

PESORAMA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and six months ended July 31, 2025 and 2024

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") dated September 14, 2025, is intended to assist readers in understanding the business environment, strategies, performance, and risk factors of PesoRama Inc. (together with its consolidated subsidiaries, referred to as "PesoRama", the "Company", "we", "us" or "our"), formerly known as Skyscape Capital Inc. ("Skyscape"). This MD&A provides the reader with a view and analysis, from the perspective of management, of the Company's consolidated financial results for the three and six months ended July 31, 2025. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and six months ended July 31, 2025 and accompanying notes, as well as the Company's audited annual consolidated financial statements and notes for the year ended January 31, 2025 (as hereinafter defined).

The condensed consolidated interim financial statements for the three and six months ended July 31, 2025 have been prepared under International Financial Reporting Standards ("IFRS") in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). For the purpose of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors.

Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity. The Company manages its business as one reportable segment. The Company's functional currency and that of its Canadian subsidiary is the Canadian dollar while each of its subsidiaries in Mexico has a Mexican peso functional currency, which is the primary economic environment in which each subsidiary operates.

Forward-Looking Statements

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

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic conditions and the competitive environment within the retail industry in Mexico, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the following factors which are discussed in greater detail in the "Risks and Uncertainties" section of this MD&A:

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future increases in operating costs (including increases in statutory minimum wages); future increases in merchandise costs (including as a result of inflation and tariff disputes); inability to sustain assortment and replenishment of merchandise; increase in the cost or a disruption in the flow of imported goods; failure to maintain brand image and reputation; disruption of distribution infrastructure; inventory shrinkage; inability to renew store, warehouse and head office leases on favorable terms; inability to increase warehouse and distribution center capacity in a timely manner; seasonality; market acceptance of private brands; failure to protect trademarks and other proprietary rights; foreign exchange rate fluctuations; potential losses associated with using derivative financial instruments; level of indebtedness and inability to generate sufficient cash to service debt; changes in creditworthiness and credit rating and the potential increase in the cost of capital; interest rate risk associated with variable rate indebtedness; competition in the retail industry; disruptive technologies; general economic conditions; departure of senior executives; failure to attract and retain quality employees; disruption in information technology systems; inability to protect systems against cyber-attacks; unsuccessful execution of the growth strategy; holding company structure; adverse weather; pandemic or epidemic outbreaks; natural disasters; climate change; geopolitical events and political unrest in foreign countries; unexpected costs associated with current insurance programs; product liability claims and product recalls; litigation; regulatory and environmental compliance; and shareholder activism.

These factors are not intended to represent a complete list of the factors that could affect the Company; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's consolidated financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as at September 14, 2025 and management has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

All the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Non-GAAP Measures

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

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Overview

PesoRama Inc. (formerly Skyscape Capital Inc.) was incorporated under the Business Corporations Act (Ontario) on January 9, 2018. The Company's registered office is located at 77 King Street West, Suite 700, Toronto, ON, M5K 1G8. The common shares of the Company are listed on the TSX Venture Exchange ("TSXV") under the symbol "PESO".

The Company is the ultimate parent company of its wholly owned Mexican subsidiaries through which PesoRama operates "dollar stores" in Mexico offering consumers a wide variety of products with focus on the value/dollar segment of the retail market. As at the date of this MD&A, the Company operates 27 stores. Stores average 5,300 square feet and offer a wide variety of private label general merchandise seasonal items, consumables, and branded products. Merchandise is sold in individual or multiple units at select, fixed price points up to MXN \$100. All stores are corporately operated and are strategically located in high-traffic areas such as shopping centers and strip malls in the greater Mexico City and surrounding area with plans to eventually expand to other areas of Mexico.

The Company's strategy is to grow sales, operating income, net earnings, earnings per share and cash flows by expanding its Mexican store network, by being a first-mover brand in what management views as an underserved and growing Mexican dollar-store industry, and by providing value for customers through its broad product offerings, value proposition and enhanced shopping experience.

To date, PesoRama has opened up and is currently operating 28 stores, located in high-traffic shopping centers in Mexico City. As part of its current expansion strategy, PesoRama plans to open additional stores in Mexico City and its surrounding areas before also expanding its stores into other regions of Mexico. Factors which may impact the Company's ability to execute its expansion strategy are discussed below. See Strategy and Corporate Structure Risks.

All of PesoRama's JOI Canadian Stores are located at sites leased from third party landlords. PesoRama expects to continue to lease its store locations as it expands its stores. The average length of the term of PesoRama's store location leases is five years, with a five-year renewal option. In the future, as store leases expire, PesoRama believes it will be able to obtain lease renewals, if desired, for present store locations, or to obtain leases for comparable or better locations in the same general area. PesoRama believes this leasing strategy enhances its flexibility to pursue various expansion and relocation opportunities resulting from changing market conditions.

Company Events

Revolving Loan Facility

On June 9, 2023, PesoRama Inc ("the Company") entered into a Revolving Credit Facility Agreement ("the Agreement") with Third Eye Capital Corporation as the Agent on behalf of certain lenders (the "Lenders") with a maturity date of June 6, 2026. This Agreement provides for a revolving credit facility of up to \$20 million ("the Loan"), strategically structured to support the Company's growth initiatives, notably including but not limited to the construction and maintenance of JOI Dollar Plus Stores in Mexico ("Eligible Stores") and the expansion of inventory and product offerings. The Agreement outlines a flexible interest rate structure, wherein the applicable interest rate is determined as the greater of 13.5% or the Prime Rate (as posted by the Royal Bank of Canada) plus 7.55%. Interest shall accrue daily on outstanding advances and all obligations under the Agreement and all such interest shall be calculated, compounded and payable monthly in arrears in cash on the first business day of each calendar month. In the event of default, a default rate of 10% per annum applies. At the Agent's option, exercised in the Agent's sole discretion, the Agent may (at any time) (a) deduct the aggregate amount of any outstanding principal, interest, fees, costs, expenses, and other charges (including wire transfer charges) on the due date thereof from a cash advance, (b) treat such

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amounts as an advance under the Agreement or (c) disburse such amounts by way of direct payment. Upon maturity, the Company must pay all outstanding interest and principal. Upon execution of the agreement, the Agent on behalf of the Lenders was granted unlimited guarantee and first-ranking lien on all of the present and future assets of the Company including all equity securities.

Proceeds from advances received under the Agreement shall be used solely for the purposes of (a) subject to the prior written approval of the Agent, the leasing and tenant fit-out work related to new Eligible Stores reasonably anticipated to be incurred by the Company within 45 days of the date of such advance (b) the purchase of Inventory by the Company to be used in an Eligible Store and (c) the payment to the Lender or Agent for fees and expenses incurred in connection with the Agreement.

The allowable draw down at a given point in time is determined using the Borrowing Base calculation which is comprised 70% of eligible inventory including eligible in-transit inventory, 100% of eligible cash receipts, and 100% of the Company's trailing twelve months (TTM) EBITDA (provided it remains positive) after accounting for reserves related to interest and other fees.

For the purposes of the borrowing base calculation, EBITDA is defined as the consolidated net income adjusted for the following: (a) income and income based tax expense; (b) interest charges including interest expense, amortization or write-offs of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with any indebtedness (including the Agreement) accrued during the period on a consolidated basis in accordance with IFRS and all capitalized interest during such period; (c) rent under capitalized leases; (d) depreciation expense determined in accordance with IFRS; (e) extraordinary or nonrecurring losses, expenses and charges; (f) realized losses on swap agreements or other derivatives entered into for hedging interest rate or commodity price risks permitted by the Agent; (g) any non-cash loss attributable to the mark to market movement in the valuation of any equity interests, and swap agreements or other derivative instruments permitted by the Agent, but only to the extent the cash impact resulting from such loss has not been realized; (h) fees and expenses incurred during such period in connection with any actual issuance of any Debt, or any actual acquisitions, Investments, asset sales or divestitures permitted by the Agent; (i) operating expense attributed to actual acquisitions permitted by the Agent including salary obligations paid to employees terminated, one-time restructuring charges, implementation of cost savings initiatives, relocation costs, integration costs, recruitment fees, transition costs, and professional consulting fees; (j) earn-out and contingent consideration obligations (including to the extent accounted for as bonuses or otherwise) and adjustments thereof and purchase price adjustments, in each case in connection with actual acquisitions or investments permitted by the Agent; (k) all fees, expenses or charges from abandoned, closed, disposed or discontinued operations and any losses on disposal of abandoned, closed or discontinued operations, and attributable to business dispositions or asset dispositions (other than in the ordinary course of business), in each case permitted by the Agent; (l) all non-cash losses, charges and expenses, including any asset impairments, write-offs or write-downs; (m) stock-based compensation; (n) interest income and credits; (o) any extraordinary income or gains; (p) income and commodity tax credits (to the extent not netted from tax expenses); (q) any other non-cash income; and (r) any non-cash expenses associated with stock-based compensation.

On October 17, 2024 the Company entered into an amended agreement with the Agent whereby excluding unpaid in-transit inventory from the original borrowing base calculation. Under the amending agreement, unpaid in-transit inventory would be considered to fall under a secondary credit facility whose borrowing base would be calculated as 70% of the total unpaid in-transit inventory. Advances under this secondary credit facility would bear interest determined as the greater of 18.5% or the Prime Rate (as posted by the Royal Bank of Canada) plus 12.55%. Interest shall accrue daily on outstanding advances and all such interest shall be calculated, compounded and payable monthly

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in arrears in cash on the first business day of each calendar month. In the event of default, a default rate of 10% per annum applies.

As of July 31, 2025, the Company received proceeds of \$18,301,926 in relation to the Agreement (January 31, 2025 - \$16,235,448).

In consideration for entering into the Agreement, the Company issued 15,060,838 non-transferable common share purchase warrants of the Company to the Lenders. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.14 per share for a five-year period. The warrants were assessed a fair value of \$1,706,914, using the Black-Sholes option pricing model and the following assumptions: dividend yield 0%, risk-free interest rate of 3.68%, expected volatility of 35.28%, stock price of \$0.22, and expected life of 5 years. The fair value of the warrants was capitalized as deferred financing costs upon initial recognition and are expensed in the consolidated statement of loss on a straight-line basis over the three-year term of the Agreement.

In addition to the warrants issued, the Agreement included a closing fee of \$800,000, to the Agent for the benefit of the Lenders. The Company also incurred an additional \$569,455 in loan issuance costs associated with legal fees and due diligence performed by the Agent. Upon execution of the Agreement, the aggregate issuance costs of \$1,369,455 were capitalized to deferred transaction costs and are expensed in the consolidated statement of loss on a straight-line basis over the three-year term of the Agreement.

During the three and six months ended July 31, 2025, total financing costs expensed in the consolidated statement of loss in connection with the amortization of deferred financing costs were \$250,043 and \$508,514 (July 31, 2024 - \$258,471 and \$511,323).

As part of the Agreement, the Agent will charge an annual monitoring fee of \$50,000 and a standby fee of 1% payable by the Company to the Agent. The standby fee is calculated quarterly based on the difference between the daily amounts outstanding under this agreement and the Loan limit during the respective quarter. Both fees were considered to be financing costs and are expensed as financing costs in the consolidated statement of loss on initial recognition. During the six months ended July 31, 2025, total financing costs associated with standby and monitoring fees were \$27,478 (July 31, 2025 - \$105,178) of which \$3,978 were in accounts payable and accrued liabilities as at July 31, 2025 (January 31, 2025 - \$30,158). The Company also incurred an amendment fee in connection with the signing of the October 17, 2024 amendment of \$200,000. During the six months ended July 31, 2025, this amount was added to the principal balance of the TEC loan.

As the revolving loan facility matures in June 2026, which is within twelve months of the reporting date, the outstanding balance has been classified as a current liability in accordance with IAS 1.

Opening of new stores

On October 26, 2024, the Company opened its 24th JOI Dollar Plus store location, covering approximately 655.5 m². The store is located in the famous Condesa neighborhood in Mexico City.

On December 21, 2024, the Company opened its 25th JOI Dollar Plus store in Portal Centenario, Mexico City. This 413-square-meter location is situated in the Álvaro Obregón municipality, which has a population of approximately 759,137 inhabitants. The new store enhances PesoRama's presence in high-traffic urban areas and aligns with the Company's strategy to expand in locations with strong consumer demand.

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On April 26, 2025 the Company opened store #26; a 406 square meter location inside the "City Shops del Valle" mall in the Del Valle neighborhood.

On May 31, 2025 the Company opened store #27, a 481 square meter location inside the "Patio Martin Carrera" mall in the Martin Carrera neighborhood.

On July 24, 2025, the Company opened its 28th JOI Dollar Plus store in the Agrícola Oriental neighborhood of Mexico City. The 502-square-meter store is located within the new Hospital de la Luz complex, directly opposite the subway station, which positions it to benefit from significant foot traffic. Agrícola Oriental is known for its established commercial activity and dense residential base, providing a strong customer demographic seeking convenient access to everyday essentials. The opening of this location further enhances PesoRama's presence in Mexico City's eastern districts and aligns with the Company's strategy to expand in areas with high population density and strong consumer demand.

Listing on OTCQB and Frankfurt Stock Exchange (FSE)

On February 28, 2023, PesoRama was approved to commence trading in the USA on the OTCQB Venture Market under the symbol "PSSOF".

On February 19, 2025, the Company announced that its common shares are now cross-listed on the Frankfurt Stock Exchange ("FSE") under the symbol "ZE6". The FSE is the largest of Germany's seven stock exchanges and a key European marketplace for international investors.

LIFE Offering Announcement

On June 10, 2025, the Company announced a non-brokered private placement under the Listed Issuer Financing Exemption (the "LIFE Offering"). The LIFE Offering closed on July 9, 2025, for gross proceeds of \$6,802,675 through the issuance of 45,351,166 units at a price of \$0.15 per unit. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable into one common share at an exercise price of \$0.30 for a period of 24 months from September 7, 2025. In connection with the LIFE Offering, the Company issued 2,232,353 finder's warrants, each exercisable into one common share at a price of \$0.15 until July 9, 2027. After deducting finder's fees of \$334,853, the Company received net proceeds of \$6,467,822.

Factors Affecting Results of Operations

Sales

Sale revenue is recognized when control of a good or service is transferred to a customer. The Company uses the five-step contract-based analysis of transactions to determine when, if, and how much revenue can be recognized. The five steps include: (1) identify the contract(s) with the customer; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. The revenues of the Company come from the sale of products that are recognized at a point in time. Sales of products in the consolidated statement of loss and comprehensive loss are recognized by the Company when control of the goods has been transferred, i.e., when the customer tenders payment and takes possession of the merchandise at the stores and all obligations have been fulfilled. All sales are final. Sales revenue is shown net of sales tax and discounts.

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Cost of Sales

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

Because the functional currency of the Company's Mexican subsidiaries is the Mexican peso (the "peso"), and because the Company's Mexican subsidiaries purchase goods in currencies other than the peso, the Company's cost of sales is affected by fluctuations in foreign currencies, such as US and CAD dollars, against the peso.

Distribution Cost

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

General, Administrative and Store Operating Expenses

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

Overall Performance

Store Performance

	Three months ended July 31,		Variance	Variance
	2025	2024	\$	%
Total revenue	6,097,750	5,443,090	654,660	12%
Cost of sales				
Inventory expensed	3,293,420	3,115,340	178,080	6%
Inventory write-downs	39,465	(209,802)	249,267	119%
Distribution costs	533,283	391,743	141,540	36%
Gross profit	2,231,582	2,145,809	85,773	4%
Salaries and wages - store employees	608,028	492,354	115,674	23%
Store lease payments (i)	717,392	635,026	82,366	13%
Store expenses	363,387	338,261	25,126	7%
Profit	542,775	680,168	(137,393)	-20%

(i) Store lease payments are considered a reduction in lease liabilities and are included in total lease payments per note 7 of the condensed consolidated interim financial statements for the three and six months ended July 31, 2025 and 2024.

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During the three months ended July 31, 2025, the Company's stores generated profit of \$542,775, compared to \$680,168 in the same period of the prior year, representing a decrease of 20% due to an increase in distribution costs and inventory write-down provision and increase in salaries and wages. Gross profit improved to \$2.23 million from \$2.15 million, reflecting a 4% increase year over year due to organic sales growth as well as new store sales. However, store-level operating expenses increased, primarily salaries and wages for store employees which increased by 23% as a result of increased staffing requirements for stores that opened in the quarter and in preparation of new store openings. In addition, the Company recorded inventory write-downs of \$39,465 in the current quarter compared to a recovery of \$209,802 in the prior year, and distribution costs increased 36% year over year. These factors contributed to the overall decrease in store profitability, even as the Company continued to expand its store network and grow sales.

	Six Months Ended July 31,		Variance \$	Variance %
	2025	2024		
Total revenue	11,631,283	11,183,026	448,257	4%
Cost of sales				
Inventory expensed	6,266,038	6,207,414	58,624	1%
Inventory write-downs	183,743	(141,841)	325,584	230%
Distribution costs	1,008,273	1,028,354	(20,081)	-2%
Gross profit	4,173,229	4,089,099	84,130	2%
Salaries and wages - store employees	1,235,109	1,014,510	220,599	22%
Store lease payments (i)	1,363,955	1,286,083	77,872	6%
Store expenses	655,114	660,345	(5,231)	-1%
Profit	919,051	1,128,161	(209,110)	-19%

(ii) Store lease payments are considered a reduction in lease liabilities and are included in total lease payments per note 7 of the condensed consolidated interim financial statements for the three and six months ended July 31, 2025 and 2024.

For the six months ended July 31, 2025, the Company's stores generated profit of \$919,051, compared to \$1,128,161 in the prior year, representing a 19% decrease due to an increase in distribution costs and inventory write-down provision and increase in salaries and wages. Revenue increased 4% year over year to \$11.6 million, supported by the contribution of new store openings and organic sales growth, while gross profit rose 2% to \$4.2 million. Salaries and wages for store employees rose 22% primarily due to increased staffing requirements for stores that opened in the quarter and in preparation of new store openings. In addition, the Company recorded \$183,743 in inventory write-downs compared to a recovery of \$141,841 in the prior year.

EBITDA

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

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A reconciliation of net loss to EBITDA is as follows:

	Three months ended July 31,		Six Months Ended July 31,	
	2025	2024	2025	2024
Net loss	(2,962,711)	(2,466,994)	(6,058,056)	(4,941,907)
Add (remove):				
Depreciation and amortization	795,885	863,005	1,540,158	1,802,546
Interest expenses	1,237,520	494,756	2,621,421	935,158
EBITDA	(929,306)	(1,109,233)	(1,896,477)	(2,204,203)
Add (remove)				
Financing costs other than interest expense	335,104	342,841	684,242	764,214
Share-based compensation	33,673	102,927	65,331	131,911
Adjusted EBITDA	(560,529)	(663,465)	(1,146,904)	(1,308,078)

Summary of Consolidated Quarterly Results

	Fiscal 2026		Fiscal 2025				Fiscal 2024	
Data from consolidated Statement of loss	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$
Sales	6,097,750	5,533,533	6,847,588	5,419,385	5,443,090	5,739,936	6,382,725	5,206,856
Net gain (loss)	(2,962,711)	(3,095,345)	(3,410,910)	(1,772,932)	(2,466,994)	(2,474,913)	(1,035,421)	(2,724,199)
Net loss per share								
Basic	(0.028)	(0.032)	(0.036)	(0.018)	(0.026)	(0.026)	(0.011)	(0.029)
Diluted	(0.028)	(0.032)	(0.036)	(0.018)	(0.026)	(0.026)	(0.011)	(0.029)

Historically, the Company's lowest sales results occur in the first quarter whereas the highest sales results occur in the fourth quarter, with December representing the high point of monthly sales. Sales also generally increase ahead of other holidays and celebrations, such as Valentine's Day, Holy Week, and Halloween, but the Company otherwise experiences limited seasonal fluctuations and expects this trend to continue. The occurrence of unusually adverse weather or an outbreak like the COVID-19 pandemic causing disruption in the Company's business activities or operations during a peak season such as major holidays and celebrations for a prolonged period could have an adverse effect on the Company's distribution network and on store traffic, which could materially adversely affect financial results.

Financial and Operating Results for the three and six months ended July 31, 2025

The following table summarizes PesoRama's key financial results for the three months ended July 31, 2025, and 2024:

	Three months ended July 31,			
	2025	2024	Variance \$	Variance %
Total revenue	6,097,750	5,443,090	654,660	12%
Cost of sales	3,866,168	3,297,281	568,887	17%
Gross profit	2,231,582	2,145,809	85,773	4%
Operating loss	(1,386,690)	(1,625,815)	239,125	15%
Net loss	(2,962,711)	(2,466,994)	(495,717)	-20%
Net comprehensive loss	(2,625,151)	(3,134,875)	509,724	16%

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The following table summarizes PesoRama's key financial results for the six months ended July 31, 2025, and 2024:

	Six Months Ended July 31,			
	2025	2024	Variance \$	Variance %
Total revenue	11,631,283	11,183,026	448,257	4%
Cost of sales	7,458,054	7,093,927	364,127	5%
Gross profit	4,173,229	4,089,099	84,130	2%
Operating loss	(2,761,550)	(3,242,754)	481,204	15%
Net loss	(6,058,056)	(4,941,907)	(1,116,149)	-23%
Net comprehensive loss	(5,651,690)	(5,368,650)	(283,040)	-5%

Revenue

Total sales revenue increased from \$5,443,090 to \$6,097,750 for the three months ended July 31, 2025, compared to the same period in the prior year, and from \$11,183,026 to \$11,631,283 for the six months ended July 31, 2025, compared to the equivalent period in the prior year, representing increases of 12% and 4% in Canadian dollar terms, respectively. When measured in the Company's functional currency (Mexican pesos), revenues increased by approximately 20% and 15% year over year for the three and six-month period respectively, reflecting continued organic growth across the existing store network and the incremental sales contribution from new store openings. The lower growth rates reported in Canadian dollar terms compared to Mexican peso terms are primarily due to foreign exchange translation effects, as the Mexican peso was more favourable relative to the Canadian dollar in the prior year comparative periods.

Cost of sales

Cost of sales for the three months ended July 31, 2025, and 2024, was \$3,866,168 and \$3,297,281 and is composed of the following items:

	Three months ended July 31,			
	2025	2024	Variance \$	Variance %
Cost of inventory	3,293,420	3,115,340	178,080	6%
Inventory write-downs	39,465	(209,802)	249,267	119%
Inventory used	3,332,885	2,905,538	427,347	15%
Distributions costs	533,283	391,743	141,540	36%
Total cost of sales	3,866,168	3,297,281	568,887	17%

Cost of sales for the six months ended July 31, 2025, and 2024, was \$7,458,054 and \$7,093,927 and is composed of the following items:

	Six Months Ended July 31,			
	2025	2024	Variance \$	Variance %
Cost of inventory	6,266,038	6,207,414	58,624	1%
Inventory write-downs	183,743	(141,841)	325,584	230%
Inventory used	6,449,781	6,065,573	384,208	6%
Distributions costs	1,008,273	1,028,354	(20,081)	-2%
Total cost of sales	7,458,054	7,093,927	364,127	5%

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Cost of inventory expensed

The cost of inventory expensed increased to \$3,293,420 for the three months ended July 31, 2025, compared to \$3,115,340 in the same period of the prior year, representing a 6% increase. For the six months ended July 31, 2025, cost of inventory expensed was \$6,266,038 compared to \$6,207,414 in the prior year, a 1% increase. These increases were primarily driven by higher sales volumes. When measured in the Company's functional currency (Mexican pesos), cost of inventory increased by approximately 13% for the quarter and 11% for the six-month period, consistent with the underlying sales growth. The lower growth rates reported in Canadian dollar terms reflect foreign exchange translation effects.

Inventory write-offs (recovery)

For the three months ended July 31, 2025, the Company recognized an inventory write-down of \$39,465 compared to a recovery of \$209,802 in the same period of the prior year. For the six months ended July 31, 2025, inventory write-downs totaled \$183,743 compared to a recovery of \$141,841 in the prior year. Inventory impairment estimates reflect slow-moving items, primarily seasonal inventory, and products potentially subject to damage or shrinkage as of the reporting date. A significant portion of the inventory subject to write-downs remains saleable and may be utilized in future periods as new stores open and sales volumes increase.

Distribution costs

Distribution costs increased to \$533,283 for the three months ended July 31, 2025, compared to \$391,743 in the same period of the prior year, an increase of 36% driven by higher logistics activity associated with imported inventory to support new store openings and increased sales volume as well as the opening of a second warehouse. For the six months ended July 31, 2025, distribution costs were \$1,008,273 compared to \$1,028,354 in the prior year, a decrease of 2% as efficiencies in the Company's distribution network offset higher activity levels.

Product Gross Margin Analysis

"Product Gross margin" represents gross profit (as presented in the Company's audited annual consolidated statement of loss and comprehensive loss) plus inventory write-downs and distribution costs divided by sales for the three and six months ended July 31, 2025, and 2024.

	Three months ended July 31,	
	2025	2024
Gross profit	2,231,582	2,145,809
Inventory write-down	39,465	(209,802)
Distribution costs	533,283	391,743
	2,804,330	2,327,750
Sales	6,097,750	5,443,090
Product gross margin	46.0%	42.8%

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	Six Months Ended July 31,	
	2025	2024
Gross profit	4,173,229	4,089,099
Inventory write-down	183,743	(141,841)
Distribution costs	1,008,273	1,028,354
	5,365,245	4,975,612
Sales	11,631,283	11,183,026
Product gross margin	46.1%	44.5%

Product gross margin for the three months ended July 31, 2025 was 46.0%, compared to 42.8% in the same period of the prior year, reflecting an increase of 3.2 percentage points. For the six months ended July 31, 2025, product gross margin was 46.1%, compared to 44.5% in the prior year, an increase of 1.6 percentage points. The improvement was primarily driven by a higher proportion of products sold at increased mark-ups, as well as the Company's ability to leverage supplier relationships to reduce unit costs.

General, administrative and store operating expenses

The following table summarizes PesoRama's general, administrative and store operating expenses for the three months ended July 31, 2025, and 2024:

	Three months ended July 31,			
	2025	2024	Variance \$	Variance %
Management and directors' fees	268,964	307,338	(38,374)	-12%
Salaries, wages, and benefits	1,332,857	1,196,628	136,229	11%
Professional fees	505,679	611,061	(105,382)	-17%
Store expenses	363,387	338,261	25,126	7%
Investor relations	11,406	17,190	(5,784)	-34%
Office expenses	171,754	192,519	(20,765)	-11%
Security and monitoring	16,584	12,945	3,639	28%
Repairs and maintenance	8,585	5,481	3,104	57%
Share-based compensation	33,673	102,927	(69,254)	-67%
Travel expenses	65,165	113,075	(47,910)	-42%
Marketing and promotion	44,333	11,194	33,139	296%
Total	2,822,387	2,908,619	(86,232)	-3%

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The following table summarizes PesoRama's general, administrative and store operating expenses for the six months ended July 31, 2025, and 2024:

	Six Months Ended		Variance \$	Variance %
	2025	2024		
	July 31,			
Management and directors' fees	537,681	522,179	15,502	3%
Salaries, wages, and benefits	2,645,112	2,469,253	175,859	7%
Professional fees	835,800	1,053,419	(217,619)	-21%
Store expenses	655,114	660,345	(5,231)	-1%
Investor relations	26,909	52,358	(25,449)	-49%
Office expenses	403,423	380,251	23,172	6%
Security and monitoring	30,513	20,044	10,469	52%
Repairs and maintenance	8,585	6,804	1,781	26%
Share-based compensation	65,331	131,911	(66,580)	-50%
Travel expenses	116,025	210,399	(94,374)	-45%
Marketing and promotion	70,128	22,344	47,784	214%
Total	5,394,621	5,529,307	(134,686)	-2%

Management and director's fees

Management and directors' fees decreased to \$268,964 for the three months ended July 31, 2025, compared to \$307,338 in the same period of the prior year, representing a 12% decrease. For the six months ended July 31, 2025, management and directors' fees were \$537,681 compared to \$522,179 in the prior year, an increase of 3%. The year-to-date increase reflects changes in management compensation arrangements, while the quarterly decrease reflects lower accrued amounts compared to the same period in prior year.

Salaries, wages and benefits

Salaries, wages, and benefits expenses increased to \$1,332,857 for the three months ended July 31, 2025, compared to \$1,196,628 in the same period of the prior year, an increase of 11%. For the six months ended July 31, 2025, salaries, wages, and benefits totaled \$2,645,112 compared to \$2,469,253 in the prior year, an increase of 7%. The increases were primarily attributable to staffing requirements for new store openings during the period and in anticipation of upcoming openings, as well as additional head office personnel hired to support the Company's operational growth, including real estate and construction activities, inventory logistics, and other support functions.

Professional fees

Professional fees decreased to \$505,679 for the three months ended July 31, 2025, compared to \$611,061 in the same period of the prior year, a 17% decrease. For the six months ended July 31, 2025, professional fees were \$835,800 compared to \$1,053,419 in the prior year, a decrease of 21%. The decreases were primarily related to lower accounting, legal, consulting, and audit-related costs incurred during the current period compared to the prior year.

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Investor relations

Investor relations expenses decreased to \$11,406 for the three months ended July 31, 2025, from \$17,190 in the prior year, a 34% decrease. For the six months ended July 31, 2025, investor relations expenses were \$26,909 compared to \$52,358 in the prior year, a 49% decrease. The decreases reflect reduced investor relations activities and lower spending on promotional initiatives compared to the prior year.

Office expenses

Office expenses increased to \$171,754 for the three months ended July 31, 2025, compared to \$192,519 in the same period of the prior year, a decrease of 11%. For the six months ended July 31, 2025, office expenses totaled \$403,423 compared to \$380,251 in the prior year, an increase of 6%. The increases were primarily driven by higher rent, utilities, and administrative costs to support the Company's expanded operations.

Security and monitoring

Security and monitoring expenses increased to \$16,584 for the three months ended July 31, 2025, compared to \$12,945 in the prior year, an increase of 28%. For the six months ended July 31, 2025, security and monitoring expenses were \$30,513 compared to \$20,044 in the prior year, an increase of 52%. The increases reflect additional costs associated with new store locations.

Share-based compensation

Share-based compensation decreased to \$33,673 for the three months ended July 31, 2025, compared to \$102,927 in the prior year, a 67% decrease. For the six months ended July 31, 2025, share-based compensation was \$65,331 compared to \$131,911 in the prior year, a decrease of 50%. The decreases were primarily attributable to the impact of option forfeitures recorded in the prior year due to employee terminations, leading to lower amortization of share-based awards in the current period.

Travel expenses

Travel expenses decreased to \$65,165 for the three months ended July 31, 2025, compared to \$113,075 in the same period of the prior year, a 42% decrease. For the six months ended July 31, 2025, travel expenses were \$116,025 compared to \$210,399 in the prior year, a 45% decrease. The decreases were primarily due to reduced travel by management and employees relative to the prior year.

Marketing and promotion

Marketing and promotion expenses increased to \$44,333 for the three months ended July 31, 2025, compared to \$11,194 in the same period of the prior year, representing a 296% increase. For the six months ended July 31, 2025, marketing and promotion expenses were \$70,128 compared to \$22,344 in the prior year, an increase of 214%. The increases reflect higher spending on promotional campaigns to support the Company's expansion, store openings and enhance brand visibility.

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Depreciation and amortization

The following table summarizes PesoRama's depreciation and amortization expenses for the three months ended July 31, 2025, and 2024:

	Three months ended			
	July 31,			
	2025	2024	Variance \$	Variance %
Depreciation	292,996	424,337	(131,341)	-31%
Amortization, intangible assets	14,638	2,468	12,170	493%
Depreciation, right-of-use assets	488,251	436,200	52,051	12%
Total	795,885	863,005	(67,120)	-8%

The following table summarizes PesoRama's depreciation and amortization expenses for the six months ended July 31, 2025, and 2024:

	Six Months Ended			
	July 31,			
	2025	2024	Variance \$	Variance %
Depreciation	540,467	914,866	(374,399)	-41%
Amortization, intangible assets	25,880	3,884	21,996	566%
Depreciation, right-of-use assets	973,811	883,796	90,015	10%
Total	1,540,158	1,802,546	(262,388)	-15%

Depreciation and amortization

Depreciation expense is composed of depreciation on fixed assets. As of July 31, 2025, the Company holds fixed assets in the following categories: office furniture and equipment, store furniture and equipment, computer hardware, communication equipment and leasehold improvements.

Depreciation expenses on fixed assets decreased to \$292,996 for the three months ended July 31, 2025, from \$424,337 in the prior year, and to \$540,467 for the six months ended July 31, 2025, from \$914,866 in the prior year. The decreases were primarily due to the timing of depreciation on previously capitalized assets.

The Company also holds intangible assets in software licenses, brand names, and software development. Amortization expenses on intangible assets increased to \$14,638 for the three months ended July 31, 2025, compared to \$2,468 in the prior year, and to \$25,880 for the six months ended July 31, 2025, compared to \$3,884 in the prior year. The increases reflect the amortization of new software licenses acquired to support the Company's expanded store network and operational needs.

Depreciation, right-of-use assets

Depreciation on right-of-use assets increased to \$488,251 for the three months ended July 31, 2025, compared to \$436,200 in the prior year, and to \$973,811 for the six months ended July 31, 2025, compared to \$883,796 in the prior year. The increases reflect new store leases added during the period.

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Financing Costs

The following table summarizes PesoRama's finance costs for the three months ended July 31, 2025, and 2024:

	Three months ended July 31,			
	2025	2024	Variance \$	Variance %
Interest on lease liabilities	335,474	151,204	184,270	122%
Interest on loan payable	902,046	343,552	558,494	163%
Financing costs	298,069	265,119	32,950	12%
Bank and other finance charges	70,794	54,527	16,267	30%
Foreign exchange loss (gain)	(33,759)	23,195	(56,954)	-246%
Total	1,572,624	837,597	735,027	88%

The following table summarizes PesoRama's finance costs for the six months ended July 31, 2025, and 2024:

	Six Months Ended July 31,			
	2025	2024	Variance \$	Variance %
Interest on lease liabilities	643,193	316,596	326,597	103%
Interest on loan payable	1,978,228	618,562	1,359,666	220%
Financing costs	575,590	623,150	(47,560)	-8%
Bank and other finance charges	136,148	111,611	24,537	22%
Foreign exchange loss (gain)	(27,496)	29,453	(56,949)	-193%
Total	3,305,663	1,699,372	1,606,291	95%

Interest on lease liability

Interest on lease liabilities increased to \$335,474 for the three months ended July 31, 2025, compared to \$151,204 in the same period of the prior year, an increase of 122%. For the six months ended July 31, 2025, interest on lease liabilities was \$643,193 compared to \$316,596 in the prior year, an increase of 103%. The increases primarily reflect the addition of new store leases and the remeasurement of certain existing leases using higher incremental borrowing rates, consistent with current market conditions.

Interest on revolving loan payable

Interest on the revolving loan payable increased to \$902,046 for the three months ended July 31, 2025, compared to \$343,552 in the prior year, an increase of 163%. For the six months ended July 31, 2025, interest on the revolving loan payable was \$1,978,228 compared to \$618,562 in the prior year, an increase of 220%. The increases were driven by additional cash advances drawn under the revolving loan facility to fund operations and support store expansion. As of July 31, 2025, the Company had received total proceeds of \$18,301,926 under the facility, compared to \$9,750,050 as of July 31, 2024.

Financing costs

Financing costs, which include transaction costs, unused line fees, and other related expenses, increased to \$298,069 for the three months ended July 31, 2025, compared to \$265,119 in the prior year, a 12% increase. For the six months ended July 31, 2025, financing costs were \$575,590 compared to \$623,150 in the prior year, a decrease of 8%. The

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year-to-date decrease reflects lower one-time legal and transaction costs compared to the prior year when the facility was established, partially offset by ongoing fees recognized in the current period.

Liquidity and Capital Resources

As at	July 31, 2025	January 31, 2025
Working capital	(16,240,670)	490,370
Total assets	31,108,617	26,273,624
Total non-current liabilities	5,016,806	21,753,986
Shareholders equity	(8,236,639)	(8,965,179)

As of July 31, 2025, the Company had a working capital deficit of \$16.2 million, compared to positive working capital of \$0.5 million as of January 31, 2025. The decrease was primarily due to the reclassification of the revolving loan payable as a current liability, as the facility matures in June 2026. The working capital deficit also reflects higher inventory balances to support new store openings, partially offset by an increase in accounts payable as the Company continued to utilize vendor credit terms to finance inventory purchases and operations.

Although the Company's had positive gross profit during the six months ended July 31, 2025, the Company has not generated overall profits as of July 31, 2025. The Company's ability to continue its operations depends on raising additional financing and generating profits and positive cash flows from operations to cover operating costs. Additional financing will be required to sustain operations, evaluate strategic opportunities, and support working capital needs.

Cash Flows for the six months ended July 31, 2025 and 2024

As at	July 31, 2025	July 31, 2024
Cash provided (used) in operating activities	28,959	(1,852,954)
Cash used in investing activities	(1,063,817)	(66,779)
Cash provided in financing activities	4,479,864	1,885,795

Cash Flows – Operating Activities

For the six months ended July 31, 2025, cash provided by operating activities was \$28,959, compared to cash used of \$1,852,954 in the prior year, an improvement of \$1.9 million. The improvement primarily reflects non-cash adjustments such as depreciation and amortization, share-based compensation, and inventory write-downs, as well as favourable working capital movements including lower inventory outflows and increased reliance on vendor credit terms, partially offset by higher accounts payable settlements compared to the prior year.

Cash Flows – Investing Activities

For the six months ended July 31, 2025, cash used in investing activities was \$1,063,817 compared to \$66,779 in the prior year. The increase was primarily due to higher capital expenditures related to new store openings and infrastructure to support expansion, including \$1.0 million in purchases of property and equipment.

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Cash Flows – Financing Activities

For the six months ended July 31, 2025, cash provided by financing activities was \$4,479,864 compared to \$1,885,795 in the prior year. The increase reflects proceeds of \$6.5 million from the LIFE financing offering completed in July 2025, partially offset by loan payments of \$2.4 million and lease payments of \$1.5 million. In the prior year, financing inflows were mainly attributable to private debt financing.

Capital Expenditures

Capital expenditure mainly relates to investments in new stores. During the six months ended July 31, 2025, the capital expenditures on property plant and equipment totaled \$1,028,176, compared with \$21,644 in the equivalent period in the prior year. These expenditures primarily relate to leasehold improvements to stores and the purchase of computer hardware.

Capital Resources

The Company's capital management objective is to have sufficient capital to be able to execute its business plan. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the retail industry. The continued development of the Company's expansion plan through the construction and opening of new stores is dependent upon the ability of the Company to secure sufficient funds through operations, credit facilities and other sources.

The Company still does not yet generate sufficient cash flows from operating activities to fund its planned growth strategy in Mexico. As a result, the Company is dependent on external financing. As at July 31, 2025, the Company had \$4,068,700 in cash (January 31, 2025 - \$633,233) and working capital deficit of \$16,240,670 (January 31, 2025 – working capital \$490,370). The deficit primarily reflects the classification of the revolving loan payable as a current liability, as the facility matures in June 2026.

PesoRama's ability to successfully execute its growth strategy will depend largely on its ability to capitalize on organic growth opportunities available from an increase in foot traffic at its existing locations. Additionally, the successful execution of the Company's growth strategy is also dependent on the Company's continued execution of its merchandising strategies and its ability to continue executing its expansion plans which include successfully opening and operating new stores in Mexico City and elsewhere in Mexico. A new JOI Canadian Store requires a minimal initial investment of approximately \$550,000, including \$400,000 for capital expenditures and \$150,000 for inventory.

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

The condensed consolidated interim financial statements for the three and six months ended July 31, 2025 and 2024, have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. Management believes that the going concern assumption is appropriate for the financial statements and that the Company will be able to meet its budgeted capital and administrative costs as well as its other potential capital commitments during the upcoming year and beyond. There is no guarantee that the Company will be successful in its retail and development

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activities and no certainty in fulfilling the Company's impending commitments (see further below). Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, the consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities, and these adjustments could be significant.

The Company's assumptions with respect to future liquidity needs may not be correct and funds available to it from the sources described herein may not be sufficient to enable it to service its indebtedness or cover any shortfall in funding for any unanticipated expenses.

Contractual Obligations, Off-Balance Sheet Arrangements and Commitments

Throughout the six months ended July 31, 2025, the Company entered into various agreements with different vendors relating to the construction and improvement of its retail stores in Mexico. As of July 31, 2025 the Company had planned expenditures of \$321,886 associated with the construction of three new stores location expected to open in the fiscal year 2026. The Company also had retail stores and office lease commitments outstanding, which have been recorded as lease liabilities of \$6,919,386 in the condensed consolidated interim financial statements.

Additionally, as at July 31, 2025, the Company had inventory purchase commitments of \$54,279 which are expected to be fulfilled and paid within the next twelve months.

Legal Claims

Legal Claim for Unpaid Professional Fees

In February 2021, a certain legal professional firm (the "Legal Firm") initiated legal proceedings against the Company in regard to unpaid legal fees of approximately \$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. The initial ruling favored the Company, with no penalties imposed and recognition granted for the use of the name JOI CANADIAN STORES. The plaintiff has appealed this decision, and the appellate process is ongoing. However, the maximum estimated financial claim is approximately MXN \$1,790,000 (equivalent to CAD \$131,474).

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.

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Legal Claims from Former PCS Employees

As at July 31, 2025, JOI and PCS had open legal claims from three former employees. The maximum estimated financial claim is approximately MXN \$2,529,925 (equivalent to CAD \$185,820).

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, and \$120,000 for costs associated with the legal proceeding.

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 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 \$4.3 million (CAD \$317,381). As of July 31, 2025, the Company recognized a provision for of MXN \$4.3 million (CAD \$317,381) in accounts payable and accrued liabilities.

Related Party Transactions

During the three and six months ended July 31, 2025, there were separate related party transactions as follows:

- (i) Salaries, wages, and benefits and management fees of \$196,196 (2024 – \$234,703) and \$391,136 (2024 – \$398,263) relating to key management personnel were incurred during the three and six months ended July 31, 2025. As of July 31, 2025, accounts payable and accrued liabilities included \$20,833 (January 31, 2025 – \$104,166) for management fees payable to 841796 Ontario Limited, a company controlled by Rahim Bhaloo, founder and Executive Chairman of the board of the Company.

	Three months ended July 31,		Six months ended July 31,	
	2025	2024	2025	2024
	(\$)	(\$)	(\$)	(\$)
841796 Ontario Limited ^(a)	125,000	166,666	250,000	229,165
Erica Fattore, former President and CEO	-	-	-	20,833
Rodrigo Castañón Magdalena, Chief Operating Officer	71,196	68,037	141,136	133,265
Abdulmajeed Bawazeer, former Chief Strategy Officer	-	-	-	15,000
Total	196,196	234,703	391,136	398,263

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

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- (ii) Directors' fees of \$72,768 and \$146,546 (2024 - \$72,636 and \$144,750) were incurred during the three and six months ended July 31, 2025.

	Three months ended July 31,		Six months ended July 31,	
	2025 (\$)	2024 (\$)	2025 (\$)	2024 (\$)
Fundamental HS, SC ^(a)	41,268	41,136	83,546	81,750
Paul Pathak	22,500	22,500	45,000	45,000
Andrew Parks	9,000	9,000	18,000	18,000
Total	72,768	72,636	146,546	144,750

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

As of July 31, 2025, director's fees payable consisted of \$118,667 included in accounts payable and accrued liabilities, and obligation to issue shares of \$126,000, respectively. The obligation is to be settled through the issuance of shares at the market price per share at the time of issuance.

	As of July 31, 2025 (\$)	As of January 31, 2025 (\$)
Fundamental HS, SC ^(a)	102,707	75,991
Paul Pathak	9,450	7,500
Andrew Parks	6,510	3,780
Total	118,667	87,271

- (iii) The Company incurred professional fees for legal services of \$174,573 and \$231,132 (2024 - \$4,006 and \$29,043) for the three and six months ended July 31, 2025, provided by Chitiz Pathak LLP, a law firm of which Paul Pathak, Director of the Company, is also a partner. As at July 31, 2025, the Company had \$51,036 in accounts payable and accrued liabilities for amounts owed to this law firm.
- (iv) The Company recorded share-based compensation expenses related to options issued to key management personnel, for the three and six months ended July 31, 2025, share-based compensation totaled \$23,426 and \$45,497, compared to an expense of \$215,671 and \$235,525 in the prior comparative period.

	Three months ended July 31,		Six months ended July 31,	
	2025 (\$)	2024 (\$)	2025 (\$)	2024 (\$)
Erica Fattore, former President and Chief Executive Officer	-	41,620	-	82,334
Abdulmajeed Bawazeer, former Chief Strategy Officer	-	24,216	-	47,904
Rodrigo Castañón Magdalena, Chief Operating Officer	4,851	9,332	9,547	18,462
Juan Sebastian Avila, former Chief Operating Officer	-	96,614	-	-
Rahim Bhaloo, founder and Executive Chairman of the board of the Company	5,925	13,999	11,467	27,694
Antonio Heredia, Director	5,925	13,999	11,467	27,694
Paul Pathak, Director	4,483	10,594	8,677	20,958
Andrew Parks, Director	2,242	5,297	4,339	10,479
Total	23,426	215,671	45,497	235,525

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Critical Accounting Estimates and Judgments

The preparation of the audited annual 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.

The following judgments, estimates, and assumptions are applied in these consolidated financial statements.

Valuation of inventory

Inventory includes items that have been marked down to management's best estimate of their net realizable value, with the markdown included in cost of sales in the period in which it is determined. The Company estimates its inventory provisions based on a variety of factors, including quantities of slow-moving or carryover seasonal merchandise on hand, future merchandising plans, inventory shrinkage, and product expiry or obsolescence where applicable. The accuracy of the Company's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends. Changes to the inventory provisions and especially shrinkage can have a material impact on the results of the Company.

Leases

Leases require 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 7 of the consolidated financial statements 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 one renewal option of five years. The Company opens stores both in established malls and as standalone retail locations. Each approach has advantages and disadvantages that the Company is currently evaluating on a location-by-location basis. Certain stores in one type of location may ultimately be moved to the other type, depending on future store performance. Therefore, because of the relative recency of the Company's store openings and the Company's approach of opening both mall-based and standalone stores, the Company is not yet able to reasonably determine whether it will exercise renewal options in its existing stores and thus has not included any renewal options in evaluating the lease term. The Company will continue to assess the probability of renewing each of its leases at a minimum each reporting period.

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Share based compensation and warrants

All equity-settled, share-based awards and warrants issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation and warrants, estimates have to be made regarding the fair value of the underlying share(s), expected volatility in share's fair value, option life, dividend yield, risk-free rate, estimated life, and estimated forfeitures at the initial grant date.

Provisions

The Company bases its provisions on up-to-date developments, estimates of the outcomes of pending matters, and legal counsel experience in contesting, litigating and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Company may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity.

Significant areas where management's judgment has been applied

Functional currency

The functional currency of the Company and each subsidiary is the currency of the primary economic environment in which it operates. This determination requires judgment and is reconsidered if there are significant changes in the events or conditions that define the primary economic environment. Based on the Company's review, no change to the functional currency of the Company or its subsidiaries was necessary.

Taxes Receivable

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

The Company has filed all VAT returns in a timely manner and is in the process of requesting refunds where applicable. In Mexico, this is a separate process from tax filing and is frequently time- and effort-intensive. The Company has engaged a tax specialist to assist in VAT-refund filings for certain prior periods. As at January 31, 2025 and July 31, 2025, the refund-filing process had begun for several periods, and the Company has received refunds for some of those periods.

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 July 31, 2025, the Company has assessed that each of its stores constitutes a CGU.

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New standards, interpretations, and amendments

IAS 1, Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2: In February 2021, the IASB issued amendments to IAS 1 and the IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on the application of materiality judgements to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidelines and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making the judgements about accounting policy disclosures. Effective February 1, 2023, the Company adopted these amendments prospectively. These amendments had no material impact to these financial statements.

IAS 1, Classification of Liabilities as Current or Non-Current: The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments are as follows:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place at the end of the reporting period;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Risks and Uncertainties

Understanding and managing risks are important parts of the Company's strategic planning process. The board of directors tasks the Company's senior management with identifying and properly managing the principal risks related to the Company's business operations.

The Company manages these risks on an ongoing basis and has put in place certain guidelines to mitigate their financial impact, and the Company maintains cost-effective, comprehensive insurance coverage against most insurable events. The Company also gathers and analyzes economic and competitive data on a regular basis and senior management takes these findings into consideration when making strategic and operational decisions. Despite these guidelines and initiatives, the Company cannot provide assurances that any such efforts will be successful. Risks and uncertainties are discussed in great detail in the Company's Annual Information Form available on SEDAR at <https://www.sedarplus.ca>.

Risks Related to Business Operations

Merchandise and Operating Costs

The Company's ability to provide quality merchandise at low price points is subject to a number of factors that are beyond its control, including merchandise costs, raw material increases, foreign exchange rate fluctuations, tariffs on imported goods, increases in labour costs (including increases in minimum wage), increases in rent and occupancy costs, fuel costs and inflation, which may reduce profitability and have an adverse impact on cash flows.

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Labour costs are largely outside of the Company's control, driven by minimum wage legislation in each jurisdiction in which the Company has operations. Rent and occupancy costs, while substantial, offer multi-year visibility due to the long-term nature of leases. Historically, the Company has been able to negotiate leases on market terms and therefore benefits from a reasonable lead time to prepare for potential rent increases. Fuel cost increases or surcharges could also increase transportation costs and therefore impact profitability.

If management is unable to predict and respond promptly to these or other similar events, the merchandise and operating costs may increase, and the Company's business and financial results could be materially adversely affected.

Generally, management believes that, as seen in other countries, the value/dollar retail strategy can be flexible to address cost increases, allowing the Company to adjust its fixed price point to a higher maximum limit as required. The Company has pivoted as required to a multi price-point strategy to adjust for increases in prices, unfavorable foreign exchange, and other developments that might otherwise erode margins. There is, however, no guarantee that the Company will continue to be successful in offsetting cost increases in a meaningful way. There can be no assurance that the Company will be able to pass on cost increases to customers if it wishes to maintain the compelling value of its product offering relative to competitors.

Merchandise Selection and Replenishment

The Company's success depends in large part on its ability to continually source, select and purchase quality merchandise at attractive prices in order to expand the assortment of products and replace underperforming goods to timely respond to evolving trends in demographics and consumer preferences, expectations and needs. Although management believes that the Company has strong and long-standing relationships with most of its suppliers, it may not be successful in maintaining a continuing and increasing supply of quality merchandise at attractive prices. If the Company cannot find or purchase the necessary amount of competitively priced merchandise to maintain its compelling product offering or to replace goods that are outdated or unprofitable, business and financial results could be materially adversely affected.

Supply Chain

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

- a) disruptions in the flow of imported goods due to factors such as raw material shortages, work stoppages and strikes, suppliers going out of business, factory closures resulting from changes in the economic or regulatory landscape of the country of origin, inflation, natural disasters, unusually adverse weather, pandemic or epidemic outbreaks such as the COVID-19 and political unrest in foreign countries;
- b) uncertainty and potential consolidation in the shipping industry in a context of overcapacity and carrier failures, which could eventually lead to rate increases;
- c) economic instability and international disputes;
- d) increases in the cost of purchasing or shipping foreign merchandise resulting from Mexico's failure to maintain normal trade relationships with foreign countries;

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- e) increases in tariffs or the elimination of existing preferential tariffs on goods, restrictive changes to import quotas, and other adverse protectionist trade measures; and
- f) changes in currency exchange rates or policies and local economic conditions, including inflation in the country of origin. The development of one or more of these factors could materially adversely affect the Company's business and financial results.

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

Management believes that the Company has good relationships with suppliers and that it is generally able to obtain competitive pricing and other terms. However, products are bought on an order-by-order basis and the Company has very few long-term purchase contracts or other assurances of continued product supply or guaranteed product cost. If it fails to maintain good relationships with suppliers, or if suppliers' product costs are increased as a result of prolonged or repeated increases in the prices of certain raw materials, foreign exchange rate fluctuations, or changes in the economic or regulatory landscape of the country of origin, the Company may not be able to obtain attractive pricing. In addition, if it is unable to receive merchandise from suppliers on a timely basis because of interruptions in production or in shipping or other reasons that are beyond its control, the Company could experience merchandise shortages which could lead to lost sales or increased merchandise costs if alternative sources must be used, and business and financial results could be materially adversely affected.

Brand Image and Reputation

The Company has a brand that consumers increasingly associate with compelling value. Failure to maintain product quality or ethical and socially responsible operations could materially adversely affect its brand image and reputation. Public concerns about the environmental impact of the Company's products and operations could also negatively impact consumers' perceptions of the Company's brand image. Any negative publicity about, or significant damage to, the Company's brand and reputation could have an adverse impact on customer perception and confidence, which could materially adversely affect the Company's business and financial results. Also, the pervasiveness and viral nature of social media could exacerbate any negative publicity with respect to its business practices and products.

Distribution and Warehousing Network

The Company must constantly replenish depleted inventory through deliveries of merchandise from suppliers to its warehouses, distribution centre and directly to stores by various means of transportation, including shipments by sea, train, and truck. Also, because of its reliance on third-party carriers, the Company is subject to carrier disruptions and increased costs due to factors beyond its control. Disruptions in the distribution network or the national and international transportation infrastructure could lead to delays or interruptions of service which, in turn, could materially adversely affect the Company's business and financial results.

As the Company continues its rapid expansion, additional warehouse and distribution centre capacity may be needed. If the Company does not plan efficiently for increased capacity, or is unable to locate new sites, either for sale or for rent, on favorable terms, or is unable to commission new warehousing or distribution operations on a

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timely basis, the Company may not be able to successfully execute its growth strategy or may incur additional costs, which could materially adversely affect its business and financial results.

Inventory Shrinkage

The Company is subject to the risk of inventory loss and administrative or operator errors, including mislabeling, as well as damage, theft, and fraud. The Company experiences inventory shrinkage in the normal course of its business and cannot ensure that incidences of inventory loss and theft will decrease in the future or that measures taken will effectively address inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if the Company were to experience higher rates of inventory shrinkage or were required to incur increased security costs to limit inventory theft, its business and financial results could be materially adversely affected.

Real Estate

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

Seasonality

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

Private Brands

The Company carries a substantial number of private brand items. Management believes that the Company's success in maintaining broad market acceptance of private brands depends on many factors, including pricing, quality and customer perception. If the Company does not achieve or maintain expected sales for private brands, or if it fails to successfully protect its proprietary rights in those brands or avoid claims related to the proprietary rights of third parties, its business and financial results could be materially adversely affected.

Intellectual Property

Management believes that trademarks and other proprietary rights are important to the Company's success and competitive position. Accordingly, the Company protects its trademarks and proprietary rights in Canada, Mexico and other relevant markets. However, monitoring the unauthorized use of one's intellectual property is difficult, and violations may not always become immediately known. Furthermore, the steps generally taken to address such

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

International Operations

The Company's primary operations are in Mexico. Operations outside of Canada are exposed to risks inherent in foreign operations.

These risks, which can vary substantially by market and jurisdiction, are described in many of the risk factors discussed in this section and also include the following:

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

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Financial Risks

Financial instruments

As at July 31, 2025 and January 31, 2025, the company's financial instruments consisted of the following:

	Level		July 31, 2025		January 31, 2025
FINANCIAL ASSETS					
FVTPL					
Cash	1	\$	4,068,700	\$	633,233
Other assets at amortized cost					
Security deposits			378,189		306,792
Total financial assets		\$	4,446,889	\$	940,025
FINANCIAL LIABILITIES					
FVTPL					
Obligation to issue shares	1	\$	126,000	\$	94,500
Other liabilities, at amortized cost					
Accounts payable and accrued liabilities	1		12,973,428		11,443,896
Current portion of revolving loan interest payable			-		197,370
Revolving loan payable			19,326,442		17,440,916
Total financial liabilities		\$	32,425,870	\$	29,176,682

A financial instrument is classified to the lowest level hierarchy for which a significant input has been used in measuring fair value. The carrying amounts for cash and accounts payable and accrued liabilities approximate their respective fair values based on level 1 due to their observable quoted price.

Financial risk management

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

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

Liquidity risk

As of July 31, 2025, the Company's liabilities encompass accounts payable and accrued liabilities, lease liabilities, and the revolving credit facility. Certain of these obligations possess contractual maturity dates within one year, excluding the long-term segment of lease liabilities (please refer to Note 7 of the condensed consolidated interim financial statements for a detailed breakdown of remaining lease payments related to the long-term portion of lease liability) and the revolving credit facility (detailed in Note 8 of the condensed consolidated interim financial statements). The Company actively monitors its liquidity risk by continually assessing its capital needs. Further

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insights into our liquidity management strategy can be found in the discussion pertaining to liquidity.

The following table outlines the contractual undiscounted maturities of the Company's financial liabilities July 31, 2025:

	Less than 1 year	1-5 years	Thereafter
Accounts payable and accrued liabilities	12,973,428	-	-
Lease liability	3,135,627	7,833,131	635,692
Revolving loan payable	19,326,442	-	-
	35,435,497	7,833,131	635,692

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 July 31, 2025, 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.

At July 31, 2025, 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 July 31, 2025, would not have a material impact on loss and comprehensive loss.

Credit risk

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

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. As at July 31, 2025, the Company is exposed to interest rate risk through their revolving loan payable which incurs interest at variable rate. As at July 31, 2025, the Company has not entered into any hedging agreements to mitigate interest rate risk. A change of 0.5% on the variable interest rate would result in a variance in interest expense of approximately \$96,000.

Market Risks

Retail Competition

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

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

Given the lack of significant economic barriers for other companies to open dollar stores or develop dollar store concepts within their existing retail operations, competition may also increase due to new value retailers entering the markets in which the Company operates. If the Company fails to respond effectively to competitive pressures and changes in the retail markets, its business and financial results could be materially adversely affected.

E-Commerce and Disruptive Technologies

Although the discount retail market in Mexico is still emerging, the Company may face increased competition from the use of mobile and web-based technology that facilitates online shopping and real-time product and price comparisons. Failure to adequately assess and address this evolving retail trend could have a material adverse impact on the Company's business and financial results.

Economic Conditions

Adverse Mexican or global economic conditions affecting disposable consumer income, employment levels, consumer debt levels, credit availability, business conditions, fuel and energy costs, rent, inflation, interest rates and tax rates could materially adversely affect the Company's business and financial results by reducing consumer spending or causing customers to shift their spending to other products the Company either does not sell or does not sell as profitably, which could translate into decreased sales volumes, slower inventory turnover and lower gross profit for the Company. In addition, similar adverse economic conditions could materially adversely affect the Company, its suppliers or other business partners by reducing access to liquid funds or credit, increasing the cost of credit, limiting the ability to manage interest rate risk, increasing the risk of insolvency or bankruptcy of the Company, its suppliers, landlords or financial counterparties, increasing the cost of goods, and other impacts which cannot be fully anticipated.

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Human Resources Risks

Reliance on Key Personnel

The Company's senior executives have extensive experience in the industry, with the Company, and with its suppliers, products, and customers. The loss of management knowledge, expertise, and technical proficiency resulting from the loss of one or more members of the core management team could result in a diversion of management resources or a temporary executive gap, and negatively affect the Company's ability to develop and pursue other business strategies, which could materially adversely affect its business and financial results. Also, the expertise pertaining to purchasing and import management, especially as it relates to the dollar store industry, is rare and the loss of key executives leading those functions could have a material adverse effect on the Company's ability to continue to offer a compelling product offering to its customers, which in turn could materially adversely affect its business and financial results.

Recruitment, Retention and Management of Quality Employees

Future growth and performance depend, among other things, on the Company's ability to attract, retain and motivate quality employees, many of whom are in positions with historically high rates of turnover. The Company's ability to meet its labour needs, while controlling labour costs, is subject to many external factors, including the competition for and availability of quality personnel in a given market, unemployment levels within those markets, prevailing wage rates, minimum wage laws, health and other insurance costs and changes in employment and labour legislation (including changes in the process for employees to join a union) or other workplace regulation (including changes in entitlement programs such as health insurance and paid leave programs). In addition, the Company must be able to successfully manage personnel throughout its growing and increasingly geographically dispersed network of stores.

Technology Risks

Information Technology Systems

The Company depends on its information technology systems for the efficient functioning of its business, including financial reporting and accounting, purchasing, inventory management and replenishment, labour forecasting and scheduling, payroll processing, data storage, customer transactions processing and store communications. Enterprise-wide software solutions enable management to efficiently conduct operations, and gather, analyze and assess information across all business functions and geographic locations.

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

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Data Security and Privacy Breaches

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

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

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

Strategy and Corporate Structure Risks

Growth Strategy

The Company's ability to successfully execute its growth strategy will depend largely on its ability to successfully open and operate new stores, which, in turn, will depend on a number of operational, financial, and economic factors, including whether it can:

- locate, lease, build out, and open stores in suitable locations on a timely basis and on favourable economic terms;
- hire, train, and retain an increasing number of quality employees at competitive rates of compensation;
- supply an increasing number of stores with the proper mix and volume of merchandise;
- expand into new Mexican markets outside Mexico City, where it has limited presence;
- procure efficient logistics and transportation services for those new markets;
- successfully compete against local competitors; and
- build, expand and upgrade warehousing and distribution facilities as well as store support systems in an efficient, timely and economical manner.

Any failure by the Company to achieve these goals could materially adversely affect its ability to continue to grow. In addition, if the expansion occurs as planned, the Company's store base will include a relatively high proportion of stores with a relatively short history of operations. If new stores on average fail to achieve results comparable to existing stores, the Company's business and financial results could be materially adversely affected.

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Corporate Structure

PesoRama Inc. is a holding company and a substantial portion of its assets are the equity interests in its subsidiaries. As a result, the Company is subject to the risks attributable to PesoRama Inc.'s subsidiaries. As a holding company, PesoRama Inc. conducts substantially all its business through its subsidiaries, which generate substantially all of PesoRama Inc.'s revenues. Consequently, PesoRama Inc.'s cash flows, and its ability to meet financial obligations and to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to PesoRama Inc. The ability of these entities to pay dividends and other distributions will depend on their operating results and may potentially be constrained by various contractual restrictions. PesoRama Inc.'s subsidiaries are distinct legal entities and have no obligation to make funds available to PesoRama Inc. or any of its creditors, except in certain circumstances and subject to certain terms and conditions in the case of a subsidiary that is a guarantor of PesoRama Inc.'s obligations. In the event of a bankruptcy liquidation of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to PesoRama Inc.

Business Continuity Risks

Adverse Weather, Natural Disasters, Climate Change, Geopolitical Events, Pandemic and Epidemic Outbreaks

The occurrence of one or more natural disasters, such as earthquakes and hurricanes, unusually adverse weather exacerbated by global climate change or otherwise, pandemic or epidemic outbreaks, boycotts and geopolitical events, such as civil unrest in countries in which suppliers are located or in which the Company operates, and acts of terrorism, or similar disruptions could materially adversely affect the Company's business and financial results. Furthermore, the impact of any such events on its business and financial results could be exacerbated if they occur during a period of the year when sales generally increase.

These events could result in physical damage to one or more of the Company's properties; increases in fuel or other energy prices; disruption to information systems; the temporary or long-term disruption in the supply of products from some local and overseas suppliers; the temporary disruption in the transportation of goods from overseas; delays in the delivery of goods to warehouses, distribution centres, or stores; the temporary or permanent closure of one or more warehouses or distribution centres or of one or more stores; the temporary reduction in the availability of products in stores; delays in opening new stores; a temporary workforce unavailability in a market or a surge in unemployment; the temporary reduction of store traffic; significant disruption in everyday life and consumer spending habits in the markets in which the Company operates; and/or the loss of sales. These factors could materially adversely affect the Company's business and financial results, for a short or long period, and there is no assurance that business will resume and reach historical levels after any such event.

Insurance

The Company's insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that management believes are reasonable based on the nature and size of the Company's operations. However, there are types of losses against which the Company cannot be insured or which management chose not to insure, in some cases because it believes it is not economically reasonable to do so, such as losses due to acts of war, nuclear disaster, pandemic, epidemic, reputational risks, supply chain issues, certain cyber risks, product recalls, employee turnover, strikes and some natural disasters. If the Company incurs these losses and they are material, its business and financial results could be materially adversely affected. In addition, certain material events may result in

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sizable losses for the insurance industry and materially adversely affect the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, the Company may elect to increase its level of self-insurance, accept higher deductibles, or reduce the amount of coverage in response to these market changes. Although it continues to maintain property insurance for catastrophic events, the Company is effectively self-insured for property losses up to the amount of its deductibles. If it experiences a greater number of these losses than anticipated, the Company's business and financial results could be materially adversely affected.

Legal and Regulatory Risks

Product Liability Claims and Product Recalls

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

Litigation

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

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

Regulatory Environment

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

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

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

Environmental Compliance

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

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

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

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

Climate Change

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

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

Shareholder Activism

The Company may be subject to legal and business challenges in the operation of its business due to actions instituted by activist shareholders or others. Responding to such actions can be costly and time-consuming, disrupting business operations and diverting the attention of management and employees. Such investor activism could result in uncertainty of the direction of the Company, substantial costs and diversion of management's attention and resources, which could harm the business, hinder execution of the business strategy and initiatives and create adverse volatility in the market price and trading volume of the Company's common shares.

Capital Structure Information

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

As at the date of this MD&A, there were 141,995,287 common shares issued and outstanding and 4,667,641 shares held in escrow. In addition, there were 15,900,000 stock options, and 81,119,224 warrants, each exercisable for one common share, issued and outstanding as at the date of this MD&A.

Additional Information

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