MiniLuxe, Inc.

Financial Statements for the 13 and 26 weeks ended
June 27, 2021 and June 28, 2020

(Unaudited, Amounts expressed in United States Dollars)

Contents

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

"Tony Tjan"	*"Zoe Krislock"*
Tony Tjan, Chairman	Zoe Krislock, Director and Chief Executive Officer

MiniLuxe, Inc.

Statements of Financial Position
June 27, 2021 with comparative information for December 27, 2020
Amounts expressed in United States Dollars

	Notes	June 27, 2021 (Unaudited)	December 27, 2020 (Unaudited*)
Assets			
Current assets:			
Cash and cash equivalents		$ 6,042,833	$ 2,866,368
Inventories	7	1,594,617	1,496,530
Prepaid expenses and other current assets		292,907	234,979
Total current assets		7,930,357	4,597,877
Non-current assets:			
Property and equipment, net	8	7,096,845	8,173,270
Deposits		269,192	280,067
Right-of-use asset, net	14	5,278,524	6,918,913
Total non-current assets		12,644,561	15,372,250
Total assets		$ 20,574,918	$ 19,970,127
Equity and Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	10	4,790,082	5,393,253
Deferred revenue		1,185,937	1,161,284
Current portion of lease liabilities	14	1,204,136	1,393,646
Convertible promissory notes	10	18,209,289	-
Total current liabilities		25,389,444	7,948,183
Non-current liabilities:			
Lease liabilities	14	$ 6,666,661	$ 7,688,707
Loan Payable	10	2,480,000	-
Convertible promissory notes	10	-	13,275,000
Warrant liability		1,699	-
Redeemable Preferred Shares	10	47,623,000	30,616,857
Total non-current liabilities		56,771,360	51,580,564
Total liabilities		82,160,804	59,528,747
Shareholders' deficit:			
Share capital	11	3,745,407	3,744,957
Contributed Surplus		488,328	326,598
Accumulated comprehensive loss		(65,819,621)	(43,630,175)
Total deficit		(61,585,886)	(39,558,620)
Total equity and liabilities		$ 20,574,918	$ 19,970,127
Going Concern	2		
Commitments and contingencies	16		
Subsequent events	20		

See notes to financial statements.

*Derived from audited financial statements as of December 27, 2020

MiniLuxe, Inc.

Statements of Net Profit or Loss and Comprehensive Profit or Loss 13 and 26 weeks ended June 27, 2021 and June 28, 2020
Unaudited, Amounts expressed in United States Dollars

		13 weeks ended		*26 weeks ended*	
	Notes	**June 27, 2021**	**June 28, 2020**	**June 27, 2021**	**June 28, 2020**
Revenue	5	$ 4,176,453	$ 647,013	$ 6,774,251	$ 5,015,743
Cost of sales		1,864,255	303,493	3,236,514	3,243,534
Gross profit		**2,312,198**	**343,520**	**3,537,737**	**1,772,209**
General and administrative expense	12	3,960,795	1,351,235	6,176,998	4,515,463
Depreciation and amortization expense	8, 14	769,613	918,895	1,559,513	1,875,637
Operating loss		**(2,418,210)**	**(1,926,610)**	**(4,198,774)**	**(4,618,891)**
Finance costs	10, 14	(789,613)	(697,889)	(1,402,360)	(1,350,722)
Finance income		1,032	-	1,737	15,969
Other income	14	443,046	-	443,045	-
Change in fair value of redeemable preferred stock	10	(11,906,842)	18,821,000	(17,007,842)	29,360,000
Profit/(loss) before tax		**(14,670,587)**	**16,196,501**	**(22,164,194)**	**23,406,356**
Income tax expense		(20,996)	(899)	(25,252)	(12,588)
Net profit/(loss) and comprehensive profit/(loss) for the year, basic		$ **(14,691,583)**	**$ 16,195,602**	$ **(22,189,446)**	$ **23,393,768**
Net profit/(loss) and comprehensive profit/(loss) per share, basic		$ (0.70)	$ 17.25	$ (1.06)	$ 24.92
Net profit/(loss) and comprehensive profit/(loss) per share, diluted		(0.70)	$ (0.03)	(1.06)	$ (0.07)
Weighted average number of common shares outstanding, basic		20,890,726	938,823	20,889,837	938,823
Weighted average number of common shares outstanding, diluted		20,890,726	89,166,469	20,889,837	89,166,469

See notes to financial statements.

MiniLuxe, Inc.

Statements of Changes in Shareholders' Deficit
26 weeks ended June 27, 2021 and June 28, 2020
Unaudited, Amounts expressed in United States Dollars

	Notes	Common Stock		Contributed Surplus	Accumulated Comprehensive Loss	Total Shareholders' Deficit
		Shares	Amount			
Balance at December 29, 2019		**938,823**	**120,281**	**237,210**	**(49,601,140)**	**(49,243,649)**
Share-based payments	13	-	-	45,129	-	45,129
Exercise of stock options		-	-	-	-	-
Net comprehensive profit		-	-	-	23,393,768	23,393,768
Balance at June 28, 2020		**938,823**	**$120,281**	**$282,339**	**($26,207,372)**	**($25,804,752)**
Balance at December 27, 2020		**20,889,427**	**3,744,957**	**326,598**	**(43,630,175)**	**(39,558,620)**
Share-based payments	13	-	-	161,955	-	161,955
Exercise of stock options		1,250	450	(225)	-	225
Net comprehensive loss		-	-	-	(22,189,446)	(22,189,446)
Balance at June 27, 2021		**20,890,677**	**$3,745,407**	**$488,328**	**($65,819,621)**	**($61,585,886)**

See notes to financial statements.

MiniLuxe, Inc.

Statements of Cash Flows
26 weeks ended June 27, 2021 and June 28, 2020
Unaudited, Amounts expressed in United States Dollars

	Notes	June 27, 2021	June 28, 2020
Cash flows from operating activities:			
Net profit (loss)		$ (22,189,446)	$ 23,393,768
Adjustments to reconcile net profit (loss) to			
net cash used in operating activities:			
Non-cash items			
Depreciation and amortization expense	8, 14	1,559,513	1,875,637
Share-based payments	13	161,955	45,129
Valuation of warrants		1,699	-
Income tax expense		25,252	12,588
Loss on disposal of property and equipment		438,759	-
Real estate modifications and abatements	14	(443,046)	-
Unrealized (gain)/loss due to change in fair value of preferred shares	10	17,006,143	(29,360,000)
Interest expense	10,14	1,401,569	1,350,722
Changes in operating assets and liabilities:			
Inventories, net	7	(98,087)	(879,051)
Prepaid expenses and other current assets		(57,928)	291,534
Deposits		10,875	-
Accounts payable and accrued expenses	10	(609,674)	(503,452)
Deferred revenue		24,653	(84,340)
		(2,767,763)	(3,857,465)
Interest paid		(566,440)	(545,583)
Taxes paid		(27,235)	(12,588)
Cash flows used in operating activities		(3,361,438)	(4,415,636)
Cash flows from investing activities:			
Acquisition of equipment	8	(184,295)	(52,894)
Cash flows used in investing activities		(184,295)	(52,894)
Cash flows from financing activities:			
Issuance of common stock	13	225	-
Issuance of convertible promissory notes, net of issuance costs	10	4,934,289	2,325,000
Proceeds from loan payable	10	2,480,000	3,819,913
Repayment of principal portion of lease liabilities	14	(692,316)	(570,266)
Cash flows from financing activities		6,722,198	5,574,647
Increase in cash and cash equivalents		**$ 3,176,465**	**$ 1,106,117**
Cash and cash equivalents, beginning of period		$ 2,866,368	$ 4,855,286
Cash and cash equivalents, end of period		$ 6,042,833	$ 5,961,403

Note 1. Nature of Business

MiniLuxe, Inc. (“MiniLuxe” or the “Company”) was incorporated on April 26, 2008 in the state of Delaware, United States of America (USA). The office of the Company is located at 1 Faneuil Hall Sq Fl 7. Boston, MA 02109-1612.

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 two principal operating segments, 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).

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 includes 53 weeks. The second fiscal quarter of 2021 began on March 29, 2021 and ended on June 27, 2021.

The financial statements of MiniLuxe, Inc. for the 13 and 26 weeks ended June 27, 2021 were authorized by the Company’s board of directors on November 8, 2021.

The Company’s services and products are marketed and sold to consumers in the states of Massachusetts, Rhode Island, California, and Texas.

Note 2. Basis of Presentation

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting on the Statement of Comprehensive Profit or Loss, Statement of Changes in Shareholders Equity (Deficit) and Statement of Cash Flows.

These interim financial statements follow the same accounting policies and methods of application as set forth in the financial statements for the year ended December 27, 2020. These statements do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the financial statements for the year ended December 27, 2020.

Going Concern

The Company has incurred recurring losses from operations over the twenty-six week period ending June 27, 2021, and currently projects cash uses that exceed cash on hand and cash to be generated from operations which necessitates the reliance on external funding at this stage in the growth cycle. Further, on January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. As a result, the Company was required to temporarily close all studios in March 2020 which significantly impacted the Company’s results of operations. The majority of studios reopened in a limited operating capacity in June 2020. The Company has taken some immediate steps to reduce operating costs and to conserve cash in light of the COVID-19 pandemic, including reductions in corporate overhead, deferred payment plans with major vendors, studio rent abatement and deferment, and receipt of the Paycheck Protection Program funding. The extent to which the coronavirus impacts the Company’s results on an ongoing basis will depend on future developments, which are uncertain and cannot be predicted. However, the loosening of government restrictions and widespread vaccine distribution provides optimism for a robust return to growth.

The Company’s recurring losses from operations have historically been a function of efforts to build and scale the business, as well as investing in a corporate infrastructure necessary to support future growth. The Company has convertible promissory notes due on April 30, 2022. As a result, the Company’s viability relies on a strategy of raising additional capital to fund operations until the business becomes self-sustaining. The Company raised $7,500,000 in a combination of convertible promissory notes and senior debt in April of 2021. The Company is also actively pursuing additional financing to fund further growth initiatives and provide sufficient working capital to bring the core operations to profitability and to satisfy the maturities of the convertible promissory notes. This additional financing may include future rounds of equity

Note 2. Basis of Presentation (Continued)

or debt financing from new or existing investors. There can be no assurances that the Company will be successful in completing these plans at acceptable terms, if at all.

Based on the above, Management has determined that substantial doubt exists about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 3. Summary of Significant Accounting Policies

For a summary of significant accounting policies, refer to *"Note 3 - Summary of Significant Accounting Policies"* to the financial statements for the three years ending December 27, 2020.

Note 4. Significant Accounting Judgments, Estimates and Uncertainties

For a summary of significant accounting judgments, estimates, and uncertainties, refer to *"Note 4 - Summary of Significant Accounting Judgments, Estimates and Uncertainties"* to the financial statements for the three years ending December 27, 2020.

Note 5. Segment information

IFRS 8 Operating Segments defines an operating segment as:

i) a component of an entity that engages in business activities from which it may earn revenues and incur expenses;

ii) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and

iii) for which discrete financial information is available.

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.

	13 weeks ended		*26 weeks ended*	
	June 27, 2021	**June 28, 2020**	**June 27, 2021**	**June 28, 2020**
Talent revenue	$ 3,947,607	$ 328,144	6,385,883	$ 4,601,326
Product revenue	228,846	318,869	388,368	414,417
	$ 4,176,453	**$ 647,013**	**6,774,251**	**$ 5,015,743**

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

Note 6. Capital Management

No changes were made in the objectives, policies or processes for managing capital during the 26 weeks ended June 27, 2021 and June 28, 2020. Please refer to *"Note 7 – Capital Management"* to the financial statements for the three years ending December 27, 2020.

Note 7. Inventories

Inventory consisted of the following at June 27, 2021 and December 27, 2020.

	June 27, 2021	December 27, 2020
Merchandise and retail products	$ 481,535	$ 489,817
Inventory supplies	266,257	214,867
Polish	507,224	487,869
Raw materials	339,601	303,977
Total inventories	**$ 1,594,617**	**$ 1,496,530**

There have been no reversals of inventory write-downs for the 13 weeks and 26 weeks ending June 27, 2021 or December 27, 2020.

Note 8. Property and Equipment, Net

Property and equipment, net consists of the following at June 27, 2021, and December 27, 2020:

	Furniture, Fixtures & Equipment	Leasehold Improvements	Website	Total
Cost				
At December 27, 2020	$ 2,022,144	$ 15,478,346	$ -	$ 17,500,490
Additions	47,762	65,633	70,900	184,294
Disposals	(223,447)	(1,031,130)	-	(1,254,577)
At June 27, 2021	$ 1,846,459	$ 14,512,849	$ 70,900	$ 16,430,207
Depreciation				
At December 27, 2020	$ 1,753,885	$ 7,573,335	$ -	$ 9,327,220
Depreciation charge for the period	102,767	719,194	-	821,961
Disposals	(207,392)	(608,427)	-	(815,819)
At June 27, 2021	$ 1,649,260	$ 7,684,102	$ -	$ 9,333,362
Net book value				
At December 27, 2020	$ 268,259	$ 7,905,011	$ -	$ 8,173,270
At June 27, 2021	**$ 197,199**	**6,828,747**	**70,900**	**$ 7,096,845**

Note 9. Government Grants

As of June 27, 2021, MiniLuxe's application for PPP loan forgiveness (see *"Note 10 – Government Grants"* to the audited annual financial statements for the three years ending December 27, 2020) was still under review by the SBA.

During the quarter ended September 27, 2021, the Company was informed that the PPP loan forgiveness application was approved in full.

Note 10. Financial Liabilities

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

	Interest Rate	Maturity		June 27, 2021		December 27, 2020
Total current interest-bearing loans and borrowings				**-**		**-**
Convertible promissory notes	10%	2022		18,209,289		13,275,000
Total current interest-bearing loans and borrowings				**18,209,289**		**13,275,000**
Total interest-bearing loans and borrowings				**18,209,289**		**13,275,000**
Other financial liabilities:						
Financial liabilities at fair value through profit or loss						
Loan Payable	15%	2025	$	2,480,000		-
Redeemable Preferred Stock				47,623,000		30,616,857
Accounts payable and accrued expenses				4,790,082		5,393,253
Total other financial liabilities			**$**	**54,893,082**	**$**	**36,010,110**
Total current			$	22,999,371	$	5,393,253
Total non-current			$	50,103,000	$	43,891,857

Convertible promissory notes: On November 9, 2018, the Company's Board of Directors approved the issuance of convertible promissory notes in the aggregate principal amount of up to $7,500,000.

The Company made numerous amendments to the promissory notes to increase the principal amount to $12,500,000, extend the maturity date to April 30, 2022, and change the notes convertible as being convertible from Series C-3 preferred shares to Series B preferred shares, which carry the same rights but have carry different values, as the value per share increased in line with the decrease in outstanding shares.

The notes earn interest at a rate of 10% per year. Each note will mature on the date of the first to occur of (i) the consummation of a liquidation event, as defined in the agreement, (ii) the consummation of a qualified financing, and (iii) a written demand by holders representing a majority of the principal amount then outstanding on or after the earlier of October 31, 2020, amended to April 30, 2022, or the occurrence of an event of default, as defined in the agreement. Under the terms of the agreements, if a qualifying financing occurs before maturity, the convertible promissory notes and accrued interest are convertible at the lesser of (i) 80% of the price per share paid generally by cash investors in such qualifying financing or (ii) a capped price per share calculated at an amount equal to $100,000,000 divided by the number of shares of common stock outstanding on a fully-diluted basis as of immediately prior to the initial closing of such qualifying financing, as defined in the agreements. Upon a liquidation event (defined in the agreements), the Company is required to repay to each note holder, the greater of (i) the sum of one and one-half multiplied by any outstanding principal balance plus unpaid interest accrued or (ii) the amount the note holder would have been entitled to receive in connection with such liquidation event if the aggregate amount of principal and unpaid accrued interest had been converted to shares of Series B Preferred shares at a price per share of $1.03.

Note 10. Financial Liabilities (Continued)

During the quarter ended June 27, 2021, the Company issued $5,000,000 of convertible promissory notes. The terms of these new convertible note purchase agreements are in line with those disclosed above. The notes earn interest at a rate of 10% per year. Each note will mature on the date of the first to occur of (i) the consummation of a liquidation event, as defined in the agreement, (ii) the consummation of a qualified financing, and (iii) a written demand by holders representing a majority of the principal amount then outstanding on or after the earlier of April 30, 2022, or the occurrence of an event of default, as defined in the agreement. Under the terms of the agreements, if a qualifying financing occurs before maturity, the convertible promissory notes and accrued interest are convertible at the lesser of (i) a percentage ranging from 70-77.5% (dependent on the principal amount of the note) of the price per share paid generally by cash investors in such qualifying financing or (ii) a capped price per share calculated at an amount equal to $100,000,000 divided by the number of shares of common stock outstanding on a fully-diluted basis as of immediately prior to the initial closing of such qualifying financing, as defined in the agreements. Upon a liquidation event (defined in the agreements), the Company is required to repay to each note holder, the greater of (i) the sum of one and three-quarters multiplied by any outstanding principal balance plus unpaid interest accrued or (ii) the amount the note holder would have been entitled to receive in connection with such liquidation event if the aggregate amount of principal and unpaid accrued interest had been converted to shares of Series B Preferred shares at a price per share of $1.03.

The outstanding convertible promissory notes as of June 27, 2021 are $18,275,000. This balance was reduced by $65,711 in legal costs paid in connection with securing the convertible promissory notes, which will be amortized to interest expense over the term of the convertible promissory notes. The net amount of $18,209,289 is reflected as a current liability in the statement of financial position as of June 27, 2021.

Interest expense on these outstanding promissory notes during the 26 weeks ended June 27, 2021 was $754,431 (26 weeks ended June 28, 2020 - $611,233), and during the 13 weeks ended June 27, 2021 was $418,868 (13 weeks ended June 28, 2020 - $334,431). As of June 27, 2021 and December 27, 2020, the Company recorded accrued interest of $2,660,214 and $1,910,231, respectively, in accounts payable and accrued expenses on the statements of financial position.

The conversion feature on the convertible promissory notes meets the definition of a derivative liability in accordance with IAS 32. The derivative liability is measured each period at fair value through profit or loss in accordance with IFRS 9. However, the value at June 27, 2021 is $nil.

Senior debt: The Company also issued $2,500,000 of senior debt during the quarter ended June 27, 2021 repayable no later than April 27, 2025. The Company is required to make monthly interest payments of $31,250 until the maturity date of the loan. Interest expense on the senior debt for the 13 and 26 weeks ended June 27, 2021 was $66,667 (June 28, 2020 – nil). Concurrently, the Company issued warrants with the senior debt. The warrants have terms that allow the holder to exercise the warrants at a price to be determined at a later date. As such, the warrant is classified as a derivative liability in accordance with IAS 32. The warrants are measured at fair value through profit and loss in accordance with IFRS 9.

Redeemable preferred stock: Since inception, the Company has been funded through several private placements of redeemable preferred shares. As of June 27, 2021, the Company's Articles of Incorporation (Articles), as amended, authorize the issuance of 89,698,000 shares of redeemable preferred shares with a par value of $0.001 per share. Of these authorized shares, 6,512,000 shares have been designated Series Seed Preferred shares, 22,308,000 shares have been designated New Series A Preferred shares, and 60,878,000 shares have been designated New Series B Preferred shares. As of June 27, 2021, the Company had 22,307,184 Series A Preferred Shares outstanding, 21,180,971 Series B Preferred Shares outstanding, and 6,511,802 Seed Preferred Shares outstanding.

Preferred shares are considered to be compound financial instruments which require separation into liability and equity components based on the terms of the contract. The instrument is measured at its fair value to determine the liability component and with any residual value allocated to the equity component. The fair value of the instrument is entirely assigned to the liability component due to the nature of its redemption feature. As a result, there is no value allocated to equity. The liability

Note 10. Financial Liabilities (Continued)

component is subsequently measured at fair value with change in fair value recorded in the comprehensive income each year.

The fair value of redeemable preferred shares was measured with the following assumptions:

	June 27, 2021	December 27, 2020
Equity value (000s)	47,317 to 59,942	31,841 to 43,146
Volatility	50%	60%
Term	0.25	4.00
Risk-free interest rate	0.06%	0.27%
Dividend	-	-

The fair value of the Redeemable Preferred Shares is measured based on valuation models. Measurement inputs include enterprise equity value on measurement date, expected volatility, expected life of the instrument, the risk-free interest rate, and expected dividends. No active market exists for the Company's common shares. For this reason, the Company considers 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.

Accounts payable and accrued expenses

	June 27, 2021		December 27, 2020	
Accounts payable	$	1,292,866	$	2,285,078
Other payables and accrued expenses		531,914		835,840
Interest payable		2,759,662		1,938,565
Variable rent		205,640		333,770
	$	4,790,082	$	5,393,253

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.
- Interest is payable on maturity of the convertible promissory notes.

Note 11. Share Capital

Common stock: As of June 27, 2021, the Company has authorized 114,702,000 shares of common stock with a par value of $0.001 per share. The holders of Common Stock are entitled to vote on all matters and are entitled to the number of votes equal to the number shares of Common Stock held. As of June 27, 2021, there were 20,890,726 shares of Common stock outstanding. The balance of share capital is comprised of $3,745,407 of par value common stock, while the remaining $488,328 of the balance is contributed surplus.

Note 12. General and Administrative Expenses

General and administrative expenses are comprised of the following:

	13 weeks ended		*26 weeks ended*	
	June 27, 2021	**June 28, 2020**	**June 27, 2021**	**June 28, 2020**
Salaries, wages, and employee benefits	1,399,980	459,784	2,667,141	2,114,007
Marketing and selling expenses	122,705	148,002	185,356	270,389
Variable rent	201,433	201,258	506,373	454,500
Professional fees	288,320	89,043	362,152	215,443
IT related costs	123,647	128,286	238,178	260,637
Warehouse	108,274	117,336	158,585	179,808
Bank and credit card fees	119,868	12,865	200,278	151,098
Operating supplies	100,645	15,026	151,021	164,416
HR, payroll and recruiting fees	196,135	35,738	238,493	175,124
Loss on disposal of property and equipment	438,759	-	438,759	-
Repairs and maintenance	80,085	18,351	138,434	145,246
Insurance, permits and fines	46,474	54,408	82,946	125,380
Equipment	45,992	36,293	78,385	97,156
Travel, meals and entertainment	90,497	5,632	108,491	107,117
Stock compensation	149,997	22,565	161,955	45,129
Third party consultants	326,907	-	326,907	-
Other expenses	121,077	6,648	133,544	10,013
Total general and administrative expense	**$ 3,960,795**	**$ 1,351,235**	**$ 6,176,998**	**$ 4,515,463**

Note 13. Share-based payments

A total of 5,739,488 shares were authorized for issuance under the 2019 Stock Plan.

Options to purchase 851,418 shares of Common Stock were available for issuance under the 2019 Stock Plan as of June 27, 2021 (December 27, 2020 - 1,176,593). During the quarter, the option plan was amended to allow for 2,250,000 options to be granted.

Stock option activity under the 2019 Stock Plan during the 13-week and 26-week periods ended June 27, 2021 is as follows:

	Shares	**Weighted Average Exercise Price**	**Weighted Average Contractual Life (In Years)**
Outstanding at December 27, 2020	**2,371,420**	**$ 0.29**	**8.8**
Granted	2,500	0.18	
Forfeited	-	-	
Exercised	1,250	0.18	
Outstanding at March 28, 2021	**2,372,670**	**$ 0.18**	**8.1**
Granted	2,584,500	0.18	
Forfeited	(5,226)	0.25	
Exercised	-	-	
Outstanding at June 27, 2021	**4,951,944**	**$ 0.23**	**8.8**
Options exercisable at June 27, 2021	**2,347,515**	**$ 0.22**	**8.8**

Note 13. Share-based payments (Continued)

The weighted-average fair value of stock options granted during the 26-week period ended June 27, 2021 under the Black-Scholes option-pricing model was $0.09 per share.

In the 26-week period ended June 27, 2021, 1,250 stock options were exercised.

The Company recognized $161,955 in stock-based compensation expense for the 26 weeks ended June 27, 2021 (26 weeks ended June 28, 2020 - $45,129), and $149,997 in stock-based compensation expense for the 13 weeks ended June 27, 2021 (13 weeks ended June 28, 2020 - $22,565). As of June 27, 2021, there was approximately $140,898 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 2.1 years.

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). No active market exists for the Company's common shares. For this reason, the Company considers 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. 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.

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 December 27, 2020	$ 6,903,467	$ 15,446	$ 6,918,913
Modifications	(902,837)	-	(902,837)
Depreciation expense	(731,738)	(5,814)	(737,552)
As at June 27, 2021	**$ 5,268,892**	**$ 9,632**	**$ 5,278,524**

Note 14. Leases (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period and compared to FY2020.

	June 27, 2021	December 27, 2020
Balance as of beginning of the period	$ 9,082,353	$ 10,360,256
Modifications	(525,563)	(301,770)
Accretion of interest	581,207	1,644,767
Payments	(1,267,200)	(2,620,900)
Balance as of end of the period	**$ 7,870,797**	**$ 9,082,353**
Current	$ 1,204,136	$ 1,393,646
Non-Current	$ 6,666,661	$ 7,688,707

The following are the amounts recognized in profit or loss:

	13 weeks ended		*26 weeks ended*	
	June 27, 2021	***June 28, 2020***	**June 27, 2021**	**June 28, 2020**
Depreciation expense of right-of-use assets	$ 362,123	$ 487,053	$ 731,738	$ 979,214
Interest expense on lease liabilities	304,078	362,067	581,207	738,458
Expense relating to leases of low-value assets	6,545	23,921	23,775	47,843
Variable rent	201,433	201,258	506,373	454,500
Total amount recognized in comprehensive loss	$ 874,179	$ 1,074,299	$ 1,843,093	$ 2,220,015

The Company recorded a gain on modification of real estate leases within other income in the amount of $443,046 in the 13 and 26 weeks ended June 27, 2021 (13 and 26 weeks ended June 28, 2020 - $nil).

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.

Note 15. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to common equity holders of the parent by the weighted average number of common stock outstanding during the year. 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 redeemable preferred shares, stock options, and warrants.

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

	13 weeks ended		*26 weeks ended*	
	June 27, 2021	**June 28, 2020**	**June 27, 2021**	**June 28, 2020**
Profit (loss) attributable to common equity holders of the Company (Basic)	$ (14,691,583)	$ 16,195,603	$ (22,189,446)	$ 23,393,768
Weighted average number of common stock for basic EPS	20,890,726	938,823	20,889,837	938,823
Basic earnings per share	**$ (0.70)**	**$ 17.25**	**$ (1.06)**	**$ 24.92**
Weighted average number of common stock for basic EPS				
Issued common stock at start of year	20,890,726	938,823	20,889,476	938,823
Effect of share options exercised	-	-	361	-
Effect of shares issues related to recapitalization	-	-	-	-
Weighted average number of common stock end of year (basic)	**20,890,726**	**938,823**	**20,889,837**	**938,823**
Effects of dilution from:				
Effect of share options issued	-	52,199	-	52,199
Effect of conversion of redeemable preferred shares	-	88,175,447	-	88,175,447
Weighted average number of common stock end of year (dilutive)	**20,890,726**	**89,166,469**	**20,889,837**	**89,166,469**
Profit (loss) attributable to common equity holders of the Company (Basic)	$ (14,691,583)	$ **16,195,603**	$ (22,189,446)	$ **23,393,768**
Gain on change in fair value of preferred shares	-	(18,821,000)	-	(29,360,000)
Profit attributable to ordinary equity holders of the Company (Diluted)	**$ (14,282,065)**	**$ (2,625,397)**	**$ (21,833,304)**	**$ (5,966,232)**
Diluted earnings per share	**$ (0.70)**	**$ (0.03)**	**$ (1.06)**	**$ (0.07)**

Note 16. 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.

Note 16. Commitments and Contingencies (Continued)

The Company does not have any material commitments for future years, apart from leases (see Note 14).

Note 17. 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 13 and 26 weeks ended June 27, 2021 or June 28, 2020.

Note 18. Fair Value Measurement

The Company measures its redeemable preferred shares 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		
	Date of Valuation	Total	Quoted price in Active Markets (Level 1)	Significant Observabl e Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value:					
Non-interest-bearing loans and borrowings:					
Redeemable Preferred Shares	June 27, 2021	$47,623,000	$ -	$ -	$47,623,000
	December 27, 2020	$30,616,857	$ -	$ -	$30,616,857

There were no transfers between Level 1 and Level 2 during the 13 and 26 weeks ended June 27, 2021 and June 28, 2020.

Note 18. Fair Value Measurement (Continued)

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at June 27, 2021, are shown below:

	Valuation Technique	Significant unobservable inputs	Range/(point estimate)	Sensitivity of the input to fair value
Redeemable preferred shares	Option Pricing Model	Equity value	6/27/2021: $47,317,000 to $59,942,000 ($53,639,000)	A 12% increase in equity value would result in an increase in the fair value of the redeemable preferred shares of $2,490,000 at June 27, 2021. A 12% decrease in equity value would result in a decrease in the fair value of the redeemable preferred shares of $3,301,000 at June 27, 2021.
		Volatility (based upon guideline public companies)	6/27/2021: 45.0% - 55.0% (50.0%)	A 5% increase in volatility would result in a decrease in the fair value of the redeemable preferred shares of $357,000 at June 27, 2021. A 5% decrease in volatility would result in an increase in the fair value of the redeemable preferred shares of $386,000 at June 27, 2021.

Note 19. Related Party Transactions

Management compensation for the 13 week and 26 week periods ending June 27, 2021 and June 28, 2020 are as follows:

	Transaction Value for the Period Ended			
	13 weeks ended		*26 weeks ended*	
	June 27, 2021	**June 28, 2020**	**June 27, 2021**	**June 28, 2020**
Key Management Personnel				
Short-term benefits	$ 174,498	$ 113,499	348,995	226,998
Share-based payments	30,291	16,928	55,534	33,857
Total	$ 204,789	$ 130,427	404,529	260,855

Management compensation balances outstanding as of June 27, 2021 and December 27, 2020 are as follows:

	Balance Outstanding as at	
	June 27, 2021	**December 27, 2020**
Key Management Personnel		
Share-based payments	$ 190,961	$ 135,427

Note 20. Significant Events

On June 25, 2021, the Company (MiniLuxe Inc.) entered into a non-binding letter of intent (“LOI”) with Rise Capital Corp. (“Rise”), a Canadian Capital Pool Company (“CPC”), to complete a proposed arm’s length reverse take over (the “Proposed Transaction”), which is intended to constitute Rise’s Qualifying Transaction (“QT”). Pursuant to the Proposed Transaction, Rise Merger Sub Inc. (“MergerCo”), a wholly-owned Delaware subsidiary of Rise, will merge with and into the Company, pursuant to which holders of shares of the Company will receive either subordinate voting shares or proportionate voting shares of Rise Capital (to be renamed “MiniLuxe Holding Corp.”) in exchange for the shares of the Company held by them. This is a qualified financing for the Company, and it is intended that all outstanding redeemable and convertible securities of the Company will be converted into common shares of the Company prior to the completion of the Proposed Transaction or otherwise exchanged pursuant to the Proposed Transaction for comparable securities of Rise on substantially similar economic terms.

Note 21. Subsequent Events

In connection with the Proposed Transaction, on October 15, 2021, MiniLuxe FinCo Corp. (“FinCo”) completed a non-brokered private placement offering of Subscription Receipts (the “Financing”) for gross proceeds of C$2,353,632 for 1,961,360 receipts and $6,218,118 for 6,477,118 receipts, for aggregate gross proceeds of $8,119,415, converted to USD at the Bank of Canada’s USD/CAD exchange rate as of the close on October 15, 2021 (see Note 7). Simultaneous with and as a part of the Proposed Transaction, (a) each Subscription Receipt will be automatically converted into one Common Share of FinCo (but no certificates evidencing such Common Shares will be issued to the Subscriber); and (b) FinCo will be amalgamated with a wholly-owned subsidiary of Rise Capital Corp., and pursuant thereto all Common Shares will be exchanged for Class A subordinate voting shares of Rise Capital as part of the Proposed Transaction. The closing date of the Proposed Transaction will be November 23, 2021.

Prior to the completion of the Proposed Transaction, the outstanding common shares of Rise will be consolidated on a 4:1 basis.

<u>The Financing: Concurrent Subscription Receipt Offering</u>

The Financing, which closed on October 15, 2021, is in support of the Proposed Transaction and is integral in the completion of the Qualifying Proposed Transaction. Prior to September 30, 2021, FinCo raised C$1,057,368 for 881,140 subscription receipts at C$1.20 per subscription receipt, and $4,095,151 for 4,265,747 subscription receipts at $0.96 per subscription receipt, for a total of 5,146,887 subscription receipts. From October 1 through October 15, 2021, FinCo raised an additional C$1,296,263 for 1,080,220 subscription receipts and $2,123,001 for 2,211,459 subscription receipts. See Note 7 for additional detail.

Each subscription receipt will entitle the holder thereof to one common share of FinCo. The funds are held in escrow pending completion of the Proposed Transaction and are refundable to the investors if the conditions for release are not met.

The Escrowed Funds shall be released to FinCo, and in connection therewith: (a) each Subscription Receipt will be automatically converted into one Common Share (but no certificates evidencing such Common Shares will be issued to the Subscriber); and (b) FinCo will be amalgamated with a wholly-owned subsidiary of Rise, and pursuant thereto all Common Shares will be exchanged for Class A subordinate voting shares of Rise as part of the business combination Proposed Transaction (the "Qualifying Proposed Transaction") to be completed between Rise and the Company.

Release Conditions means (a) the Company, Rise Capital, and FinCo having entered into the QT Agreement, (b) the receipt of all applicable regulatory and shareholder approvals for the Qualifying Proposed Transaction (including the conditional approval of the TSXV), (c) FinCo having confirmed that all conditions under the QT Agreement have been satisfied or waived, other than the release of the Escrowed Funds, the completion of the Amalgamation and the Qualifying Proposed Transaction and the filing of the

Note 21. Subsequent Events (Continued)

requisite documents with governmental authorities, if any, to give effect to the Qualifying Proposed Transaction, (d) the Class A subordinate voting shares of Rise Capital issued to holders of Common Shares (including Common Shares issued on conversion of the Subscription Receipts) not being subject to any statutory hold period in Canada, (e) the Class A subordinate voting shares of Rise Capital being conditionally approved for listing on the TSXV, and the completion, satisfaction or waiver of all conditions precedent to such listing, other than the conditions set out in the conditional approval letter of the TSXV, and (f) FinCo having delivered a written notice to the Subscription Receipt Agent confirming that the Release Conditions have been met or waived.