MINILUXE'S MD&A IN CONNECTION WITH THE FINANCIAL STATEMENTS OF MINILUXE FOR THE FINANCIAL YEARS ENDED DECEMBER 27, 2020, December 29, 2019, AND DECEMBER 30, 2020.

DATED: NOVEMBER 8, 2021

This Management's Discussion and Analysis ("MD&A") for the three years ended December 27, 2020 provides information on the operating activities, performance and financial position of MiniLuxe Inc. ("MiniLuxe" or the "Company"). This discussion should be read in conjunction with the Company's corresponding audited annual consolidated financial statements and accompanying notes. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in U.S. dollars, unless otherwise stated. The information contained herein is current to November 8, 2021, unless otherwise stated.

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. For example, the year ended December 27, 2020 (referred to in these statements as 2020) includes 53 weeks.

In this document unless otherwise specified, "we", "us", "our", "Company" and "MiniLuxe" all refer to MiniLuxe, Inc. The content of this MD&A has been approved by the Board of Directors, on the recommendation of its Audit Committee.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under International Financial Reporting Standards ("IFRS"), do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. For definitions and reconciliations of these non-IFRS measures to the relevant reported measures, please see "How We Assess Our Performance" and "Selected Consolidated Financial Information" sections of this MD&A.

Forward-Looking Information

Certain statements in this MD&A which are not historical facts constitute forward-looking statements or information within the meaning of applicable securities laws ("forward-looking statements"). Such statements include, but are not limited to, statements regarding MiniLuxe's projected revenues, gross margins, earnings, growth rates, the success of new products and service, market penetration and product or service plans. The use of terms such as "may", "anticipated", "expected", "projected", "targeting", "estimate", "intend" and similar terms are intended to assist in identification of these forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause MiniLuxe's actual results to be materially different from historical results or from any results expressed or implied by such forward-looking statements. Accordingly, there can be no assurance that forward-looking statements will prove to be accurate and readers are therefore cautioned not to place undue reliance upon any such forward-looking statements.

Factors that could cause results or events to differ materially from current expectations expressed or implied by forward looking statements contained herein include, but are not limited to: our history of losses and the risks associated with not achieving or sustaining profitability; risks relating to the highly competitive industry in which we operate; inability to successfully improve existing products or services and introduce new products or services; inability to anticipate and respond to market trends and changing consumer preferences; inability to expand market awareness of the MiniLuxe brand; damage to the MiniLuxe brand's reputational value; disruption from the impact of COVID-19; failure to receive and/or renew requisite licenses and regulatory approvals; the impact of adverse economic conditions on revenue and profitability; loss of key personnel or an inability to attract and retain new personnel; involvement in product recalls or product liability claims; inability to generate sufficient cash from operations or raise capital on acceptable terms to meet future needs; risks related to acquisitions; changes in tax and trade law; natural disasters, unusual weather, pandemic outbreaks, boycotts and geo-political events; adoption of new accounting standards or interpretations or changes in accounting standards and management's underlying accounting standard assumptions, estimates and judgments; and risks related to forward-looking information contained in our annual financial statements.

All forward-looking statements are qualified in their entirety by this cautionary statement. MiniLuxe is providing this information as of the current date and does not undertake any obligation to update any forward-looking statements contained herein as a result of new information, future events or otherwise except as may be required by applicable securities laws.

Overview

Our Company

MiniLuxe is a nail care and beauty brand with a purpose to make self-care an attainable luxury delivered in a conscious, hygienic manner. The Company is headquartered in Boston, Massachusetts and has 20 studios across three major U.S. markets. At these locations, MiniLuxe-trained nail designers and waxing specialists perform high-quality nail care and waxing services. MiniLuxe also sells its own private-label line of cruelty-free, 8-free[1] nail and body care products, which can be purchased in-studio or via e-commerce.

As of August 2021, MiniLuxe employs 402 professionals, consisting of 30 corporate staff, 245 field staff in Boston, 34 field staff in Los Angeles, and 93 field staff in Dallas.

Products and Services

MiniLuxe is a brand platform that consists of one principal operating segments that consists of Talent revenue (i.e. nail and self-care services) and Product revenue (i.e. merchandise sales).

Talent revenue comes from the provision of self-care services including nail care, hand and foot therapies, waxing and tweezing, brow and lash tinting both on premises and via partner channels. Additionally, MiniLuxe has fully a digitized booking, personalization, and payment processes. Product revenue is derived from the sale of MiniLuxe's proprietary line of self-care products and a limited selection of third-party products. MiniLuxe's proprietary product line includes nail polishes as well as hand and body care products and is sold both on premises and direct-to-consumer via MiniLuxe's e-commerce website.

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[1] 8-free means that our products do not contain formaldehyde, toluene, diputyl phthalate, formaldehyde resin, camphor, triphenyl phosphate, ethyl tosylamide or xylene.

Across all of MiniLuxe's product and service offerings, the Company differentiates itself through a digitally driven experience alongside a dual commitment to setting high standards of cleanliness and empowering a diverse base of employees. Some of the specific factors that make MiniLuxe's offerings distinctive:

- Every MiniLuxe studio location is equipped with a "Clean Lab" that utilizes surgical-grade sterilization techniques to clean metal tools, while all non-metal tools are disposed of after each service.
- All products in MiniLuxe's proprietary line and all products used MiniLuxe services are formulated to be sustainable, ethically-sourced, and 8 free—better-for-you.
- Nail designers and waxing specialists are compensated with fair wages commensurate with their experience and their value as professionals and receive benefits which include healthcare coverage and paid time off.

Financial Highlights

- **Revenue** for fiscal 2020 totaled $10.6 million, down from the $22.3 million recognized in fiscal 2019 and $21.0 million recognized in fiscal 2018. The substantial decline in fiscal 2020 was due to COVID-related service disruptions.
- **Gross margin** for fiscal 2020 was 38.0%, a 2.7% decrease from the previous year's level of 40.7%, but a 4.0% increase from fiscal 2018 gross margin of 34.0%. The decline from fiscal 2019 was driven by the impact of COVID-related uncertainties on demand relative to staffing costs. The increase from 2018 to 2019 is attributable to an increase in higher-margin retail product sales, a decrease in the unit cost of service supplies, and lower volume of discounted services.
- **IFRS comprehensive income** for fiscal 2020 was $5.97 million, $0.69 per basic and $0.07 per diluted share. This compares to a loss of $(27.9) million in fiscal 2019, $(37.39) per basic and diluted share and a loss of $(7.0) million in fiscal 2018, $(9.40) per basic and diluted share.

- **Adjusted EBITDA** (See *"Non-IFRS Measures"*) was $(8.3) million in fiscal 2020 vs. $(7.0) million in fiscal 2019 and $(6.7) million in fiscal 2018.

Summary of Key Performance Factors

Our performance and future success depend on numerous factors, each presenting inherent opportunities and risks. A number of significant factors are outlined below, though the list is not exhaustive. Additionally, we note that since March 2020, the COVID-19 pandemic and resulting government efforts to contain the virus have disrupted many factors which affect our operations and performance. The continued effect of both the virus and accompanying government responses will depend on future developments that are uncertain and cannot be predicted.

Our Brand

The MiniLuxe brand is synonymous with consistency, quality, and conscience. Clients can be assured of hygienic services, ethical working conditions, and a calming environment. Additionally, the integration of MiniLuxe-branded products into the in-studio service experience—and the commitment from day one to provide only non-toxic and cruelty-free polishes in a hygienic environment —sets MiniLuxe apart.

Omni-Platform Strategy

MiniLuxe's strategic roadmap involves delivery of our products and services to clients across:

Talent

- Physical points of presence
- Digital

Product

- E-commerce
- Wholesale

Consumer Trends

The self-care market has benefited from the following trends: clean beauty, ethical services and conscious consumerism (including more diverse and inclusive brands). These trends are directly in line with the MiniLuxe founding principles.

Competition

MiniLuxe operates in the self-care product and service industry, chiefly in the U.S. market. Whereas most salons compete on price, MiniLuxe focuses on our principles of clean products, a hygienic environment, ethical treatment of our employees and high-quality service. We believe that consumers will increasingly demand products and services in line with the MiniLuxe offering which will as a result increase the competition for talent in the industry. MiniLuxe proprietary market-ready training program positions the company with a meaningful competitive advantage to acquire talent. On the product side, the quality of our polishes, our clear brand message, targeted market positioning, are similarly differentiating factors.

Acquisitions

MiniLuxe may pursue acquisitions that represent a strong strategic fit and are complementary and consistent with the Company's overall growth strategy, core business values and disciplined capital management. MiniLuxe may also consider opportunities to engage in joint ventures or other business collaborations with third parties.

Seasonality

MiniLuxe's business is subject to some seasonal variation depending on the market. In 2019, 23% of Talent revenue occurred in Q1, 26% each in Q2 and Q3, and 25% in Q4.

How We Assess Our Performance

In assessing the performance of our business, we consider a variety of financial and operating drivers that affect our operating results. All figures are denominated in U.S. dollars.

Revenue

MiniLuxe currently derives its revenues from one operating segment that consists of: 1) Talent revenue from services performed at MiniLuxe physical points of presence and partner channels and (2) Product revenue from sales of proprietary MiniLuxe and third-party products via direct-to-consumer e-commerce, in-studio retail and wholesale.

The Company recognizes Talent revenue immediately after a given service is completed and Product revenue after fulfillment of each order in accordance with IFRS 15. Historically the Company has only received consideration in advance of provided goods and services related to the sale of gift cards. The Company records unused gift card balances as deferred liabilities then recognizes revenue and reduces the corresponding liabilities as the gift cards are redeemed in exchange for services.[2] The Company does not charge administrative fees on unused gift cards, and gift cards do not have an expiration date.

Revenue as reported is inclusive of all discounts and promotions.

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.

Cost of Sales

Cost of sales consists of expenses directly involved in the delivery of services and products. Cost of sales associated with our Talent segment (services) includes the cost of products used in services and the cost of direct labor, defined as the immediate service providers. Cost of sales associated with our Product segment primarily consists of the cost of purchasing MiniLuxe private label products directly from manufacturers, raw materials, and third-party products purchased at wholesale cost.

Gross Profit

Gross profit reflects our revenue less cost of sales. We define gross profit margin as our gross profit divided by our net revenue.

Operating Expenses

Selling, general and administrative

Selling, general and administrative expenses primarily consist of indirect labor costs (defined as salaries, wages, and benefits for employees whose primary function is not service provision), marketing costs, accounting and legal fees, information technology and systems expenses, other professional services fees, freight and shipping costs, and variable occupancy expenses.

Non-IFRS Measures

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, and asset disposals, adjusted for straight-line rent expense net of lease abatements.

[2] See accounting policy and estimation process related to gift card breakage in Note 4 to the audited annual financial statements.

Adjusted EBITDA is calculated by adding back fixed asset depreciation, right-of-use asset depreciation under IFRS 16, asset disposal, and share-based compensation expense to IFRS operating income, then deducting straight-line rent expenses[3] net of lease abatements.[4]

Management believes Adjusted EBITDA most accurately reflects the commercial reality of the Company's operations on an ongoing basis. The rent-related adjustments ensure that studio-related expenses align with revenue generated over the corresponding time periods.

A reconciliation of IFRS operating income to Adjusted EBITDA is included in *Selected Consolidated Financial Information.*

Selected Consolidated Financial Information

The following tables set forth selected financial information derived from the Company's audited annual consolidated financial statements for the three fiscal years ended December 27, 2020, December 29, 2019, and December 27, 2020. The selected financial information was prepared in accordance with IAS 34 in a manner consistent with the Company's annual financial statements. The following information should be read in conjunction with these statements and the accompanying notes.

[3] Straight-line rent expense for a given payment period is calculated by dividing the sum of all payments over the life of the lease (the figure used in the present value calculation of the right-of-use asset) by the number of payment periods (typically months). This number is then annualized by adding the rent expenses calculated for the payment periods that comprise each fiscal year. For leases signed mid-year, the total straight-line rent expense calculation applies the new lease terms only to the payment periods after the signing of the new lease.
[4] Includes all actual lease abatements for 2020 even if granted in 2021

Statement of Comprehensive Income (Loss)

in thousands of U.S. dollars	for Fiscal Year ended December 27, **2020**	 December 29, **2019**	 December 30, **2018**
Revenue	$10,610	$22,324	$21,021
Cost of sales	6,577	13,242	13,883
Gross profit	$4,033	$9,082	$7,138
General and administrative expense	10,090	13,550	10,823
Depreciation and amortization expense	3,514	3,793	4,014
Operating income (loss)	($9,571)	($8,261)	($7,699)
Finance costs	(2,931)	(2,157)	(1,811)
Finance income	16	0	7
Other income	3,965	2	-
Unrealized gain (loss)	14,540	(17,448)	2,538
Income (loss) before taxes	$6,019	($27,864)	($6,965)
Income tax expenses	(48)	(51)	(55)
Net and comprehensive income (loss)	**$5,971**	**($27,915)**	**($7,020)**
Adjusted EBITDA	**($8,294)**	**($7,046)**	**(6,741)**
Income (loss) per share			
Basic	$0.69	($37.39)	($9.40)
Diluted	($0.07)	($37.39)	($9.40)

Reconciliation of Adjusted EBITDA to Operating Loss

in thousands of U.S. dollars	for Fiscal Year ended December 27, **2020**	 December 29, **2019**	 December 30, **2018**
Operating Income	(9,571)	(8,261)	(7,699)
Right-of-Use Asset Depreciation Expense	1,769	1,951	1,949
Fixed Asset Depreciation Expense	1,745	1,842	2,065
Disposals	268	259	-
Stock Compensation Expense	90	221	2
Straight Line Rent	(3,015)	(3,058)	(3,058)
Lease Abatements	420	-	-
Adjusted EBITDA	**(8,294)**	**(7,046)**	**(6,741)**

Balance Sheet

in thousands of U.S. dollars	as at December 27, **2020**	December 29, **2019**	December 30, **2018**
Current assets			
Cash and cash equivalents	2,866	4,855	4,515
Inventory	1,497	717	423
Prepaid expenses and other current assets	235	566	651
Total current assets	$4,598	$6,138	$5,589
Total non-current assets	$15,372	$19,284	$22,680
Total assets	**19,970**	**25,422**	**28,269**
Current liabilities			
Loan payable	-	110	-
Accounts payable and accrued liabilities	5,394	3,241	1,744
Deferred revenue	1,161	1,228	1,344
Current portion of lease liability	1,394	1,620	1,326
Current portion of convertible promissory notes	-	10,950	-
Total current liabilities	$7,949	$17,149	$4,414
Total non-current liabilities	$51,580	$57,517	$45,405
Total liabilities	$59,529	$74,666	$49,819
Total equity	($39,559)	($49,244)	($21,550)
Total liabilities and shareholders' equity	**$19,970**	**$25,422**	**$28,269**

Results of Operations

Revenue

The following table breaks down total revenue by Talent (services) and Product (sales of merchandise).

	for Fiscal Year ended		
	December 27,	December 29,	December 30,
in thousands of U.S. dollars	**2020**	**2019**	**2018**
Talent (services)	$9,712	$21,730	$20,590
Product (sales of merchandise)	$898	$595	$430
Total Revenue	**$10,610**	**$22,325**	**$21,020**

Fiscal 2020 compared to Fiscal 2019

Revenues for fiscal 2020 totaled $10.6 million, down from $22.3 million recognized in fiscal 2019. This year-over-year decrease was due to a decline in Talent revenue from disruptions to service operations as a result of COVID-19-related shutdowns.

Approximately 82% of revenue in FY20 came from nail services, 10% came from waxing services, and 5% came from e-commerce product sales, with the balance coming from in-studio retail product sales. E-Commerce product sales (a component of Product revenue) grew between fiscal 2019 and fiscal 2020 as MiniLuxe expanded its product offerings, launched its online store, and invested in marketing. The Company plans to increase its marketing efforts and partner with selected national distributors, which management expects will increase revenue attributable to the Product segment.

Fiscal 2019 compared to Fiscal 2018

Revenue was $22.3 million in fiscal 2019 and $21.0 million in fiscal 2018. Revenue mix was not substantially changed year-over-year, as e-commerce was introduced at the end of fiscal 2019 and thus contributed a relatively small share of the year's overall revenue.

Gross Margin

The following table breaks down the calculation of our gross profit as a percentage of total revenue.

Gross profit and gross margin:	for Fiscal Year ended		
in thousands of U.S. dollars	December 27,	December 29,	December 30,
	2020	**2019**	**2018**
Revenue	$10,610	$22,324	$21,021
Cost of Sales	6,577	13,242	13,883
Gross Margin ($)	$4,033	$9,082	$7,138
Gross Margin (%)	*38.0%*	*40.7%*	*34.0%*

We expect our gross margin in future years to improve relative to levels recognized in fiscal 2020, though it may fluctuate period-to-period due to a variety of factors, including the average prices of our products and services and our product mix.

Fiscal 2020 compared to Fiscal 2019

Gross margin for fiscal 2020 was 38.0%, a 2.7% decrease from the previous year's level of 40.7%, but a 4.0% increase from fiscal 2018 gross margin of 34.0%. The Gross margin decrease in 2020 was due to the impact of COVID-19 on revenue relative to direct labor costs in an environment of significant uncertainty. In the early weeks of the pandemic, service volumes declined before the Company reduced direct labor costs culminating eventually in studio shutdowns. Additionally, after reopening studios the unpredictability of the COVID-19 environment weighed on margins because costs could not be managed as rapidly in response.

Fiscal 2019 compared to Fiscal 2018

Gross margin for fiscal 2019 was 40.7% compared to 34.0% in fiscal 2018, which reflects a combination of higher revenue and lower cost of sales. These changes are attributable to an increase in higher-margin retail product sales, a decrease in the unit cost of service supplies, and fewer discounts and promotions.

Operating Expenses

The following table provides an analysis of the Company's general and administrative expenses as a percentage of total revenue.

General and Administrative Expenses:	for Fiscal Year ended		
in thousands of U.S. dollars	December 27, **2020**	December 29, **2019**	December 30, **2018**
General and administrative expense ($)	$10,090	$13,550	$10,823
General and administrative expense (% of Revenue)	*95.1%*	*60.7%*	*51.5%*

MiniLuxe intends to scale its marketing and brand awareness operations over the next few years in connection with the scaling of e-commerce, talent acquisition, and additional revenue streams related to MiniLuxe omni-channel platform development. For example, MiniLuxe may recruit experienced content creators into key brand development roles and establish strategic partnerships with selected nail and waxing influencers. We expect that these investments will result in lower incremental customer acquisition costs (CAC) and increase customer loyalty and purchase behavior.

We note that there is a lag between the investment in new SG&A costs (such as hiring content creators, developing creative for ad campaigns on paid social channels, or contracting with marketing experts to optimize our targeting efforts) and the revenue generated from those expenses; the lags may vary across the types of expenses and markets targeted.

Fiscal 2020 compared to Fiscal 2019

Total operating expenses in fiscal 2020 were $13.6 million, a $3.7 million decrease from $17.3 million in fiscal 2019, but an increase relative to overall revenue. The majority of this year-over-year change came from a reduction in expenses because of COVID-19 related shutdowns, furloughs, and travel restrictions.

Operating costs increased as a percent of revenue as some basic studio-related costs were still incurred during the pandemic (i.e. IT/telecom, building repairs, supplies, studio management labor) even while zero or reduced revenue was coming in.

Fiscal 2019 compared to Fiscal 2018

Total operating expenses in fiscal 2019 were $17.3 million, a $2.5 million increase from $14.8 million in fiscal 2018 This $2.5 million increase in fiscal 2019 was due to expenses associated with the ramp-up of e-commerce sales, new corporate hires, and improvements to infrastructure.

Non-Operating Expenses

The following table provides an analysis of the Company's pretax non-operating expenses:

Non-operating expenses:		for Fiscal Year ended	
in thousands of U.S. dollars	December 27, **2020**	December 29, **2019**	December 30, **2018**
Finance costs	(2,931)	(2,157)	(1,811)
Finance income	16	0	7
Other income (loss)	3,965	2	0
Change in fair value of redeemable preferred stock	14,540	(17,448)	2,538
Total non-operating expense (before taxes)	**$15,590**	**($19,603)**	**$734**

Fiscal 2020 compared to Fiscal 2019

Other income (loss)

Other income increased to $3.96 million in fiscal 2020 from just $1,547 in 2019 due to the following:

- In May 2020, the Company received a forgivable loan under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of $3,895,420 (the "PPP Loan"). The Company used the full amount received to fund eligible expenses under the terms of the PPP loan during the 24-week forgiveness period. As such, the Company believes we have met the PPP eligibility criteria for forgiveness and that the PPP Loan represents, in substance, as funds provided under a government grant. Therefore, in accordance with IAS 10, the $3,895,420 PPP Loan proceeds received during fiscal 2020 have been recognized in other income on the statements of profit and loss and comprehensive income profit or loss.
- The Company also recorded a gain of $69,218 on termination of real estate leases within other income.

Change in fair value of redeemable preferred stock

IFRS requires securities containing certain provisions and characteristics to be classified as financial liabilities instead of as components of shareholders' equity. The existing preferred stock contains such provisions, specifically a redemption right exercisable during a two-year period commencing December 31, 2022. Accordingly, a liability has been recorded at fair value as of each balance sheet date and fluctuations in the value of this liability are recorded as unrealized gains or losses in the Statement of Net Profit or Loss and Comprehensive Profit or Loss (an unrealized gain of $14.5 million was recorded in fiscal 2020 and an unrealized loss of $17.4 million was recorded in 2019). While the preferred stock has been recorded as a financial liability in accordance with IFRS, Management does not expect the redemption right to be exercised or the instruments to be otherwise settled in cash. Further details are provided within Note 5 (*"First-Time Adoption of IFRS"*) and Note 11 (*"Financial Liabilities")* to the audited financial statements.

Finance income

Finance income was $16,000 in fiscal 2020 and $0 in 2019.

Finance costs

Finance costs were $(2.9) million in 2020 relative to ($2.2) million in 2019. Further details are provided within Note 5 (*"First-Time Adoption of IFRS"*).

<u>*Fiscal 2019 compared to Fiscal 2018*</u>

Other income (loss)

Other income was $1,547 in 2019 and $0 in 2018, an immaterial change.

Change in fair value of redeemable preferred stock

A change in fair value of redeemable preferred stock resulted in an unrealized loss of $(17.4) million in fiscal 2019 compared to an unrealized gain of $2.5 million in 2018. These fluctuations are due to changes in the fair value measurement of the redeemable preferred shares as detailed in Note 5 (*"First-Time Adoption of IFRS"*) to the audited financial statements.

Finance income

Finance income decreased from $7,000 in fiscal 2018 to $0 in fiscal 2019, an immaterial change.

Finance costs

Finance costs increased to $(2.2) million in fiscal 2019 over $(1.8) million in fiscal 2018. Further details are provided within Note 5 (*"First-Time Adoption of IFRS"*).

Adjusted EBITDA

<u>*Fiscal 2020 compared to Fiscal 2019*</u>

Adjusted EBITDA was $(8.3) million in fiscal 2020 compared with $(7.0) million in 2019. The year-over-year increase in losses was attributable to the decline in revenue from COVID-19-related shutdowns and capacity restrictions, which was not fully offset by corresponding labor cost reductions and rent relief.

<u>*Fiscal 2019 compared to Fiscal 2018*</u>

Adjusted EBITDA in 2019 was $(7.0) million, compared with $(6.7) million in 2018. The decrease was attributable to higher G&A, such as higher labor expenses at the corporate level and operating costs associated with the 2019 e-commerce rollout.

Liquidity and Capital Resources

Historically, the Company has financed its operations through the sale of equity securities, taking on debt, and generating cash through its operating activities.

Cash and cash equivalents

As of December 27, 2020, the Company's cash and cash equivalents were down by $2.0 million at $2.9 million, compared to $4.9 million as of December 29, 2019. While net cash usage in the Company's operating activities resulted in decreased cash balances between fiscal 2018-19 and 2019-20 due to growth-related increases in SG&A, the impact of COVID-19 resulted in significantly higher cash outlays than anticipated.

Working capital

Working capital represents the Company's current assets less its current liabilities. The Company's working capital deficit shrank in fiscal 2020 by $7.7 million to $(3.4) million as at December 27, 2020 from $(11.0) million at December 19, 2019. This was largely driven by a one-time $11.0 million reduction in current liabilities from extending the maturity of convertible promissory notes from October 2020 to April 2022.

		as at	
in thousands of U.S. dollars	December 27, **2020**	December 29, **2019**	December 30, **2018**
Current assets	4,598	6,138	5,588
Current liabilities	7,948	17,149	4,413
Working capital	**($3,350)**	**($11,011)**	**$1,175**

The following table shows our cash flows from operating activities, investing activities and financing activities for the periods indicated.

Cash inflows (outflows) by activity:		for Fiscal Year ended	
in thousands of U.S. dollars	December 27,	December 29,	December 30,
	2020	**2019**	**2018**
Operating activities	(6,891)	(5,029)	(5,167)
Investing activities	(112)	(244)	(1,183)
Financing activities	5,014	5,614	2,955
Net inflows (outflows)	**($1,989)**	**$341**	**($3,395)**

Cash Flows Used in Operating Activities

Cash flows from operating activities consist of our net profit (loss) adjusted for non-cash expenses and for changes in working capital items. Non-cash adjustments generally include depreciation and amortization, share-based payments, write-downs on disposals of property, plant, and equipment, and adjustments in the fair value of assets and liabilities. Working capital adjustments generally include changes in inventories, prepaid expenses, and deferred revenue, and changes to accounts payable.

Fiscal 2020 compared to Fiscal 2019

During fiscal 2020, the net cash flow from operating activities was $(6.9) million compared to $(5.0) million in fiscal 2019.

Fiscal 2019 compared to Fiscal 2018

During fiscal 2019, the net cash flow from operating activities was $(5.0) million compared to $(5.2) million in fiscal 2018.

Cash Flows from Investing Activities

Net cash outflows from investing activities result from purchases and disposals of property, plant and equipment and intangible assets to support product development, facilities expansion and general growth.

Fiscal 2020 compared to Fiscal 2019

Net cash flows from investing activities for fiscal 2020 were $(112,179) and were entirely attributable to the acquisition of equipment and improvements. This was a reduction in outflows from the $(244,125) recorded in fiscal 2019.

Fiscal 2019 compared to Fiscal 2018

Net cash flows from investing activities for fiscal 2019 were $(244,125) and went entirely to the acquisition of equipment and improvements. This was a reduction in outflows from the $(1.2) million recorded in fiscal 2018. The larger net cash outflow in 2018 was due to initial buildouts and openings of the West Hollywood and Beverly Hills studios.

Cash Flows from Financing Activities

Fiscal 2020 compared to Fiscal 2019

Net cash flow from financing activities for fiscal 2020 was $5.0 million, which compares to $5.6 million in fiscal 2019.

Fiscal 2019 compared to Fiscal 2018

Net cash flows from financing activities for fiscal year 2019 was $5.6 million, This compares to $3.0 million of net cash flow from financing activities in fiscal 2018, with the year-over-year increase largely attributable to increased proceeds from convertible note issuance.

Liquidity and Cash Resource Requirements

The Company's objective in managing its capital is to ensure that it has sufficient liquidity to support its operations and meet its short-term liabilities and commitments as they become due. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill obligations. In managing working capital, the Company may limit or control the amount of working capital used for operations or other initiatives and/or pursue additional financing. The Company is not subject to any financial ratio maintenance covenants in its bank borrowings or other outstanding debt obligations.

In April 2021, the Company closed on $7.5 million in financing (see *"Subsequent Events"*).

Off-Balance Sheet Arrangements

During the periods presented, the Company did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Financial Instruments and Risk Management

The Company's principal financial liabilities are comprised of accounts payables and accrued expenses, redeemable preferred shares, convertible promissory notes and lease liabilities. 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 ('the 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 monthly.

Fair Value

The Company's financial liabilities include accounts payable and accrued expenses, lease liabilities, loans payable, convertible promissory notes and convertible preferred shares. Accounts payable and accrued expenses, lease liabilities, loans payable, and convertible promissory notes are subsequently measured at amortized cost. Convertible preferred shares are subsequently measured at fair value through profit or loss.

Market Risk and Foreign Currency 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.

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 redeemable preferred shares. See Note 11 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 of another financial asset.

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

Changes in Internal Control over Financial Reporting

There have been no material changes to internal control over financial reporting, though the parties responsible for their supervision have changed. During the twelve months ended December 27, 2020, the Company hired a new CFO and Controller.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. We regularly evaluate our estimates and assumptions related to revenue recognition, accounts receivable, share-based transaction expense, and warrant liability. We base our estimates and assumption on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenues, costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between our estimates and actual results, our future results of operations will be affected. For a description of our critical accounting estimates, please refer to Note 3, *Accounting policies,* in our audited consolidated financial statements for the fiscal year ended December 27, 2020.

Standards Issued but Not Yet Effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. See Note 23 to the Company's financial statements for the three years ended December 27, 2020.

Subsequent Events

On April 9, 2021, the Company issued additional convertible promissory notes in the amount of $5,000,000. In conjunction with this issuance, the Company has also updated the terms of its existing convertible promissory notes. The Company has not yet concluded on the accounting treatment of the revised terms, however,

On April 27, 2021, the Company also raised $2,500,000 in Senior Debt to solidify its capital position.

The Company considers these events to be non-adjusting events and thus does not require any change to the balance sheet as of December 27, 2020.