

MiniLuxe Holding Corp.

Consolidated Financial Statements for the 13 and 39 weeks ended
September 29, 2024 and October 1, 2023

(Amounts expressed in United States Dollars)

Notice of No Auditor Review of Interim Consolidated 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 consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated 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 consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim consolidated financial statements by an entity's auditor.

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

	Notes	September 29, 2024	December 31, 2023
Assets			
Current assets:			
Cash and cash equivalents		\$ 2,739,326	\$ 3,246,183
Restricted cash		165,000	165,000
Inventories	7	1,077,232	1,369,542
Prepaid expenses and other current assets		394,025	646,564
Total current assets		4,375,583	5,427,289
Non-current assets:			
Property and equipment, net	8	4,279,355	5,794,491
Intangible assets, net	8	113,555	337,712
Goodwill	8	150,000	-
Tradename	8	664,195	664,195
Deposits		302,025	326,026
Long-term investment	18	50,000	50,000
Right-of-use assets, net	14	3,938,210	4,311,048
Total non-current assets		9,497,340	11,483,472
Total assets		\$ 13,872,923	\$ 16,910,761
Equity and Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	10	\$ 2,164,465	\$ 2,810,334
Deferred revenue		2,432,011	2,661,345
Current portion of lease liabilities	14	1,355,634	1,389,576
Convertible notes	10, 18	4,472,504	2,984,926
Flow warrants	10, 18	36,739	-
Total current liabilities		10,461,353	9,846,181
Non-current liabilities:			
Lease liabilities	14	4,365,782	4,831,404
Loan payable	10	4,571,336	2,481,530
Contingent consideration	10, 18	170,679	357,542
Total non-current liabilities		9,107,797	7,670,476
Total liabilities		19,569,150	17,516,657
Shareholders' equity:			
Share capital	11	117,956,579	117,713,246
Warrants	10	22,585	3,356
Contributed surplus		1,469,442	1,113,691
Non-controlling interest	21	14,941	-
Accumulated other comprehensive income	10	208,700	-
Accumulated comprehensive loss		(125,368,474)	(119,436,189)
Total equity		(5,696,227)	(605,896)
Total equity and liabilities		\$ 13,872,923	\$ 16,910,761
Commitments and contingencies	16		
Acquisitions	21		

See notes to consolidated financial statements

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

"Tony Tjan"

"Vernon Lobo"

Tony Tjan, Chairman and Chief Executive Officer

Vernon Lobo, Director

MiniLuxe Holding Corp.
Consolidated Statements of Net Profit or Loss and Comprehensive Profit or Loss
13 and 39 weeks ended September 29, 2024 and October 1, 2023
Unaudited, Amounts expressed in United States Dollars

		<i>13 weeks ended</i>		<i>13 weeks ended</i>		<i>39 weeks ended</i>		<i>39 weeks ended</i>	
	Notes	September 29, 2024		October 1, 2023		September 29, 2024		October 1, 2023	
Revenue	5	\$	6,811,410	\$	6,413,940	\$	19,379,478	\$	18,017,191
Cost of sales			3,882,722		3,793,033		11,159,488		10,481,111
Gross profit			<u>2,928,688</u>		<u>2,620,907</u>		<u>8,219,990</u>		<u>7,536,080</u>
General and administrative expense	12		3,289,296		4,750,822		9,775,620		13,562,967
Depreciation and amortization expense	8, 14		887,759		864,459		2,994,648		2,566,343
Operating loss			<u>(1,248,367)</u>		<u>(2,994,374)</u>		<u>(4,550,278)</u>		<u>(8,593,230)</u>
Finance costs	10, 14		(445,936)		(324,866)		(1,215,845)		(1,002,108)
Other income	9		-		2,413		920		3,168,653
Unrealized gain/loss	10		6,210		389,725		77,588		338,555
Debt extinguishment	10		-		-		(229,729)		-
Loss before tax			<u>(1,688,093)</u>		<u>(2,927,102)</u>		<u>(5,917,344)</u>		<u>(6,088,130)</u>
Income tax expense			-		-		-		-
Net loss for the period			<u>\$ (1,688,093)</u>		<u>\$ (2,927,102)</u>		<u>\$ (5,917,344)</u>		<u>\$ (6,088,130)</u>
Net profit/loss for the period attributable to:									
Owners of the parent			(1,703,034)		(2,927,102)		(5,932,285)		(6,088,130)
Non-controlling interest	21		14,941		-		14,941		-
			<u>(1,688,093)</u>		<u>(2,927,102)</u>		<u>(5,917,344)</u>		<u>(6,088,130)</u>
Other comprehensive income									
Adjustments that are not reclassified to income									
Change in fair value of convertible notes associated with credit risk	10		(40,900)		-		208,700		-
Comprehensive loss			<u>\$ (1,728,993)</u>		<u>\$ (2,927,102)</u>		<u>\$ (5,708,644)</u>		<u>\$ (6,088,130)</u>
Total comprehensive income/loss for the period attributable to:									
Owners of the parent			(1,743,934)		(2,927,102)		(5,723,585)		(6,088,130)
Non-controlling interest	21		14,941		-		14,941		-
			<u>(1,728,993)</u>		<u>(2,927,102)</u>		<u>(5,708,644)</u>		<u>(6,088,130)</u>
Basic loss per share	15								
Subordinate voting shares			\$ (0.01)		\$ (0.02)		\$ (0.04)		\$ (0.04)
Proportionate voting shares			\$ (11.42)		\$ (19.90)		\$ (40.09)		\$ (41.38)
Basic weighted-average shares outstanding									
Subordinate voting shares			56,773,469		56,042,837		56,554,119		56,046,974
Proportionate voting shares			91,064		91,064		91,064		91,064
Diluted loss per share									
Subordinate voting shares			\$ (0.01)		\$ (0.02)		\$ (0.04)		\$ (0.04)
Proportionate voting shares			\$ (11.42)		\$ (19.90)		\$ (40.09)		\$ (41.38)
Diluted weighted-average shares outstanding									
Subordinate voting shares			56,773,469		56,042,837		56,554,119		56,046,974
Proportionate voting shares			91,064		91,064		91,064		91,064

See notes to consolidated financial statements

MiniLuxe Holding Corp.
Consolidated Statements of Changes in Shareholders' (Deficit) Equity
39 weeks ended September 29, 2024 and October 1, 2023
Unaudited, Amounts expressed in United States Dollars

		<u>Number of Shares</u>									
		Proportionate Voting Shares	Subordinate Voting Shares	Amount	Contributed Surplus	Warrants	Non-Controlling Interest	Accumulated Other Comprehensive Loss	Accumulated Comprehensive Loss	Total Shareholders' (Deficit) Equity	
Balance at January 1, 2023		91,064	56,054,077	\$ 117,719,641	\$ 798,576	\$ -	\$ -	\$ -	\$ (109,741,597)	\$ 8,776,620	
Share-based payments	13	-	-	-	269,243	-	-	-	-	269,243	
Exercise of stock options	13	-	21,873	4,537	-	-	-	-	-	4,537	
Shares repurchased through normal course issuer bid	11	-	(33,113)	(10,932)	-	-	-	-	-	(10,932)	
Net comprehensive loss		-	-	-	-	-	-	-	(6,088,130)	(6,088,130)	
Balance at October 1, 2023		91,064	56,042,837	\$ 117,713,246	\$ 1,067,819	\$ -	\$ -	\$ -	\$ (115,829,727)	\$ 2,951,338	
Balance at December 31, 2023		91,064	56,042,837	117,713,247	1,113,691	3,356	-	-	(119,436,189)	(605,895)	
Share-based payments	13	-	-	-	355,751	-	-	-	-	355,751	
Exercise of stock options	13	-	156,186	27,077	-	-	-	-	-	27,077	
Shares repurchased through normal course issuer bid	11	-	(23,000)	(5,704)	-	-	-	-	-	(5,704)	
Shares issued in Paintbox shares for debt settlement	11	-	597,446	221,959	-	-	-	-	-	221,959	
Warrants issued with convertible notes	10	-	-	-	-	19,229	-	-	-	19,229	
Non-controlling interest for MNLX SC LLC	21	-	-	-	-	-	14,941	-	(14,941)	-	
Net comprehensive loss		-	-	-	-	-	-	208,700	(5,917,344)	(5,708,644)	
Balance at September 29, 2024		91,064	56,773,469	\$ 117,956,579	\$ 1,469,442	\$ 22,585	\$ 14,941	\$ 208,700	\$ (125,368,474)	\$ (5,696,227)	

See notes to consolidated financial statements

MiniLuxe Holding Corp.
Consolidated Statements of Cash Flows
39 weeks ended September 29, 2024 and October 1, 2023
Unaudited, Amounts expressed in United States Dollars

	Notes	September 29, 2024	October 1, 2023
Cash flows from operating activities:			
Net loss		(5,917,344)	(6,088,130)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	8, 14	2,994,649	2,566,343
Share-based payments	13	355,751	269,243
Loss on disposal of property and equipment	8	4,197	90,087
Loss on impairment of property, equipment and intangibles	8	-	239,786
Real estate modifications	14	32,605	48,066
Loss on extinguishment of debt	10	229,729	-
Change in fair value of warrants	10	(91,499)	-
Change in fair value of convertible notes	10	15,507	-
Change in fair value of contingent consideration	10, 18	(1,596)	(338,555)
Interest expense	10, 14	1,215,845	1,002,108
Loss on settlement of earnout from Paintbox business combination	11	36,692	-
<i>Changes in operating assets and liabilities</i>			
Inventories	7	292,310	108,112
Prepaid expenses and other current assets		252,539	51,090
Deposits		24,000	(6,687)
Accounts payable and accrued expenses	10	(645,868)	100,851
Deferred revenue		(229,334)	(221,311)
Operating activities subtotal		(1,431,817)	(2,178,997)
Interest paid		(762,480)	(712,365)
Cash flows provided by (used in) operating activities		(2,194,297)	(2,891,362)
Cash flows from investing activities:			
Acquisition of equipment	8	(158,881)	(1,476,754)
Consideration for MNLX SC LLC	21	(150,000)	-
Acquisition of intangibles	8	-	(239,786)
Cash flows provided by (used in) investing activities		(308,881)	(1,716,540)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes and warrants	10	1,700,000	-
Proceeds from loan payable		1,909,950	-
Repayment of loan payable	10	(375,000)	(281,250)
Repayment of principal portion of lease liabilities	14	(1,260,002)	(1,138,993)
Shares repurchased through normal course issuer bid	11	(5,704)	(10,932)
Option exercises	13	27,077	4,538
Net cash provided by (used in) financing activities		1,996,321	(1,426,637)
Increase (decrease) in cash and cash equivalents		(506,857)	(6,034,539)
Cash, cash equivalents and restricted cash, beginning of period		3,411,183	8,343,375
Cash, cash equivalents and restricted cash, ending of period		2,904,326	2,308,836

See notes to consolidated financial statements

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
13 and 39 weeks ended September 29, 2024 and October 1, 2023

Note 1. Nature of Business

MiniLuxe, Inc. (“MiniLuxe”) was incorporated on April 26, 2008 in the state of Delaware, United States of America (USA). The Company’s subordinate shares are listed on the Toronto Venture Exchange (the “TSXV”) under the trading symbol “MNLX” and on the OTCQX under the trading symbol “MNLXF.” The office of the Company is located at 1 Faneuil Hall Sq Fl 7 Boston, Massachusetts.

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

Under an accounting convention common in the retail industry, the fiscal year of the Company is a 52-week reporting cycle ending on the Sunday closest to December 31, which periodically necessitates a fiscal year of 53 weeks. The first fiscal quarter of 2024 began on January 1, 2024 and ended on March 31, 2024. The second fiscal quarter of 2024 began on April 1, 2024 and ended on June 30, 2024. The third fiscal quarter of 2024 began on July 1, 2024 and ended on September 29, 2024.

The consolidated financial statements of MiniLuxe Holding Corp. for the 13 and 39 weeks ended September 29, 2024 and October 1, 2023 were authorized by the Company’s board of directors on November 18, 2024.

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

Note 2. Basis of Presentation

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 31, 2023 and January 1, 2023. 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 years ended December 31, 2023 and January 1, 2023.

The consolidated financial statements are comprised of the financial results of the Company, its wholly owned subsidiary MiniLuxe, Inc and its majority owned subsidiary MNLX SC LLC. All intercompany balances and transactions have been eliminated upon consolidation.

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

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
13 and 39 weeks ended September 29, 2024 and October 1, 2023

Note 2. Basis of Presentation (continued)

Going Concern

The interim financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company's ability to continue as a going concern is dependent upon the Company's ability to successfully generate profit from operations, or to finance its cash requirements through equity financing, debt financing or rights offerings from existing shareholders. There is no assurance that the Company will be successful in generating profits or raising sufficient funds through financing.

The Company has incurred total comprehensive losses of \$5,708,644 and negative cash flows from operations of \$2,194,298 for the 39 weeks ended September 29, 2024, and has an ending balance of cash and cash equivalents of \$2,904,326 as at September 29, 2024. Ending accumulated comprehensive loss is \$125,368,474. As a result, these material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern. These interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

Note 3. Material Accounting Policy Information

For a summary of significant accounting policies, refer to "Note 3 – Material Accounting Policy Information" to the financial statements for the years ended December 31, 2023 and January 1, 2023. Additional policies are below:

These interim consolidated financial statements are comprised of the financial results of the Company and its subsidiaries, which are the entities under the Company's control.

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 years ended December 31, 2023 and January 1, 2023.

Note 5. Segment information

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

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

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	<u>September 29, 2024</u>	<u>October 1, 2023</u>	<u>September 29, 2024</u>	<u>October 1, 2023</u>
Talent revenue	\$ 6,742,687	\$ 6,264,377	\$ 19,125,988	\$ 17,597,850
Product revenue	68,723	149,563	253,490	419,341
	<u>\$ 6,811,410</u>	<u>\$ 6,413,940</u>	<u>\$ 19,379,478</u>	<u>\$ 18,017,191</u>

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
13 and 39 weeks ended September 29, 2024 and October 1, 2023

Note 6. Capital Management

No changes were made in the objectives, policies or processes for managing capital during the 13 or 39 weeks ended September 29, 2024 and October 1, 2023. Please refer to “Note 6 – Capital Management” to the financial statements for the years ended December 31, 2023 and January 1, 2023.

Note 7. Inventories

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

	September 29, 2024	December 31, 2023
Merchandise and retail products	\$ 498,691	\$ 534,676
Inventory supplies	40,171	304,085
Polish	253,488	242,563
Raw materials	284,882	288,218
Total inventories	<u>\$ 1,077,232</u>	<u>\$ 1,369,542</u>
Inventory write-downs	<u>\$ -</u>	<u>\$ 99,314</u>

There have been no reversals of inventory write-downs the 13 or 39 weeks ended September 29, 2024 and October 1, 2023.

Inventory recognized as an expense in cost of sales is \$418,949 and \$388,767 for the 13 weeks ending September 29, 2024 and October 1, 2023, respectively. Inventory recognized as an expense in cost of sales is \$1,197,626 and \$1,186,172 for the 39 weeks ending September 29, 2024 and October 1, 2023, respectively.

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
13 and 39 weeks ended September 29, 2024 and October 1, 2023

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

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

	Furniture, Fixtures & Equipment	Leasehold Improvements	Total
Cost			
At December 31, 2023	\$ 2,563,223	\$ 16,776,853	\$ 19,340,076
Additions	4,025	36,826	40,851
At March 31, 2024	<u>\$ 2,567,248</u>	<u>\$ 16,813,679</u>	<u>\$ 19,380,927</u>
Additions	20,932	20,235	41,167
At June 30, 2024	<u>\$ 2,588,180</u>	<u>\$ 16,833,914</u>	<u>\$ 19,422,094</u>
Additions	34,868	41,995	76,863
Disposals	-	(4,305)	(4,305)
At September 29, 2024	<u>\$ 2,623,048</u>	<u>\$ 16,871,604</u>	<u>\$ 19,494,652</u>
Depreciation			
At December 31, 2023	\$ 2,094,223	\$ 11,451,362	\$ 13,545,585
Depreciation charge for the quarter	55,804	415,559	471,363
At March 31, 2024	<u>\$ 2,150,027</u>	<u>\$ 11,866,921</u>	<u>\$ 14,016,948</u>
Depreciation charge for the quarter	56,672	691,539	748,211
At June 30, 2024	<u>\$ 2,206,699</u>	<u>\$ 12,558,460</u>	<u>\$ 14,765,159</u>
Depreciation charge for the quarter	58,018	392,228	450,246
Disposals	-	(108)	(108)
At September 29, 2024	<u>\$ 2,264,717</u>	<u>\$ 12,950,580</u>	<u>\$ 15,215,297</u>
Net book value			
At December 31, 2023	<u>\$ 469,000</u>	<u>\$ 5,325,491</u>	<u>\$ 5,794,491</u>
At March 31, 2024	<u>\$ 417,221</u>	<u>\$ 4,946,758</u>	<u>\$ 5,363,979</u>
At June 30, 2024	<u>\$ 381,481</u>	<u>\$ 4,275,454</u>	<u>\$ 4,656,935</u>
At September 29, 2024	<u>\$ 358,331</u>	<u>\$ 3,921,024</u>	<u>\$ 4,279,355</u>

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
13 and 39 weeks ended September 29, 2024 and October 1, 2023

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

Intangible assets consists of the following as of September 29, 2024 and December 31, 2023:

	Website	Goodwill	Tradenname	Total
Cost				
At December 31, 2023	\$ 888,072	\$ -	\$ 664,195	\$ 1,552,267
At March 31, 2024	\$ 888,072	\$ -	\$ 664,195	\$ 1,552,267
At June 30, 2024	\$ 888,072	\$ -	\$ 664,195	\$ 1,552,267
At September 29, 2024	\$ 888,072	\$ 150,000	\$ 664,195	\$ 1,702,267
Amortization				
At December 31, 2023	\$ 550,360	\$ -	\$ -	\$ 550,360
Amortization change for the quarter	74,006	-	-	74,006
At March 31, 2024	\$ 624,366	\$ -	\$ -	\$ 624,366
Amortization change for the quarter	74,006	-	-	74,006
At June 30, 2024	\$ 698,372	\$ -	\$ -	\$ 698,372
Amortization change for the quarter	76,145	-	-	76,145
At September 29, 2024	\$ 774,517	\$ -	\$ -	\$ 774,517
Net book value				
At December 31, 2023	\$ 337,712	\$ -	\$ 664,195	\$ 1,001,907
At March 31, 2024	\$ 263,706	\$ -	\$ 664,195	\$ 927,901
At June 30, 2024	\$ 189,700	\$ -	\$ 664,195	\$ 853,895
At September 29, 2024	\$ 113,555	\$ 150,000	\$ 664,195	\$ 927,750

As part of the Company's recent acquisition, the Company paid consideration of \$150,000 on July 1, 2024. Given the timing of this transaction, this consideration is provisionally accounted for as Goodwill and is subject to revision as the accounting treatment for the acquisition is finalized. Please refer to "Note 21 - Acquisitions" for more details.

Note 9. Government Grants

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

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

Note 10. Financial Instruments

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

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

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
13 and 39 weeks ended September 29, 2024 and October 1, 2023

Note 10. Financial Instruments (continued)

is classified as FVTPL with all changes in value being recorded through the income statement. The investment is presented as a long-term asset.

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

	Interest Rate	Maturity	September 29, 2024	December 31, 2023
Current interest-bearing loans and borrowings				
Lease liabilities	15%	2024-2025	\$ 1,355,634	\$ 1,389,576
Convertible notes	12%	2027	4,472,504	2,984,926
Total current interest-bearing loans and borrowings			5,828,138	4,374,502
Non-current interest-bearing loans and borrowings				
Lease liabilities	15%	2025-2033	4,365,782	4,831,404
Loan payable	15%	2027	4,571,336	2,481,530
Total non-current interest-bearing loans and borrowings			8,937,118	7,312,934
Total interest-bearing loans and borrowings			14,765,256	11,687,436
Financial liabilities, other than interest-bearing loans and borrowings				
Accounts payable and accrued expenses			2,164,465	2,810,334
Warrants			36,739	-
Contingent consideration			170,679	357,542
Total other financial liabilities			\$ 2,371,883	\$ 3,167,876
Total current			\$ 8,029,342	\$ 7,184,836
Total non-current			\$ 9,107,797	\$ 7,670,476

Convertible promissory notes

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

The Company elected the fair value option to account for the principal and interest payable under the convertible note, inclusive of all embedded features. The attached warrants are classified as equity instruments under IAS 32.

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
13 and 39 weeks ended September 29, 2024 and October 1, 2023

Note 10. Financial Instruments (continued)

Allocation of proceeds at closing for the January 22, 2024 issuance:

Component	Value at Booking
Fair value of convertible notes	\$ 1,215,636
Warrants	9,364
Total gross proceeds	<u>\$ 1,225,000</u>

Allocation of proceeds at closing for the April 25, 2024 issuance:

Component	Value at Booking
Fair value of convertible notes	\$ 465,135
Warrants	9,865
Total gross proceeds	<u>\$ 475,000</u>

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

At September 29, 2024, the combined fair value of all three issuances of convertible notes was determined to be \$4,472,504 and in the 13 and 39 weeks ended September 29, 2024 unrealized losses of \$31,810 and \$15,507 respectively were recognized in the Consolidated Statements of Net Loss and Net Comprehensive Loss. Due to changes in MiniLuxe's credit risk in the 13 and 39 weeks ended September 29, 2024, a loss of \$40,900 and a gain of \$208,700 respectively were recognized in OCI.

Senior debt

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

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

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

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

The associated warrants were determined to meet the definition of a derivative liability and were also recognized at fair value. Upon recognition, the fair value of the warrants was determined to be \$128,238. As of September 29, 2024, the fair value of the warrants was determined to be \$36,739 and an unrealized gain of \$40,574 was recognized in the Consolidated Statements of Net Loss and Net Comprehensive Loss for the 13 weeks ended September 29, 2024 (\$91,499 for the 39 weeks ended September 29, 2024).

Interest expense on the new senior debt for the 13 and 39 weeks ended September 29, 2024 was \$180,420 and \$453,366 respectively (13 and 39 weeks ended October 1, 2023 – \$96,691 and \$289,742).

Accounts payable and accrued expenses

	September 29, 2024	December 31, 2023
Accounts payable	\$ 888,392	\$ 987,231
Other payables and accrued expenses	1,205,465	1,759,390
Variable rent	70,608	63,713
	<u>\$ 2,164,465</u>	<u>\$ 2,810,334</u>

Terms and conditions of the above financial liabilities:

- Accounts payable 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.

Finance Costs

Reconciliation of finance costs for the 13 and 39 weeks ended September 29, 2024 and October 1, 2023 are summarized in the following table:

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Lease adjustments	\$ 265,516	\$ 228,175	\$ 762,479	\$ 712,366
Senior debt interest	180,420	96,691	453,366	289,742
	<u>\$ 445,936</u>	<u>\$ 324,866</u>	<u>\$ 1,215,845</u>	<u>\$ 1,002,108</u>

Unrealized Gain/Loss

Reconciliation of unrealized gains and losses for the 13 and 39 weeks ended September 29, 2024 and October 1, 2023 are summarized in the following table:

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Convertible notes	\$ (31,810)	\$ -	\$ (15,507)	\$ -
Contingent consideration	(2,554)	389,725	1,596	338,555
Warrants	40,574	-	91,499	-
	<u>\$ 6,210</u>	<u>\$ 389,725</u>	<u>\$ 77,588</u>	<u>\$ 338,555</u>

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
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Note 11. Share Capital

As of September 29, 2024 and October 1, 2023, the Company has authorized an unlimited number of subordinate and proportionate voting shares. The holders of the subordinate and proportionate voting shares are entitled to vote on all matters. The holders of the subordinate voting shares are entitled to the number of votes equal to the number shares held. The holders of the proportionate voting shares are entitled to 1,000 votes for each share held. As of September 29, 2024, there were 56,773,469 subordinate voting shares and 91,064 proportionate voting shares issued and outstanding (December 31, 2023 – 56,042,837 subordinate voting shares and 91,064 proportionate voting shares issued and outstanding).

During the 39 weeks ended September 29, 2024, the Company acquired a total of 23,000 subordinate voting shares for C\$7,816 under its Normal Course Issuer Bid (“NCIB”) that was reauthorized and announced on March 4, 2024. The NCIB commenced on March 6, 2024 and will terminate upon the earliest of (i) the Company purchasing 2,800,000 subordinate voting shares, (ii) the Company providing notice of termination of the NCIB, and (iii) March 5, 2025. Under the NCIB, the Company may not acquire more than 2% of its issued and outstanding subordinate voting shares in any 30-day period.

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

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 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Salaries, wages and employee benefits	\$ 1,549,080	\$ 2,474,896	\$ 4,667,695	\$ 6,860,149
Variable rent	281,520	303,588	798,436	849,325
Bank and credit card fees	197,960	185,262	556,437	514,748
IT related costs	153,459	224,449	458,548	694,937
HR, payroll and recruiting fees	151,934	101,443	353,236	363,560
Insurance, permits and fines	151,014	146,065	408,983	394,808
Marketing and selling expenses	137,144	243,749	343,034	750,476
Operating supplies	128,707	136,466	372,695	471,321
Stock compensation	124,405	68,530	355,751	269,243
Professional fees	121,264	310,202	540,651	744,047
Travel, meals and entertainment	109,700	51,391	215,047	337,538
Repairs and maintenance	84,574	103,356	253,490	358,493
Warehouse	45,361	103,873	227,641	346,011
Equipment	28,390	34,525	85,628	100,096
Other expenses	16,477	10,989	90,604	139,846
Loss on disposal of property and equipment	4,197	-	4,197	90,087
Listing costs	4,110	12,252	43,547	38,496
Loss on impairment of property, equipment and intangibles	-	239,786	-	239,786
Total general and administrative expense	\$ 3,289,296	\$ 4,750,822	\$ 9,775,620	\$ 13,562,967

Cost of sales are comprised of the following:

	<i>13 weeks ended</i>		<i>39 weeks ended</i>	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Direct labor	3,440,544	3,337,425	9,870,891	9,153,701
Service supplies	352,411	296,387	981,174	881,829
Retail supplies and commissions	75,303	104,308	246,038	340,021
Shipping and fulfillment	14,464	54,913	61,385	105,560
Total cost of sales	\$ 3,882,722	\$ 3,793,033	\$ 11,159,488	\$ 10,481,111

MiniLuxe Holding Corp.
Notes to the Consolidated Financial Statements
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Note 13. Share-based payments

Under the 2021 Omnibus Equity Incentive Compensation Plan (the “Plan”), 14,603,586 shares and an aggregate of 13,228,771 between Restricted Share Units (“RSU”), Deferred Share Units (“DSU”) and Performance Share Units (“PSU”) are authorized for issuance at September 29, 2024 and December 31, 2023.

Options to purchase 1,725,902 and 3,502,061 subordinate voting shares were available for issuance under the Plan as of September 29, 2024 and December 31, 2023, respectively. No RSUs, DSUs or PSUs were issued and outstanding as of September 29, 2024 or December 31, 2023.

Stock option activity under the Plan during the 13 and 39 weeks ended September 29, 2024 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Contractual Life (In Years)
Options Outstanding at December 31, 2023	11,035,862	\$0.14	8.3
Forfeited	(47,456)	\$0.37	
Exercised	(156,186)	\$0.29	
Options Outstanding at March 31, 2024	10,832,220	\$0.21	8.1
Granted	826,000	\$0.34	
Forfeited	(5,500)	\$0.36	
Options Outstanding at June 30, 2024	11,652,720	\$0.22	8.0
Granted	2,670,000	0.23	
Forfeited	(1,264,875)	0.21	
Options Outstanding at September 29, 2024	13,057,845	\$0.22	8.5
Options Exercisable at September 29, 2024	3,893,869	\$0.19	6.8

There were 2,670,000 stock options granted in the 13 weeks and 3,496,000 granted in the 39 weeks ended September 29, 2024.

In the 39 weeks ended September 29, 2024, 156,186 stock options were exercised. In the year ended December 31, 2023, 21,873 stock options were exercised.

The Company recognized \$124,405 and \$355,751 in stock-based compensation expense for the 13 and 39 weeks ended September 29, 2024, respectively (13 and 39 weeks ended October 1, 2023 - \$68,530 and \$269,243, respectively). As of September 29, 2024, there was approximately \$910,679 of total unrecognized compensation expense related to unvested employee stock-based compensation arrangements, which is expected to be recognized over a weighted-average period of 1.4 years.

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.

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Note 14. Leases (continued)

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

	Real Estate	Total
As at December 31, 2023	\$ 4,311,048	\$ 4,311,048
Modifications	106,366	106,366
Depreciation expense	(371,374)	(371,374)
As at March 31, 2024	<u>\$ 4,046,040</u>	<u>\$ 4,046,040</u>
Additions	82,297	82,297
Modifications	62,341	62,341
Depreciation expense	(367,929)	(367,929)
As at June 30, 2024	<u>\$ 3,822,749</u>	<u>\$ 3,822,749</u>
Modifications	47,698	47,698
Additions - Sugarcoat	429,131	429,131
Depreciation expense	(361,369)	(361,369)
As at September 29, 2024	<u>\$ 3,938,210</u>	<u>\$ 3,938,210</u>

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 2023:

	September 29, 2024	December 31, 2023
Balance as of beginning of period	\$ 6,220,980	\$ 6,831,106
Additions	82,297	1,003,769
Additions - Sugarcoat	429,131	-
Modifications	249,010	104,133
Accretion of interest	762,480	1,034,385
Payments	(2,022,482)	(2,752,413)
Balance as of end of period	<u>\$ 5,721,416</u>	<u>\$ 6,220,980</u>
Current	\$ 1,355,634	\$ 1,389,576
Non-Current	\$ 4,365,782	\$ 4,831,404

The following are the amounts recognized in profit or loss for the 13 and 39 weeks ended September 29, 2024 and October 1, 2023:

	13 weeks ended		39 weeks ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Depreciation expense of right-of-use assets	\$ 361,369	\$ 334,943	\$ 1,100,672	\$ 1,023,714
Interest expense on lease liabilities	265,516	228,175	1,271,262	712,365
Expense relating to leases of low-value assets	7,058	7,764	22,381	23,851
Variable rent	281,520	303,588	816,154	849,325
Total amount recognized in comprehensive loss	<u>\$ 915,463</u>	<u>\$ 874,470</u>	<u>\$ 3,210,469</u>	<u>\$ 2,609,255</u>

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

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Note 15. Earnings per share (EPS)

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

Instruments at the Company that could potentially dilute basic earnings per share include stock options, and warrants. For the 13 and 39 weeks ended September 29, 2024 and October 1, 2023, the stock options and warrants are anti-dilutive in nature.

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

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

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

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Note 15. Earnings per share (EPS) (continued)

	13 weeks ended				39 weeks ended			
	September 29, 2024		October 1, 2023		September 29, 2024		October 1, 2023	
	Subordinate Voting Shares	Proportionate Voting Shares	Subordinate Voting Shares	Proportionate Voting Shares	Subordinate Voting Shares	Proportionate Voting Shares	Subordinate Voting Shares	Proportionate Voting Shares
Loss attributable to common equity holders of the Company (Basic)	\$ (648,274)	\$ (1,039,819)	\$ (1,115,133)	\$ (1,811,969)	\$ (2,267,006)	\$ (3,650,338)	\$ (2,319,489)	\$ (3,768,641)
Weighted average number of common stock for basic EPS	56,773,469	91,064	56,042,837	91,064	56,554,119	91,064	56,046,974	91,064
Basic earnings per share	\$ (0.01)	\$ (11.42)	\$ (0.02)	\$ (19.90)	\$ (0.04)	\$ (40.09)	\$ (0.04)	\$ (41.38)
Loss attributable to common equity holders of the Company (Diluted)	\$ (648,274)	\$ (1,039,819)	\$ (1,115,133)	\$ (1,811,969)	\$ (2,267,006)	\$ (3,650,338)	\$ (2,319,489)	\$ (3,768,641)
Weighted average number of common stock for diluted EPS	56,773,469	91,064	56,042,837	91,064	56,554,119	91,064	56,046,974	91,064
Diluted earnings per share	\$ (0.01)	\$ (11.42)	\$ (0.02)	\$ (19.90)	\$ (0.04)	\$ (40.09)	\$ (0.04)	\$ (41.38)
Weighted average number of common stock for basic EPS								
Issued common stock at start of the period	56,773,469	91,064	56,042,837	91,064	56,042,837	91,064	56,054,077	91,064
Effect of share options exercised	-	-	-	-	81,513	-	20,351	-
Effect of Paintbox share issuance	-	-	-	-	438,272	-	-	-
Effect of NCIB purchases	-	-	-	-	(8,504)	-	(27,454)	-
Weighted average number of common stock end of the period (basic)	56,773,469	91,064	56,042,837	91,064	56,554,119	91,064	56,046,974	91,064
Effects of dilution from:								
Effect of share options exercised	-	-	-	-	-	-	-	-
Effect of Paintbox share issuance	-	-	-	-	-	-	-	-
Effect of NCIB purchases	-	-	-	-	-	-	-	-
Weighted average number of common stock end of the period (dilutive)	56,773,469	91,064	56,042,837	91,064	56,554,119	91,064	56,046,974	91,064

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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.

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 39 weeks ended September 29, 2024 and October 1, 2023.

Note 18. Fair Value Measurement

The Company measures its long-term investments 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 priced in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets measured at fair value					
Long term investment	September 29, 2024	\$ 50,000	\$ -	\$ -	\$ 50,000
	December 31, 2023	\$ 50,000	\$ -	\$ -	\$ 50,000
Liabilities measured at fair value					
Contingent consideration - Paintbox	September 29, 2024	\$ 170,679	\$ -	\$ -	\$ 170,679
	December 31, 2023	\$ 357,542	\$ -	\$ -	\$ 357,542
Convertible notes	September 29, 2024	\$ 4,472,504	\$ -	\$ -	\$ 4,472,504
	December 31, 2023	\$ 2,984,926	\$ -	\$ -	\$ 2,984,926
Flow warrants	September 29, 2024	\$ 36,739	\$ -	\$ -	\$ 36,739
	December 31, 2023	\$ -	\$ -	\$ -	\$ -

There were no transfers between Level 1 and Level 2 during the 13 weeks ended September 29, 2024.

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Note 18. Fair Value Measurement (continued)

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

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

Note 19. Risk Management

The Company's principal financial liabilities comprise of accounts payables and accrued expenses, redeemable preferred shares, convertible promissory notes, lease liabilities, and senior debt. The main purpose of these financial liabilities is to finance the Company's operations.

For a summary of other risks, refer to "Note 20 – Risk Management" to the financial statements for the years ended December 31, 2023 and January 1, 2023.

Note 20. Related Party Transactions

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

	<i>Transaction value for 13 weeks ended</i>		<i>Transaction value for 39 weeks ended</i>	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Key Management Personnel				
Short-term benefits	\$ 194,424	\$ 325,032	\$ 762,795	\$ 1,029,750
Share-based payments	51,297	22,230	195,979	108,835
Total	<u>\$ 245,721</u>	<u>\$ 347,262</u>	<u>\$ 958,774</u>	<u>\$ 1,138,585</u>

	<i>Balance Outstanding as at</i>	
	September 29, 2024	October 1, 2023
Key Management Personnel		
Share-based payments	\$ 177,008	\$ 586,664

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Note 21. Acquisitions

On July 1, 2024, the Company entered into an agreement to purchase the majority of the assets and liabilities of Sugarcoat Forum LLC, a regional nail services brand with a studio location in the Atlanta area, in exchange for cash of \$150,000 and a 30% membership interest in MNLX SC LLC. This is the joint venture entity of which MiniLuxe, Inc. holds the remaining 70% majority interest.

This has been accounted for as a business combination. Due to the timing of this transaction, the purchase price allocation for the business combination is provisional and the value of net assets acquired are based on management's best estimate using the information currently available and may be revised by the Company as additional information is received.

The accounting is currently incomplete for the following items:

Property, plant & equipment
Intangibles
Value of non-controlling interest upon purchase

In the current period, the Company has recognized the right-of-use asset (\$429,131) and lease liability (\$429,131) for the real estate lease assigned to MNLX SC LLC during the transaction, as well as the \$150,000 in cash paid. Results of operations of the business acquired are included in the Company's consolidated financial statements from the date of the acquisition. Profits attributable to the non-controlling interest are presented on the company's income statement.