

MiniLuxe, Inc.

Financial Statements for the 13 and 39 weeks ended
September 26, 2021 and September 27, 2020

(Unaudited, Amounts expressed in United States Dollars)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

“Tony Tjan”

Tony Tjan, Chairman

“Zoe Krislock”

Zoe Krislock, Director and Chief Executive Officer

MiniLuxe, Inc.

Statement of Financial Position

September 26, 2021 with comparative information for December 27, 2020

	Notes	September 26, 2021	December 27, 2020 (Audited)
Assets			
Current assets:			
Cash and cash equivalents		\$ 3,567,592	\$ 2,866,368
Inventories	7	1,722,175	1,496,530
Prepaid expenses and other current assets		395,749	234,979
Total current assets		5,685,516	4,597,877
Non-current assets:			
Property and equipment, net	8	7,292,592	8,173,270
Deposits		269,192	280,067
Right-of-use asset, net	14	4,955,699	6,918,913
Total non-current assets		12,517,483	15,372,250
Total assets		\$ 18,202,299	\$ 19,970,127
Equity and Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	10	5,646,766	5,393,253
Deferred revenue		1,159,657	1,161,284
Current portion of lease liabilities	14	1,426,675	1,393,646
Convertible promissory notes	10	18,209,288	-
Total current liabilities		26,442,386	7,948,183
Non-current liabilities:			
Lease liabilities	14	\$ 5,755,534	\$ 7,688,707
Loan Payable	10	2,455,000	-
Convertible promissory notes	10	-	13,275,000
Redeemable Preferred Shares	10	50,125,000	30,616,857
Warrant Liability	10	100,804	-
Total non-current liabilities		58,436,338	51,580,564
Total liabilities		84,878,724	59,528,747
Shareholders' (deficit) equity:			
Share capital	11	3,791,972	3,744,957
Contributed Surplus		500,093	326,598
Accumulated comprehensive loss		(70,967,790)	(43,630,175)
Total equity		(66,675,725)	(39,558,620)
Total equity and liabilities		\$ 18,202,299	\$ 19,970,127
Going Concern	2		
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See notes to financial statements.

MiniLuxe, Inc.

**Statement of Net Profit or Loss and
Comprehensive Profit or Loss
13 and 39 weeks ended
September 26, 2021
and September 27, 2020**

		13 weeks ended		39 weeks ended	
	Notes	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Revenue	5	\$ 4,747,866	\$ 2,604,754	\$ 11,522,118	\$ 7,620,497
Cost of sales		2,505,168	1,498,181	5,741,681	4,741,717
Gross profit		2,242,698	1,106,573	5,780,437	2,878,780
General and administrative expense	12	3,348,171	2,415,043	9,389,926	6,740,469
Depreciation and amortization expense	8, 14	740,964	940,567	2,300,476	2,816,175
Operating loss		(1,846,437)	(2,249,037)	(5,909,965)	(6,677,864)
Finance costs	10, 14	(812,840)	(700,632)	(2,215,198)	(2,053,052)
Finance income		-	163	1,737	16,133
Other income	9	-	400,174	443,045	400,174
Change in fair value of redeemable preferred stock	10	(2,601,105)	(5,940,315)	(19,608,947)	23,419,685
Profit/(loss) before tax		(5,260,382)	(8,489,647)	(27,289,328)	15,105,076
Income tax expense		(23,035)	(24,294)	(48,287)	(36,882)
Net profit/(loss) and comprehensive profit/(loss) for the year, basic		\$ (5,283,417)	\$ (8,513,941)	\$ (27,337,615)	\$ 15,068,194
Net profit/(loss) and comprehensive profit/(loss) per share, basic		\$ (0.25)	\$ (1.88)	\$ (1.31)	\$ 3.33
Net profit/(loss) and comprehensive profit/(loss) per share, diluted		\$ (0.25)	\$ (1.88)	\$ (1.31)	\$ (0.10)
Weighted average number of common shares outstanding, basic		20,892,968	4,520,117	20,892,674	4,521,934
Weighted average number of common shares outstanding, diluted		83,100,745	87,819,767	83,100,451	87,821,584

See notes to financial statements.

Statement of Changes in Shareholders' (Deficit) Equity
39 weeks ended September 26, 2021
and September 27, 2020

	Notes	Common Stock		Contributed Surplus	Accumulated Comprehensive Loss	Total Shareholders' (Deficit) Equity
		Shares	Amount			
Balance at December 29, 2019		938,823	120,281	237,210	(49,601,140)	(49,243,649)
Issuance of common stock upon recapitalization		19,931,776	3,622,894	-	-	3,622,894
Share-based payments	13	-	-	67,694	-	67,694
Exercise of stock options		18,877	889	(870)	-	19
Net comprehensive loss		-	-	-	15,068,194	15,068,194
Balance at September 27, 2020		20,889,476	\$3,744,064	\$304,034	(\$34,532,946)	(\$30,484,848)
Balance at December 27, 2020		20,889,476	3,744,957	326,598	(43,630,175)	(39,558,620)
Share-based payments	13	-	-	190,285	-	190,285
Exercise of stock options		3,238	725	(500)	-	225
Exercise of Warrants		200,000	46,290	(16,290)	-	30,000
Net comprehensive loss		-	-	-	(27,337,615)	(27,337,615)
Balance at September 26, 2021		21,092,714	\$3,791,972	\$500,093	(\$70,967,790)	(\$66,675,725)

MiniLuxe, Inc.

Statement of Cash Flows 39 weeks ended September 26, 2021 and September 27, 2020

	Notes	September 26, 2021	September 27, 2020
Cash flows from operating activities:			
Net profit (loss)		\$ (27,337,615)	\$ 15,068,194
Adjustments to reconcile net profit (loss) to net cash used in operating activities:			
Non-cash items			
Depreciation and amortization expense	8, 14	2,300,476	2,816,175
Share-based payments	12	190,285	67,694
Income tax expense		48,287	36,882
Loss on disposal of property and equipment		438,759	-
Gain on modification of real estate leases	14	(443,046)	(400,174)
Unrealized (gain)/loss due to change in fair value of preferred shares	10	19,508,143	(23,419,685)
Change in fair value of warrant		100,804	-
Interest expense	10,14	2,215,199	2,053,052
Changes in operating assets and liabilities:			
Inventories, net	7	(225,645)	(885,493)
Prepaid expenses and other current assets		(160,770)	419,553
Deposits		10,875	(22,805)
Accounts payable and accrued expenses	10	(743,062)	(996,375)
Deferred revenue		(1,627)	(126,676)
		(4,098,937)	(5,389,659)
Interest paid		(797,100)	(576,337)
Taxes recovered / (paid)		(49,839)	(32,608)
Cash flows used in operating activities		(4,945,876)	(5,998,604)
Cash flows from investing activities:			
Acquisition of equipment	8	(798,180)	91,257
Cash flows used in investing activities		(798,180)	91,257
Cash flows from financing activities:			
Issuance of common stock	12	30,225	-
Issuance of convertible promissory notes	12	4,934,288	2,325,000
Proceeds from loan payable	12	2,455,000	3,785,592
Repayment of principal portion of lease liabilities	14	(974,233)	(826,015)
Cash flows from financing activities		6,445,280	5,284,577
Increase (decrease) in cash and cash equivalents		\$ 701,224	\$ (622,770)
Cash and cash equivalents, beginning of period		\$ 2,866,368	\$ 4,855,286
Cash and cash equivalents, end of period		\$ 3,567,592	\$ 4,232,516

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 third fiscal quarter of 2021 began on June 28, 2021 and ended on September 26, 2021.

The financial statements of MiniLuxe, Inc. for the 13 and 39 weeks ended September 26, 2021 were authorized by the Company’s board of directors on December 13, 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 consolidated financial statements for the years 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 consolidated financial statements for the year ended December 27, 2020.

Going Concern

The Company has incurred recurring losses from operations over the thirty-nine-week period ending September 26, 2021.

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. As a result, the Company’s viability relies on a strategy of raising additional capital to fund operations until the business becomes self-sustaining. Please refer to Note 20 and Note 21 for detail on funding secured as of December 13, 2021.

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 two operating segments, which consist of talent revenue and product revenue. The revenue recognition for the talent revenue and product revenue are recognized at a point in time.

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Talent revenue	\$ 4,550,208	\$ 2,475,742	10,936,092	\$ 7,077,068
Product revenue	197,658	129,012	586,026	543,429
	\$ 4,747,866	\$ 2,604,754	11,522,118	\$ 7,620,497

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 39 weeks ended September 26, 2021 and September 27, 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 September 26, 2021 and December 27, 2020.

	September 26, 2021	December 27, 2020
Merchandise and retail products	\$ 495,311	\$ 489,817
Inventory supplies	317,726	214,867
Polish	536,614	487,869
Raw materials	372,524	303,977
Total inventories	\$ 1,722,175	\$ 1,496,530

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

Note 8. Property and Equipment, Net

Property and equipment, net consists of the following at September 26, 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	150,387	271,182	376,611	798,180
Disposals	(223,447)	(1,031,130)	-	(1,254,577)
At September 26, 2021	\$ 1,949,084	\$ 14,718,398	\$ 376,611	\$ 17,044,093
Depreciation				
At December 27, 2020	\$ 1,753,885	\$ 7,573,335	\$ -	\$ 9,327,220
Depreciation charge for the period	151,283	1,088,817	-	1,240,100
Disposals	(207,392)	(608,427)	-	(815,818)
At September 26, 2021	\$ 1,697,776	\$ 8,053,726	\$ -	\$ 9,751,501
Net book value				
At December 27, 2020	\$ 268,259	\$ 7,905,011	\$ -	\$ 8,173,270
At September 26, 2021	\$ 251,308	6,664,673	376,611	\$ 7,292,592

Note 9. Government Grants

During the quarter, the Company was informed that the PPP loan forgiveness application was approved in full. The grant of \$3,895,420 was recognized in Other Income in fiscal 2020 (see "Note 10 – Government Grants" to the audited annual financial statements for the three years ending December 27, 2020).

Note 10. Financial Liabilities

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

	Interest Rate	Maturity	September 26, 2021	December 27, 2020
Total current interest-bearing loans and borrowings			-	-
Convertible promissory notes	10%	2022	18,209,288	13,275,000
Total current interest-bearing loans and borrowings			18,209,288	-
Total non-current interest-bearing loans and borrowings			-	13,275,000
Total interest-bearing loans and borrowings			18,209,288	13,275,000
Other financial liabilities:				
Financial liabilities at fair value through profit or loss				
Loan Payable	15%	2025	\$ 2,455,000	-
Redeemable Preferred Stock			50,125,000	30,616,857
Accounts payable and accrued expenses			5,646,767	5,393,253
Total other financial liabilities			\$ 58,226,767	\$ 36,010,110
Total current			\$ 23,856,055	\$ 5,393,253
Total non-current			\$ 52,580,000	\$ 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

Note 10. Financial Liabilities (Continued)

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 Company issued \$5,000,000 in a combination of convertible promissory notes and senior debt in April of 2021. 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 September 26, 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 September 26, 2021.

Interest expense on these outstanding promissory notes during the 39 weeks ended September 26, 2021 was \$1,202,566 (September 27, 2020 - \$957,847) and during the 13 weeks ended September 26, 2021 was \$459,424 (13 weeks ended September 27, 2020 - \$346,625). As of September 26, 2021 and December 27, 2020, the Company recorded accrued interest of \$3,115,837 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 September 26, 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 39 weeks ended September 26, 2021 was \$93,750 and \$160,417 (September 27, 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 September 26, 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 September 26, 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.

Note 10. Financial Liabilities (Continued)

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 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:

	September 26, 2021	December 27, 2020
Equity value (000s)	74,598 to 87,296	31,841 to 43,146
Volatility	30%	60%
Term	0.25	4.00
Risk-free interest rate	0.03%	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

	September 26, 2021	December 27, 2020
Accounts payable	\$ 1,063,457	\$ 1,458,290
Other payables and accrued expenses	1,275,184	1,662,628
Interest payable	3,152,419	1,938,565
Variable rent	155,707	333,770
	<u>\$ 5,646,766</u>	<u>\$ 5,393,253</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.
- Interest is payable on maturity of the convertible promissory notes.

Note 11. Share Capital

Common stock: As of September 26, 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 September 26, 2021, there were 21,092,714 shares of Common stock outstanding. The balance of share capital is comprised of \$3,791,972 of par value common stock, while the remaining \$500,093 of the balance is contributed surplus.

Note 12. General and Administrative Expenses

General and administrative expenses are comprised of the following:

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Salaries, wages, and employee benefits	1,585,374	1,281,326	4,252,515	3,395,333
Marketing and selling expenses	182,580	180,546	367,936	450,935
Variable rent	201,056	115,019	576,413	379,482
Professional fees	151,458	139,551	447,899	354,994
IT related costs	130,406	105,633	368,584	366,270
Warehouse	74,692	46,160	233,277	225,968
Bank and credit card fees	137,044	80,630	337,322	231,728
Operating supplies	147,541	84,424	298,562	248,840
HR, payroll and recruiting fees	159,298	25,382	397,791	200,506
Loss on disposal of property and equipment	-	174,870	438,759	174,870
Repairs and maintenance	153,624	56,019	292,058	201,265
Insurance, permits and fines	46,679	31,469	129,625	156,849
Equipment	46,501	52,529	124,886	149,685
Travel, meals and entertainment	86,028	15,198	194,519	122,315
Stock compensation	28,357	22,565	190,285	67,694
Third party consultants	207,268	-	595,686	-
Other expenses	10,265	3,722	143,809	13,735
Total general and administrative expense	\$ 3,348,171	\$ 2,415,043	\$ 9,389,926	\$ 6,740,469

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 September 26, 2021 (December 27, 2020 - 1,176,593).

Stock option activity under the 2019 Stock Plan during the 39-week period ended September 26, 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	8.1
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
Granted	-	-	
Forfeited	(1,988)	0.25	
Exercised	(2,265)	0.25	
Cancelled	(120)	0.29	
Outstanding at September 26, 2021	4,947,571	\$ 0.23	8.6
Options exercisable at September 26, 2021	2,526,469	\$ 0.24	8.5

The weighted-average fair value of stock options granted during the 39-week period ended September 26, 2021 under the Black-Scholes option-pricing model was \$0.09 per share. In the 39-week period ended September 26, 2021, 3,515 stock options were exercised.

The Company recognized \$190,285 in stock-based compensation expense for the 39 weeks ended September 26, 2021 (September 27, 2020 - \$67,694) and \$28,357 in stock-based compensation expense for the 13 weeks ended September 26, 2021 (13 weeks ended September 27, 2020 - \$22,565). As of September 26, 2021, there was approximately \$112,336 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 2.5 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 Group 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	(1,051,656)	(8,721)	(1,060,377)
As at September 26, 2021	\$ 4,948,974	\$ 6,725	\$ 4,955,699

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period and compared to FY2020.

	September 26, 2021	December 27, 2020
Balance as of beginning of the period	\$ 9,082,353	\$ 10,360,256
Modifications	(980,026)	(301,771)
Accretion of interest	851,216	1,644,767
Payments	(1,771,334)	(2,620,900)
Balance as of end of the period	\$ 7,182,209	\$ 9,082,353
Current	\$ 1,426,675	\$ 1,393,646
Non-Current	\$ 5,755,534	\$ 7,688,707

The following are the amounts recognized in profit or loss:

	13 weeks ended		39 weeks ended	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Depreciation expense of right-of-use assets	\$ 322,825	\$ 509,478	\$ 1,054,563	\$ 1,488,692
Interest expense on lease liabilities	270,954	352,768	852,161	1,091,226
Expense relating to leases of low-value assets	6,545	23,921	30,320	71,764
Variable rent	201,056	115,019	576,413	379,482
Total amount recognized in comprehensive loss	\$ 801,380	\$ 1,001,186	\$ 2,513,457	\$ 3,031,164

Note 14. Leases (Continued)

The Company recorded a gain on modification of real estate leases within other income in the amount of \$443,046 in the 39 weeks ended September 26, 2021 (September 27, 2020 - \$400,174).

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:

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Profit (loss) attributable to common equity holders of the Company (Basic)	\$ (5,283,416)	\$ (8,513,940)	\$(27,337,615)	\$ 15,068,194
Weighted average number of common stock for basic EPS	20,892,968	4,520,117	20,892,674	4,521,934
Basic earnings per share	\$ (0.25)	\$ (1.88)	\$ (1.31)	\$ 3.33
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	37	247	992	2,063
Effect of warrants issued	2,206	-	2,206	
Effect of shares issues related to recapitalization	-	3,581,047	-	3,581,047
Weighted average number of common stock end of year (basic)	20,892,968	4,520,117	20,892,674	4,521,934
Effects of dilution from:				
Effect of share options issued	36,581	-	36,581	-
Effect of conversion of redeemable preferred shares	62,171,196	83,299,650	62,171,196	83,299,650
Weighted average number of common stock end of year (dilutive)	83,100,745	87,819,767	83,100,451	87,821,584
Profit (loss) attributable to common equity holders of the Company (Basic)	\$ (5,283,416)	\$ (4,891,625)	\$ (27,337,615)	\$ 15,068,194
Gain on change in fair value of preferred shares	-	-	-	(23,419,685)
Profit attributable to ordinary equity holders of the Company (Diluted)	\$ (5,283,416)	\$ (4,891,625)	\$ (27,337,615)	\$ (8,351,491)
Diluted earnings per share	\$ (0.25)	\$ (1.08)	\$ (1.31)	\$ (0.10)

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.

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 39 weeks ended September 26, 2021 or September 27, 2020.

Note 18. Fair Value Measurement

The Company measures its redeemable preferred shares and derivatives 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 Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Liabilities measured at fair value:					
Non-interest-bearing loans and borrowings:					
Redeemable Preferred Shares	September 26, 2021	\$50,125,000	\$ -	\$ -	\$50,125,000
	December 27, 2020	\$30,616,857	\$ -	\$ -	\$30,616,857
Conversion Feature Liability	September 26, 2021	\$ -	\$ -	\$ -	\$ -
	December 27, 2020	\$ -	\$ -	\$ -	\$ -
Warrants	September 26, 2021	\$ 100,804	\$ -	\$ -	\$ 100,804
	December 27, 2020	\$ -	\$ -	\$ -	\$ -

There were no transfers between Level 1 and Level 2 during the 13 weeks and 39 weeks ended September 26, 2021 and September 27, 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 September 26, 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	9/26/2021: \$74,598,000 to \$87,296,000 (\$80,947,000)	A 12% increase in equity value would result in an increase in the fair value of the redeemable preferred shares of \$3,516,000 at September 26, 2021. A 12% decrease in equity value would result in a decrease in the fair value of the redeemable preferred shares of \$3,291,000 at September 26, 2021.
		Volatility (based upon guideline public companies)	9/26/2021: 25.0% - 35.0% (30.0%)	A 5% increase in volatility would result in a decrease in the fair value of the redeemable preferred shares of \$418,000 at September 26, 2021. A 5% decrease in volatility would result in an increase in the fair value of the redeemable preferred shares of \$426,000 at September 26, 2021.
Conversion Feature Liability	Option Pricing Model	Discount	9/26/2021: 20.0% - 30.0% (25.0%)	A 5% increase in the discount would result not result in a change of the fair value of the conversion feature at September 26, 2021. A 5% decrease in the discount would result in an increase in the fair value of the conversion feature of \$145,443 at September 26, 2021.
Warrants	Option Pricing Model	Volatility (based upon guideline public companies)	9/26/2021: 25.0% - 35.0% (30.0%)	A 5% increase in volatility would result in a increase in the fair value of the warrants of \$13,016 at September 26, 2021. A 5% decrease in volatility would result in a decrease in the fair value of the warrants of \$16,656 at September 26, 2021.

Note 19. Related Party Transactions

Management compensation for the 13 week and 39-week periods ending September 26, 2021 and September 27, 2020 are as follows:

	<i>Transaction Value for the Period Ended</i>			
	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	September 26, 2021	September 27, 2020	September 26, 2021	September 27, 2020
Key Management Personnel				
Short-term benefits	\$ 166,984	\$ 113,499	\$ 515,979	\$ 340,497
Share-based payments	30,291	16,928	85,825	50,785
Total	<u>\$ 197,275</u>	<u>\$ 130,427</u>	<u>\$ 601,804</u>	<u>\$ 391,282</u>

	<i>Balance Outstanding as at</i>	
	September 26, 2021	December 27, 2020
Key Management Personnel		
Share-based payments	\$ 221,252	\$ 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, would merge with and into the Company, pursuant to which holders of shares of the Company would 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 would 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 was automatically converted into one Common Share of FinCo (but no certificates evidencing such Common Shares were issued to the Subscriber); and (b) FinCo was amalgamated with a wholly-owned subsidiary of Rise Capital Corp., and pursuant thereto all Common Shares were exchanged for Class A subordinate voting shares of Rise Capital as part of the Proposed Transaction. The closing date of the Proposed Transaction was November 23, 2021.

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

Note 21. Subsequent Events (Continued)

The Financing: Concurrent Subscription Receipt Offering

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.

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

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

The Release Conditions were met and on December 8, 2021, the Company announced that its shares began trading on the TSXV under the symbol MNLX. As of December 13, 2021, there are 54,972,715 Class A subordinate voting shares and 91,065 Class B proportionate voting shares of MiniLuxe Holding Corp. (the sole stockholder of the Company) outstanding, with each Class B subordinate voting share being convertible into 1,000 Class A subordinate voting shares. Assuming conversion of all outstanding Class B proportionate voting shares, there would be 146,037,715 Class A subordinate voting shares of MiniLuxe Holding Corp. outstanding.