	Share capital (Note 11)	Warrants reserve (Note 12)	SBC reserve ⁽¹⁾ (Note 13)	AOCL ⁽²⁾	Deficit	Total
Balance at January 31, 2023	90,638,503	36,001,926	4,457,980	1,886,901	1,223,938	(34,834,574)	8,736,171
Shares issued upon warrant exercise	2,672,884	33,540	(5,108)	-	-	-	28,432
Shares issued for debt settlement	2,482,686	546,191	-	-	-	-	546,191
Obligation to issue shares for debt settlement	-	15,750	-	-	-	-	15,750
Warrants issued for loan transaction costs	-	-	1,706,914	-	-	-	1,706,914
Share-based compensation	-	-	-	630,586	-	-	630,586
Cumulative translation adjustment of foreign operations	-	-	-	-	841,458	-	841,458
Net loss for the period	-	-	-	-	-	(9,587,947)	(9,587,947)
Balance at October 31, 2023	95,794,073	36,597,407	6,159,786	2,517,487	2,065,396	(44,422,521)	2,917,555
Balance at January 31, 2022	49,643,211	17,507,813	588,684	223,483	(182,664)	(22,894,748)	(4,757,432)
Shares issued pursuant to the RTO Transaction	2,000,000	1,600,000	-	-	-	-	1,600,000
Stock options issued pursuant to the RTO Transaction	-	-	-	73,492	-	-	73,492
Shares issued for subscription receipts	10,035,170	7,495,564	-	-	-	-	7,495,564
Warrants issued for subscription receipts	-	-	1,950,717	-	-	-	1,950,717
Shares issued for structuring fee	1,750,000	1,400,000	-	-	-	-	1,400,000
Issuance of shares for the conversion of the convertible debentures	8,499,858	5,866,656	-	-	-	-	5,866,656
Issuance of warrants for the conversion of the convertible debentures	-	-	1,463,377	-	-	-	1,463,377
Shares issued upon warrant exercise	950,000	47,500	-	-	-	-	47,500
Warrants issued for over-allotment option	-	-	65,561	-	-	-	65,561
Share-based compensation	-	-	-	1,175,470	-	-	1,175,470
Cumulative translation adjustment of foreign operations	-	-	-	-	419,095	-	419,095
Net loss for the period	-	-	-	-	-	(12,700,256)	(12,700,256)
Balance at October 31, 2022	72,878,239	33,917,533	4,068,339	1,472,445	236,431	(35,595,004)	4,099,744

(1) Share-based compensation reserve

(2) Accumulated other comprehensive loss

See accompanying notes to the consolidated financial statements.

PESORAMA INC.
Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended October 31, 2023 and 2022

<i>(Unaudited, expressed in Canadian dollars)</i>	2023	2022
Operating Activities		
Net loss	(9,587,947)	(12,700,256)
Adjustments for items not affecting cash:		
Depreciation and amortization (Notes 7 and 8)	1,470,615	1,408,298
Depreciation, right-of-use assets (Note 9)	1,187,802	962,729
Share-based compensation (Notes 13 and 14)	630,586	1,175,470
Interest on loan payable (Note 11)	146,134	-
Interest on lease liabilities (Note 9)	574,093	506,057
Interest on convertible debentures (Note 10)	-	14,427
Accretion on convertible debentures (Note 10)	-	18,048
Accretion on loan payable	22,197	-
Inventory write-downs	382,614	696,089
VAT recovery reserves	(76,941)	-
Financing costs (non-cash)	1,706,914	-
Non-cash listing expense	-	3,697,074
Changes in non-cash working capital items		
Taxes receivable (Note 6)	(92,251)	229,184
Deposits to suppliers	(64,114)	(123,467)
Prepaid expenses and other receivables	102,168	(179,227)
Inventory (Note 5)	137,917	(2,033,453)
Security deposits	(32,031)	(41,614)
Deferred store opening costs (Note 4)	(24,967)	-
Accounts payable and accrued liabilities	1,606,997	(452,776)
Cash used in operating activities	(1,910,214)	(6,823,417)
Investing Activities		
Purchase of property and equipment (Note 7)	(766,218)	(1,295,259)
Purchase of intangible assets (Note 8)	(27,821)	(10,526)
Cash acquired from RTO Transaction (Note 3)	-	10,064
Cash used in investing activities	(794,039)	(1,295,721)
Financing Activities		
Proceeds received from issuance of shares from Offering units, net (Note 12)	-	3,760,000
Share issuance costs (Note 12)	-	(450,676)
Proceeds received from issuance of warrants from offering units (Note 13)	-	940,000
Proceeds received from issuance of over-allotment warrants (Note 13)	-	70,500
Warrant issuance costs	-	(119,304)
Options, milestone warrants, and performance warrants exercised (Note 12)	28,433	47,500
Private debt financing (Note 11)	4,900,000	-
Private debt financing - transaction costs (Note 11)	(1,369,457)	-
Lease payments (Note 9)	(1,897,631)	(1,356,590)
Cash provided by financing activities	1,661,345	2,891,430
Cash, beginning of period	3,019,481	6,226,200
Effect of foreign currency translation on cash	218,698	(15,320)
Net decrease in cash	(1,042,908)	(5,227,708)
Cash, end of period	2,195,271	983,172

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

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

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

Through PesoRama’s wholly owned subsidiaries, PesoRama Holdings Inc., Canmex Dollar Stores, S.A. de C.V. (“Canmex”), Joi Canadian Stores, S.A. de C.V. (“Joi”), PesoRama Stores Services, S.A. de C.V., 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 market. During the year ended January 31, 2023, the Company expanded their product offering by adding two additional price points thus becoming part of the multi-price point segment of the retail market.

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

Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. For the nine months ended October 31, 2023, the Company incurred a net loss of \$9.6 million (October 31, 2022 - \$12.7 million) and used \$1.9 million of cash in operating activities (October 31, 2022 – used \$6.8 million). As of October 31, 2023, the Company had working capital of \$0.3 million (January 31, 2023 – \$1.7 million) and has an accumulated deficit of \$44.4 million (January 31, 2023 - \$34.8 million). The Company will need to raise additional financing in the near term to continue operations, fund its working capital needs and fund its expansion strategy consisting of opening additional stores during the foreseeable future.

Although the Company has been successful in the past in obtaining financing and believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern. No adjustments have been made to the amounts

1. NATURE OF OPERATIONS (continued)

Going concern (continued)

and classification of assets, liabilities, revenues, and expenses to reflect these uncertainties, should the Company not be successful in raising additional funds, and any adjustments required to the accounts could be material.

Management believes that the going concern assumption is appropriate for these consolidated financial statements and that the Company will be able to meet its budgeted capital and administrative costs as well as other potential commitments during the upcoming year and beyond. There is no guarantee that the Company will be successful in either its operating or financing endeavors.

2. BASIS OF PRESENTATION

Statement of compliance

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

These unaudited condensed consolidated interim financial statements follow the same accounting policies and method of computation as the Company’s annual audited consolidated financial statements for the year ended January 31, 2023, except for certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended January 31, 2023. These unaudited condensed consolidated interim financial statements were authorized for issuance by the Company’s Board of Directors on December 21, 2023.

Comparative figures

Certain comparative figures have been reclassified to conform with the basis of presentation applied for the three and nine months ended October 31, 2023.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss (“FVTPL”). In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

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

2. BASIS OF PRESENTATION (continued)

Use of judgments, estimates and assumptions

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

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

The judgments, estimates, and assumptions applied in these condensed consolidated interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's audited annual consolidated financial statements for the year ended January 31, 2023.

Significant accounting policies

The Company's significant accounting policies can be read in Note 3 to the Company's annual audited consolidated financial statements for the year ended January 31, 2023.

3. REVERSE TAKE OVER TRANSACTION ("RTO")

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

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

- a) The historical equity of the Company has been eliminated and the excess of the fair value of deemed issuance of the equity instruments over the fair value of the net assets acquired has been recorded as listing expense in the consolidated statement of loss and comprehensive loss for the year ended January 31, 2023;
- b) The accumulated deficit and other equity balances presented in these consolidated financial statements are those of Old PesoRama;
- c) The assets and liabilities of Old PesoRama are included in these consolidated financial statements on a pre-transaction basis of accounting;
- d) The net assets of PesoRama were measured at their estimated fair value on the RTO Date; and
- e) Comparative information presented in these consolidated financial statements is that of Old PesoRama.

3. REVERSE TAKE OVER TRANSACTION (“RTO”) (continued)

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

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

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

(2) Transaction costs consist of \$33,150 of legal costs and a \$1,400,000 structuring fee which was paid in common shares as described in Note 12, 15.

4. DEFERRED STORE OPENING COSTS

The Company incurs costs associated with store openings before they are made accessible to the public. These costs primarily consist of pre-opening marketing, employee training, and leasehold improvements. Deferred store opening costs are recognized in accordance with the Company's accounting policies. These costs are capitalized when incurred and amortized over the expected useful life, commencing on the store's opening date. Amortization is performed on a straight-line basis unless there is a more representative pattern of consumption of the economic benefits.

As of October 31, 2023 the Company has capitalized deferred store opening costs of \$25,126 (January 31, 2023 - \$nil).

5. INVENTORY

As of October 31, 2023, the Company maintained finished goods inventory of \$4,499,710 (January 31, 2023 - \$4,647,583). The Company's inventory balance consists of inventory held at the Company's warehouse and stores, as well as inventory in transit from suppliers for which risk of loss during transit lies with the Company. The cost of inventories included in cost of sales for the three and nine months ended October 31, 2023, was \$2,981,239 and \$8,270,484 (October 31, 2022 - \$2,575,931 and \$5,792,628), respectively. During the three and nine months ended October 31, 2023, the Company recognized inventory write-downs of \$141,926 and \$382,614 (October 31, 2022 - \$193,311 and \$696,089), respectively.

6. TAXES RECEIVABLE

As at October 31, 2023, taxes receivable classified as current assets consists of goods and services tax ("GST") of PesoRama and taxes receivable classified as long-term assets consists of net value added tax ("VAT") of Joi, Canmex and Pesorama Consulting. As at January 31, 2023 taxes receivable classified as a current asset consisted of GST of PesoRama and VAT of JOI, Canmex and Pesorama Consulting. Both GST and VAT are indirect taxes which are refundable for amounts paid by each entity to their vendors, net of indirect taxes collected for amounts charged by each entity to their customers. GST returns for PesoRama are filed on a quarterly basis. The Company is in the process of claiming VAT refunds for Joi, Canmex and Pesorama Consulting accumulated from prior operating periods. As of October 31, 2023 and January 31, 2023, the balance of taxes receivable is as follows:

The table summarizes VAT balances as of October 31, 2023 and January 31, 2023:

Legal entity	Tax Type	October 31, 2023	January 31, 2023
PesoRama Inc.	GST	187,400	19,198
PesoRama Holdings	GST	41,868	22,674
Canadian GST Receivable		229,268	41,872
Joi Canadian Stores, S.A. de C.V.	VAT	2,321,097	2,170,993
Canmex Dollar Stores, S.A. de C.V.	VAT	478,587	368,193
Pesorama Consulting Services, S.A. de C.V.	VAT	(144,673)	(65,925)
Mexican VAT Receivable		2,655,011	2,473,261
Total Receivable		2,884,279	2,515,133

PESORAMA INC.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended October 31, 2023 and 2022

7. PROPERTY AND EQUIPMENT

As at October 31, 2023 and January 31 2023, the balances of the Company's property and equipment are as follows:

Cost	Furniture and equipment, office	Furniture and equipment, Stores	Computer Hardware	Communication equipment	Leasehold improvements	Total
As at January 31, 2022	45,772	720,576	289,651	79,392	4,875,401	6,010,792
Capital expenditures	15,901	296,072	86,723	13,953	860,512	1,273,161
Foreign exchange	5,962	135,007	49,330	13,316	818,051	1,021,666
As at January 31, 2023	67,635	1,151,655	425,704	106,661	6,553,964	8,305,619
Capital expenditures	730	39,083	38,304	-	688,101	766,218
Foreign exchange	4,220	93,409	33,482	8,628	534,530	674,269
As at October 31, 2023	72,585	1,284,147	497,490	115,289	7,776,595	9,746,106
Accumulated Amortization						
As at January 31, 2022	(10,499)	(123,545)	(107,604)	(53,098)	(1,743,794)	(2,038,540)
Additions	(4,758)	(97,915)	(104,792)	(28,756)	(1,707,151)	(1,943,372)
Foreign exchange	(1,195)	(27,036)	(23,135)	(10,536)	(410,067)	(471,969)
As at January 31, 2023	(16,452)	(248,496)	(235,531)	(92,390)	(3,861,012)	(4,453,881)
Additions	(5,374)	(94,709)	(91,580)	(6,800)	(1,249,549)	(1,448,012)
Foreign exchange	(886)	(20,702)	(18,438)	(7,517)	(320,217)	(367,760)
As at October 31, 2023	(22,712)	(363,907)	(345,549)	(106,707)	(5,430,778)	(6,269,653)
Net book value						
As at January 31, 2023	51,183	903,159	190,173	14,271	2,692,952	3,851,738
As at October 31, 2023	49,873	920,240	151,941	8,582	2,345,817	3,476,453

PESORAMA INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended October 31, 2023 and 2022

8. INTANGIBLE ASSETS

As at October 31, 2023 and January 31, 2023 the balances of the Company's intangible assets are as follows:

Cost	Software Licenses	Brand Names	Software in Development	Total
As at January 31, 2022	210,842	4,141	-	214,983
Capital expenditures	3,972	6,245	2,223	12,440
Foreign exchange	32,681	1,063	187	33,931
As at January 31, 2023	247,495	11,449	2,410	261,354
Capital expenditures	24,669	3,152	-	27,821
Foreign exchange	20,177	946	195	21,318
As at October 31, 2023	292,341	15,547	2,605	310,493
Accumulated Amortization				
As at January 31, 2022	(208,200)	(110)	-	(208,310)
Additions	(3,824)	(356)	-	(4,180)
Foreign exchange	(32,171)	(46)	-	(32,217)
As at January 31, 2023	(244,195)	(512)	-	(244,707)
Additions	(20,066)	(492)	(2,045)	(22,603)
Foreign exchange	(19,881)	(45)	(13)	(19,939)
As at October 31, 2023	(284,142)	(1,049)	(2,058)	(287,249)
Net book value				
As at January 31, 2023	3,300	10,937	2,410	16,647
As at October 31, 2023	8,199	14,498	547	23,244

(i) Software in development represented work performed by a third-party contractor to improve the Company's software for tracking sales and inventory at its stores as well as create interfaces to the general ledger.

PESORAMA INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended October 31, 2023 and 2022

9. LEASES

The leases of the Company relate to 23 store leases and 2 office leases.

<i>Right-of-use assets</i>	
Cost	
As at January 31, 2022	6,036,136
Additions	1,065,415
Foreign exchange	965,084
As at January 31, 2023	8,066,635
Additions	292,804
Foreign exchange	652,776
As at October 31, 2023	9,012,215
Accumulated depreciation	
As at January 31, 2022	2,130,206
Depreciation	1,331,828
Foreign exchange	452,873
As at January 31, 2023	3,914,907
Depreciation	1,187,802
Foreign exchange	323,062
As at October 31, 2023	5,425,771
Net book value	
As at January 31, 2023	4,151,728
As at October 31, 2023	3,586,444
<i>Lease liability</i>	
As at January 31, 2022	4,802,215
Additions	1,065,415
Interest on lease liability	699,414
Lease payment	(1,907,443)
Foreign exchange	676,139
As at January 31, 2023	5,335,740
Additions	292,804
Interest on lease liability	574,093
Lease payment	(1,897,631)
Foreign exchange	424,717
As at October 31, 2023	4,729,723
Current portion	2,029,120
Non-current portion	2,700,603
Total lease liability	4,729,723

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9. LEASES (continued)

The table below summarizes the remaining expected lease payments as at October 31, 2023:

<i>Fiscal Years</i>	
2024	662,153
2025	2,494,662
2026	1,585,398
2027	717,817
2028	235,861
2029	149,947
Thereafter	292,810
Less: imputed interest	(1,408,925)
Present value of lease liabilities	4,729,723

10. CONVERTIBLE DEBENTURES

On March 2, 2021, PesoRama closed the first tranche of convertible debentures (the “Debentures” or the “Convertible Debentures”), issuing 4,832 Debentures at a face value of \$1,000 each for gross proceeds of \$4,832,000. On April 1, 2021, the Company closed the second tranche, issuing an additional 710 Debentures for gross proceeds of \$710,000. On December 30, 2021, the Company closed the third tranche, issuing an additional 1,160 Debentures for gross proceeds of \$1,160,000. Total cash transaction fees on the three tranches were \$529,780, for net proceeds received of \$6,172,220. The Debentures had an annual interest rate of 9.875% compounding semi-annually and payable upon the earliest of a) the maturity date of the Debentures, b) automatic conversion of the Debentures, or c) upon redemption of the Debentures. The first two tranches originally had a maturity date of March 2, 2023, and April 1, 2023, respectively (the “March Maturity Date”), while the third tranche originally had a maturity date of December 30, 2023 (the “December Maturity Date”; both dates collectively referred to as the “Maturity Dates”).

The Company could, at its sole discretion, redeem the Debentures at any time prior to the Maturity Dates at a redemption price equal to 1.25 times the outstanding principal amount plus all accrued and unpaid interest up to and including the redemption date. Successful completion of the RTO Transaction would trigger automatic conversion of all outstanding Debentures to PesoRama securities of the same type issued pursuant to concurrent financing raised by the Company (the “Conversion Securities”). Each Debenture was convertible to PesoRama common shares at a rate of 85% of the per-share price attributed to the Company’s common shares on the RTO Transaction date.

Each Debenture also included 50 warrants, each of which entitles the holder to purchase one common share at a price of \$1.25. A total of 6,194 finders warrants were also issued to brokers in connection with the debenture financing arrangement. Each finders warrant allows the holders thereof to purchase a number of PesoRama common shares equal to the product obtained by multiplying (a) the quotient obtained by dividing 1,000 by the conversion price; and (b) 7 percent, for each warrant exercised at the exercise price per share that is equal to the conversion price.

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10. CONVERTIBLE DEBENTURES (continued)

The conversion feature within the Debentures is considered an embedded derivative liability as the contractual right is for conversion to a variable number of common shares depending on the per-Share price attributed to the Company's common shares on the RTO Transaction date. A fair value model was used to estimate the fair value of each of the debt components and the embedded derivative liability. Using the residual value approach, the proceeds received were first allocated to the derivative liability, with the residual amount being allocated to the debt component, and any remaining amount being assigned to the related warrants. Because the assessed fair value of the debt component and embedded derivative liability exceeded net proceeds, the warrant component was assigned a value of nil.

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

On February 8, 2022, upon completion of the RTO transaction, the Debentures were automatically converted into units of the Company resulting in the issuance of 8,499,858 common shares and 8,499,858 subscriber warrants. Each subscriber warrant entitles the holder thereof to purchase one common share at a price of \$1.25 for two years from the date of issuance. Refer to Note 12 and 13 for additional details.

The components of the Company's Debentures as at October 31, 2023 are as follows:

	Liability Component	Derivative Liability	Total
On date of issuance	5,430,940	1,271,060	6,702,000
Cash transaction costs	(429,292)	-	(429,292)
Finders warrants	(62,001)	-	(62,001)
On date of issuance, net of transaction costs	4,939,647	1,271,060	6,210,707
Interest expense	503,122	-	503,122
Accretion	574,708	-	574,708
Unrealized loss on derivative liability	-	9,022	9,022
Balance, January 31, 2022	6,017,477	1,280,082	7,297,559
Interest expense	14,427	-	14,427
Accretion	18,047	-	18,047
Conversion of debt at RTO date	(6,049,951)	(1,280,082)	(7,330,033)
Balance, January 31 and October 31, 2023	-	-	-

11. REVOLVING LOAN PAYABLE

On June 9, 2023, PesoRama Inc ("the Company") entered into a Revolving Credit Facility Agreement ("the Agreement") with Third Eye Capital Corporation as the Agent on behalf of certain lenders (the "Lenders") with a maturity date of June 6, 2026. This Agreement provides for a revolving credit facility of up to \$20 million ("the Loan"), strategically structured to support the Company's growth initiatives, notably including the construction of new JOi Dollar Plus Stores in Mexico and the expansion of inventory and product offerings. The Agreement outlines a flexible interest rate structure, wherein the applicable interest rate is determined as the greater of 13.5% or the Prime Rate (as posted by the Royal Bank of Canada) plus 7.55%. Interest accrues and compounds monthly in arrears on all outstanding obligations and is subject to adjustments in response to fluctuations in the Prime Rate, with calculations based on the number of days since the funding date. In the event of default, a default rate of 10% per annum applies. Upon maturity, the Company must pay all outstanding interest and principal.

The allowable draw down at a given point in time is determined using the Borrowing Base calculation which is comprised 70% of eligible inventory including eligible in-transit inventory, 100% of eligible cash receipts, and 100% of the Company's trailing twelve months (TTM) EBITDA (provided it remains positive) after accounting for reserves related to interest and other fees. The Borrowing Base is subject to monthly redetermination to reflect evolving business dynamics. Any fees due to Third Eye Capital Corporation or the Lenders that remain unpaid after their due date will be added to the principal portion outstanding under the Agreement and begin accruing interest.

In consideration for entering into the Agreement, the Company issued 15,060,838 non-transferable common share purchase warrants of the Company to the Lenders. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.14 per share for a five-year period. The warrants were assessed a fair value of \$1,706,914, using the Black-Sholes option pricing model and the following assumptions: dividend yield 0%, risk-free interest rate of 3.68%, expected volatility of 35.28%, stock price of \$0.22, and expected life of 5 years. The fair value of the warrants was expensed as a financing cost during the three and nine months ended October 31, 2023.

As part of the Agreement, the Agent will charge an annual monitoring fee of \$50,000 and a standby fee of 1% payable by the Company to the Agent. The standby fee is calculated quarterly based on the difference between the daily revolver advances outstanding and the revolver limit during the respective quarter. Both fees were considered to be financing costs and were expensed as a such during the three and nine months ended October 31, 2023.

In addition to the aforementioned fees, the Agreement include a closing fee of \$800,000, payable in two installments to the Agent for the benefit of the Lenders. The Company also incurred an additional \$569,455 in loan issuance costs associated with legal fees and due diligence preformed by the Agent. Upon execution of the Agreement, the aggregate issuance costs of \$1,369,457 were capitalized to deferred transaction costs and are recognized against loan payable on a pro-rata basis relative to the draw down amount as a proportion of the total credit facility of \$20 million. As at October 31, 2023, the Company had deferred transaction costs \$1,033,939.

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11. REVOLVING LOAN PAYABLE (continued)

As of October 31, 2023, the company received proceeds of \$4,954,724 in relation to the Revolving Credit Facility Agreement (January 31, 2023 - \$Nil). The table summarizes the long-term liability balance as of October 31, 2023 and January 31, 2023:

Balance, January 1, 2023	-
Issued during the period	4,900,000
Transaction costs	(335,518)
Accretion	22,197
Interest	146,135
Balance, October 31, 2023	4,732,814
Current	-
Non-Current	4,732,814

12. SHARE CAPITAL

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. Outstanding common shares as of October 31, 2023 are as follows:

	Common shares	Amount (\$)
Balance, January 31, 2022	49,643,211	17,507,813
Shares issued pursuant to the RTO Transaction (Note 3)	2,000,000	1,600,000
Shares issued for Subscription Receipts and Offering (vii) (viii)	10,035,170	7,495,564
Shares issued for structuring fee (ix)	1,750,000	1,400,000
Shares issued for the conversion of debentures (x)	8,499,858	5,866,656
Shares issued upon warrant exercise (xi)(xii)(xiii)	950,000	47,500
Shares issued upon closing of unit private placement (xiv)(xv)	17,760,264	2,084,393
Balance, January 31	90,638,503	36,001,926
Shares issued upon warrant exercise (i) (ii) (iii)(iv)	2,672,884	33,540
Shares issued for debt settlement (v)	2,482,686	546,191
Obligation to issue shares for debt settlement (vi)	-	15,750
Balance, October 31, 2023	95,794,073	36,597,407

For the nine months ended October 31, 2023

- (i) On June 30, 2023, 112,634 finders' warrants were exercised to purchase 112,634 common shares at \$0.15 per share for cash proceeds received of \$16,895. Warrants reserve of \$3,865 were reclassified to share capital in connection with this exercise.
- (ii) On July 4, 2023, 2,500,000 performance warrants were exercised to purchase 2,500,000 common shares at \$0.001 per share for cash proceeds received of \$2,500. No amount was reclassified from warrants reserve to share capital as these warrants were initially valued at nil.

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12. SHARE CAPITAL (continued)

- (iii) On July 21, 2023, 12,250 finders' warrants were exercised to purchase 12,250 common shares at \$0.15 per share for cash proceeds received of \$1,838. Warrants reserve of \$253 were reclassified to share capital in connection with this exercise.
- (iv) On August 18, 2023, 48,000 finders' warrants were exercised to purchase 48,000 common shares at \$0.15 per share for cash proceeds received of \$7,200. Warrants reserve of \$990 were reclassified to share capital in connection with this exercise.
- (v) On September 28, 2023, the Company entered into debt conversion agreements with certain creditors to settle outstanding obligations. Pursuant to these agreements, the Company issued an aggregate of 2,482,686 common shares at a price of \$0.22 per share, satisfying debts totaling \$546,191.
- (vi) As of September 30, 2023, an obligation of \$15,750 has been classified on the balance sheet representing the obligation to issue shares. This obligation arises from an agreement made during the nine months ended September 30, 2023, whereby the Company has committed to issuing shares as a form of compensation for director's fees rendered. The shares will be issued at a determined price, and this obligation reflects the fair value of the director's fees yet to be settled through the issuance of shares.

For the year ended January 31, 2023

- (vii) 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. The Company incurred total cash share issuance costs of \$37,914 of which \$23,848 were incurred during the year ended January 31, 2022. On February 8, 2022, upon completing the RTO Transaction, each Subscription Receipt was automatically converted into one common shares of PesoRama and one PesoRama subscriber warrant. A value of \$4,268,135, before issuance costs, was allocated to the 5,335,170 common shares issued. Additionally, total cash issuance costs of \$30,331, were allocated to the common shares, of which \$20,434 were incurred during the year ended January 31, 2022, for a total net amount of \$4,237,804 recognized as attributed to the common shares. See Note 13 for further details regarding the warrants issued.
- (viii) Upon completion of the RTO Transaction, the Company completed a prospectus offering (the "Offering") and issued 4,700,000 common shares and 4,700,000 subscriber warrants ("Offering Warrants") of PesoRama in addition to the units previously issued. A value of \$3,760,000 before issuance costs, was allocated to the 4,700,000 common shares with the remaining balance allocated to warrants using residual method. On completion of the Offering, PesoRama paid a cash commission of \$474,150 to a syndicate of agents (the "Agents") per an agency agreement (the "Agency Agreement") and issued 316,500 PesoRama subscriber warrants (the "Agent Offering Warrants") to the Agents with an assessed fair value of \$76,825, using the Black-Sholes option pricing model, for total issuance costs paid of \$550,975. Each Agent Offering Warrant entitles the holder thereof to purchase one PesoRama common share at a price of \$1.00 per share until the date that is 24 months from the closing of the Offering. Issuance costs amounting to \$502,240 composed of cash share issuance costs of \$440,780 and Agent Offering Warrants value allocated of \$61,460 were

12. SHARE CAPITAL (continued)

attributed to the common shares, for a total net amount recognized of \$3,257,760. See Note 13 for further details regarding the Offering Warrants.

- (ix) On November 19, 2021, PesoRama, Old PesoRama, Fundamental HS, S.C. (“Fundamental”), Antonio Heredia (a partner of Fundamental and director of the Company), and Beragua Capital Advisory SL (“Beragua”), a company related to Fundamental’s partners, entered into a structuring fee agreement (the “Structuring Fee Agreement”). Pursuant to the Structuring Fee Agreement, Skyscape agreed to pay to Mr. Heredia and Beragua a fee for advisory services in connection with the RTO Transaction, payable through the issuance of an aggregate of 1,750,000 PesoRama common shares at a fair value of \$0.80 for a total of \$1,400,000.
- (x) On February 8, 2022, upon completion of the RTO transaction, the Debentures were automatically converted into 8,499,858 common shares and 8,499,858 subscriber warrants of the Company. On the RTO Date, the Company allocated \$5,866,656 of the value of the Debentures and the embedded derivative liability to the common shares issued with the remaining balance allocated to warrants using residual method.
- (xi) On March 1, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at \$0.05 per share for cash proceeds received of \$5,000. No amount was reclassified from warrants reserve to share capital as these warrants were initially valued at nil.
- (xii) On June 16, 2022, 750,000 milestone warrants were exercised to purchase 750,000 common shares at \$0.05 per share for cash proceeds received of \$37,500. No warrants reserve was reclassified to share capital as these warrants were initially valued at nil.
- (xiii) On September 23, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at \$0.05 per share for cash proceeds received of \$5,000. No amount was reclassified from warrants reserve to share capital as these warrants were initially valued at nil.
- (xiv) On December 30, 2022, the Company closed the first tranche of a non-brokered private placement issuing an aggregate of 5,939,333 units at a price of \$0.15 per unit for aggregate gross proceeds of \$890,900. Each unit is composed of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.30 for a period of three years. A value of \$653,327 before issuance costs, was allocated to the 5,939,333 common shares with the remaining balance allocated to warrants based on residual method. The Company incurred cash share issuance costs of \$59,388 and issued 395,920 finders’ warrants with a fair value of \$8,164 determined using the Black Scholes pricing model. Each finder warrant is exercisable into one common share of the Company at a price of \$0.15 per common share until December 30, 2025. The issuance costs of \$67,552 were allocated to share capital.
- (xv) On January 23, 2023, the Company closed the second tranche of a non-brokered private placement issuing an aggregate of 11,820,931 units at a price of \$0.15 per unit for aggregate gross proceeds of \$1,773,140. Each unit is composed of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.30 for a period of three years. A value of \$1,654,930 before issuance costs, was allocated to the 11,820,931 common shares. The Company incurred cash share issuance costs of \$130,618 and issued 685,365 finders’ warrants with a fair value of \$25,694 determined using the Black Scholes

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12. SHARE CAPITAL (continued)

pricing model. Each finder warrant is exercisable into one common share of the Company at a price of \$0.15 per common share until December 30, 2025. The issuance costs of \$156,312 were allocated to share capital.

13. WARRANTS

The following table reflects the changes in warrants issued and outstanding up to October 31, 2023:

	Warrants	Weighted average exercise price (\$)
Balance, January 31, 2022	22,019,973	0.88
Issued (vi)(vii)(viii)(ix)(xiii)(xiv)	38,398,077	0.78
Exercised (x)(xi)(xii)	(950,000)	0.05
Expired	(2,325,000)	0.05
Balance, January 31, 2023	57,143,050	0.86
Issued (i)	15,060,838	0.14
Exercised (ii) (iii) (iv) (v)	(2,672,884)	0.01
Expired	(5,034)	0.85
Balance, October 31, 2023	69,525,970	0.74

As at October 31, 2023, the following warrants were outstanding:

Exercise price (\$)	Number of warrants	Weighted average remaining contractual life in years
0.14	15,060,838	4.61
0.15	908,401	2.21
0.30	17,760,264	2.21
0.40	816,000	0.27
0.75	755,091	0.27
0.85	1,160	0.16
1.00	502,560	0.27
1.25	33,721,656	0.27
0.74	69,525,970	1.73

* Milestone warrants are exercisable until: a) the milestone warrant holder ceases to act in their capacity as director, officer, employee, or consultant of the Company; b) the milestone warrant holder is terminated by the Company

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13. WARRANTS (continued)

As at January 31, 2023, the following warrants were outstanding:

Exercise price (\$)	Number of warrants	Weighted average remaining contractual life in years
0.001	2,500,000	0.29
0.15	1,081,285	2.96
0.30	17,760,264	2.96
0.40	816,000	1.02
0.75	755,091	1.02
0.85	6,194	0.24
1.00	502,560	1.02
1.25	33,721,656	1.02
0.86	57,143,050	1.63

For the nine months ended October 31, 2023

- (i) On June 9, in consideration for entering into the Loan Agreement, the Company issued 15,060,838 non-transferable common share purchase warrants of the Company to the Lenders. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.14 per share for a five-year period.
- (ii) On June 30, 2023, 112,634 finders' warrants were exercised to purchase 112,634 common shares at \$0.15 per share for cash proceeds received of \$16,895. Warrants reserve of \$3,865 were reclassified to share capital in connection with this exercise.
- (iii) On July 31, 2023, 2,500,000 performance warrants were exercised to purchase 2,500,000 common shares at \$0.001 per share for cash proceeds received of \$2,500. No amount was reclassified from warrants reserve to share capital as these warrants were initially valued at nil.
- (iv) On July 21, 2023, 12,250 finders' warrants were exercised to purchase 12,250 common shares at \$0.15 per share for cash proceeds received of \$1,838. Warrants reserve of \$253 were reclassified to share capital in connection with this exercise.
- (v) On August 18, 2023, 48,000 finders' warrants were exercised to purchase 48,000 common shares at \$0.15 per share for cash proceeds received of \$7,200. Warrants reserve of \$990 were reclassified to share capital in connection with this exercise.

For the year ended January 31, 2023

- (vi) On November 19, 2021, the Company completed a non-brokered private placement offering of an aggregate of 5,335,170 Subscription Receipts at a price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$5,335,170. On February 8, 2022, upon completing the RTO Transaction, each Subscription Receipt was automatically converted into one common share of PesoRama and one PesoRama subscriber warrant. Each subscriber warrant entitles the holder thereof to acquire one PesoRama common share at an exercise price of \$1.25 per share until February 8, 2024. A value of \$1,067,035, before issuance costs, was allocated to the

13. WARRANTS (continued)

subscriber warrants using residual method. Additionally, total issuance costs of \$7,583 were allocated to the subscriber warrants, of which \$3,414 were incurred during the year ended January 31, 2022, for a total net amount of \$1,059,452 recognized as attributed to the subscriber warrants. See Note 12 for further details regarding the common shares issued.

- (vii) On February 8, 2022, the Company completed the public offering in conjunction with the completion of the RTO Transaction and issued 4,700,000 common shares and 4,700,000 subscriber Offering Warrants. Each Offering Warrant entitles the holder thereof to purchase one common share at a price of \$1.25 per share until the expiry date of February 8, 2024. A value of \$940,000, before issuance costs, was allocated to the value of the Offering Warrants and issuances costs of \$48,736 was attributed to the Offering Warrants, composed of cash share issuance costs of \$33,370 and Agent Offering Warrants value allocated of \$15,365, for total net amount recognized of \$891,265. Included in the issuance costs of the Offering was 316,500 Agent Offering Warrants issued to the Agents by the Company. The Agent Offering Warrants entitle the holder thereof to purchase one common share of the Company at a price of \$1.00 per share until the date that is 24 months from the closing of the Offering. The Agent Offering Warrants were assessed a fair value of \$76,825, using the Black-Sholes option pricing model and the following assumptions: dividend yield 0%, risk-free interest rate of 1.35%, expected volatility of 67%, stock price of \$0.80, and expected life of 2 years. The fair value of the Agent Offering Warrants was allocated proportionately between the common shares issued and the Offering Warrants. See Note 12 for further details regarding the common shares issued.
- (viii) On February 8, 2022, upon completion of the RTO transaction, the Debentures, including the embedded derivative liability, were automatically converted into 8,499,858 common shares and 8,499,858 subscriber warrants of the Company. Each warrant is exercisable into one common share of the Company at a price of \$1.25 per share for a period of 24 months following the RTO Date. On the RTO Date, the Company allocated \$1,463,377 of the value of the Debentures and the embedded derivative liability to the value of the subscriber warrants issued using residual method.
- (ix) As part of the Agency Agreement, the Company granted the Agents an over-allotment option (the "Over-Allotment Option"), exercisable in whole or in part at the sole discretion of the Agents, at any time and from time to time for a period of 30 days from the RTO Date, under which the Agents could purchase up to a total of 705,000 additional units, either as units at a price of \$1.00 per Unit, as PesoRama shares at a price of \$0.90 per PesoRama share, or as common share purchase warrants of PesoRama at a price of \$0.10 per common share purchase warrants in the Resulting Issuer (the "Resulting Issuer Warrant"). On March 8, 2022, the Agents exercised the Over-Allotment Option to purchase 705,000 PesoRama warrants, for aggregate gross proceeds to the Company of \$70,500. Each warrant entitles the holder thereof to purchase one PesoRama share at a price of \$1.25 per share for a period of 24 months following the RTO Date. The Company incurred issuance costs of \$4,939 which have been netted against the value of the warrants issued. In the event that the volume-weighted average price of the common shares of the Company is equal to or greater than \$2.00 over a 10 consecutive trading day period, the Company may, within 10 business days following such 10-day period, accelerate the expiry date of the subscriber warrants by issuing a press release, and in such case, the expiry date of the subscriber warrants shall be deemed to be the date that is 30 days following the issuance of the press release.

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13. WARRANTS (continued)

- (x) On March 1, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at \$0.05 per share for cash proceeds received of \$5,000. No amount was reclassified from warrant reserve to share capital as these warrants were initially valued at nil
- (xi) On June 16, 2022, 750,000 milestone warrants were exercised to purchase 750,000 common shares at \$0.05 per share for cash proceeds received of \$37,500. No amount was reclassified from warrant reserve to share capital as these warrants were initially valued at nil.
- (xii) On September 23, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at \$0.05 per share for cash proceeds received of \$5,000. No amount was reclassified from the warranty reserve to share capital as these warrants were initially valued at nil.
- (xiii) On December 30, 2022, the Company closed the first tranche of a non-brokered private placement issuing an aggregate of 5,939,333 units at a price of \$0.15 per unit for aggregate gross proceeds of \$890,900. Each unit is composed of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.30 for a period of three years. A value of \$237,573 was allocated to the 5,939,333 warrants. On December 30, 2022, in connection with the closing of the first tranche of the Company's non-brokered private placement, the Company issued 395,920 finders' warrants with a fair value of \$8,164 determined using the Black Scholes pricing model and the following assumptions: dividend yield 0%, risk-free interest rate of 3.82%, expected volatility of 38%, stock price of \$0.11, and expected life of 3 years. Each finder warrant is exercisable into one common share of the Company at a price of \$0.15 per common share until December 30, 2025.
- (xiv) On January 23, 2023, the Company closed the second tranche of a non-brokered private placement issuing an aggregate of 11,820,931 units at a price of \$0.15 per unit for aggregate gross proceeds of \$1,773,140. Each unit is composed of one common share and one common share purchase warrant exercisable into one common share at a price of \$0.30 for a period of three years. A value of \$118,210, was allocated to the 11,820,931 common shares. On January 23, 2023, in connection with the closing of the first tranche of the Company's non-brokered private placement, the Company issued 685,365 finders' warrants with a fair value of \$25,694 determined using the Black Scholes pricing model and the following assumptions: dividend yield 0%, risk-free interest rate of 3.41%, expected volatility of 38%, stock price of \$0.14, and expected life of 3 years. Each finder warrant is exercisable into one common share of the Company at a price of \$0.15 per common share until January 23, 2026.

The estimated fair value of the warrants granted during the nine months ended October 31, 2023 was based on a Black-Scholes option pricing model with the following weighted average assumptions:

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13. WARRANTS (continued)

Expected forfeiture rate	0.00%
Risk-free interest rate	3.68%
Expected dividend yield	Nil
Expected stock price volatility	35.28%
Expected option life	5 years
Fair value of options granted	\$0.113

During the nine months ended October 31, 2023, the Company expensed \$1,706,914 (October 31, 2022 - \$Nil) as financing costs related to the issuance of warrants.

14. STOCK OPTIONS

The following table reflects the options issued and outstanding up to October 31, 2023:

	Number of options	Weighted average exercise price (\$)
Balance, January 31, 2022	850,000	0.04
Issued pursuant to the RTO Transaction (ii)	200,000	0.50
Granted (iii)	7,950,000	1.00
Forfeited (iv)	(400,000)	1.00
Balance, January 31, 2023	8,600,000	0.72
Expired	(1,050,000)	0.42
Balance, October 31, 2023	7,550,000	1.00

For the nine months ended October 31, 2023

- (i) There was no granting of stock options during the nine months ended October 31, 2023.

For the year ended January 31, 2023

- (ii) On February 8, 2022, upon completion of the RTO Transaction as outlined in Note 3, Old PesoRama issued 200,000 stock options to replace PesoRama stock options. Out of a total 200,000 options, 50,000 of these stock options can be exercised at a price of \$0.50 per option to acquire one common share any time until March 6, 2023, while the remaining 150,000 stock options can be exercised at a price of \$0.50 per option to acquire one common share any time until February 8, 2023. Using the Black-Scholes option pricing model the 200,000 options were valued at \$73,492 in total, or \$0.3675 per option, using the following assumptions: dividend yield 0%, risk-free interest rate of 1.35%, expected volatility of 67%, stock price of \$0.60, and expected life of 1.0 years.
- (iii) 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

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14. STOCK OPTIONS (continued)

five-year term, expiring in February 2027, and vesting one-fourth on each anniversary date from the date of grant over the first four years of the life of the options. During the year ended January 31, 2023, the Company recognized share-based compensation expense on these options of \$1,607,199 (gross of reversal as per sub note (iii)).

- (iv) During the year ended January 31, 2023, 400,000 stock options, previously granted on February 8, 2022 to certain employees, were forfeited upon their departure. At the time of the forfeiture, none of the options had vested resulting in a reversal of the share-based compensation expense of \$17,273. Each option was exercisable into one common share of the Company at \$1.00 per share.

The estimated fair value of stock options granted during the nine months ended October 31, 2022 was based on a Black-Scholes option pricing model with the following weighted average assumptions:

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

During the nine months ended October 31, 2023, the Company recognized \$630,586 (October 31, 2022 - \$1,175,470) in share-based compensation expense in connection with the vesting of options previously issued.

The following table reflects the options issued and outstanding as at October 31, 2023:

Exercise price (\$)	Number outstanding	Weighted average remaining life (years)	Number exercisable
1.00	7,550,000	3.28	1,887,500
1.00	7,550,000	3.28	1,887,500

15. RELATED PARTIES

During the three and nine months ended October 31, 2023 and 2022, there were separate related party transactions as follows:

	Three months ended		Nine months ended	
	October 31, 2023	October 31, 2022	October 31, 2023	October 31, 2022
Management fees	\$203,999	\$ 170,000	\$637,979	\$510,000
Directors' and consulting fees	72,481	165,337	216,225	165,337
Share-based compensation	212,205	391,872	630,586	1,128,762
Professional fees	-	16,200	-	138,213
Performance bonus	426,666	-	426,666	-
Total	\$915,351	\$ 743,409	\$ 1,911,456	\$ 1,942,312

15. RELATED PARTIES (continued)

- (i) Management fees of \$209,999 (2022 - \$170,000) and \$637,979 (2022 - \$510,000) relating to the key management personnel were incurred during the three and nine months ended October 31, 2023. Professional fees for accounting services of \$nil (2022 - \$16,200) and \$nil (2022 - \$81,000) were incurred during the three and nine months ended October 31, 2023, to the professional services company of which a former Chief Financial Officer is an officer and significant shareholder. As of October 31, 2023, all fees had been paid.
- (ii) Directors' and consulting fees of \$72,481 (2022 - \$165,337) and \$216,225 (2022 - \$165,337) were recognized in professional fees during the three and nine months ended October 31, 2023. As of October 31, 2023, there is an outstanding balance of \$15,750 in Directors' fees. This amount is expected to be settled through the issuance of shares.
- (iii) The Company incurred share-based compensation for options issued to key management personnel of \$212,205 (2022 - \$391,872) and \$630,586 (2022 - \$1,128,762) for the three and nine months ended October 31, 2023.
- (iv) As of October 31, 2023, the Company holds outstanding accounts payable and accrued liabilities of \$205,384 with related parties (October 31, 2022 - \$nil).
- (v) During the three and nine months ended October 31, 2023, the Company issued 2,482,686 common shares to settle \$546,191 in management and director's fees and bonuses.

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments

As at October 31, 2023, the Company's financial instruments consist of cash, restricted cash, security deposits, accounts payable and accrued liabilities.

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

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

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Financial instruments (continued)

A financial instrument is classified to the lowest level hierarchy for which a significant input has been used in measuring fair value. The carrying amounts for cash, restricted cash, security deposits and accounts payable and accrued liabilities approximate their respective fair values based on level 1 due to the short-term maturities of those instruments. The carrying amount of the convertibles debentures approximated its fair value based on level 2 as it

is the present value calculated using a market rate that was determined during the year ended January 31 2023, up to the point in time of the conversion of the Debentures. The derivative financial instruments were measured at fair value based on level 3 inputs prior to conversion.

Financial risk management

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

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

Liquidity risk

As of October 31, 2023, the Company's liabilities encompass accounts payable and accrued liabilities, lease liabilities, and the revolving credit facility. Certain of these obligations possess contractual maturity dates within one year, excluding the long-term segment of lease liabilities (please refer to Note 9 for a detailed breakdown of remaining lease payments related to the long-term portion of lease liability) and the revolving credit facility (detailed in Note 11). The Company actively monitors its liquidity risk by continually assessing its capital needs. Further insights into our liquidity management strategy can be found in the discussion pertaining to liquidity in Note 1.

The following table outlines the undiscounted contractual maturities of the Company's financial liabilities at October 31, 2023:

	Less than 1 year	1-5 years	Thereafter
Accounts payable and accrued liabilities	5,969,789	-	-
Lease liability	662,153	5,183,685	292,810
Long-term liability	-	4,732,814	-
	6,631,942	9,916,499	292,810

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar but it is exposed to foreign currency risk with respect to the expenditures incurred by its Mexican subsidiaries, Joi, Canmex, and Pesorama Consulting whose functional currencies are the Mexican peso. As the Company and its subsidiaries operate internationally, certain of the Company's financial instruments and transactions are denominated in currencies other than their respective functional currencies. The results of the Company's operations are, therefore, subject to currency transaction and translation risks. As at October 31, 2023, the Company has not entered into any hedging agreements to mitigate currency risks, with respect to foreign exchange rates, as foreign currency risk was deemed to be low. A change of 5% in the CAD/MXN exchange rate on October 31, 2023, would not have a material impact on net loss.

Credit risk

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

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. Fluctuations of interest rates for the period ending October 31, 2023, would not have had 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 converted into common shares during the year ended January 31, 2023.

17. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity, and flexibility to fund the Company's store operations and growth in Mexico. The Company is dependent upon funding these activities through a combination of available cash, debt, and equity, which it considers to be the components of its capital structure.

The Company manages its capital structure and adjusts it based on changes in economic conditions and the risk characteristics of its assets. To maintain or adjust the capital structure, from time to time the Company may issue or repurchase Shares or other securities, acquire or dispose of assets, or adjust its capital spending to manage current and projected debt levels.

To facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. To maximize ongoing development efforts, the Company does not pay out dividends. With the exception of restricted cash that was held in connection with the subsequent subscription receipts until the RTO Date, there are no external restrictions on the Company's capital.

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18. EXPENSES BY NATURE

	Three Months Ended		Nine Months Ended	
	October 31,	October 31,	October 31,	October 31,
	2023	2022	2023	2022
General, administrative and store operating expenses				
Management and directors' fees	736,715	152,889	1,130,589	466,005
Salaries, wages, and benefits	1,250,578	864,944	3,452,666	2,594,000
Distribution expenses	-	(1,247)	-	-
Subcontracted employees	-	4,046	-	15,382
Professional fees	319,759	716,693	1,574,774	1,458,541
Store expenses	321,181	293,463	805,771	615,876
Investor relations	31,812	63,875	119,921	373,915
Office expenses	233,706	72,954	680,261	337,579
Security and monitoring	6,439	4,684	14,778	11,262
Repairs and maintenance	1,604	660	7,408	8,813
Share-based compensation	212,205	408,088	630,586	1,175,470
Travel expenses	105,737	37,906	202,410	81,060
Marketing and promotion	3,071	2,605	12,396	29,738
Total	3,222,807	2,621,560	8,631,560	7,167,641
Depreciation and amortization				
Depreciation	467,887	944,550	1,448,012	1,405,330
Amortization, intangible assets	14,232	145	22,603	2,968
Depreciation, right-of-use assets	404,611	326,430	1,187,802	962,729
Total	886,730	1,271,125	2,658,417	2,371,027
Financing costs				
Interest on lease liabilities	203,991	186,685	574,093	506,057
Interest on loan payable	121,483	-	146,134	14,427
Accretion on loan payable	18,556	-	22,197	18,048
Financing costs	57,275	-	1,818,774	-
Bank and other finance charges	52,379	39,617	157,652	87,429
Foreign exchange loss (gain)	5,036	13,148	1,143	18,791
Total	458,720	239,450	2,719,993	644,752
Other items				
Interest income	-	(1,507)	-	(3,209)
VAT Adjustment	(402)	983,139	(76,941)	983,139
Other expense (income)	(65,109)	(439,245)	(89,448)	(231,938)
Total	(65,511)	542,387	(166,389)	747,992

(i) The store expenses balance includes utilities, communication systems, repairs and maintenance and variable and non-indexed rental expenses that are excluded from the lease liability under IFRS 16.

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19. OPERATING SEGMENTS

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

	Canada	Mexico	Total
Revenue			
Nine months ended October 31, 2023	-	14,140,796	14,140,796
Nine months ended October 31, 2022	-	9,376,121	9,376,121
Three months ended October 31, 2023	-	5,206,856	5,206,856
Three months ended October 31, 2022	-	4,125,085	4,125,085
Non-current assets			
As at October 31, 2023	8,151	10,003,079	10,011,230
As at January 31, 2023	15,451	10,697,967	10,713,418

20. COMMITMENTS AND CONTINGENCIES

Commitments

As of October 31, 2023, the Company had planned expenditures of \$314,229 associated with the construction of new store locations expected to open in fiscal 2024. The Company also had retail stores and office lease commitments outstanding, which have been recorded as lease liabilities of \$4,729,723 in the condensed consolidated interim financial statements (see Note 9).

Additionally, at October 31, 2023, the Company had inventory purchase commitments of \$11,374. All these commitments are expected to be fulfilled and paid within the next twelve months.

Contingencies

Legal Claim for Unpaid Professional Fees

In February 2021, a certain legal professional firm (the "Legal Firm") initiated legal proceedings against the Company in regard to unpaid legal fees of approximately \$702,000 owed by the Company to the Legal Firm, all of which have been previously accrued in accounts payable and accrued liabilities. In July 2021, the Company initiated legal action against the Legal Firm on the grounds of professional negligence in association with legal services provided to the Company. At this point in time, the Company is currently unable to determine the outcome nor able to estimate potential losses from these proceedings.

20. COMMITMENTS AND CONTINGENCIES (continued)

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. However, the maximum estimated financial claim is approximately MXN \$1,790,000 (equivalent to CAD \$136,505).

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

Legal Claims from Former Joi and PCS Employees

As at October 31, 2023, Joi and PCS 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 MXN \$2,229,999 (equivalent to CAD \$170,060).

Legal Action from Former CEO

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

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

Legal Action from Former Directors

On July 4, 2022, three former directors (the “Plaintiffs”) of PesoRama Holdings (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 \$361,000 of unpaid director compensation fees. The Defendant disagrees with all of the Plaintiffs’ positions, believes that the claim is without merit and continues to vigorously defend itself against the Plaintiffs’ claim.

20. COMMITMENTS AND CONTINGENCIES (continued)

Legal Action from Former CFO

On July 20, 2022, the former CFO of Joi, Canmex and Pesorama Consulting filed a claim with the Local Labour Board in Mexico against Joi, Canmex, Pesorama Consulting and management for wrongful termination. The claim seeks monetary damages of MXN \$3.3 million (CAD \$251,531).

21. SUBSEQUENT EVENTS

Options issued

On November 24 2023, In connection with the recent appointment of a new Chief Operating Officer, The Company issued an incentive stock options to acquire 1,000,000 common shares, exercisable until November 24, 2028, at \$0.23 per share. The vesting schedule spans four years, with quarterly increments. These options were issued in accordance with the Company's approved stock option plan, sanctioned by shareholders on August 8, 2023, yet remain contingent upon the approval of the TSX Venture Exchange.

New stores opened

On November 17, 2023, the Company announced the opening of its 22nd JOi Dollar Plus Store in Tlalnepantla, Mexico. This 458-square meter site marks the Company's first stand-alone JOi store and strategically positions PesoRama in the first square of the municipality of Tlalnepantla, with a population of approximately 672,200 inhabitants. Located 13 kilometers from the center of Mexico City, in proximity to key retailers, schools, banks, and hospitals, the store is strategically placed to serve the diverse needs of the local community.

On December 1, 2023 The Company announced the opening of its 23rd JOi Dollar Plus Store in Iztapalapa, Mexico. Situated in the Complejo Industrial Tecnológico neighborhood, the 425-square meter store strategically targets the approximately 1,835,486 inhabitants in the municipality, located 16 kilometers from the center of Mexico City. The grand opening aligns with PesoRama's confidence in expansion plans, anticipating further growth in Mexico.