PesoRama Inc.

(Formerly Skyscape Capital Inc.)

Consolidated Financial Statements

For the years ended January 31, 2023 and 2022

(Expressed in Canadian dollars)

To the Shareholders of PesoRama Inc.:

Opinion

We have audited the consolidated financial statements of PesoRama Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2023 and January 31, 2022, and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2023 and January 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss and used negative cash flows from operations during the year ended January 31, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

MNP S.E.N.C.R.L., s.r.l./LLP

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Valuation of inventory

As at January 31, 2023, the Company held inventory of $4.65 million. The Company's inventory at the warehouse and stores consist of merchandise purchased and held for resale and are valued at the lower of cost and net realizable value. The cost of inventory is determined on a weighted-average basis. Cost of inventory includes amounts paid to suppliers, duties, and freight into the warehouse as well as costs directly associated with warehousing, distribution to stores, and receiving at stores. 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.

Due to the level of management estimation involved in determining the inventory provision , we have determined that inventory valuation is a key audit matter.

We responded to this matter by performing audit procedures over the valuation of inventory. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding of the Company’s controls and tested the design and implementation of management controls over the valuation of inventory.

- Performed inventory count observations to ensure that obsolete inventory was properly identified and segregated.

- Evaluated the appropriateness of the Company’s inventory provision method.

- Tested the mathematical accuracy of management's valuation method and supporting calculations.

- Tested the underlying data used in management's inventory provision.

- Assessed the reasonability of managements assumptions by considering relevant historical information and information subsequent to year-end.

Other Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

Montréal, Québec

MNP LLP [1]

May 31, 2023

[1] FCPA auditor, public accountancy permit no. A122514

PESORAMA INC.
Consolidated Statements of Financial Position
As of January 31, 2023 and 2022

(Expressed in Canadian dollars)		**January 31, 2023**		**January 31, 2022**
ASSETS				
Current assets				
Cash	$	3,019,481	$	891,030
Restricted Cash		-		5,335,170
Taxes receivable (Note 7)		41,872		729,133
Deposits to suppliers		99,310		172,774
Prepaid expenses and other receivables		275,646		99,090
Inventory (Note 6)		4,647,583		2,527,650
Total current assets		**8,083,892**		**9,754,847**
Non-current assets				
Taxes receivable (Note 7)		2,473,261		-
Property and equipment (Note 8)		3,851,738		3,972,252
Intangible assets (Note 9)		16,647		6,673
Security deposits		220,044		150,686
Right-of-use assets (Note 10)		4,151,728		3,905,930
Total non-current assets		**10,713,418**		**8,035,541**
Total assets	**$**	**18,797,310**	**$**	**17,790,388**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	4,725,399	$	5,136,724
Subscription Receipts		-		5,311,322
Current portion of lease liabilities (Note 10)		1,686,593		1,053,016
Total current liabilities		**6,411,992**		**11,501,062**
Non-current liabilities				
Lease liabilities (Note 10)		3,649,147		3,749,199
Convertible debentures (Note 11)		-		6,017,477
Derivative financial instrument (Note 11)		-		1,280,082
Total non-current liabilities		**3,649,147**		**11,046,758**
Total liabilities		**10,061,139**		**22,547,820**
Shareholders' Deficit				
Share capital (Note 12)		36,001,926		17,507,813
Warrants reserve (Note 13)		4,457,980		588,684
Share-based compensation reserve (Note 14)		1,886,901		223,483
Accumulated other comprehensive income (loss)		1,223,938		(182,664)
Deficit		(34,834,574)		(22,894,748)
Total shareholders' equity		**8,736,171**		**(4,757,432)**
Total liabilities and shareholders' equity	**$**	**18,797,310**	**$**	**17,790,388**

Nature of operations (Note 1)

Commitments and contingencies (Note 21)

See accompanying notes to the consolidated financial statements.

PESORAMA INC.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended January 31, 2023 and 2022

(Expressed in Canadian dollars)	**2023**	**2022**
Sales	14,528,826	9,350,177
Cost of sales		
Inventory expensed (Note 6)	8,707,347	6,439,575
Inventory write-downs (recoveries) (Note 6)	(270,056)	686,483
Distribution costs	1,241,874	693,097
Gross profit	**4,849,661**	**1,531,022**
General, administrative, and store operating expenses (Note 18)	10,308,504	6,185,190
Depreciation and amortization (Note 18)	3,279,380	2,619,172
Operating loss	**(8,738,223)**	**(7,273,340)**
Financing costs (Note 18)	891,605	2,024,078
Listing expense (Note 5)	3,730,224	-
Other items (Note 18)	(1,420,226)	1,775,396
Net loss	**(11,939,826)**	**(11,072,814)**
Currency translation adjustment	1,406,602	(175,282)
Net comprehensive loss	**(10,533,224)**	**(11,248,096)**
Basic and diluted loss per share	(0.16)	(0.23)
Weighted average number of common shares outstanding – basic and diluted	73,094,118	48,787,836

See accompanying notes to the consolidated financial statements.

PESORAMA INC.

Consolidated Statements of Shareholders' Equity

For the years ended January 31, 2023 and 2022

(Expressed in Canadian dollars)		**Number of Common Shares (Note 12)**	**Share capital (Note 12)**	**Warrants reserve (Note 13)**	**SBC reserve(1) (Note 14)**	**AOCL(2)**	**Deficit**	**Total**
Balance January 31, 2022		**49,643,211**	**17,507,813**	**588,684**	**223,483**	**(182,664)**	**(22,894,748)**	**(4,757,432)**
Shares issued pursuant to the RTO Transaction	Note 5	2,000,000	1,600,000	-	-	-	-	1,600,000
Stock options issued pursuant to the RTO Transaction	Note 14 (i)	-	-	-	73,492	-	-	73,492
Units issued for subscription receipts, net	Note 12 (i)(ii)	10,035,170	7,495,564	1,950,717	-	-	-	9,446,281
Units issued in connection with private placement, net	Note 12 (viii)(ix)	17,760,264	2,118,251	389,641	-	-	-	2,474,034
Finder's warrants			(33,858)	33,858				-
Shares issued for structuring fee	Note 12 (iii)	1,750,000	1,400,000	-	-	-	-	1,400,000
Shares and warrants issued upon conversion of convertible debentures	Note 12 (iv)	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 exercise of warrants	Note 12 (v)(vi)(vii)	950,000	47,500	-	-	-	-	47,500
Warrants issued for over-allotment option	Note 13 (iv)	-	-	65,561	-	-	-	65,561
Share-based compensation	Note 14 (ii)(iii)	-	-	-	1,589,926	-	-	1,589,926
Currency translation adjustment		-	-	-	-	1,406,602	-	1,406,602
Net loss for the year		-	-	-	-	-	(11,939,826)	(11,939,826)
Balance January 31, 2023		**90,638,503**	**36,001,926**	**4,457,980**	**1,886,901**	**1,223,938**	**(34,834,574)**	**8,736,171**
Balance January 31, 2021		**47,139,610**	**17,447,504**	**513,028**	**223,483**	**(7,382)**	**(11,821,934)**	**6,354,699**
Shares issued upon exercise of warrants	Note 12 (x)(xi)(xii)	2,503,601	60,309	(858)	-	-	-	59,451
Warrants issued with convertible debentures	Note 13 (xii)	-	-	76,514	-	-	-	76,514
Currency translation adjustment		-	-	-	-	(175,282)	-	(175,282)
Net loss for the year		-	-	-	-	-	(11,072,814)	(11,072,814)
Balance January 31, 2022		**49,643,211**	**17,507,813**	**588,684**	**223,483**	**(182,664)**	**(22,894,748)**	**(4,757,432)**

(1) Share-based compensation reserve

(2) Accumulated other comprehensive loss

See accompanying notes to the consolidated financial statements.

PESORAMA INC.
Consolidated Statements of Cash Flows
For the year ended January 31, 2023 and 2022

(Expressed in Canadian dollars)	**2023**	**2022**
Operating Activities		
Net loss for the year	(11,939,826)	(11,072,814)
Adjustments for items not affecting cash:		
Depreciation and amortization (Note 8 and 9)	1,947,552	1,444,497
Depreciation, right-of-use assets (Note 10)	1,331,828	1,174,675
Share-based compensation (Note 14)	1,589,926	-
Interest on lease liabilities (Note 10)	699,414	714,677
Interest on convertible debentures (Note 11)	14,427	503,122
Accretion on convertible debentures (Note 11)	18,047	574,708
Unrealized loss on derivative liability (Note 11)	-	9,022
Non-cash portion of listing expense (Note 5)	3,697,074	-
VAT reserve adjustment (Note 7)	(1,316,642)	1,788,795
(Recovery) write-down of inventory (Note 6)	(270,056)	686,483
Changes in non-cash working capital items		
Taxes receivable	(234,876)	(694,937)
Deposits to suppliers	93,203	(158,209)
Prepaid expenses and other receivables	(161,919)	(68,469)
Inventory	(1,328,949)	1,018,971
Security deposits	(42,719)	(1,670)
Accounts payable and accrued liabilities	(1,459,215)	1,845,601
Cash used in operating activities	**(7,362,731)**	**(2,235,548)**
Investing Activities		
Purchase of property and equipment (Note 8)	(1,273,161)	(2,372,854)
Purchase of intangible assets (Note 9)	(12,440)	(15,933)
Cash acquired from RTO Transaction (Note 5)	10,064	-
Cash used in investing activities	**(1,275,537)**	**(2,388,787)**
Financing Activities		
Proceeds received from issuance of units, net (Note 12, 13)	4,211,784	-
Proceeds received from issuance of over-allotment warrants, net (Note 13)	65,561	-
Proceeds from exercise of warrants (Note 13)	47,500	59,451
Proceeds received from private placement of units, net (Note 12)	2,474,034	-
Proceeds received for convertible debentures issued, net (Note 11)	-	6,272,738
Cash received for subscription receipts, net (Note 12)	-	5,311,322
Lease payments (Note 10)	(1,907,443)	(1,235,463)
Cash provided by financing activities	**4,891,436**	**10,408,048**
Cash, beginning of year	6,226,200	642,402
Effect of foreign currency translation on cash	540,113	(199,915)
Net (decrease) increase in cash	(3,746,832)	5,783,713
Cash, end of year	**3,019,481**	**6,226,200**

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 5 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 consolidated 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 year ended January 31, 2023, the Company incurred a net loss of $11.9 million (2022 - $11.1 million) and used $7.4 million of cash in operating activities (2022 – $2.2 million). As of January 31, 2023, the Company had working capital of $1.7 million (2022 – working capital deficiency of $1.7 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.

1. NATURE OF OPERATIONS (continued)

Going concern (continued)

Although the Company has been successful in the past in obtaining financing and believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern. No adjustments have been made to the amounts and classification of assets, liabilities, revenues, and expenses to reflect these uncertainties, should the Company not be successful in raising additional funds, and any adjustments required to the accounts could be material.

Management believes that the going concern assumption is appropriate for these 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

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 31, 2023.

Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions are eliminated upon consolidation in preparing the financial statements.

The consolidating entities include:

	% of ownership	Jurisdiction
PesoRama Inc.	Parent	Canada
PesoRama Holdings Inc.	100%	Canada
Canmex Dollar Stores, S.A.de C.V.	100%	Mexico
Joi Canadian Stores, S.A. de C.V.	100%	Mexico
PesoRama Consulting Services, S.A. de C V.	100%	Mexico
PesoRama Stores Services, S.A de C.V. (inactive at year-end)	100%	Mexico

2. BASIS OF PRESENTATION (continued)

Basis of measurement

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

Functional and presentation currency

These consolidated 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.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation.

Adjustments have been made to: (i) the consolidated statements of loss and comprehensive loss to provide additional details of the inventory expensed and to reclassify balances between cost of merchandise sold and impairment taken on inventory in the prior year, and to re-classify amounts within the general, administrative and store operating expenses (Note 18) to provide a breakdown of store and office costs. (ii) the consolidated statements of shareholders' deficit to combine number and value of shares issued upon exercise of warrants (iii) the consolidated statement of cash flows to combine VAT reserves and inventory impairment with tax receivables and inventory balances and to combine issuance costs with debt and equity balances.

These reclassifications had no effect on the reported net cash flows used in operating and financing activities included in the consolidated statements of cash flows, and had no effect on the reported loss and comprehensive loss for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash in the consolidated statement of financial position is comprised of cash and short-term deposits, which have an original maturity of three months or less or are readily convertible into a known amount of cash. As at January 31, 2023 and 2022, the Company had no cash equivalents.

Inventory

The Company's inventory at the warehouse and stores consists of merchandise purchased and held for resale and is valued at the lower of cost and net realizable value.

Cost is determined on a weighted-average basis. Cost of inventory includes amounts paid to suppliers, duties, and freight into the warehouse as well as costs directly associated with warehousing, distribution to stores, and receiving at stores.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net realizable value is the estimated selling price in the ordinary course of business less the estimated directly attributable selling costs.

Foreign currency transactions and translation

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of such transaction. At each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate at the reporting date. Foreign exchange gains and losses are recognized in the consolidated statement of loss and comprehensive loss.

At the financial reporting date, the foreign subsidiaries' assets and liabilities are translated into the presentation currency at the reporting date exchange rate. Revenues, expenses, and cash flows are translated at the average exchange rate for the year. Shareholders' equity is translated at the rate effective at the time of the transaction. The resulting translation adjustments are recognized in other comprehensive income (loss) ("OCI") and in accumulated OCI in shareholders' equity.

Cost of sales

Cost of sales includes the cost of inventory purchased, inbound transportation costs, warehousing, distribution costs and receiving costs at the stores.

Advances/Deposits

Advances are stated at their cost and represent advance payments to vendors for store merchandise. As of January 31, 2023, the deposits to suppliers balance is $99,310 (2022 - $172,774).

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. An item of property or equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period end and adjusted if appropriate. Property and equipment are depreciated through the consolidated statement of loss and comprehensive loss over their estimated useful lives using the straight-line method:

Type of assets	Estimated useful life
Communication equipment	36 months
Computer hardware	36 months
Furniture and equipment, office and stores	10 years
Leasehold improvements	40 months

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets

Intangible assets consist of costs incurred to acquire software licenses, brands for which the Company owns the intellectual property, and other intangible assets. Intangible assets are considered finite-lived assets and recorded at cost less accumulated amortization and accumulated impairment, if any. Subsequent expenditures are capitalized only when they increase the expected future economic benefits embodied in the asset. Amortization is recorded using the straight-line method and is intended to amortize the intangible assets over their estimated useful lives. Software in development is not amortized until it is ready for use but is tested for impairment at a minimum on an annual basis and whenever events or circumstances indicate that an impairment may have occurred.

Type of assets	Estimated useful life
Software license	1 year
Brand names	20 years
Software in Development	1 year

Impairment of Long-Lived Assets

Property and equipment and definite-lived intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable value is the greater of an asset's fair value less costs of disposal and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value. Impairment losses are recognized in the consolidated statement of loss and comprehensive loss.

Impairment losses may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in the consolidated statement of loss and comprehensive loss.

Leases

As a lessee, the Company recognizes a lease obligation and a right-of-use asset in the consolidated statements of financial position on a present-value basis at the date when the leased asset is available for use. Each lease payment is apportioned between a finance charge and a reduction of the lease obligation. Finance charges are recognized in finance cost in the consolidated statements of loss and comprehensive loss.

Lease obligations are initially measured at the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for early termination of the lease, if the Company is reasonably certain to terminate early.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease payments are discounted using the interest rate implicit in the lease, or if this rate cannot be determined, the Company's incremental borrowing rate. The Company also evaluates any renewal options included in a lease contract and the likelihood of exercising a lease renewal when assessing the lease term and total payments.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured when the expected lease payments change as a result of a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether the Company will exercise a purchase, extension, or termination option that is within the Company's control. The Company recognizes the amount of any remeasurement of a lease liability as an adjustment to the right-of-use-asset. If the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company shall recognize any remaining amount of the remeasurement in the consolidated statement of loss and comprehensive loss.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of the lease obligation;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- rehabilitation costs.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Right of-use assets are depreciated over the shorter of its estimated useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of loss and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less.

Equity

Share-based payment transactions

The Company grants warrants and options under its share-based compensation plan to employees, consultants, directors, and others providing similar services.

The fair value of options granted is measured at the grant date using an option-pricing model. Subsequently, the fair value expected to vest is charged to the consolidated statement of loss and comprehensive loss over the vesting period. Equity instruments granted to third parties in exchange for goods or services are measured at the fair value of the goods or services received, unless the fair value cannot be reliably measured, and charged to the consolidated statement of loss and comprehensive loss over the vesting period.

In the case of a subsequent change to the life of a share-based compensation grant, the Company remeasures the instrument to reflect the change.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unit placements

Proceeds from unit placements are allocated between common shares (the "Shares") and subscriber warrants issued using the residual method. Under the residual method, proceeds received are first allocated to the most reliably measurable component. In past unit placements, this has been identified as subscriber warrants based on the fair value estimated at the grant date based on the Black-Scholes pricing model with the residual amount allocated to the Shares. Transaction costs of equity transactions are treated as a deduction from equity.

In the case of a subsequent change to the life of a subscriber warrant or any other equity instrument related to unit placements, the Company does not remeasure the instrument.

Loss per Share

The Company presents the basic and diluted earnings or loss per share data for the shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted earnings or loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential shares. Diluted loss per share is equal to basic loss per share when any effects of the potential convertible debentures, warrants, and options would be anti-dilutive.

Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

Provisions

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. The Company bases its provisions on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating, and settling matters. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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 are recognized in the consolidated statement of loss and comprehensive loss 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. Revenue is shown net of sales tax, returns and discounts.

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the tax authorities based on the income tax rates enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates are recognized in the consolidated statement of loss and comprehensive loss or in equity depending on the item to which the adjustment relates. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in the consolidated statement of loss and comprehensive loss when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and subsequent measurement

On initial recognition, financial assets are classified as at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit and loss (“FVTPL”). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange, and derecognition are recognized in the consolidated statement of loss and comprehensive loss. Financial assets measured at amortized cost are comprised of security deposits.

- FVOCI - Assets held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in the consolidated statement of loss and comprehensive loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to the consolidated statement of loss and comprehensive loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at FVTPL - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at FVTPL. All interest income and changes in the financial assets' carrying amount are recognized in the consolidated statement of loss and comprehensive loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and restricted cash.

- Designated at FVTPL — On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding each group of financial assets at the level of aggregation that best reflects the way the group of financial assets is managed and information is provided to management. Information considered in this assessment includes stated policies and objectives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest based on their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions.

The Company applies the simplified approach for all financial assets measured at amortized cost. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all default events over the assets' contractual lifetime.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire or are settled.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in the consolidated statement of loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities which are classified at amortized cost are measured at amortized cost using the effective interest rate method. Interest, gains or losses relating to a financial liability are recognized in the consolidated statement of loss and comprehensive loss. The derivative liability, which is classified as FVTPL, is subsequently measured at fair value with any resulting gain or loss in fair value changes recognized immediately in the consolidated statement of loss and comprehensive loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, are cancelled, or expire.

The following table indicates the accounting method used for measurement and classification of financial assets and liabilities:

Financial asset/liability	Asset/Liability	Measurement	Classification
Cash and cash equivalents	Asset	Fair value	FVTPL
Restricted cash	Asset	Fair value	FVTPL
Security deposits	Asset	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Liability	Amortized cost	Amortized cost
Subscription receipts	Liability	Amortized cost	Amortized cost
Convertible debentures	Liability	Amortized cost	Amortized cost
Derivative liability	Liability	Fair value	FVTPL

Convertible Debentures and Derivative Financial Instruments

The Company has certain convertible debentures with associated embedded derivative financial instruments as a result of the conversion feature. An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If a hybrid contract contains a host that is a financial asset, the entire hybrid contract is measured at FVTPL. If a hybrid contract contains a host that is not a financial asset, embedded derivatives are recorded at fair value separately from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract. Subsequent changes in fair value are recorded in the consolidated statement of loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The convertible debenture issued by the Company is a hybrid financial instrument that can be converted into units of the Company at the option of the holder, each unit is comprised of a common share and a purchase warrant. The hybrid financial instrument is recognized as a liability, with the initial carrying value of the convertible debenture (host) being the residual amount of the proceeds after separating the derivative component, which is recognized at fair value. The value of the Company's derivative financial instruments is determined using a fair value model that considers, among other variables, 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 date of the liquidity event. Any directly attributable transaction costs are allocated to the host and derivative components in proportion to their initial carrying amounts with the portion attributed to the derivative component being expensed in the consolidated statement of loss and comprehensive loss.

Subsequent to initial recognition, the host component of the hybrid financial instrument is measured at amortized cost using the effective interest method. The derivative component of the hybrid financial instrument is measured at FVTPL. Subsequent changes in fair value are recorded in the consolidated statements of loss and comprehensive loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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 year 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 10 for further disclosures and details 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 a renewal option. 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, at January 31, 2023 the Company is not yet able to reasonably determine whether it will exercise renewal options in its existing stores and thus has not included any renewal options in evaluating the lease term. The Company will continue to assess the probability of renewing each of its leases at a minimum each reporting period.

Estimated useful life of long-lived assets

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to:

- The expected use of the asset;
- In the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost; and
- Renewal history.

If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual depreciation and amortization expense, and future impairment charges or recoveries.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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, judgments, 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 shares received at the date of the liquidity event.

Since the value of the Company's convertible debentures is determined using a residual amount of the proceeds after separating the derivative liability component, changes in the variables used to measure the derivative financial instrument also impact the initial value of the convertible debentures. Additionally, judgement is required in estimating an appropriate discount rate to amortize its convertible debentures. The discount rate is based on market interest rates for similar non-convertible debentures.

Income Taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters differs from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Significant areas where management's judgment has been applied

Functional currency

The functional currency of the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgments to identify the primary economic environment. The Company reconsiders the functional currency of an entity if there is a significant change in the events and/or conditions which determine the primary economic environment. Based on the Company's review, no change to the functional currency of the Company or any of its subsidiaries was necessary.

Subsidiaries	Country of incorporation	Ownership	Functional currency
PesoRama Holdings Inc.	Canada	100%	Canadian Dollar (CAD)
Canmex Dollar Stores, S.A. de C.V.	Mexico	100%	Mexican Peso (MXN)
Joi Canadian Stores, S.A. de C.V.	Mexico	100%	Mexican Peso (MXN)
PesoRama Consulting Services, S.A. de C.V.	Mexico	100%	Mexican Peso (MXN)
PesoRama Stores Services, S.A de C.V.	Mexico	100%	Mexican Peso (MXN)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 January 31, 2023, the refund-filing process had begun and several periods had been requested for which refunds have been received. See Note 7 for more information.

As a result of the uncertainty surrounding refunds for the earlier periods, the Company recorded a reserve during the year ended January 31, 2022 for a portion of the month's receivable estimated to be uncollectible. During the year ended January 31, 2023 the Company reperformed their assessment which, after taking into account the recent collections, resulted in a recovery of previously recognized reserves.

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 January 31, 2023, the Company has assessed that each of its stores constitute a CGU. For the year ended January 31, 2023 and 2022, no impairments were recognized for any of the identified CGUs.

5. 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;

5. REVERSE TAKE OVER TRANSACTION ("RTO") (continued)

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.

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.

6. INVENTORY

As of January 31, 2023, the Company maintained finished goods inventory of $4,647,583 (January 31, 2022 - $2,527,650). The Company's inventory balance consists of inventory held at the Company's warehouse and stores, as well as inventory in transit from suppliers for which risk of loss during transit lies with the Company. The cost of inventories included in cost of sales for the year ended January 31, 2023, was $8,707,347 (2022 - $6,439,575). During the year ended January 31, 2023, there was a recovery of $270,056 from inventory write-downs recognized in previous years (2022 - write-down of $686,483).

7. TAXES RECEIVABLE

As at January 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, 2022 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. During the year-ended January 31, 2023, the Company recognized a recovery of $1.3 million on reserves previously recognized against VAT receivable. After an outstanding reserve against VAT receivable of $nil recorded as of January 31, 2023 (2022 - $2 million), the balance of taxes receivable as of January 31, 2023 and January 31, 2022 is as follows:

The table summarizes VAT balances as of January 31, 2023 and 2022:

Legal Entity	Tax Type	January 31, 2023	January 31, 2022
PesoRama Inc.	GST	19,198	55,339
PesoRama Holdings	GST	22,674	-
Canadian GST Receivable		**41,872**	**55,339**
Joi Canadian Stores, S.A. de C.V.	VAT	2,170,993	2,319,187
Joi Canadian Stores, S.A. de C.V. - VAT Receivable Reserve		-	(1,991,993)
Canmex Dollar Stores, S.A. de C.V.	VAT	368,193	438,386
Canmex Dollar Stores, S.A. de C.V. - VAT Receivable Reserve		-	-
Pesorama Consulting Services, S.A. de C.V.	VAT	(65,925)	(91,786)
Mexican VAT Receivable		**2,473,261**	**673,794**
Total Receivable		**2,515,133**	**729,133**

8. PROPERTY AND EQUIPMENT

As at January 31, 2023 and 2022, the balances of the Company's property and equipment are as follows:

Cost	**Furniture and equipment, office**	**Furniture and equipment, Stores**	**Computer Hardware**	**Communication equipment**	**Leasehold improvements**	**Total**
As at January 31, 2021	42,858	625,462	151,899	81,184	2,819,541	3,720,944
Capital expenditures	3,520	108,991	140,870	-	2,119,473	2,372,854
Foreign exchange	(606)	(13,877)	(3,118)	(1,792)	(63,613)	(83,006)
As at January 31, 2022	45,772	720,576	289,651	79,392	4,875,401	6,010,792
Capital expenditures	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**
Accumulated Depreciation						
As at January 31, 2021	(6,347)	(53,278)	(40,375)	(29,941)	(653,995)	(783,936)
Additions	(4,225)	(71,489)	(67,987)	(23,833)	(1,104,952)	(1,272,486)
Foreign exchange	73	1,222	758	676	15,153	17,882
As at January 31, 2022	(10,499)	(123,545)	(107,604)	(53,098)	(1,743,794)	(2,038,540)
Additions	(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)**
Net book value						
As at January 31, 2022	35,273	597,031	182,047	26,294	3,131,607	3,972,252
As at January 31, 2023	**51,183**	**903,159**	**190,173**	**14,271**	**2,692,952**	**3,851,738**

9. INTANGIBLE ASSETS

As at January 31, 2023 and 2022 the balances of the Company's intangible assets are as follows:

Cost	Software Licenses	Brand Names	Software in Development	Total
As at January 31, 2021	203,554	-	81,603	285,157
Capital expenditures	11,789	4,144	-	15,933
Impairment (i)	-	-	(79,854)	(79,854)
Foreign exchange	(4,501)	(3)	(1,749)	(6,253)
As at January 31, 2022	210,842	4,141	-	214,983
Capital expenditures	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**
Accumulated Amortization				
As at January 31, 2021	(118,836)	-	-	(118,836)
Additions	(92,047)	(110)	-	(92,157)
Foreign exchange	2,683	-	-	2,683
As at January 31, 2022	(208,200)	(110)	-	(208,310)
Additions	(3,824)	(356)	-	(4,180)
Foreign exchange	(32,171)	(46)	-	(32,217)
As at January 31, 2023	**(244,195)**	**(512)**	**-**	**(244,707)**
Net book value				
As at January 31, 2022	2,642	4,031	-	6,673
As at January 31, 2023	**3,300**	**10,937**	**2,410**	**16,647**

(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. During the year ended January 31, 2022, the Company determined that it would move to upgraded ERP and accounting systems in the future; as a result, the work previously in development was determined to have no future economic value and was written off.

10. LEASES

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

Right-of-use Assets

Cost	
As at January 31, 2021	4,247,542
Additions	1,889,589
Foreign exchange	(100,995)
As at January 31, 2022	6,036,136
Additions	1,065,415
Foreign exchange	965,084
As at January 31, 2023	**8,066,635**

Accumulated Depreciation	
As at January 31, 2021	977,879
Depreciation	1,174,675
Foreign exchange	(22,348)
At as January 31, 2022	2,130,206
Depreciation	1,331,828
Foreign exchange	452,873
As at January 31, 2023	**3,914,907**

Net Book Value	
At as January 31, 2022	3,905,930
As at January 31, 2023	**4,151,728**

10. LEASES (continued)

Lease Liability

As at January 31, 2021	3,681,646
Additions	1,878,410
Interest on lease liability	714,677
Lease payments	(1,235,463)
Foreign exchange	(237,055)
As at January 31, 2022	4,802,215
Additions	1,065,415
Interest on lease liability	699,414
Lease payments	(1,907,443)
Foreign exchange	676,139
As at January 31, 2023	**5,335,740**

Current portion	1,686,593
Non-current portion	3,649,147
Total lease liability	**5,335,740**

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

Fiscal Years	
2024	2,143,490
2025	1,983,681
2026	1,239,180
2027	505,475
2028	112,280
Thereafter	308,713
Less: imputed interest	(957,079)
Present value of lease liabilities	**5,335,740**

11. 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.

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.

11. CONVERTIBLE DEBENTURES (continued)

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 January 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, 2023	**-**	**-**	**-**

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 January 31, 2023 are as follows:

	Common shares	**Amount ($)**
Balance, January 31, 2021	47,139,610	17,447,504
Shares issued through warrant exercise (x)(xi)(xii)	2,503,601	60,309
Balance, January 31, 2022	49,643,211	17,507,813
Shares issued pursuant to the RTO Transaction (Note 5)	2,000,000	1,600,000
Shares issued for Subscription Receipts and Offering (i) (ii)	10,035,170	7,495,564
Shares issued for structuring fee (iii)	1,750,000	1,400,000
Shares issued for the conversion of debentures (iv)	8,499,858	5,866,656
Shares issued upon warrant exercise (v)(vi)(vii)	950,000	47,500
Shares issued upon closing of unit private placement (viii)(ix)	17,760,264	2,084,393
Balance, January 31, 2023	**90,638,503**	**36,001,926**

12. SHARE CAPITAL (continued)

For the year ended January 31, 2023

(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. 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 share 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.

(ii) Upon completion of the RTO Transaction, the Company completed a prospectus offering (the "Offering") and issued 4,700,000 common shares and 4,700,000 subscriber warrants ("Offering Warrants") of PesoRama in addition to the units previously issued. A value of $3,760,000 before issuance costs, was allocated to the 4,700,000 common shares 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 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.

(iii) 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.

(iv) On February 8, 2022, upon completion of the RTO transaction, the Debentures were automatically converted into 8,499,858 common shares and 8,499,858 subscriber warrants of the Company. On the RTO Date, the Company allocated $5,866,656 of the value of the Debentures and the embedded derivative liability to the common shares issued with the remaining balance allocated to warrants using residual method.

12. SHARE CAPITAL (continued)

(v) On March 1, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at $0.05 per share for cash proceeds received of $5,000. No amount was reclassified from warrants reserve to share capital as these warrants were initially valued at nil.

(vi) On June 16, 2022, 750,000 milestone warrants were exercised to purchase 750,000 common shares at $0.05 per share for cash proceeds received of $37,500. No amount was reclassified from warrants reserve to share capital as these warrants were initially valued at nil.

(vii) On September 23, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at $0.05 per share for cash proceeds received of $5,000. No amount was reclassified from warrants reserve to share capital as these warrants were initially valued at nil.

(viii) 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.

(ix) 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 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.

For the year ended January 31, 2022

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

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

12. SHARE CAPITAL (continued)

(xii) On May 6, 2021, and September 20, 2021, performance warrants were exercised to purchase 1,250,000 and 500,000 common shares, respectively, at $0.001 per share for cash proceeds of $1,250 and $500, respectively. No warrants reserve was reclassified to share capital as these warrants were initially valued at nil.

13. WARRANTS

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

	Warrants	Weighted average exercise price ($)
Balance, January 31, 2021	26,682,280	0.71
Issued (xii)(xiii)	341,294	1.24
Cancelled (xviii)	(2,500,000)	0.001
Exercised (xiv)(xv)(xvi)(xvii)	(2,503,601)	0.02
Balance, January 31, 2022	22,019,973	0.88
Issued (i)(ii)(iii)(iv)(vii)(viii)	38,398,077	0.78
Exercised (v)(vi)(vii)	(950,000)	0.05
Expired	(2,325,000)	0.05
Balance, January 31, 2023	**57,143,050**	**0.86**

As at January 31, 2022, the following warrants were outstanding

Exercise price ($)	Number of warrants	Weighted average remaining contractual life in years
0.001	2,500,000	1.3
0.05	3,275,000	*
0.40	816,000	1.8
0.75	755,091	1.8
0.85	5,034	0.9
0.85	475	1.7
1.00	186,060	1.8
1.25	58,000	1.7
1.25	14,423,628	1.8
0.88	22,019,288	1.46

* 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

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 year ended January 31, 2023

(i) 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 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.

(ii) On February 8, 2022, the Company completed the public offering in conjunction with the completion of the RTO Transaction and issued 4,700,000 common shares and 4,700,000 subscriber Offering Warrants. Each Offering Warrant entitles the holder thereof to purchase one common share at a price of $1.25 per share until the expiry date of February 8, 2024. A value of $940,000, before issuance costs, was allocated to the value of the Offering Warrants and issuances costs of $48,736 was attributed to the Offering Warrants, 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.

13. WARRANTS (continued)

(iii) On February 8, 2022, upon completion of the RTO transaction, the Debentures, including the embedded derivative liability, were automatically converted into 8,499,858 common shares and 8,499,858 subscriber warrants of the Company. 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.

(iv) As part of the Agency Agreement, the Company granted the Agents an over-allotment option (the "Over-Allotment Option"), exercisable in whole or in part at the sole discretion of the Agents, at any time and from time to time for a period of 30 days from the RTO Date, under which the Agents could purchase up to a total of 705,000 additional units, either as units at a price of $1.00 per Unit, as PesoRama shares at a price of $0.90 per PesoRama share, or as common share purchase warrants of PesoRama at a price of $0.10 per 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.

(v) On March 1, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at $0.05 per share for cash proceeds received of $5,000. No amount was reclassified from warrant reserve to share capital as these warrants were initially valued at nil

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

(vii) On September 23, 2022, 100,000 milestone warrants were exercised to purchase 100,000 common shares at $0.05 per share for cash proceeds received of $5,000. No amount was reclassified from the warranty reserve to share capital as these warrants were initially valued at nil.

(viii) 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

13. WARRANTS (continued)

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.

(ix) 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.

(x) During the year ended January 31, 2023, the weighted average share price at the date of exercise of warrants was $0.29.

For the year ended January 31, 2022

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

However, if the daily volume-weighted average price of the common shares exceeds $2.00 per share for a period of at least 10 consecutive trading days, the Company may, at its sole discretion, elect to accelerate the expiry date for the warrants of all three tranches. If the Company makes this election, they must notify all warrant holders within 5 trading days of their intention to accelerate the expiry date. The accelerated expiry date may not be less than 30 days after the date upon which notice is given.

As discussed in Note 11, because there was no residual value after valuation of the debt component and embedded derivative liability associated with the Debentures, the subscriber warrants were assigned a nil value.

13. WARRANTS (continued)

(xii) In connection with the first tranche of its Debenture offering (see Note 11), on March 2, 2021, the Company issued 4,559 finders warrants. In connection with the second tranche, on April 1, 2021, the Company issued 475 finders warrants. In connection with the third tranche, on December 30, 2021, the Company issued 1,160 finders warrants. Each finders warrant can be exercised to purchase the number of common shares equal to

1,000 divided by the conversion price (85% of the Share price) multiplied by 7%. Total fair value assigned to finders warrants on the three tranches was $76,514.

(xiii) 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.

(xiv) On April 14, 2021, 475,000 milestone warrants issued on April 19, 2018, were exercised by the holders at $0.05 per share for cash proceeds to the Company of $23,750. No warrants reserve was reclassified to share capital as these warrants were initially valued at nil.

(xv) On May 6, 2021, and September 20, 2021, performance warrants were exercised to purchase 1,250,000 and 500,000 common shares, respectively, at $0.001 per share for cash proceeds of $1,250 and $500, respectively. No warrants reserve was reclassified to share capital as these warrants were initially valued at nil.

(xvi) On July 16, 2021, milestone warrants issued on April 19, 2018, were exercised to purchase 250,000 common shares at $0.05 per share for cash proceeds of $12,500. No warrants reserve was reclassified to share capital as these warrants were initially valued at nil.

(xvii) On August 16, 2021, the employment of PesoRama's CEO was terminated. A total of 2,500,000 outstanding performance warrants held by the CEO were cancelled immediately upon termination of employment. Each warrant was exercisable into one common share of the Company for $0.001 per share.

(xviii) During the year ended January 31, 2022, the weighted average share price at the date of exercise of warrants was $0.02. The exercise price was assumed to approximate fair value since the shares were not yet publicly traded.

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

(a) 5,907,557 subscriber warrants issued March 21, 2019
(b) 2,371,340 subscriber warrants issued April 30, 2019
(c) 2,192,100 subscriber warrants issued May 24, 2019
(d) 2,737,430 subscriber warrants issued May 30, 2019
(e) 813,333 subscriber warrants issued June 7, 2019
(f) 241,600 subscriber warrants issued March 2, 2021
(g) 35,500 subscriber warrants issued April 1, 2021

13. WARRANTS (continued)

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

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

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

14. STOCK OPTIONS

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

	Number of options	**Weighted average exercise price ($)**
Balance, January 31, 2021	1,800,000	0.04
Cancelled (iv)(v)	(950,000)	0.04
Balance, January 31, 2022	850,000	0.04
Issued pursuant to the RTO Transaction (i)	200,000	0.50
Granted (ii)	7,950,000	1.00
Forfeited (iii)	(400,000)	1.00
Balance, January 31, 2023	8,600,000	0.72

For the year ended January 31, 2023

(i) On February 8, 2022, upon completion of the RTO Transaction as outlined in Note 5, 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.

14. STOCK OPTIONS (continued)

(ii) On February 8, 2022, the Company granted 7,950,000 options to acquire common shares to certain directors, officers and employees of the Company at an exercise price of $1.00 per common share. The options are for a five-year term, expiring in February 2027, and vesting one-fourth on each anniversary date from the date of grant over the first four years of the life of the options. During the 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)).

(iii) 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.

For the year ended January 31, 2022

(iv) On March 8, 2021, 550,000 stock options held by four former PesoRama directors who were not re-elected at a special shareholder meeting on December 8, 2020, were cancelled in accordance with the terms of the option agreements, which require exercise of outstanding options within three months of termination to avoid cancellation. None of the 550,000 options held by the directors upon their termination were exercised.

(v) On August 16, 2021, the employment of PesoRama's CEO was terminated. A total of 400,000 vested but unexercised options held by the CEO were cancelled immediately upon termination of employment.

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

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

During the year ended January 31, 2023, the Company recognized $1,589,926 (2022 - $nil) in share-based compensation expense (net of reversal as per sub note (iii)).

14. STOCK OPTIONS (continued)

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

Exercise price ($)	Number outstanding	Weighted average remaining life (years)	Number exercisable
0.40	850,000	0.75	850,000
0.50	200,000	0.02	200,000
1.00	7,550,000	4.02	-
0.72	**8,600,000**	**3.61**	**1,050,000**

15. RELATED PARTIES

During the years ended January 31, 2023 and 2022, there were separate related party transactions as follows:

(i) Management fees of $837,534 (2022 - $525,003) relating to the key management personnel were incurred during the year ended January 31, 2023. Professional fees for accounting services of $81,000 (2022 – $1,129) were incurred during the year ended January 31, 2023, to the professional services company of which prior Chief Financial Officer is an officer and significant shareholder. As of January 31, 2023, all fees had been paid.

(ii) Directors' and consulting fees of $301,469 (2022 - $33,750) were recognized in professional fees during the year ended January 31, 2023, of which $224,857 remained in account payable and accrued liabilities as of January 31, 2023 (2022 - $nil).

(iii) 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.

(iv) On August 16, 2021, 400,000 stock options and 2,500,000 performance warrants held by the former CEO were cancelled in connection with his termination.

(v) On November 19, 2021, PesoRama, Old PesoRama, Fundamental HS, SC, Antonio Heredia (a partner of Fundamental and director of the Cmpany), 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 per share. The fair value of the shares issued is $1,400,000. The Company incurred professional fees of $89,588 for the year ended January 31, 2023, in connection with legal services which were provided by a law firm of which a certain director of the Company is also a partner. As at January 31, 2023, the Company had $97,026 in account payable and accrued liabilities for amounts owed to this law firm . As at January 31, 2023, accounts payable balance also included a total of $702,000 for legal services provided by a law firm of which a previous director of the Company is also a partner (Note 21).

15. RELATED PARTIES (continued)

(vi) The Company incurred share-based compensation for options issued to key management personnel of $1,589,926 during the year ended January 31, 2023 (2022 - $nil).

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments

As at January 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

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 at January 31, 2023, 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 10 for breakdown of remaining lease payments relating to long-term portion of lease liability). The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. See further discussion relating to liquidity in Note 1.

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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

	Less than 1 year	1-5 years	Thereafter
Accounts payable and accrued liabilities	4,725,399	-	-
Lease liability	2,143,490	3,840,616	308,713
	6,868,889	3,840,616	308,713

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 January 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 January 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 year ended January 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.

18. EXPENSES BY NATURE

	Year ended	
	January 31, 2023	**January 31, 2022**
General, administrative and store operating expenses		
Management and director's fees	942,789	584,163
Salaries, wages, and benefits	3,572,632	2,426,350
Subcontracted employees	15,720	552,020
Professional fees	2,183,554	1,366,132
Brokerage fees	-	13,825
Investor relations	472,676	69,964
Office expenses	617,295	406,110
Security and monitoring	17,510	116,237
Repairs and maintenance	9,006	17,593
Share-based compensation (Note 14)	1,589,926	-
Store expenses (i)	730,705	552,359
Travel expenses	122,024	42,024
Marketing and promotion	34,667	38,413
Total	**10,308,504**	**6,185,190**
Depreciation and amortization		
Depreciation (Note 8)	1,943,372	1,272,486
Amortization, intangible assets (Note 9)	4,180	172,011
Depreciation, right-of-use assets (Note 10)	1,331,828	1,174,675
Total	**3,279,380**	**2,619,172**

18. EXPENSES BY NATURE (continued)

	Year ended January 31, 2023	Year ended January 31, 2022
Financing costs		
Interest on lease liabilities (Note 10)	699,414	714,677
Interest on convertible debentures (Note 11)	14,427	503,122
Accretion on convertible debentures (Note 11)	18,047	574,708
Transaction costs related to derivative liability (Note 11)	-	115,000
Unrealized loss on derivative liability (Note 11)	-	9,022
Bank and other finance charges	138,653	85,047
Foreign exchange loss	21,064	22,502
Total	**891,605**	**2,024,078**
Other items		
Interest income	(3,209)	(757)
VAT adjustment (reserve recovery)	(1,316,642)	1,788,795
Other income	(100,375)	(12,642)
Total	**(1,420,226)**	**1,775,396**

(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.

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
Year ended January 31, 2023			
Revenue	-	14,528,826	14,528,826
Non-current assets	15,451	10,697,967	10,713,418
Year ended January 31, 2022			
Revenue	-	9,350,177	9,350,177
Non-current assets	12,827	8,022,714	8,035,541

20. INCOME TAX

Reconciliation of effective tax rate

Income tax expense varies from the amount that would be computed by applying the expected basic federal and provincial income tax rates for Canada for the years ended January 31, 2023 and 2022, of 26.5% to income before income taxes. A reconciliation of this difference is presented below.

	2023 $	2022 $
Net loss before taxes	(11,939,826)	(11,072,814)
Domestic statutory rate	26.50%	26.50%
Expected tax recovery	(3,164,054)	(2,934,296)
Effect of tax rate in foreign jurisdiction	(97,532)	(277,584)
Share-based compensation and other	421,330	-
Other permanent differences	373	180
Deferred tax asset not recognized	2,839,883	3,211,700
Income taxes	-	-

Recognized deferred tax assets

The following table summarizes the components of deferred tax as of January 31, 2023 and 2022:

	2023 **$**	**2022** **$**
Deferred Tax Assets:		
Derivative liability - Canada	-	314,726
Non-capital loss carryforwards – Canada	722	-
Lease liabilities - Canada	1,324	-
Net operating loss carryforwards - Mexico	7,697	26,864
Lease liabilities - Mexico	1,149,841	1,172,540
Deferred Tax Liabilities:		
Convertible debentures - Canada	-	(314,726)
Property and equipment – Canada	(420)	-
Right-of-use assets - Canada	(1,626)	-
Prepaid expenses - Mexico	(7,697)	(26,864)
Right-of-use assets - Mexico	(1,149,841)	(1,172,540)
	-	-

20. INCOME TAX (continued)

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2023 $	2022 $
Canada		
Non-capital loss carryforwards	14,207,105	8,921,117
Derivative liability	-	92,436
Financing costs	1,252,925	1,167,823
Property and equipment	4,614,673	25,346
	20,074,703	10,206,722
Mexico		
Net operating loss carryforwards	17,318,704	9,317,126
Inventory	367,238	22,643
Taxes receivable	-	641,755
Property and equipment	2,795,312	804,849
Intangible assets	46,300	43,444
Accounts payable	99,876	446,470
Lease liabilities	1,084,996	896,866
	21,712,426	12,173,153
	41,787,129	22,379,875

The non-capital loss carry forwards expire as noted in the table below in CAD:

Canada		
	2039	935,554
	2040	2,161,810
	2041	3,064,988
	2042	3,535,317
	2043	4,512,161
		14,209,831

Mexico		
	2040	1,787,627
	2041	3,387,972
	2042	5,007,497
	2043	7,161,267
		17,344,362

21. COMMITMENTS AND CONTINGENCIES

Commitments

As of January 31, 2023, the Company had planned expenditures of $349,483 associated with the construction of their new store location 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 $5,335,740 in the consolidated financial statements (see Note 10).

Additionally, at January 31, 2023, the Company had inventory purchase commitments of $349,386. 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.

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 $117,245 CAD) .

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

Legal Claims from Former Joi Employees

As at January 31, 2023, 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 MXN $811,360 (equivalent to $53,144 CAD).

21. COMMITMENTS AND CONTINGENCIES (continued)

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.

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 $2.5 million (CAD $176,000).