

MiniLuxe Holding Corp.

Consolidated Financial Statements for the fifty-two weeks ended December 29, 2024 and the fifty-two weeks ended December 31, 2023

(Amounts expressed in United States Dollars)

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Independent Auditor's Report

Shareholders
MiniLuxe Holding Corp.

Opinion

We have audited the accompanying consolidated financial statements of MiniLuxe Holding Corp. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 29, 2024 and December 31, 2023, the related consolidated statements of net loss and comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 29, 2024 and December 31, 2023, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with Canadian Auditing Standards (CAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and have fulfilled our other ethical responsibilities, in accordance with ethical requirements that are relevant to our audit of the financial statements in the United States of America, together with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matter

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

Impairment of assets

As described in Note 8 to the consolidated financial statements, the Company performs an impairment test for its indefinite-lived and long-lived assets at least annually at the year-end reporting date, and whenever there is an indication that the assets may be impaired. For purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU). The indefinite-lived and long-lived assets of the Paintbox, LLC (Paintbox) CGU were tested by the Company at year end by comparing the carrying value of Paintbox CGU's assets to the enterprise value of the CGU based on discounted future cash flows. The Company determined that impairment of indefinite-lived and long-lived assets existed in the amount of \$664,259. Key estimates and assumptions used include the expected future cash flows, the discount rate of 43% and terminal multiple of 2.44.

We identified the expected future cash flows and the discount rate used within the analysis as a key audit matter as there was a high degree of auditor judgment and increased audit effort when performing audit procedures to evaluate the reasonableness of these significant estimates and assumptions utilized in management's discounted future cash flows.

Our audit procedures related to the Company's expected future cash flows and discount rate, included the following, among others:

- We evaluated the reasonableness of management's forecasts of future cash flows and revenue growth rates by comparing the projections to historical results and certain peer companies.
- We evaluated the reasonableness of the key assumptions utilized by management, and specifically the discount rate, by:
 - Evaluating the methodology used in determining the discount rate, testing the source information underlying the determination of the discount rate and testing the mathematical accuracy of the calculations.
 - Developing a range of independent estimates for the discount rate and comparing those to the discount rate selected by management.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and ISAs will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and CAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Meaghan Switzer.

RSM US LLP

Boston, Massachusetts
April 28, 2025

MiniLuxe Holding Corp.
Consolidated Statements of Financial Position
At December 29, 2024 and December 31, 2023
Amounts expressed in United States Dollars

	Notes	December 29, 2024	December 31, 2023
Assets			
Current assets:			
Cash and cash equivalents		\$ 3,880,241	\$ 3,246,183
Restricted cash		115,000	165,000
Inventories, net	7	869,730	1,369,542
Prepaid expenses and other current assets		600,883	646,564
Total current assets		5,465,854	5,427,289
Non-current assets:			
Property and equipment, net	8	3,826,369	5,794,491
Intangible assets, net	8	41,154	337,712
Tradename	8	66,949	664,195
Deposits		222,624	326,026
Long-term investment	10	50,000	50,000
Right-of-use assets, net	15	5,361,956	4,311,048
Total non-current assets		9,569,052	11,483,472
Total assets		\$ 15,034,906	\$ 16,910,761
Equity and Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	10	\$ 2,280,857	\$ 2,810,334
Current portion of deferred revenue	4	2,894,290	2,661,345
Current portion of lease liabilities	15	1,270,636	1,389,576
Derivative liabilities	10, 19	121,339	-
Current portion of contingent consideration	22	85,741	-
Total current liabilities		6,652,863	6,861,255
Non-current liabilities:			
Lease liabilities	15	5,738,669	4,831,404
Loan payable	10	4,583,474	2,481,530
Contingent consideration	10, 19	613	357,542
Convertible notes	10, 19	3,721,706	2,984,926
Deferred revenue	4	44,583	-
Total non-current liabilities		14,089,045	10,655,402
Total liabilities		20,741,908	17,516,657
Shareholders' equity:			
Share capital	11	120,662,785	117,713,246
Warrants	10	22,585	3,356
Contributed surplus		1,671,522	1,113,691
Non-controlling interest	22	148,353	-
Accumulated other comprehensive income	10	131,000	-
Accumulated comprehensive loss		(128,343,247)	(119,436,189)
Total equity		(5,707,002)	(605,896)
Total equity and liabilities		\$ 15,034,906	\$ 16,910,761
Commitments and contingencies			
Business combinations	22		
Subsequent events	23		

See notes to consolidated financial statements

Approved, on behalf of the Board of Directors, by:

"Tony Tjan"

Tony Tjan, Chairman and Chief Executive Officer

"Vernon Lobo"

Vernon Lobo, Director

MiniLuxe Holding Corp.
Consolidated Statements of Net Loss and Comprehensive Loss
Years ended December 29, 2024 and December 31, 2023
Amounts expressed in United States Dollars

	Notes	December 29, 2024	December 31, 2023
Revenue	5	\$ 26,121,444	\$ 24,553,023
Cost of sales	12	15,140,426	14,431,447
Gross profit		10,981,018	10,121,576
General and administrative expense	12	13,215,538	17,079,312
Depreciation and amortization expense	8, 15	3,901,135	3,481,888
Impairment expense	8	664,259	959,831
Operating loss		(6,799,914)	(11,399,455)
Finance costs	10, 15	(1,658,702)	(1,420,935)
Other income	9	1,179	3,256,541
Unrealized gain/loss	10	(180,133)	(130,743)
Loss on debt extinguishment	10	(229,729)	-
Loss before tax		(8,867,299)	(9,694,592)
Income tax expense		-	-
Net loss for the period		\$ (8,867,299)	\$ (9,694,592)
Net profit/loss for the period attributable to:			
Owners of the parent		(8,907,058)	(9,694,592)
Non-controlling interest	22	39,759	-
		(8,867,299)	(9,694,592)
Other comprehensive income			
Adjustments that are not reclassified to profit or loss			
Change in fair value of convertible notes associated with credit risk	10	131,000	-
Comprehensive loss		\$ (8,736,299)	\$ (9,694,592)
Total comprehensive income/loss for the period attributable to:			
Owners of the parent		(8,776,058)	(9,694,592)
Non-controlling interest	22	39,759	-
		(8,736,299)	(9,694,592)
Basic loss per share	16		
Subordinate voting shares		\$ (0.06)	\$ (0.07)
Proportionate voting shares		\$ (60.14)	\$ (65.90)
Basic weighted-average shares outstanding			
Subordinate voting shares		57,040,391	56,045,917
Proportionate voting shares		91,064	91,064
Diluted loss per share			
Subordinate voting shares		\$ (0.06)	\$ (0.07)
Proportionate voting shares		\$ (60.14)	\$ (65.90)
Diluted weighted-average shares outstanding			
Subordinate voting shares		57,040,391	56,045,917
Proportionate voting shares		91,064	91,064

See notes to consolidated financial statements

MiniLuxe Holding Corp.
Consolidated Statements of Changes in Shareholders' (Deficit) Equity
Years ended December 29, 2024 and December 31, 2023
Amounts expressed in United States Dollars

		<u>Number of Shares</u>										
		Proportionate Voting Shares	Subordinate Voting Shares	Amount	Contributed Surplus	Warrants	Non-Controlling Interest	Accumulated Other Comprehensive Loss	Accumulated Comprehensive Loss	Total Shareholders' (Deficit) Equity		
Balance at January 1, 2023		91,064	56,054,077	\$ 117,719,641	\$ 798,576	\$ -	\$ -	\$ -	\$ (109,741,597)	\$ 8,776,620		
Share-based payments	13	-	-	-	315,115	-	-	-	-	315,115		
Exercise of stock options	13	-	21,873	4,538	-	-	-	-	-	4,538		
Shares repurchased through normal course issuer bid	11	-	(33,113)	(10,932)	-	-	-	-	-	(10,932)		
Warrants issued with convertible notes	10	-	-	-	-	3,356	-	-	-	3,356		
Net comprehensive loss		-	-	-	-	-	-	-	(9,694,592)	(9,694,592)		
Balance at December 31, 2023		91,064	56,042,837	\$ 117,713,247	\$ 1,113,691	\$ 3,356	\$ -	\$ -	\$ (119,436,189)	\$ (605,895)		
Balance at December 31, 2023		91,064	56,042,837	117,713,247	1,113,691	3,356	-	-	(119,436,189)	(605,895)		
Share-based payments	13	-	-	-	557,831	-	-	-	-	557,831		
Exercise of stock options	13	-	156,186	27,077	-	-	-	-	-	27,077		
Shares repurchased through normal course issuer bid	11	-	(51,200)	(16,692)	-	-	-	-	-	(16,692)		
Shares issued for settlement of debt	11	-	597,446	221,959	-	-	-	-	-	221,959		
Shares issued upon conversion of convertible notes	10	-	2,360,746	1,085,944	-	-	-	-	-	1,085,944		
Shares issued in private placement	11	-	2,965,906	1,631,250	-	-	-	-	-	1,631,250		
Warrants issued with convertible notes	10	-	-	-	-	19,229	-	-	-	19,229		
Non-controlling interest for MNLX SC LLC	22	-	-	-	-	-	108,594	-	-	108,594		
Change in fair value of convertible notes due to credit risk	10	-	-	-	-	-	-	131,000	-	131,000		
Net income (loss)		-	-	-	-	-	39,759	-	(8,907,058)	(8,867,299)		
Balance at December 29, 2024		91,064	62,071,921	\$ 120,662,785	\$ 1,671,522	\$ 22,585	\$ 148,353	\$ 131,000	\$ (128,343,247)	\$ (5,707,002)		

See notes to consolidated financial statements

MiniLuxe Holding Corp.
Consolidated Statements of Changes in Cash Flows
Years ended December 29, 2024 and December 31, 2023
Amounts expressed in United States Dollars

	Notes	December 29, 2024	December 31, 2023
Cash flows from operating activities:			
Net loss		(8,867,299)	(9,694,592)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	8, 15	3,901,135	3,481,888
Share-based payments	13	557,831	315,115
Loss on disposal of property and equipment	8	-	86,597
Loss on impairment of property, equipment and intangibles	8	664,259	959,831
Inventory reserve	7	273,613	99,314
Lease modifications	15	47,838	(69,163)
Loss on extinguishment of debt	10	229,729	-
Change in fair value of derivative liabilities	10	(6,899)	-
Change in fair value of convertible notes	10	272,953	403,282
Change in fair value of contingent consideration	10, 19	(85,921)	(272,539)
Interest expense, debt	10	634,254	386,550
Interest expense, leases	15	1,024,448	1,034,385
Loss on settlement of indemnity holdback from Paintbox business combination	22	36,692	-
<i>Changes in operating assets and liabilities</i>			
Inventories, net	7	226,199	233,966
Prepaid expenses and other current assets		120,681	26,153
Deposits		103,402	32,461
Accounts payable and accrued expenses	10	(529,737)	1,175,941
Deferred revenue	4	277,528	254,701
Operating activities subtotal		(1,119,294)	(1,546,110)
Interest paid		(1,024,448)	(1,034,385)
Cash flows used in operating activities		(2,143,742)	(2,580,495)
Cash flows from investing activities:			
Acquisition of equipment	8	(215,240)	(1,593,719)
Acquisition of ROU asset	15	-	(1,003,769)
Proceeds from sale of property and equipment	8	125,000	-
Investment in MNLX SC LLC	22	(150,000)	-
Acquisition of intangibles	8	-	(239,786)
Cash flows used in investing activities		(240,240)	(2,837,274)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes and warrants	10	1,700,000	2,585,000
Proceeds from loan payable, net of fees		1,909,950	-
Repayment of loan payable	10	(543,750)	(375,000)
Repayment of principal portion of lease liabilities	15	(1,664,795)	(1,718,028)
Shares issued in private placement	11	1,556,250	-
Shares repurchased through normal course issuer bid	11	(16,692)	(10,932)
Option exercises	13	27,077	4,537
Net cash provided by financing activities		2,968,040	485,577
Increase in cash and cash equivalents		584,058	(4,932,192)
Cash, cash equivalents and restricted cash, beginning of period		3,411,183	8,343,375
Cash, cash equivalents and restricted cash, ending of period		3,995,241	3,411,183

See notes to consolidated financial statements

MiniLuxe Holding Corp.
Consolidated Statements of Changes in Cash Flows
Years ended December 29, 2024 and December 31, 2023
Amounts expressed in United States Dollars

	Notes	December 29, 2024	December 31, 2023
Supplemental disclosures of cash flow information:			
Shares issued for settlement of debt	11	\$ 221,959	\$ -
Shares issued in private placement (proceeds received subsequent to year-end)	11	75,000	-
Shares issued upon conversion of convertible notes	10	1,085,944	-
Total		<u>\$ 1,382,903</u>	<u>\$ -</u>

See notes to consolidated financial statements

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
Years ended December 29, 2024 and December 31, 2023

Note 1. Nature of Business

MiniLuxe, Inc. ("MiniLuxe") was incorporated on April 26, 2008 in the state of Delaware, United States of America (USA). In 2021, MiniLuxe and MiniLuxe Holding Corp ("MiniLuxe Holding" or "the Company") completed a reverse takeover transaction, providing for the acquisition by MiniLuxe Holding of all the issued and outstanding common shares of MiniLuxe. The Company's subordinate shares are listed on the Toronto Venture Exchange (the "TSXV") under the trading symbol "MNLX" and on the OTCQX under the trading symbol "MNLXF." The office of the Company is located at 1 Faneuil Hall Sq Fl 7 Boston, Massachusetts.

MiniLuxe owns and operates nail and beauty salons and provides consumers with nail, hand, foot care, and waxing services, and sells personal beauty products. The Company's business model today consists of one principal operating segment that includes Talent Revenue (revenue generated through the delivery of services) and Product Revenue (revenue generated on retail sales of proprietary and third-party products across an omni-channel platform).

Under an accounting convention common in the retail industry, the fiscal year of the Company is a 52-week reporting cycle ending on the Sunday closest to December 31, which periodically necessitates a fiscal year of 53 weeks. The years ended December 29, 2024 and December 31, 2023 (referred to in these statements as 2024 and 2023, respectively) include 52 weeks.

On January 31, 2024, the Company established a wholly owned subsidiary, MiniLuxe Franchise, LLC, organized as a single-member limited liability company under the laws of Delaware, United States. The entity is wholly owned and controlled by MiniLuxe, Inc. and is treated as a disregarded entity for U.S. tax purposes. The parent has full control over the entity's operations, financial and operating policies, and bears all associated risks and rewards. The formation of MiniLuxe Franchise, LLC was primarily for the purpose of franchising, developing services and training to support franchisees, and fostering growth and expansion of the MiniLuxe franchising system. The first franchise location opened in December 2024 and there was no material activity in the year ended December 29, 2024.

On July 1, 2024, the Company, acquired a majority of the assets of the Sugarcoat Forum studio ("Sugarcoat"), a nail salon located in Atlanta, Georgia. Further information on the Sugarcoat transaction can be found in Note 22.

The financial statements of MiniLuxe Holding Corp. for the years ended December 29, 2024 and December 31, 2023 were authorized by the Company's board of directors on April 28, 2025.

The Company's services and products are marketed and sold to consumers in the states of Massachusetts, Rhode Island, California, Texas, Florida, New York, and Georgia.

Note 2. Basis of Presentation

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

The consolidated financial statements are comprised of the financial results of the Company, its wholly owned subsidiaries MiniLuxe, Inc. and MiniLuxe Franchise LLC, and its majority-owned subsidiary MNLX SC LLC, which was formed in connection with the acquisition of Sugarcoat Forum in July 2024. All intercompany balances and transactions have been eliminated upon consolidation. The portion of MNLX SC, LLC not owned by the Company is reflected as a non-controlling interest, and its share of the Company's net loss is included in net profit/loss attributable to non-controlling interest.

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
Years ended December 29, 2024 and December 31, 2023

Note 2. Basis of Presentation (continued)

The consolidated financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss or financial assets at fair value through other comprehensive profit or loss. The Company's financial assets and liabilities revalued at fair value through comprehensive profit or loss include contingent consideration, long term investments, derivative liabilities, and convertible debt.

Note 3. Material Accounting Policy Information

Cash and cash equivalents

The Company considers highly liquid investments purchased with an original maturity date of three months or less, that are readily convertible to a known amount of cash and subject to insignificant risk of changes in value, to be cash equivalents. Amounts in-transit from banks for customer credit card and debit card transactions that are processed in less than seven days are classified as cash and cash equivalents. The banks process the majority of these amounts within one to two business days.

Foreign currencies

The functional and presentation currency of the Company and its subsidiaries is the United States dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that time. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses are recognized in profit or loss.

Inventories, net

Inventories consist principally of finished goods merchandise products for sale to customers. Inventories are stated at the lower of cost or net realizable value determined on a first-in, first-out basis. Cost includes all direct and reasonable expenditures that are incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. A reserve for excess and obsolete inventory is recognized based on management's review of inventory aging, historical trends, and future demand forecasts.

Property and equipment, net

Property and equipment are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Furniture, fixtures, and equipment are depreciated over the estimated useful lives of the related assets using the straight-line method with an estimated useful life ranging from three to five years. Leasehold improvements are depreciated using the straight-line method over the shorter of the term of the lease or the estimated useful life of the related asset. The residual values, useful lives, and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Any property and equipment held for disposal or classified as held for sale is no longer depreciated once reclassified. Any gain or loss on the sale of property and equipment is recorded in the statement of net loss and comprehensive loss.

Note 3. Material Accounting Policy Information (continued)

Intangible assets, Goodwill and Tradename

Intangible assets that have a definite useful life are measured at cost less any accumulated amortization and accumulated impairment losses. Intangible assets with definite lives are amortized over their useful economic life on a straight-line basis from the date that they are available for use. The estimated useful lives for the current period are as follow:

- Tradename: indefinite life
- Goodwill: indefinite life
- Website: 3 years

Amortization methods and useful lives are reviewed at each annual reporting date and adjusted, prospectively.

Intangible assets with indefinite lives, comprising of goodwill and tradenames, are not amortized but are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that the asset might be impaired.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill and tradename are tested for impairment at least annually at the year-end reporting date, and whenever there is an indication that the asset may be impaired.

For purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The Company has assessed its CGUs to be at the individual studio unit level. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

An impairment loss in respect of goodwill is not reversed. The Company determined there was impairment to intangible assets during the years ended December 29, 2024 and December 31, 2023, as disclosed in Note 8.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
Years ended December 29, 2024 and December 31, 2023

Note 3. Material Accounting Policy Information (continued)

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term calculated using the Company's incremental borrowing rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Non-lease components

The Company does not separate lease and non-lease components for all classes of underlying assets. As a result, non-lease components and non-components are accounted for together with the lease component(s).

Variable lease payments

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

Modifications

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- (a) if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy,
- (b) in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount,

Note 3. Material Accounting Policy Information (continued)

- (c) if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognized in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Government grants

Government grants are recorded as other income or as a reduction of the cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met or will meet the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Grants that compensate the Company for expenses incurred, or for immediate financial support with no future related costs, are recognized in profit or loss in reduction thereof on a systematic basis in the same years in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

Financial assets

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. At initial recognition, the Company classifies financial assets according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in one of the following measurement categories: (i) amortized cost, (ii) fair value through other comprehensive income ("FVOCI"), and (iii) fair value through profit or loss ("FVTPL").

As of December 29, 2024, the Company's financial assets are cash and cash equivalents, along with a long-term investment. Cash and cash equivalents are carried at amortized cost, while the long-term investment is measured at FVTPL.

Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings or as payables, as appropriate. All financial liabilities are recognized initially at fair value, plus or minus transaction costs that are directly attributable to the acquisition of financial liabilities that are measured at amortized cost. Transaction costs directly attributable to financial liabilities classified as fair value through profit or loss are expensed as incurred.

The Company's financial liabilities include accounts payable and accrued expenses, lease liabilities, loans payable, convertible promissory notes, derivative liabilities and contingent consideration. Accounts payable and accrued expenses, lease liabilities, and loans payable are subsequently measured at amortized cost. Contingent consideration and derivative liabilities are measured at fair value through profit or loss. The Company elected the fair value option for the convertible promissory notes. The amount of the change in the fair value that is attributable to changes in the credit risk shall be presented in other comprehensive income (OCI) and the remaining amount of the change in the fair value shall be recognized in profit and loss.

Financial liabilities are initially analyzed for classification as debt or equity or both as applicable. Liabilities that have both debt and equity features are classified as compound financial instruments where the liability component is determined at fair value and any residual value is allocated to equity. Such liabilities are further analyzed for any other embedded features which are evaluated separately to determine if they qualify as embedded derivatives which should be bifurcated from the host instrument.

Note 3. Material Accounting Policy Information (continued)

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement. Refer to Note 19 for more details.

Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Earnings per share

Basic and diluted earnings per share have been determined by dividing the net comprehensive income or loss attributable to the Company's shareholders for the period, by the basic and diluted weighted average number of shares, respectively.

The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of grant, as applicable. However, in periods where the Company is in a loss position, the effect of potential ordinary shares is anti-dilutive and therefore excluded from the calculation.

Revenue recognition

IFRS 15 provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when or as performance obligations are satisfied.

The Company derives its revenue from salon services and product sales to customers.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods and services to the customer. Revenue on sales of services and

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Note 3. Material Accounting Policy Information (continued)

products is recorded based on a fixed transaction price. Payments for services, retail sales and gift cards are due at the point of sale.

The Company records salon service revenue at a point in time when the service is provided, which is when the performance obligation is satisfied. The Company records revenue from product sales at a point in time of sale, which is when the performance obligation is satisfied. Online product sales are recorded upon the shipment of merchandise as control is transferred at point of shipment. Customers typically receive goods within a few days of shipment.

The Company collects and remits sales tax on transactions with customers and reports such amounts under the net method in the statement of operations. Accordingly, these taxes are not included in gross revenue.

When consideration is received and revenue has not yet been recognized, a contract liability (deferred revenue) is recorded. Historically the Company has only received consideration in advance of provided goods and services related to the sale of gift cards and nail service packages. The Company sells gift cards in its salons and through its website. The Company records a liability in the period in which a gift card is sold. The Company does not charge administrative fees on unused gift cards, and gift cards do not have an expiration date. As gift cards are redeemed, the Company recognizes revenue and reduces the related liability. See accounting policy and estimation process related to gift card breakage in Note 4.

Income taxes

Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Note 3. Material Accounting Policy Information (continued)

Share-based payments

The Company has stock option plans in place that are deemed to be equity-settled, share-based payment plans. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock-based awards and option grants in determining stock-based compensation. The fair value at grant date of share-based payments under the plan is expensed over the service period in which the employees unconditionally become entitled to the awards, based on the estimate of shares that will eventually vest.

The fair value of stock-based awards granted to non-employees is the fair value of the identifiable goods or services or the fair value of the equity instrument granted if the goods or services are not reliably measurable. The measurement date of the fair value is the date at which the Company receives the goods or services from the non-employees or the grant date of the instrument when the goods or services are unidentifiable. Goods or services are recognized in expense over the period that the services are received.

Further information regarding stock-based compensation can be found in Note 13.

Current and non-current classification

The Company presents assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when it is expected to be realized or intended to be sold or consumed within the normal operating cycle, held primarily for the purpose of trading, expected to be realized within twelve months after the reporting period, or cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, is held primarily for the purpose of trading, is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of the liability that could, at the option of its counterparty, result in settlement by the issue of equity instruments do not impact its classification. The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Business Combinations

The Company follows the acquisition method to account for business combinations in accordance with IFRS 3, *Business Combinations*. The consideration for the acquisition of a business is measured as the fair value of assets transferred, equity instruments issued, and liabilities incurred as of the date of acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured at their estimated fair values on the date of acquisition. Intangible assets in the form of trade name are valued using the income approach, which is a method of using discounted cash flows. The excess of the consideration transferred over the estimated fair value of the net assets acquired is recorded as goodwill. If the consideration transferred is less than the net assets acquired, the difference is recognized directly in the consolidated statements of net loss and comprehensive loss.

Results of operations of a business acquired are included in the Company's consolidated financial statements from the date of the acquisition. Transaction costs, other than those associated with the issue of debt or equity instruments, that the Company incurs in connection with a business combination are expensed as incurred.

Note 3. Material Accounting Policy Information (continued)

Contingent consideration to be transferred by the acquirer is recognized at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognized in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

New information obtained during the measurement period about facts and circumstances existing at the acquisition date may affect the purchase price allocation. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all information possible to determine fair value.

Refer to Note 22 for additional information on the Company's business combinations.

Adopted and future accounting pronouncements

New standards, amendments and interpretations

The following amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after January 1, 2024:

IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback): The amendment adds a requirement that measuring lease payments or revised lease payments shall not result in the recognition of a gain or loss that relates to the right-of-use asset retained by the seller-lessee.

IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current): The amendments provide guidance on the right to defer settlement and the meaning of settlement in relation to debt arrangements.

IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants): The amendment specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements.

IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (Amendments – Supplier Finance Arrangements): The amendments add requirements to disclose information that allows users to assess how supplier finance arrangements affect an entity's liabilities, cash flows, and exposure to liquidity risk.

The Company has determined that the amendments have no material impact on the financial statements as of December 29, 2024.

Future Accounting Standards and Interpretations

There are a number of upcoming amendments to standards and interpretations which have been issued by the IASB. The Company is currently evaluating the impact of these standards.

IAS 21 The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability amendments: The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted.

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Note 3. Material Accounting Policy Information (continued)

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments – Disclosures; amendments to the Classification and Measurement of Financial Instruments: The amendments relate to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets, including those with Environmental, Social, and Governance (ESG)-linked features. The IASB also amended disclosure requirements relating to investments in equity instruments designated at FVOCI and added disclosure requirements for financial instruments with contingent features. The amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted.

IFRS 18 Presentation and Disclosure in Financial Statements: The new standard introduces newly defined subtotals on the income statement, requirements for aggregation and disaggregation of information, and disclosure of management performance measures in the financial statements. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted.

Note 4. Significant Accounting Judgments, Estimates and Uncertainties

In the process of applying the Company's accounting policies, management has made the following judgements and estimates, while noting uncertainties, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Deferred Revenue

The Company uses historic gift card redemption patterns to determine the probability of gift card redemption. When a gift card is not subject to escheatment and it is probable that a portion of a gift card will not be redeemed, this amount is considered to be breakage. Breakage is recognized as revenue consistent with the historic redemption patterns of the associated gift cards. The Company recognized breakage income of \$114,676 and \$116,206 in the years ended December 29, 2024 and December 31, 2023, respectively, and these amounts have been included in revenue in the statements of net loss and comprehensive loss. Please see below for a summary of deferred revenue activity related to gift cards:

Balance at January 1, 2023	\$ 2,138,568
Gift Card Issuances	1,290,392
Gift Card Usage	(1,022,966)
Gift Card Breakage	(116,206)
Balance at December 31, 2023	\$ 2,289,788
Gift Card Issuances	1,274,444
Gift Card Usage	(1,099,582)
Gift Card Breakage	(114,676)
Balance at December 29, 2024	\$ 2,349,974

The Company reports the gift card contract liabilities within deferred revenue on the statements of financial position. In addition to the deferred revenue related to gift cards, the Company also records deferred revenue related to service package sales.

Balance at January 1, 2023	\$ 268,076
Package Issuances	366,544
Package Usage	(263,063)
Balance at December 31, 2023	\$ 371,557
Package Issuances	530,902
Package Usage	(363,143)
Balance at December 29, 2024	\$ 539,316

Note 4. Significant Accounting Judgments, Estimates and Uncertainties (continued)

Leases - Determining the lease term of contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain it will exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company did not include the renewal period as part of the lease term for leases of real estate and equipment with non-cancellable periods as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate

If the Company cannot readily determine the interest rate implicit in its leases, it instead uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

Share-based payments

The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model such as the Black-Scholes model. The inputs to the model include share price, exercise price, assumptions regarding expected volatility, expected life of share option and expected dividend yield.

Fair value measurement hierarchy

The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3:** Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant

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Note 4. Significant Accounting Judgments, Estimates and Uncertainties (continued)

adjustments based on unobservable inputs. For more details of the fair value disclosures, refer to Note 19.

Impairment of non-financial assets

In assessing for indicators of impairment at the annual impairment date, management noted certain internal sources of information that would result in an adverse effect to one of its existing CGUs. This determination was made through extensive consideration of the environment in which MiniLuxe operates as well as company performance. Refer to Note 8 for more detail.

Note 5. Segment Information

The Company has one operating segment, which consists of talent revenue and product revenue. The revenue recognition for the talent revenue and product revenue are recognized at a point in time.

The Company operates in only one geographical region which is the United States of America (USA).

	<i>52 weeks ended</i>	
	December 29, 2024	December 31, 2023
Talent revenue	\$ 25,730,503	\$ 23,954,949
Product revenue	390,941	598,074
	<u>\$ 26,121,444</u>	<u>\$ 24,553,023</u>

Note 6. Capital Management

For the purpose of the Company's capital management, capital includes subordinate voting shares, proportionate voting shares, contributed surplus and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may declare discretionary dividend payments to shareholders, return capital to shareholders or issue new shares. The Company includes within net (excess) debt, interest and non-interest-bearing loans and borrowings, accounts payable and accrued expenses, less cash and short-term deposits.

MiniLuxe Holding Corp.
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Note 6. Capital Management (continued)

	December 29, 2024	December 31, 2023
Interest-bearing loans and borrowings:		
Loan payable	\$ 4,583,474	\$ 2,481,530
Convertible promissory notes	3,721,706	2,984,926
Current portion of lease liabilities	1,270,636	1,389,576
Lease liabilities	5,738,669	4,831,404
Accounts payable and accrued expenses	2,280,857	2,810,334
Less cash and restricted cash	(3,995,241)	(3,411,183)
Net debt	<u>13,600,101</u>	<u>11,086,587</u>
Equity	<u>(5,782,002)</u>	<u>(605,896)</u>
Total capital	<u>(5,782,002)</u>	<u>(605,896)</u>
Capital and net debt	<u>\$ 7,818,099</u>	<u>\$ 10,480,691</u>

No changes were made in the objectives, policies or processes for managing capital during the years ended December 29, 2024 or December 31, 2023.

Note 7. Inventories

Inventory consisted of the following at December 29, 2024 and December 31, 2023:

	December 29, 2024	December 31, 2023
Merchandise and retail products	\$ 177,638	\$ 534,676
Inventory supplies	259,148	304,085
Polish	223,510	242,563
Raw materials	209,434	288,218
Total inventories	<u>\$ 869,730</u>	<u>\$ 1,369,542</u>
Inventory write-downs	<u>\$ 273,613</u>	<u>\$ 99,314</u>

There have been no reversals of inventory write-downs for the years ending December 29, 2024 and December 31, 2023.

Inventory recognized as an expense in cost of sales is \$1,795,358 and \$1,755,815 for the years ending December 29, 2024 and December 31, 2023, respectively.

The allowance for excess and obsolete inventory was \$372,970 and \$99,314 at December 29, 2024 and December 31, 2023, respectively.

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Note 8. Property and Equipment, net and Intangible Assets, net

Property and equipment, net consists of the following at December 29, 2024 and December 31, 2023:

	Furniture, Fixtures & Equipment	Leasehold Improvements	Construction in Progress	Total
Cost				
At January 1, 2023	\$ 2,269,482	\$ 15,743,129	\$ -	\$ 18,012,611
Additions	255,488	487,404	850,827	1,593,719
Disposals	-	(90,087)	-	(90,087)
Impairment	-	(176,167)	-	(176,167)
Transfers	38,253	812,574	(850,827)	-
At December 31, 2023	<u>\$ 2,563,223</u>	<u>\$ 16,776,853</u>	<u>\$ -</u>	<u>\$ 19,340,076</u>
Additions	147,368	351,865	-	499,233
Disposals	(47,867)	(756,722)	-	(804,589)
Impairment	(36,054)	(30,959)	-	(67,013)
At December 29, 2024	<u>\$ 2,626,670</u>	<u>\$ 16,341,037</u>	<u>\$ -</u>	<u>\$ 18,967,707</u>
Depreciation				
At January 1, 2023	\$ 1,897,233	\$ 9,858,774	\$ -	\$ 11,756,007
Depreciation charge for the year	196,990	1,596,078	-	1,793,068
Disposals	-	(3,490)	-	(3,490)
At December 31, 2023	<u>\$ 2,094,223</u>	<u>\$ 11,451,362</u>	<u>\$ -</u>	<u>\$ 13,545,585</u>
Depreciation charge for the year	237,308	1,903,855	-	2,141,163
Disposals	(29,280)	(516,130)	-	(545,410)
At December 29, 2024	<u>\$ 2,302,251</u>	<u>\$ 12,839,087</u>	<u>\$ -</u>	<u>\$ 15,141,338</u>
Net book value				
At December 31, 2023	\$ 469,000	\$ 5,325,491	\$ -	\$ 5,794,491
At December 29, 2024	<u>\$ 324,419</u>	<u>\$ 3,501,950</u>	<u>\$ -</u>	<u>\$ 3,826,369</u>

Intangible assets consist of the following at December 29, 2024 and December 31, 2023:

	Website	Goodwill	Tradenname	Tech Platform	Total
Cost					
At January 1, 2023	\$ 888,072	\$ 260,073	\$ 948,000	\$ -	\$ 2,096,146
Additions	-	-	-	239,786	239,786
Impairment	-	(260,073)	(283,805)	(239,786)	(783,664)
At December 31, 2023	<u>\$ 888,072</u>	<u>\$ -</u>	<u>\$ 664,195</u>	<u>\$ -</u>	<u>\$ 1,552,267</u>
Impairment	-	-	(597,246)	-	(597,246)
At December 29, 2024	<u>\$ 888,072</u>	<u>\$ -</u>	<u>\$ 66,949</u>	<u>\$ -</u>	<u>\$ 955,021</u>
Depreciation					
At January 1, 2023	\$ 254,335	\$ -	\$ -	\$ -	\$ 254,335
Depreciation charge for the year	296,025	-	-	-	296,025
At December 31, 2023	<u>\$ 550,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 550,360</u>
Depreciation charge for the year	296,558	-	-	-	296,558
At December 29, 2024	<u>\$ 846,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 846,918</u>
Net book value					
At December 31, 2023	\$ 337,712	\$ -	\$ 664,195	\$ -	\$ 1,001,907
At December 29, 2024	<u>\$ 41,154</u>	<u>\$ -</u>	<u>\$ 66,949</u>	<u>\$ -</u>	<u>\$ 108,103</u>

MiniLuxe Holding Corp.
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Note 8. Property and Equipment, net and Intangible Assets, net (continued)

Impairment

Goodwill and tradename are tested for impairment at least annually at the year-end reporting date, and whenever there is an indication that the asset may be impaired.

2024 Impairment:

As of the year ended December 29, 2024, management completed its annual test for impairment of its tradename and determined that the asset was impaired. The Company also identified a triggering event for the Paintbox CGU. The Company compared the carrying amount of the Paintbox CGU's assets to the value in use of the CGU based on discounted future cash flows, which is higher than the fair value less costs to sell. Based on this assessment, the Company determined that impairment of tradename existed, as well as additional impairment that was allocated pro rata to the other assets within the CGU.

The key inputs used in the estimation of the enterprise value are set out below.

Discount rate: 43%
Terminal multiple: 2.44x

The discount rate is estimated based on the historical industry average weighted-average cost of capital, with a debt leveraging of 5% at a market rate of 5% and a tax rate for interest shield purposes of 27%. The pre-tax discount rate would also be 43%.

The cash flow projections included specific estimates for 5 years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term annual growth rate of 2%, consistent with the assumptions that a market participant would make.

Net operating income was estimated by taking into account a shift in focus for the Paintbox brand, including the 2024 closure of a physical location, as well as increased projections in the e-commerce and wholesale revenue coupled with cost optimization for certain products.

The estimated recoverable amount of the CGU was determined to be \$136,662, which was \$664,259 less than its carrying amount. Therefore, an impairment loss of \$664,259 was recognized as of year-end, leading to a reduction of tradename of \$597,246 and an additional reduction of \$67,013 applied across the remaining CGU assets. Such impairment charges were included in Impairment Expense on the Consolidated Statements of Net Loss and Comprehensive Loss.

Long lived asset impaired	Impairment charge
Tradename	\$ 597,246
Furniture, fixtures & equipment	36,054
Leasehold improvements	30,959
Total	<u>\$ 664,259</u>

2023 Impairment:

As of the year ended December 31, 2023, management completed a test for impairment of the Paintbox CGU and determined that the assets were impaired.

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Note 8. Property and Equipment, net and Intangible Assets, net (continued)

The key inputs used in the estimation of the enterprise value are set out below.

Discount rate: 46%
Terminal multiple: 2.27x

The discount rate is estimated based on the historical industry average weighted-average cost of capital, with a debt leveraging of 5% at a market rate of 6% and a tax rate for interest shield purposes of 27%. The pre-tax discount rate would also be 46%.

The cash flow projections included specific estimates for 5 years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term annual growth rate of 2%, consistent with the assumptions that a market participant would make.

Net operating income was estimated by taking into account a shift in focus for the Paintbox brand, including the 2024 closure of a physical location, as well as increased projections in the e-commerce and wholesale revenue for certain products.

The estimated recoverable amount of the CGU was determined to be \$811,449, which was \$720,045 less than its carrying amount, leading to a reduction applied across the CGU assets:

Long lived asset impaired	Impairment charge
Goodwill	\$ 260,073
Tradename	283,805
Leasehold improvements	176,167
Total	<u>\$ 720,045</u>

In the year ended December 31, 2023, the Company also decided to discontinue the buildout of a proprietary technology platform. All associated assets were deemed to be impaired. An impairment charge of \$239,786 was included in Impairment Expense on the Consolidated Statement of Net Loss and Comprehensive Loss.

Note 9. Government Grants

In January of 2023, the Company received a refundable payroll tax credit, the Employee Retention Credit, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of \$3,159,560.

The Employee Retention Credit is a government funded tax credit established by the United States federal government under the CARES Act to help eligible employer that presented a decline in business due to the COVID-19 pandemic and related shutdowns. The Company recognized the entirety of the Employee Retention Credit as other income when it was reasonably assured the credit would be received, which occurred upon cash receipt.

Note 10. Financial Instruments

The Company's financial assets are comprised of cash and cash equivalents and a long-term investment.

On December 15, 2021, the Company invested in BeautyByMe, a volumetric device brand focused on the creation of small-batch, on-demand cosmetic products for \$50,000. The investment is classified as

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
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Note 10. Financial Instruments (continued)

FVTPL with all changes in value being recorded through the statement of net loss and comprehensive loss. The investment is presented as a long-term asset.

The Company's financial liabilities are comprised of the following:

	Interest Rate	Maturity	December 29, 2024	December 31, 2023
Current interest-bearing loans and borrowings				
Lease liabilities	15%	2025	\$ 1,270,636	\$ 1,389,576
Total current interest-bearing loans and borrowings			1,270,636	1,389,576
Non-current interest-bearing loans and borrowings				
Lease liabilities	15%	2026-2035	5,738,669	4,831,404
Loan payable	15%	2027	4,583,474	2,481,530
Convertible notes	12%	2027	3,721,706	2,984,926
Total non-current interest-bearing loans and borrowings			14,043,849	10,297,860
Total interest-bearing loans and borrowings			15,314,485	11,687,436
Financial liabilities, other than interest-bearing loans and borrowings				
Accounts payable and accrued expenses			2,280,857	2,810,334
Derivative liabilities			121,339	-
Contingent consideration			86,354	357,542
Total other financial liabilities			\$ 2,488,550	\$ 3,167,876
Total current			\$ 3,758,573	\$ 4,199,910
Total non-current			\$ 14,044,462	\$ 10,655,402

Convertible promissory notes

On November 30, 2023, January 22, 2024 and April 25, 2024, the Company issued \$2,585,000, \$1,225,000 and \$475,000, respectively, in subordinated convertible debentures ("convertible notes"), resulting in the issuance of 2,585, 1,225 and 475 units at a price of \$1,000 per unit. Each unit consists of a right to the payment of principal and interest at the stated rate of 11.5%, a conversion feature and an attached warrant. The maturity date is 42 months from the date of issuance. At maturity, the Company has the option to repay either a portion or the entire principal plus accrued and unpaid interest either in cash or through the issuance of shares.

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Notes to the Consolidated Financial Statements
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Note 10. Financial Instruments (continued)

The Company elected the fair value option to account for the principal and interest payable under the convertible note, inclusive of all embedded features. The attached warrants are classified as equity instruments. No subsequent remeasurement is required on these equity-classified warrants. The allocation of proceeds at closing is as follows:

Date Issued:	April 25, 2024	January 22, 2024	November 30, 2023
Fair value of convertible note when issued:	\$ 465,135	\$ 1,215,636	\$ 2,581,644
Warrants	9,865	9,364	3,356
Total gross proceeds	\$ 475,000	\$ 1,225,000	\$ 2,585,000

If the Company exercises its right to convert the accrued principal and interest into shares, the amount of shares to be issued will be calculated by dividing the principal and interest by the greater of: (i) the market price of the shares on the date before the public announcement by the Company of its intention to satisfy the payment in shares, or (ii) the volume-weighted average price ("VWAP") of the shares for the 5 trading days immediately prior to the same. At any point up until the maturity date, the holder of the convertible note has the right to convert all or any portion of the principal amount of the debenture into shares at the conversion price of \$0.52 per share. Additionally, the Company holds an accelerated conversion right. If 4 months and 1 day following the issuance of the convertible note the 21-day consecutive VWAP exceeds \$0.57, the Company will have the option to require the holder to convert the principal amount into shares of the Company at the conversion price of \$0.52.

Each convertible note is issued with an attached warrant, with the number of warrants issued calculated as 15% of the principal balance received at the strike price of \$0.52.

In accordance with IFRS 9.5.7.7, the amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income (OCI) and the remaining amount of the change in the fair value shall be recognized in profit and loss.

On December 27, 2024 the Company settled \$975,000 in convertible notes and \$110,944 accrued interest thereon in exchange for 2,360,746 Class A subordinate voting shares. The notes were valued at the time of conversion using a price of \$0.46 per share and the resulting amount was recorded directly to share capital.

At December 29, 2024, the fair value of the convertible notes was determined to be \$3,721,706 and an unrealized loss of \$272,953 and unrealized gain attributable to changes in the credit risk of \$131,000 were recognized in the Consolidated Statements of Net Loss and Comprehensive Loss.

At December 31, 2023, the fair value of the convertible notes was determined to be \$2,984,926 and an unrealized loss of \$403,282 was recognized in the Consolidated Statements of Net Loss and Comprehensive Loss. There was no change in fair value attributable to changes in the credit risk recognized in the year ended December 31, 2023.

Senior debt and associated warrants

The Company issued \$2,500,000 of senior debt recorded at \$2,460,000 (net of approximately \$40,000 in transaction costs) during the quarter ended June 27, 2021 repayable no later than April 27, 2025.

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Notes to the Consolidated Financial Statements
Years ended December 29, 2024 and December 31, 2023

Note 10. Financial Instruments (continued)

On April 5, 2024, the Company completed a re-financing of its senior debt, extending maturity for 24 months for the original \$2,500,000 principal and adding an additional \$2,000,000 of new capital, all of which will now mature in May 2027 (the “new senior debt”). The new senior debt shall pay 15.0% cash-pay interest along with 2.0% simple, paid-in-kind interest that accrues until maturity. In connection with the re-financing, the Company issued warrants to purchase 1,692,308 Subordinate Voting Shares of the Company at a strike price of \$0.52 USD (~\$.71 CDN) per share for a period of three years from the date of issuance. The warrants are subject to a hold period of four months and one day from the issuance date in accordance with applicable securities laws. The refinancing was approved by the TSX Venture Exchange.

Under IFRS 9, it was determined that the terms of this re-financing were substantially different than the terms of the original debt based on the “10% test.” Therefore, the re-financing was accounted for as an extinguishment of the original debt. This original debt was derecognized with a loss on extinguishment of debt of \$229,729 recognized in the Consolidated Statements of Net Loss and Comprehensive Loss. Just prior to the extinguishment, the original debt had a carrying amount of \$2,490,098. The new debt was recognized at fair value, which was determined to be to be \$4,554,456 at the date of modification.

The associated warrants were determined to meet the definition of a derivative liability and were also recognized at fair value. Upon recognition, the fair value of the warrants was determined to be \$128,238. As of December 29, 2024 the fair value of the warrants was determined to be \$121,339 and an unrealized gain of \$6,899 was recognized in the Consolidated Statements of Net Loss and Comprehensive Loss.

Interest expense on the senior debt for the years ended December 29, 2024 and December 31, 2023 was \$634,253 and \$386,550, respectively.

Accounts payable and accrued expenses

	December 29, 2024	December 31, 2023
Accounts payable	\$ 889,330	\$ 987,231
Other payables and accrued expenses	1,304,769	1,759,390
Variable rent	86,758	63,713
	<u>\$ 2,280,857</u>	<u>\$ 2,810,334</u>

Terms and conditions of the above financial liabilities:

- Accounts payables and accrued expenses are non-interest bearing and are normally settled on 30-day terms.
- Variable Rent and other payables are non-interest bearing and have an average term of 30 days.

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
Years ended December 29, 2024 and December 31, 2023

Note 10. Financial Instruments (continued)

Finance Costs

Reconciliation of finance costs for the years ended December 29, 2024 and December 31, 2023 are summarized in the following table:

	December 29, 2024	December 31, 2023
Lease adjustments	\$ 1,024,448	\$ 1,034,385
Senior debt Interest	634,254	386,550
	<u>\$ 1,658,702</u>	<u>\$ 1,420,935</u>

Unrealized Gain/Loss

Reconciliation of unrealized gains and losses for the years ended December 29, 2024 and December 31, 2023 are summarized in the following table:

	December 29, 2024	December 31, 2023
Convertible notes	\$ (272,953)	\$ (403,282)
Contingent consideration	85,921	272,539
Derivative liabilities	6,899	-
	<u>\$ (180,133)</u>	<u>\$ (130,743)</u>

Note 11. Share Capital

As of December 29, 2024 and December 31, 2023, the Company has authorized an unlimited number of subordinate and proportionate voting shares. The holders of the subordinate and proportionate voting shares are entitled to vote on all matters. The holders of the subordinate voting shares are entitled to the number of votes equal to the number shares held. The holders of the proportionate voting shares are entitled to 1,000 votes for each share held. As of December 29, 2024, there were 62,071,921 subordinate voting shares and 91,064 proportionate issued and outstanding.

During the years ended December 29, 2024 and December 31, 2023, the Company acquired a total of 51,200 Class A subordinate voting shares for C\$23,203 and 33,113 subordinate voting shares for C\$14,988 respectively under its Normal Course Issuer Bid ("NCIB"); reauthorized and announced on March 4, 2024. Under the NCIB, the Company may not acquire more than 2% of its issued and outstanding subordinate voting shares in any 30-day period.

On February 16, 2024, the Company issued shares to settle its earnout obligations related to the indemnity holdback valued at \$185,267 as of December 31, 2023 and bonus payments pursuant to its acquisition of Paintbox in 2022. The Company issued 597,446 Class A subordinate voting shares at a price per share of CAD\$0.52 in full satisfaction of the indemnity provision.

On December 27, 2024, the Company completed a non-brokered private placement of Class A subordinate voting shares of the Company and raised a total of USD \$1.63M or (~CDN \$2.35M) through the issuance of 2,965,906 Subordinate Voting Shares at a price of USD \$0.55 each (CDN \$0.79). Due to a timing difference of wire receipt, \$75,000 of the proceeds remained outstanding as of year-end and is reflected as a receivable in the Consolidated Statement of Financial Position as of December 29, 2024.

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
Years ended December 29, 2024 and December 31, 2023

Note 12. General and Administrative Expenses and Cost of Sales

General and administrative expenses are comprised of the following:

	<i>Year ended</i>	
	<u>December 29, 2024</u>	<u>December 31, 2023</u>
Salaries, wages and employee benefits	\$ 6,262,554	\$ 8,482,558
Variable rent	1,064,125	1,108,063
Bank and credit card fees	756,627	719,544
Professional fees	693,189	1,057,226
IT related costs	616,331	879,366
Stock compensation	557,831	315,115
Insurance, permits and fines	535,898	525,560
Marketing and selling expenses	492,280	973,728
Operating supplies	481,651	652,708
HR, payroll and recruiting fees	460,490	445,376
Repairs and maintenance	374,860	429,169
Warehouse	294,326	467,447
Travel, meals and entertainment	276,874	427,756
Other expenses	183,577	386,661
Equipment	110,053	137,912
Listing costs	54,872	71,123
Total general and administrative expense	\$ 13,215,538	\$ 17,079,312

Cost of sales are comprised of the following:

	<i>Year ended</i>	
	<u>December 29, 2024</u>	<u>December 31, 2023</u>
Direct labor	\$ 13,213,573	\$ 12,465,335
Service supplies	1,027,735	1,204,316
Retail supplies and commissions	813,504	604,055
Shipping and fulfillment	85,614	157,741
Total cost of sales	\$ 15,140,426	\$ 14,431,447

Note 13. Share-based payments

Under the 2021 Omnibus Equity Incentive Compensation Plan (the "Plan"), 14,603,586 shares and an aggregate of 13,228,771 between Restricted Share Units ("RSU"), Deferred Share Units ("DSU") and Performance Share Units ("PSU") are authorized for issuance at December 29, 2024.

Options to purchase 282,978 and 3,502,061 subordinate voting shares were available for issuance under the Plan as of December 29, 2024 and December 31, 2023, respectively. No RSUs, DSUs or PSUs were issued and outstanding as of December 29, 2024 or December 31, 2023.

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
Years ended December 29, 2024 and December 31, 2023

Note 13. Share-based payments (continued)

Stock option activity under the Plan during the years ended December 29, 2024 and December 31, 2023 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Life (In Years)
Options Outstanding at January 1, 2023	7,963,205	\$0.20	8.0
Granted	5,477,990	\$0.24	
Forfeited	(414,790)	\$0.30	
Exercised	(21,873)	\$0.21	
Cancelled	(1,968,670)	\$0.23	
Options Outstanding at December 31, 2023	11,035,862	\$0.21	8.3
Options Exercisable at December 31, 2023	4,464,469	\$0.17	6.7
Granted	5,475,769	\$0.26	
Forfeited	(1,324,831)	\$0.22	
Exercised	(156,186)	\$0.29	
Options Outstanding at December 29, 2024	15,030,614	\$0.23	8.5
Options Exercisable at December 29, 2024	8,134,826	\$0.18	7.8

The weighted-average fair value of stock options granted during the years ended December 29, 2024 and December 31, 2023 under the Black-Scholes option-pricing model were \$0.19 and \$0.08 per share, respectively.

In the years ended December 29, 2024 and December 31, 2023, 156,186 and 21,873 stock options were exercised, respectively.

The Company recognized \$557,831 and \$315,115 in stock-based compensation expense for the years ended December 29, 2024 and December 31, 2023, respectively. As of December 29, 2024, there was approximately \$951,337 of total unrecognized compensation expense related to unvested employee stock-based compensation arrangements, which is expected to be recognized over a weighted-average period of 1.9 years.

A total of 5,475,769 options were granted in the year ended December 29, 2024. The fair value of stock options granted was measured with the following assumptions:

Grant date:	May 13, 2024	August 16, 2024	September 26, 2024	September 30, 2024	November 18, 2024	December 17, 2024
Exercise price	\$0.34	\$0.24	\$0.23	\$0.23	\$0.38	\$0.27
Share price	\$0.30	\$0.24	\$0.23	\$0.23	\$0.41	\$0.51
Expected volatility	50%	50%	50%	50%	50%	50%
Expected option life	7 years	7 years	7 years	7 years	7 years	7 years
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk free interest rate	4.50%	3.77%	3.55%	3.58%	4.28%	4.26%

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
Years ended December 29, 2024 and December 31, 2023

Note 13. Share-based payments (continued)

A total of 5,477,990 options were granted during the year ended December 31, 2023 in 2 tranches. The fair value of stock options granted was measured with the following assumptions:

Grant date:	November 13, 2023	February 1, 2023
Exercise price	\$0.19	\$0.45
Share price	\$0.14	\$0.33
Expected volatility	50%	50%
Expected option life	7 years	7 years
Expected dividend yield	0.00%	0.00%
Risk free interest rate	4.66%	3.43%

The fair value of the share-based payment transactions is measured based on valuation models. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, expected life of the instruments (based on contractual life and tranche vesting term), expected dividends, and the risk-free interest rate (based on government bonds). The Company considered the historical volatility of similar entities for which share price information is publicly available when estimating the expected volatility. The listed entities used in the analysis operate within a similar industry space, focusing on the delivery of similar products and services.

Note 14. Income Taxes

Reconciliation of tax expense and the accounting profit multiplied by the Company's domestic tax rate for 2024 and 2023:

	December 29, 2024	December 31, 2023
Loss before tax	\$ (8,867,299)	\$ (9,694,592)
Statutory income tax rate	26.50%	26.50%
Expected income tax recovery	(2,349,834)	(2,569,067)
Book gain/loss	-	316
Non-deductible expenses for tax purposes	56,798	(523,537)
Change in statutory rates and other	137,551	797,159
Change in valuation allowance	2,155,485	2,295,129
Income tax expense reported in the statements of net loss and comprehensive loss	\$ -	\$ -

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
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Note 14. Income Taxes (continued)

Unrecognized deferred tax assets:

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 29, 2024	December 31, 2023
Net operating loss carryforwards (US)	\$ 78,879,511	\$ 73,185,932
Net operating loss carryforwards (Canada)	7,865,729	7,808,089
PP&E	5,410,122	3,994,326
Intangibles	1,004,718	290,664
ROU asset	(5,231,499)	(4,311,049)
Lease liabilities	6,802,130	6,435,806
Share issuance costs	85,334	138,757
Other	2,605,236	2,294,723
Total deductible temporary difference	<u>97,421,281</u>	<u>89,837,248</u>
Net deferred tax asset	25,529,705	23,602,249
Unrecognized deferred tax asset	<u>(25,529,705)</u>	<u>(23,602,249)</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The company has total net operating losses in the United States of America of \$78,879,511, as of December 29, 2024. Of the total net operating losses, \$41,893,816 are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. The remaining losses expire through 2037.

The Company's Canadian net operating losses expire as follows: \$312,453 in 2039, \$5,252,029 in 2040, \$893,947 in 2041, \$718,775 in 2042 and \$688,525 in 2043.

The Company has determined that as a result of its history of net operating losses it is not probable that it will have sufficient taxable profits to utilize its unused tax assets in the future. Therefore, no net deferred tax asset is recognized in its financial statements.

Note 15. Leases

The Company has lease contracts for real estate and other equipment used in its operations. Leases of real estate have lease terms generally between 3 and 10 years, and equipment generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of equipment with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. Furthermore, the Company has combined lease and non-lease components for its real estate leases.

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
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Note 15. Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Real Estate	Equipment	Total
As at January 1, 2023	\$ 4,526,686	\$ 93	\$ 4,526,779
Additions	1,003,769	-	1,003,769
Modifications	173,296	-	173,296
Depreciation expense	(1,392,703)	(93)	(1,392,796)
As at December 31, 2023	<u>\$ 4,311,048</u>	<u>\$ -</u>	<u>\$ 4,311,048</u>
Additions	511,428	-	511,428
Modifications	2,072,033	-	2,072,033
Terminations	(69,140)	-	(69,140)
Depreciation expense	(1,463,413)	-	(1,463,413)
As at December 29, 2024	<u>\$ 5,361,956</u>	<u>\$ -</u>	<u>\$ 5,361,956</u>

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year ended December 29, 2024 compared to the year ended December 31, 2023:

	December 29, 2024	December 31, 2023
Balance as of beginning of period	\$ 6,220,980	\$ 6,831,106
Additions	511,428	1,003,769
Modifications	2,119,871	104,133
Terminations	(178,180)	-
Accretion of interest	1,024,448	1,034,385
Payments	(2,689,242)	(2,752,413)
Balance as of end of period	<u>\$ 7,009,305</u>	<u>\$ 6,220,980</u>
Current	\$ 1,270,636	\$ 1,389,576
Non-Current	\$ 5,738,669	\$ 4,831,404

The following are the amounts recognized in profit or loss:

	December 29, 2024	December 31, 2023
Depreciation expense of right-of-use assets	\$ 1,463,413	\$ 1,392,796
Interest expense on lease liabilities	1,024,448	1,034,385
Expense relating to leases of low-value assets	28,617	31,617
Variable rent	1,064,125	1,108,063
Total amount recognized in comprehensive loss	<u>\$ 3,580,603</u>	<u>\$ 3,566,861</u>

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
Years ended December 29, 2024 and December 31, 2023

Note 15. Leases (continued)

The following table shows the Company's fixed and variable rent payments:

	<i>Year ended</i>	
	<i>December 29, 2024</i>	<i>December 31, 2023</i>
Fixed rent	\$ 2,546,265	\$ 2,460,743
Variable rent	695,811	801,737
	<u>\$ 3,242,076</u>	<u>\$ 3,262,480</u>

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

As at December 29, 2024 and December 31, 2023, undiscounted potential future rental payments of \$11,465,360 and \$9,465,859, respectively, have not been included in the lease liability because it is not reasonably certain these options will be exercised.

Note 16. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to common equity holders of the Company by the weighted average number of participating common stock outstanding during the year. The participating common stock includes the Company's subordinate and proportionate voting shares. Diluted EPS is calculated by dividing the profit attributable to common equity holders of the parent by the weighted average number of common stock outstanding during the year plus the weighted average number of common stock that would be issued on conversion of all the dilutive potential common stock into common stock.

Instruments at the Company that could potentially dilute basic earnings per share include convertible notes, stock options, and warrants. For the years ended December 29, 2024 and December 31, 2023, the convertible notes, stock options and warrants are anti-dilutive in nature.

The calculation and presentation below is based on the number of shares outstanding at December 29, 2024, which is based on the legal amount of shares outstanding under each class without assuming conversion.

If the 91,064 proportionate voting shares outstanding were converted into subordinate voting shares, the numbers of subordinate voting shares issued would be 91,064,000.

MiniLuxe Holding Corp.
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Note 16. Earnings per share (EPS) (continued)

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	December 29, 2024		December 31, 2023	
	<i>Subordinate Voting Shares</i>	<i>Proportionate Voting Shares</i>	<i>Subordinate Voting Shares</i>	<i>Proportionate Voting Shares</i>
Loss attributable to common equity holders of the Company (Basic)	\$ (3,430,443)	\$ (5,476,614)	\$ (3,693,456)	\$ (6,001,136)
Weighted average number of common stock for basic EPS	57,040,391	91,064	56,045,917	91,064
Basic earnings per share	\$ (0.06)	\$ (60.14)	\$ (0.07)	\$ (65.90)
Loss attributable to common equity holders of the Company (Diluted)	\$ (3,430,443)	\$ (5,476,614)	\$ (3,693,456)	\$ (6,001,136)
Weighted average number of common stock for diluted EPS	57,040,391	91,064	56,045,917	91,064
Diluted earnings per share	\$ (0.06)	\$ (60.14)	\$ (0.07)	\$ (65.90)
Weighted average number of common stock for basic EPS				
Issued common stock at start of the period	56,042,837	91,064	56,054,077	91,064
Effect of share options exercised	99,976	-	20,788	-
Effect of Paintbox share issuance	477,629	-	-	-
Effect of share issuance	439,010	-	-	-
Effect of NCIB purchases	(19,060)	-	(28,948)	-
Weighted average number of common stock end of the period (basic)	57,040,391	91,064	56,045,917	91,064
Weighted average number of common stock end of the period (dilutive)	57,040,391	91,064	56,045,917	91,064

Note 17. Commitments and Contingencies

From time to time, the Company may be involved in legal actions arising in the ordinary course of business or, conditions may exist that may result in a loss but will only be resolved when one or more future events occur or fail to occur. Each of these actions or matters is assessed by the Company's management and legal counsel to evaluate the perceived merits of any proceeding or claim, as well as any relief sought or expected to be sought. Such assessment involves the exercise of judgment. The Company establishes accruals for losses that management deems to be probable and subject to reasonable estimates. If the assessment indicates that a potentially material loss contingency is not probable but reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed. Loss contingencies considered remote are not disclosed.

The Company does not have any material commitments for future years, apart from leases (see Note 15).

Note 18. Profit Sharing Plan

The Company sponsors a qualified 401(k) profit sharing plan (the Plan) covering all eligible employees, as defined. The Company's contributions to the Plan are discretionary and are determined annually by the Board of Directors. There were no Company contributions to the Plan for the years ended December 29, 2024 or December 31, 2023.

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Note 19. Fair Value Measurement

The Company measures its long-term investments, contingent consideration, derivative liabilities, and convertibles notes at fair value, which is at level 3. No other financial statement accounts are measured at fair value as their carrying amount approximates fair value. The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

	Fair Value Measurement Using						
				Quoted priced in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	Date of Valuation	Total					
Assets measured at fair value							
Long term investment	December 29, 2024	\$	50,000	\$	-	\$	50,000
	December 31, 2023	\$	50,000	\$	-	\$	50,000
Liabilities measured at fair value							
Contingent consideration - Paintbox	December 29, 2024	\$	86,354	\$	-	\$	86,354
	December 31, 2023	\$	357,542	\$	-	\$	357,542
Convertible notes	December 29, 2024	\$	3,721,706	\$	-	\$	3,721,706
	December 31, 2023	\$	2,984,926	\$	-	\$	2,984,926
Derivative liabilities	December 29, 2024	\$	121,339	\$	-	\$	121,339
	December 31, 2023	\$	-	\$	-	\$	-

There were no transfers between Level 1 and Level 2 during 2024.

For calculation of the fair value of contingent consideration associated with the Paintbox acquisition, the Company used a Black-Scholes method for visualizing the consideration as a combination of embedded options. This model requires management to make assumptions which include cash flow forecasts, revenue growth rates, royalty rates, and discount rates.

For the calculation of the fair value of convertible notes, the Company used a sum-of-the-parts method, whereby the debt security and the equity options are valued separately. The debt security was valued based on the anticipated coupon payments and principal repayments discounted to present value using a market yield. The conversion option of the holder was valued using a Black-Scholes option pricing model whereas the accelerated conversion option of the Company was valued using an up-and-out barrier option pricing model. The warrants were valued using a Black-Scholes model. The primary assumptions that would significantly affect the fair values of the convertible notes are the volatility and market price of the underlying common stock of the Company.

Note 20. Risk Management

The Company's principal financial liabilities comprise of accounts payables and accrued expenses, lease liabilities, loan payable, and convertible notes. The main purpose of these financial liabilities is to finance the Company's operations.

The Company is exposed to market risk, credit risk and liquidity risk. Risk management is carried out by senior finance executives ("Finance") under policies approved by the Board of Directors ("Board"). These policies include identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits. Finance identifies, evaluates and responds to financial risks within the Company's operating units. Finance reports to the Board on a monthly basis. There have been no significant changes in the Company's exposure to these financial risks.

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Note 20. Risk Management (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and long term investments.

The Company does not note any interest rate, currency and or other price risk that would have a material effect on its financial statements, except for the fair value determination on its convertible notes. See Note 10 for details.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is not materially exposed to credit risk from its operating activities and from its financing activities, since most of its revenue is generating at point-of-sale systems where cash is exchanged, or credit card payments are made. The Company's cash holdings and deposits are held in an A+ rating financial institution according to Standard & Poor's.

Liquidity Risk

Liquidity risk is risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecasted cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, unless otherwise noted:

December 29, 2024

	Less Than One Year	1 to 5 Years	Greater Than 5 Years	Total
Accounts payable and accrued expenses	\$ 2,280,857	\$ -	\$ -	\$ 2,280,857
Lease liabilities	2,566,380	6,605,987	2,292,993	11,465,360
Loan payable	-	4,583,474	-	4,583,474
Convertible notes (fair value - Note 19)	-	3,721,706	-	3,721,706
	<u>\$ 4,847,237</u>	<u>\$14,911,167</u>	<u>\$ 2,292,993</u>	<u>\$22,051,397</u>

December 31, 2023

	Less Than One Year	1 to 5 Years	Greater Than 5 Years	Total
Accounts payable and accrued expenses	\$ 2,810,334	\$ -	\$ -	\$ 2,810,334
Lease liabilities	2,576,951	5,830,812	1,150,129	9,557,892
Loan payable	-	2,481,530	-	2,481,530
Convertible notes (fair value - Note 19)	-	2,984,926	-	2,984,926
	<u>\$ 5,387,285</u>	<u>\$11,297,268</u>	<u>\$ 1,150,129</u>	<u>\$17,834,682</u>

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Note 21. Related Party Transactions

Management compensation and balances outstanding as of year-end dates are as follows:

	<i>Transaction value for year ended</i>	
	December 29, 2024	December 31, 2023
Key Management Personnel		
Short-term benefits	\$906,357	\$1,327,840
Share-based payments	375,362	151,583
Total	\$1,281,719	\$1,479,423

	<i>Balance Outstanding as at</i>	
	December 29, 2024	December 31, 2023
Key Management Personnel		
Share-based payments	\$443,029	\$267,649

Note 22. Business Combinations

Sugarcoat

On July 1, 2024, the Company, acquired a majority of the assets of the Sugarcoat Forum studio ("Sugarcoat"), a nail salon located in Atlanta, Georgia, for total cash consideration of \$150,000 and issuance of a non-controlling (30%) membership interest in MNLX SC LLC, the entity used to acquire Sugarcoat.

The acquisition of Sugarcoat has been accounted for as a business combination within the scope of IFRS 3- Business Combinations. The Company has elected to measure the non-controlling interest at fair value. Fair value was determined using the value of the business acquired as of closing multiplied by the non-controlling membership interest of 30%. The following table summarizes the fair value of the consideration given and the fair values assigned to the assets acquired and liabilities assumed for the acquisition of Sugarcoat's assets.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Consideration
Cash consideration	\$ 150,000
Add: fair value of non-controlling interest	108,594
Total consideration	\$ 258,594
	Net assets acquired
Right of use asset	\$ 429,131
Property, plant, and equipment	258,594
Lease liability	(429,131)
Net assets	258,594
Goodwill	\$ -

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Note 22. Business Combinations (continued)

Under the operating agreement, although the Company holds a 70% membership interest, the allocation of profits and losses is contractually different from ownership interest for the initial operating period:

- For the first two years following the anniversary of the agreement, July 1, 2024, profits and losses will be allocated equally (50/50) between the Company and the non-controlling interest, irrespective of the membership interest.
- Beginning July 1, 2026, the profit and loss allocation will revert to reflect the respective ownership interests.

This arrangement was agreed to reflect the relative initial capital contributions, resource commitments, and roles of each party during the startup phase of the joint venture.

From the acquisition (July 1, 2024) through December 29, 2024, MNLX SC LLC generated \$618,229 to the Company's gross revenues, and \$79,517 net income. If the acquisition had occurred on January 1, 2024, group revenue would have been \$26,617,715, and group net loss for the period would have been \$8,618,318.

The Company incurred \$34,991 acquisition-related costs, which were recognized as general and administrative expenses in the Consolidated Statements of Net Loss and Comprehensive Loss for the year ended December 29, 2024.

Paintbox LLC

On August 16, 2022, the Company acquired a majority of the assets of Paintbox LLC ("Paintbox") for total consideration of \$1,730,081. Consideration was comprised of the following:

The consideration consists of the following components:

Base equity consideration	\$1,100,000
Contingent consideration – Indemnity Holdback	\$185,267
Contingent consideration – Gift card Holdback	\$85,741
Contingent consideration – Earn-out	\$359,073
	<u>\$1,730,081</u>

Indemnity Holdback

During the year ended December 29, 2024, the Company fully settled the indemnity holdback by issuing 597,446 Class A subordinate voting shares on February 16, 2024. The value of the obligation at settlement was \$185,267, consistent with the carrying amount as of December 31, 2023, resulting in a loss on settlement of \$36,692. This non-cash transaction was completed as part of a Shares for Debt arrangement and is disclosed in the supplemental cash flow information.

Gift Card Holdback

The gift card holdback remains outstanding as of December 29, 2024, and is scheduled for settlement in 2025. The obligation reflects the amount of gift card redemptions expected to exceed \$61,000 over the three-year holdback period. The fair value remains unchanged from prior periods at \$85,741, based on management's estimate of future gift card redemptions and discounted using the Company's pre-tax cost of debt.

Earn-out Arrangement

The Paintbox earn-out arrangement remains outstanding and is based on cumulative revenue performance through December 31, 2026. The obligation is capped at \$1,800,000 and is calculated as 11.5% of cumulative revenue in excess of a \$3,000,000 threshold.

Note 22. Business Combinations (continued)

As of December 29, 2024, the Company remeasured the fair value of the earn-out liability at \$613 (December 31, 2023 – \$86,534), resulting in an unrealized gain of \$85,921 recognized in the Consolidated Statements of Net Loss and Comprehensive Loss.

The decrease in fair value reflects continued underperformance relative to revenue expectations established at acquisition. The valuation was performed using a probability-weighted discounted cash flow model based on updated revenue forecasts through 2026 and discounted using the Company's pre-tax cost of debt. The decrease in the range of possible outcomes was primarily due to management's revised expectations regarding future brand activity following the studio closure and shift in strategy.

Note 23. Subsequent Events

Private Placement and Debt Conversion

Effective February 10, 2025, the Company completed a non-brokered private placement of Class A subordinate voting shares of the Company and raised a total of USD \$3.49M or (~CDN \$4.94M) through the issuance of 6,247,717 Subordinate Voting Shares at a price of USD \$0.55 each (CDN \$0.79).

The Company has also finalized additional shares-for-debt agreements to satisfy an aggregate of USD\$1.1M (~CDN\$1.49M) of outstanding debt related to the principal and accrued but unpaid interest on certain convertible debentures of the Company (the "convertible notes"). As part of this debt conversion, an aggregate of 2,294,731 Subordinate Voting Shares were issued at a deemed price of USD\$0.46 per share, with an effective conversion date of February 7, 2025.

On March 7, 2025, MiniLuxe completed a re-financing of its existing senior debt from ("Existing Senior Debt"), which extended the maturity of such existing debt of USD\$4.5M to April 30, 2028 and concurrently added an additional USD\$1.675M of new debt financing ("New Senior Debt") which will also mature on April 30, 2028. As part of the refinancing, the New Senior Debt will pay 14.0% cash-pay interest that accrues through maturity. Also with this New Senior Debt financing, the Company issued warrants to purchase 2,761,853 Subordinate Voting Shares of the Company, with 1,069,545 warrants exercisable at a strike price per share of US\$0.55 and 1,692,308 warrants exercisable at US\$0.52. All new and existing warrants associated with the Existing Senior Debt and New Senior Debt financing will have an expiry date of 3 years from the closing of the financing. The warrants are subject to a hold period of four months and one day from the issuance date in accordance with applicable securities laws. The refinancing of the Existing Senior Debt and financing of the New Senior Debt was approved by the TSX Venture Exchange.

Effective March 15, 2025, the Company finalized additional shares-for-debt agreements to satisfy an aggregate of approximately USD\$2.7M (~CDN\$3.86M) of outstanding debt related to the principal and accrued but unpaid interest on the outstanding convertible notes. As part of this debt conversion, an aggregate of 5,459,012 Subordinate Voting Shares were issued at a deemed price of USD \$0.50 (~CDN\$0.70). Following this conversion, no convertible notes of the Company remain issued or outstanding.