

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-41930

Perfect Moment Ltd.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

86-1437114

(I.R.S. Employer Identification No.)

**244 5th Ave Ste 1219
New York, NY 10001**

(Address of principal executive offices)

315 - 615-6156

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001	PMNT	NYSE American LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of February 6, 2025 there were 16,894,750 shares of common stock, \$ 0.0001 par value per share, outstanding.

**PERFECT MOMENT LTD.
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations or financial condition, business strategy, and plans and objectives of management for future operations are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "toward," "will," or "would," or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding our revenue, expenses, profitability and other operating results;
- the growth rates of the markets in which we compete;
- the costs and effectiveness of our marketing efforts, as well as our ability to promote our brand;
- our ability to provide quality products that are acceptable to our customers;
- our reliance on key personnel and our ability to identify, recruit, and retain skilled personnel;
- our ability to effectively manage our growth, including offering new product categories and any international expansion;
- our ability to maintain the security and availability of our software;
- our ability to protect our intellectual property rights and avoid disputes in connection with the use of intellectual property rights of others;
- our ability to protect our users' information and comply with growing and evolving data privacy laws and regulations;
- future investments in our business, our anticipated capital expenditures, and our estimates regarding our capital requirements;
- our ability to compete effectively with existing competitors and new market entrants; and
- our success at managing the risks involved in the foregoing.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

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You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, and results of operations. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and our other filings with the SEC. Moreover, we operate in a very competitive environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe such information provides a reasonable basis for these statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information, actual results, revised expectations or the occurrence of unanticipated events, except as required by law.

In this Quarterly Report on Form 10-Q, references to "Perfect Moment," "we," "us," "our," and the "Company" refer to Perfect Moment Ltd. and its subsidiaries, unless the context indicates otherwise.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

PERFECT MOMENT LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)

	December 31, 2024	March 31, 2024
	unaudited	
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,772	\$ 7,910
Restricted cash	1,351	-
Accounts receivable, net	2,747	1,035
Inventories, net	4,484	2,230
Prepaid and other current assets	1,127	742
Total current assets	12,481	11,917
Non-current assets:		
Property and equipment, net	510	502
Operating lease right of use asset	70	143
Deferred offering costs	139	-
Other non-current assets	34	47
Total non-current assets	753	692
Total Assets	\$ 13,234	\$ 12,609
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables	\$ 1,739	\$ 1,584
Accrued expenses (including \$ 1,143 of delinquent payroll taxes as of December 31, 2024)	3,439	2,697
Trade finance facility	2,703	-
Short-term borrowings, net of discount of \$ 941	1,917	-
Convertible note	2,000	-
Operating lease obligations, current portion	66	101
Unearned revenue	459	420
Total current liabilities	12,323	4,802
Non-current liabilities:		
Operating lease obligations, long-term portion	4	44
Total non-current liabilities	4	44
Total Liabilities	12,327	4,846
Shareholders' equity:		
Preferred stock, \$ 0.0001 par value, 10,000,000 shares authorized, none issued and outstanding as of December 31, 2024 and March 31, 2024, respectively	-	-
Common stock; \$ 0.0001 par value; 100,000,000 shares authorized; 16,557,889 and 15,653,449 shares issued and outstanding as of December 31, 2024 and March 31, 2024, respectively	1	1
Additional paid-in capital	58,603	56,824
Accumulated other comprehensive loss	(106)	(85)
Accumulated deficit	(57,591)	(48,977)
Total shareholders' equity	907	7,763
Total Liabilities and Shareholders' Equity	\$ 13,234	\$ 12,609

The accompanying notes are an integral part of these condensed consolidated financial statements

PERFECT MOMENT LTD AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Amounts in thousands, except share and per share data)
(Unaudited)

	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	Nine Months Ended December 31, 2024	Nine Months Ended December 31, 2023
Revenues:				
Wholesale	\$ 7,335	\$ 7,829	\$ 10,066	\$ 10,658
Collaborations	91	1,145	91	3,169
Ecommerce	3,716	3,752	5,793	5,775
Retail	516	-	516	-
Total Revenue	11,658	12,726	16,466	19,602
Cost of goods sold	5,269	6,099	7,647	9,214
Gross Profit	6,389	6,627	8,819	10,388
Operating Expenses:				
Selling, general and administrative expenses	6,649	4,420	13,871	9,591
Marketing and advertising expenses	1,034	1,479	2,192	3,081
Total operating expenses	7,683	5,899	16,063	12,672
(Loss)/income from operations	(1,294)	728	(7,244)	(2,284)
Interest expense	(1,046)	(403)	(1,241)	(1,169)
Foreign currency transaction (losses)/gains	(142)	879	(129)	473
Net (loss)/income	(2,482)	1,204	(8,614)	(2,980)
Other comprehensive losses				
Foreign currency translation losses	(28)	(758)	(21)	(407)

Comprehensive (loss)/income	\$ (2,510)	\$ 446	\$ (8,635)	\$ (3,387)
Net (loss)/income per share to common stockholders – basic	\$ (0.15)	\$ 0.23	\$ (0.54)	\$ (0.58)
Net (loss)/income per share to common stockholders – diluted	\$ (0.15)	\$ 0.08	\$ (0.54)	\$ (0.58)
Weighted average number of common shares outstanding – basic	16,177,559	5,233,402	15,869,964	5,133,187
Weighted average number of common shares outstanding – diluted	16,177,559	14,236,268	15,869,964	5,133,187

The accompanying notes are an integral part of these condensed consolidated financial statements

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PERFECT MOMENT LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
THREE MONTHS AND NINE MONTHS ENDED DECEMBER 31, 2024 AND 2023
(Amounts in thousands, except share data)
(Unaudited)

	Preference Shares				Common Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)		Accumulated Deficit	Total Shareholders' Equity / (Deficit)
	Series A Convertible		Series B Convertible		Shares	Amount		Shares	Amount	Shares	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	
Balance - September 30, 2023	5,323,782	\$ 1	1,189,998	\$ -	5,233,402	\$ -	\$ 38,103	\$ 554	\$ (44,439)	\$ (44,439)	(5,781)
Stock compensation expense for employee vested options	-	-	-	-	-	-	-	4	-	-	4
Foreign currency translation adjustment	-	-	-	-	-	-	-	(758)	-	-	(758)
Net income	-	-	-	-	-	-	-	-	1,204	1,204	1,204
Balance - December 31, 2023	<u>5,323,782</u>	<u>\$ 1</u>	<u>1,189,998</u>	<u>\$ -</u>	<u>5,233,402</u>	<u>\$ -</u>	<u>\$ 38,107</u>	<u>\$ (204)</u>	<u>\$ (43,235)</u>	<u>\$ (43,235)</u>	<u>\$ (5,331)</u>
Balance - September 30, 2024	-	\$ -	-	\$ -	15,962,889	\$ 1	\$ 57,865	\$ (78)	\$ (55,109)	\$ (55,109)	2,679
Fair value of shares issued for services	-	-	-	-	335,000	-	352	-	-	-	352
Stock compensation on vested RSU's	-	-	-	-	260,000	-	285	-	-	-	285
Stock compensation expense for employee vested options	-	-	-	-	-	-	101	-	-	-	101
Foreign currency translation adjustment	-	-	-	-	-	-	(28)	-	-	-	(28)
Net loss	-	-	-	-	-	-	-	(2,482)	(2,482)	(2,482)	(2,482)
Balance - December 31, 2024	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>16,557,889</u>	<u>\$ 1</u>	<u>\$ 58,603</u>	<u>\$ (106)</u>	<u>\$ (57,591)</u>	<u>\$ (57,591)</u>	<u>\$ 907</u>

The accompanying notes are an integral part of these condensed consolidated financial statements

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	Preference Shares						Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)			Total Shareholders' Equity (Deficit)	
	Series A Convertible		Series B Convertible		Common Shares			Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity (Deficit)		
	Shares	Amount	Shares	Amount	Shares	Amount						
Balance -March 31, 2023	5,323,782	\$ 1	1,189,998	\$ -	4,824,352	\$ -	\$ 35,910	\$ 203	\$ (40,255)	\$ (4,141)		
Stock compensation expense for employee vested options	-	-	-	-	-	-	18	-	-	-	18	
Issuance of common stock	-	-	-	-	409,050	-	2,179	-	-	-	2,179	

Foreign currency translation adjustment	-	-	-	-	-	-	-	(407)	-	(407)
Net loss	-	-	-	-	-	-	-	(2,980)	-	(2,980)
Balance - December 31, 2023	5,323,782	\$ 1	1,189,998	\$ -	5,233,402	\$ -	\$ 38,107	\$ (204)	\$ (43,235)	\$ (5,331)
Balance - March 31, 2024	- \$ -	- \$ -	- \$ -	- \$ -	15,653,449	\$ 1	\$ 56,824	\$ (85)	\$ (48,977)	\$ 7,763
Fair value of shares issued for services	-	-	-	-	615,241	-	681	-	-	681
Stock compensation on vested RSU's	-	-	-	-	289,199	-	489	-	-	489
Stock compensation expense for employee vested options	-	-	-	-	-	609	-	-	-	609
Foreign currency translation adjustment	-	-	-	-	-	-	(21)	-	-	(21)
Net loss	-	-	-	-	-	-	-	(8,614)	-	(8,614)
Balance - December 31, 2024	- \$ -	- \$ -	- \$ -	- \$ -	16,557,889	\$ 1	\$ 58,603	\$ (106)	\$ (57,591)	\$ 907

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PERFECT MOMENT LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Nine Months Ended	
	December 31, 2024	December 31, 2023
Cash flows from operating activities:		
Net loss	\$ (8,614)	\$ (2,980)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	290	437
Bad debt expense	46	169
Inventory reserve	(215)	419
Unrealized foreign exchange loss	- (371)	
Stock based compensation cost on vested options and RSU's	1,098	18
Amortization of stock based marketing and other services	419	185
Amortization of debt discount	1,160	493
Accrued interest	29	600
Changes in operating assets and liabilities:		
Accounts receivable	(1,740)	(2,571)
Inventories	(2,039)	(1,822)
Prepaid and other current assets	(131)	(158)
Operating lease right of use asset	74	217
Other non-current assets	3	-
Operating lease liability	(74)	(223)
Trade payables	154	704
Accrued expenses	721	1,537
Unearned revenue	39	268
Net cash used in operating activities	(8,780)	(3,078)
Cash flows from investing activities:		
Purchases of property and equipment	(287)	(194)
Net cash used in investing activities	(287)	(194)
Cash flows from financing activities:		
Deferred offering costs	(139)	(923)
Proceeds from trade finance facilities, net	2,849	1,847
Repayment of trade finance facilities, net	(147)	(874)
Proceeds from convertible note	2,000	-
Proceeds from issuance of common shares, net	-	2,179
Proceeds from short-term borrowings, net	4,604	-
Repayment of short-term borrowings	(3,846)	-
Net cash provided by financing activities	5,321	2,229
Effect of Exchange Rate Changes on Cash	(41)	(126)
Net Change in Cash and Cash Equivalents and Restricted Cash	(3,787)	(1,169)
Cash and Cash Equivalents and Restricted Cash – beginning of the period	7,910	4,712
Cash and Cash Equivalents and Restricted Cash – end of the period	\$ 4,123	\$ 3,543
Supplemental disclosures of cash flow information:		
Interest paid on borrowings and bank loans	\$ -	\$ -

Supplemental disclosure of non-cash investing and financing activities:

Fair value of unamortized stock-based marketing and other services	\$ 262	\$ -
Recognition of debt discount on short-term borrowings	\$ 2,280	\$ -

The accompanying notes are an integral part of these condensed consolidated financial statements

PERFECT MOMENT LTD AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the three and nine months ended December 31, 2024 and 2023
(Amounts in thousands, except share and per share data and exchange rate data)
(Unaudited)

NOTE 1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION***Nature of operations***

Perfect Moment Ltd., a Delaware corporation ("Perfect Moment" or "PML" and, together with its subsidiaries unless the context otherwise requires, the "Company"), is an owner and operator of a luxury fashion brand that offers ski, swim, and activewear collections under the brand name Perfect Moment. The Company's collections are sold directly to customers through e-commerce, sales to wholesale accounts and through other sales partnerships.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete consolidated financial statements. In the opinion of our management, these condensed consolidated financial statements contain all normal recurring adjustments considered necessary for a fair presentation of the Company's financial position at December 31, 2024, results of operations for the three and nine months ended December 31, 2024 and 2023, consolidated statements of shareholders' equity for the three and nine months ended December 31, 2024 and 2023, and cash flows for the nine months ended December 31, 2024 and 2023. The Company's results for the three and nine months ended December 31, 2024 are not necessarily indicative of the results expected for the full year. You should read these statements in conjunction with our audited consolidated financial statements and management's discussion and analysis and results of operations included in our Annual Report on Form 10-K (the "Form 10-K") for the fiscal year ended March 31, 2024. The terms "fiscal 2025" and "fiscal 2024" refer to the Company's fiscal year ending March 31, 2025 and fiscal year ended March 31, 2024, respectively. The figures in the notes to the financials are presented in thousands, therefore the 000's are removed.

Principles of consolidation

These unaudited condensed consolidated financial statements include the accounts of Perfect Moment Ltd. and its wholly owned subsidiaries; Perfect Moment Asia Limited ("PMA"), Perfect Moment (UK) Limited ("PMUK"), Perfect Moment USA, Inc., ("PMUSA") and Perfect Moment TM Sarl. These unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments which are, in the opinion of management, necessary for the fair statement of the financial information for the interim periods presented. All intercompany balances and transactions have been eliminated.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Going concern***

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the ordinary course of business.

Through December 31, 2024, the Company has funded its operations with proceeds from the sale of common stock from the initial public offering, the issuance of common stock, convertible debt, and preferred stock, alongside existing trade, invoice and shareholder financing arrangements. The Company has incurred recurring losses, including a net loss of \$ 8,614 for the nine months ended December 31, 2024 and used cash in operations of \$ 8,780 during the period. As of December 31, 2024, the Company had an accumulated deficit of \$ 57,591. Also, we have accrued approximately \$ 1,143 of delinquent payroll taxes.

These factors raise substantial doubt about the Company's ability to continue as a going concern.

In addition, the Company's independent registered public accounting firm, in its report on the Company's consolidated financial statements for the year ended March 31, 2024, expressed substantial doubt about the Company's ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments that might result from this uncertainty.

Management's plans to alleviate the conditions that raise substantial doubt include:

- Taking out short-term loans, purchase order financing and debt factoring to assist with working capital shortfalls
- Exploring sources of long-term funding in the private markets and additional equity financing
- Closely monitoring the collection of debts
- Cost-reduction initiatives aimed at improving operational efficiency and preserving liquidity
- Strategies and plans in place to deliver improved margins in the next financial year

The Company's ability to continue as a going concern for 12 months from the date of these unaudited condensed Consolidated Financial Statements were available to be issued is dependent upon its ability to generate sufficient cash flows from operations to meet its obligations, which it has not been able to accomplish to date, and to obtain additional capital financing. No assurance can be given that the Company will be successful in these efforts mentioned above.

Use of estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the condensed consolidated financial statements and accompanying notes. Management continually evaluates the estimates and judgments it uses. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believe will materially affect the methodology or assumptions utilized in making these estimates and judgments in these financial statements. Significant estimates inherent in the preparation of the condensed consolidated financial statements include reserves for uncollectible accounts receivables, realizability of inventory; customer returns; useful lives and impairments of long-lived tangible and intangible assets; realization of deferred tax assets and related uncertain tax positions; and the valuation of stock-based compensation awards. Actual results may differ from these judgements and estimates under different assumptions or conditions and any such differences may be material.

Revenue recognition

The majority of the Company's revenue is recognized at a point in time based on the transfer of control. In addition, the majority of the Company's contracts do not contain variable consideration and contract modifications are minimal. The majority of the Company's revenue arrangements generally consist of a single performance obligation to transfer promised goods. Revenue is reported net of markdowns, discounts and sales taxes collected from customers on behalf of taxing authorities. Revenue is also presented net of an allowance for expected returns where contracts include the right of return.

The Company estimates returns on an ongoing basis to estimate the consideration from the customer that the Company expects to ultimately receive. Consideration in determining the Company's estimates for returns may include agreements with customers, the Company's return policy and historical and current trends. The Company records the returns as a reduction to net sales in its consolidated statements of operations and the recognition of a provision for returns within accrued expenses in its consolidated balance sheets and the estimated value of inventory expected to be returned as an adjustment to inventories, net. As of December 31, 2024 and March 31, 2024, the returns provision was \$ 704 and \$ 346 , respectively.

Revenue is comprised of direct-to-consumer ecommerce revenue through the Company's website and revenue related to wholesalers, revenue related to retail stores, and revenue related to short-term collaborations. The following table details the revenue split:

	Three Months Ended		Nine Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Wholesale revenues	\$ 7,335	\$ 7,829	\$ 10,066	\$ 10,658
Ecommerce revenues	3,716	3,752	5,793	5,775
Retail revenues	516	-	516	-
Revenues - subtotal	\$ 11,567	\$ 11,581	\$ 16,375	\$ 16,433
Collaboration revenues	91	1,145	91	3,169
Total	\$ 11,658	\$ 12,726	\$ 16,466	\$ 19,602

Revenue is recognized when performance obligations are satisfied through the transfer of control of promised goods to the Company's customers. Control transfers once a customer has the ability to direct the use of, and obtain substantially all of the benefits from, the product. This includes the transfer of legal title, physical possession, the risks and rewards of ownership, and customer acceptance. For direct-to-consumer ecommerce revenue, the Company receives payment before the customer receives the promised goods. Revenue is only recognized once the goods have been delivered to the customer. Sales to wholesale customers are recognized when the customer has control which will depend on the agreed upon International Commercial Terms. For inventories sold on consignment to wholesalers, the Company records revenue when the inventory is sold to the third-party customer by the wholesaler. The Company may issue merchant credits, which are essentially refund credits. The merchant credits are initially deferred and subsequently recognized as revenue when tendered for payment.

Cost of goods sold

Cost of goods sold includes the cost of purchased merchandise, which includes:

- acquisition and production costs including raw material and labor as applicable;
- the cost incurred to deliver inventory to the Company's third-party distribution centers including freight, non-refundable taxes, duty, and other landing costs;
- outbound duties; and
- reserves for inventory.

Accounts receivable

Accounts receivable primarily arise out of sales to wholesale accounts and ecommerce partners. The allowance for doubtful accounts represents management's best estimate of probable credit losses in accounts receivable using the incurred loss methodology. Receivables are written off against the allowance when management believes that it is probable the amount receivable will not be recovered. Additionally, the Company records higher allowances in the first and third quarters following its peak sales seasons after the Company determines it to be probable that it will not collect the related receivables. As of December 31, 2024 and March 31, 2024, the Company had \$ 587 and \$ 558 , respectively, in allowances for doubtful accounts. Accounts Receivable, net of allowances, as of December 31, 2024 and March 31, 2024 was \$ 2,747 and \$ 1,035 , respectively.

Segment reporting

Accounting Standards Codification ("ASC") Topic 280, "Disclosures about Segments of an Enterprise and Related Information" establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports issued to stockholders. Management has determined that the Company operates in one business segment, product sales.

Deferred Offering Costs

Deferred offering costs consist primarily of legal, accounting and underwriters' fees incurred related to equity financing. These deferred costs are deferred and then charged against the proceeds received once the equity financing occurs or are charged to expense if the financing does not occur.

Geographic concentration

Although the Company is organized fundamentally as one business segment, the Company's revenues are primarily split between three geographic areas: the U.S., Europe and the United Kingdom (the "U.K."). Customers in these regions are served by our leadership, production and operations teams in the U.K. and Hong Kong.

The table below reflects total net revenues attributed to Europe (excluding the United Kingdom), United States, United Kingdom, and the rest of the world:

	Three Months Ended				Nine Months Ended			
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Europe (excluding United Kingdom)	\$ 4,214	36%	\$ 4,801	38%	\$ 6,338	38%	\$ 6,833	35%
United States	4,187	36%	4,743	37%	5,512	34%	8,189	42%
United Kingdom	2,222	19%	2,402	19%	3,160	19%	3,467	18%
Rest of the World	1,035	9%	780	6%	1,456	9%	1,113	5%
Total	\$ 11,658		\$ 12,726		\$ 16,466		\$ 19,602	

Supplier concentration

For the three months ended December 31, 2024 and 2023, the largest single supplier of manufactured goods to the Company produced 62 % and 92 %, respectively, of the Company's products. For the three months ended December 31, 2024 and 2023, the Company made no fabric purchases.

For the nine months ended December 31, 2024 and 2023, the largest single supplier of manufactured goods to the Company produced 40 % and 75 %, respectively, of the Company's products. For the nine months ended December 31, 2024 and 2023, the single largest fabric supplier to the Company supplied 46 % and 63 %, respectively, of the fabric used to manufacture the Company's products.

Customer concentration

No single customer accounted for more than 10% of total revenue for the three and nine months ended December 31, 2024.

No single customer accounted for more than 10% of total revenue for the three months ended December 31, 2023. For the nine months ended December 31, 2023, we had one major customer, which accounted for approximately 16 % or \$ 3,168 of total revenue. The related accounts receivable balance for this customer was \$ 0 as of December 31, 2023, and \$ 41 as of March 31, 2023.

Foreign currency

Foreign currency transactions denominated in a currency other than an entity's functional currency are remeasured into the functional currency using the spot rate at the date of the transaction with any resulting gains and losses recognized in operating expenses except for gains and losses arising on intercompany foreign currency transactions that are of a long-term investment nature, which are recorded as a foreign currency translation adjustment in other comprehensive income or loss.

The functional currency for each entity included in these condensed consolidated financial statements that is domiciled outside of the United States is generally the applicable local currency. Assets and liabilities of each foreign entity are translated into U.S. dollars at the exchange rate in effect on the balance sheet date. Revenue and expenses are translated on a monthly basis using the average rate for that month as a close approximation. Unrealized translation gains and losses are recorded as a foreign currency translation adjustment, which is included in other comprehensive income or loss, which is a component of accumulated other comprehensive income or loss included in shareholders' deficit.

Stock-based compensation

The Company accounts for equity-based awards according to ASC 505 and 718, whereby the value of the award is measured on the date of grant and recognized as compensation expense on a straight-line basis over the vesting period.

The Company measures fair value as of the grant date for options and warrants using the Black Scholes option pricing model and for common share awards using a weighted average of the Black Scholes method and probability-weighted expected return method (PWERM).

The inputs into the Black Scholes option pricing model are subjective and generally require significant judgment. The fair value of the shares of common and preferred stock has historically been determined by the Company's management with the assistance of third-party specialists as there was no public market for the common stock up until February 8, 2024. The fair value is obtained by considering a number of objective and subjective factors, including the valuation of comparable companies, sales of preferred stock to unrelated third parties, projected operating and financial performance, the lack of liquidity of common and preferred stock and general and industry specific economic outlook, amongst other factors. The expected term represents the period that the Company's stock options are expected to be outstanding and is determined using the simplified method (based on the mid-point between the vesting date and the end of the contractual term) as the Company's stock option exercise history does not provide a reasonable basis upon which to estimate expected term. Because the Company was privately held for a portion of the periods covered by these financial statements and historically did not have an active trading market for its common and preferred stock for a sufficient period of time, the expected volatility was estimated based on the average volatility for comparable publicly traded companies, over a period equal to the expected term of the stock option grants. The Company listed on NYSE American on February 8, 2024 and now uses the closing price on the day of grant to determine FMV and for the stock options issued in Q3 2025 the company used the average of a peer group of similar companies based by one or all the following factors to determine volatility: industry, revenue, market capitalization. The risk-free rate assumption is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the option. The Company has never paid dividends on its common stock and does not anticipate paying dividends on common stock in the foreseeable future. Therefore, the Company uses an expected dividend yield of zero.

Income / loss per share of common stock

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share is computed by dividing the net income applicable to common stockholders by the weighted average number of shares of common stock outstanding plus the number of additional shares of common stock that would have been outstanding if all dilutive potential shares of common stock had been issued using the treasury stock method. Potential shares of common stock are excluded from the computation when their effect is antidilutive. The dilutive effect of potentially dilutive securities is reflected in diluted net income per share if the exercise prices were lower than the average fair market value of common stock during the reporting period.

Potentially dilutive stock options and securities as presented in the table below were excluded from the computation of diluted net income (loss) per share, because the effect would be anti-dilutive. As the Company incurred income for the three months ended December 31, 2023, while incurring losses for the three months ended December 31, 2024 and nine months ended December 31, 2024 and 2023, the treasury stock method and basic and diluted weighted-average shares are different in the loss per share calculation, in accordance with ASC 260-10-45-20.

	December 31, 2024	December 31, 2023
Options to acquire common stock	1,196,550	299,957
Restricted stock units to acquire common stock	741,667	-
Warrants to acquire common stock	66,700	-
Series A convertible preferred stock	-	5,323,782
Series B convertible preferred stock	-	1,189,998
Convertible debt financing	-	2,281,148
	<u>2,004,917</u>	<u>9,094,885</u>

On February 12, 2024, all outstanding shares of our Series A and Series B convertible preferred stock were automatically converted into 5,323,782 and 1,189,998 shares of common stock in connection with the closing of the initial public offering. The \$ 10,002 in principal amount due on convertible debt plus accrued interest in the amount of \$ 1,985 automatically converted into Company common stock, into an aggregate of 2,497,267 shares of common stock.

Fair Value of Financial Instruments

The Company follows the guidance of ASC 820 and ASC 825 for disclosure and measurement of the fair value of its financial instruments. ASC 820 establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

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The three (3) levels of fair value hierarchy defined by ASC 820 are described below:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amount of the Company's financial assets and liabilities, such as cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses approximate their fair value due to their short-term nature. The carrying values of capital lease obligations and debt obligations approximate their fair values due to the fact that the interest rates on these obligations are based on prevailing market interest rates. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Reclassifications

The Company has reclassified certain costs totaling \$ 1,761 and \$ 2,752 previously classified as cost of sales for the three and nine months ended December 31, 2023, respectively, to SG&A expenses to conform to the current year presentation.

Recently issued accounting pronouncements

In November 2024, FASB issued ASU 2024-03 Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40) Disaggregation of Income Statement Expenses. The guidance in ASU 2024-03 requires public business entities to disclose in the notes to the financial statements, among other things, specific information about certain costs and expenses including purchases of inventory; employee compensation; and depreciation and amortization expense for each caption on the income statement where such expenses are included. The update is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted, and the amendments may be applied prospectively to reporting periods after the effective date or retrospectively to all periods presented in the financial statements. We are currently evaluating the provisions of this guidance and assessing the potential impact on our financial statement disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expense categories that are regularly provided to the chief operating decision maker and included in each reported measure of a segment's profit or loss. The update also requires all annual disclosures about a reportable segment's profit or loss and assets to be provided in interim periods and for entities with a single reportable segment to provide all the disclosures required by ASC 280, Segment Reporting, including the significant segment expense disclosures. The Company will adopt ASU 2023-07 beginning April 1, 2025. The Company does not believe the impact of the new guidance and related codification improvements had a material impact to its financial position, results of operations and cash flows.

We have reviewed all accounting pronouncements recently issued by the FASB and the SEC. The authoritative pronouncements that we have already adopted did not have a material effect on our financial condition, results of operations, cash flows or reporting thereof, and except as otherwise noted above, we do not believe that any of the authoritative pronouncements that we have not yet adopted will have a material effect upon our financial condition, results of operations, cash flows or reporting thereof.

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NOTE 3. CASH

Cash consisted of the following as of December 31, 2024 and March 31, 2024.

	December 31, 2024	March 31, 2024
	\$'000	\$'000
Cash and cash equivalents	\$ 2,772	\$ 7,910
Restricted cash	1,351	-
Total Cash	\$ 4,123	\$ 7,910

Restricted cash represents amounts pledged as collateral against our outstanding borrowings under our trade finance facility. As of December 31,

2024, we have \$ 2,703 of outstanding borrowings under this facility (see Note 6).

NOTE 4. INVENTORIES

Inventories are initially measured at cost and subsequently measured at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. The following table details the primary categories for the periods presented.

	December 31, 2024 \$'000	March 31, 2024 \$'000
Finished goods	\$ 4,685	\$ 2,680
Raw materials	743	721
Goods in transit	31	14
Finished goods on consignment	203	205
Total inventories	5,662	3,620
Inventory reserve	(1,178)	(1,390)
Total inventories, net	\$ 4,484	\$ 2,230

Third-party services are used to warehouse and distribute inventory. Per the terms of one third-party service contract, a lien may be placed on the Company's inventory if the Company fails to make a payment for services within 30 days from the date the third-party supplier notifies the Company of an outstanding payment.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2024 and March 31, 2024.

	December 31, 2024 \$'000	March 31, 2024 \$'000
Furniture and fixtures	\$ 178	\$ 177
Office equipment	59	57
Leasehold improvements	29	29
Software and website development	2,146	1,886
Computer equipment	131	121
Total property and equipment	2,543	2,270
Accumulated depreciation	(2,033)	(1,768)
Total property and equipment, net	\$ 510	\$ 502

Depreciation expense related to property and equipment was \$ 71 and \$ 158 for the three months ended December 31, 2024 and 2023, respectively. Depreciation expense related to property and equipment was \$ 282 and \$ 432 for the nine months ended December 31, 2024 and 2023, respectively.

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NOTE 6. TRADE FINANCE FACILITY

	December 31, 2024 \$'000	March 31, 2024 \$'000
Trade finance facility	\$ 2,703	\$ -
Total	\$ 2,703	\$ -

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The Company, through our PMA subsidiary, has a trade finance facility extended on goods for which letters of credit are issued to the Company's suppliers by HSBC. As of December 31, 2024 and March 31, 2024 the Company had a trade finance facility limit of \$ 2,700 and \$ 5,000 , respectively.

Amounts owed relating to issued letters of credit do not become the Company's responsibility until the Company receives the manufactured clothing goods from suppliers. Once drawn, the Company has the option of 195 days credit, in the form of a loan, before repayment is due. For drawings in Hong Kong dollars, the interest rate equals HIBOR plus 3.0 %, and for drawings in U.S. dollars, the interest rate equals SOFR plus 3.3 %.

As of March 31, 2024, there were no outstanding pledged letters of credit or trade loans issued by HSBC. During the period ended December 31, 2024, the Company was extended letters of credit by HSBC in the aggregate amount of \$2,849, all of which were utilized as trade loans during the period. The Company made partial payment of the trade loans of \$ 146 during the period, resulting in an outstanding trade loan balance of \$ 2,703 as of December 31, 2024 (which was secured by \$ 1,351 of restricted cash held with HSBC - see Note 3). As of December 31, 2024, there were no issued letters of credit outstanding.

NOTE 7. CONVERTIBLE NOTE PAYABLE

During the nine months ended December 31, 2024 the Company entered into a convertible note purchase agreement pursuant to which the Company sold an accredited investor (the "Investor") a convertible secured promissory note (the "Convertible Note") in the aggregate principal amount of \$ 2.0 million, which remained outstanding as of the period then ended. The Convertible Note bears interest at rate of 15 % per annum, is due and payable one year from the date of issuance, is secured by the assets of the Company and is convertible into shares of Common Stock of the Company at a conversion price of \$ 1.00 per share. The Company intends to effect an offering of up to \$ 10.0 million of its preferred stock and warrants further to Regulation A+ (the "Offering"). The Company agreed that 33 % of all net proceeds received from the Offering after the first \$ 2.0 million in net proceeds shall be used to repay outstanding amounts under this Note.

During the nine months ended December 31, 2024, the Company accrued \$ 21 of interest in accordance with the terms of the note.

NOTE 8. ADVANCE ON FUTURE RECEIPTS

The Company has the following advances on future receipts as of December 31, 2024:

Note	Issuance Date	Maturity Date	Interest Rate	Net Proceeds	Obligations Related to Future Receipts at Issuance	Obligations at December 31, 2024
Note 1	July 25, 2024	February 7, 2025	33%	\$ 500	\$ 745	\$ -
Note 2	August 23, 2024	March 18, 2025	33%	1,000	1,491	(53)
Note 3	September 25, 2024	March 11, 2025	34%	500	756	-
Note 4	October 2, 2024	April 16, 2025	33%	500	746	426
Note 5	October 23, 2024	May 22, 2025	33%	679	1,015	710
Note 6	November 24, 2024	June 24, 2025	33%	1,425	2,130	1,775
Total				\$ 4,604	\$ 6,883	2,858
Debt discount						(941)
Net						\$ 1,917

Note 1, 2, 3, 4, 5, and 6

During the nine months ended December 31, 2024, the Company received six secured advances from unaffiliated third parties totaling \$ 4,604 for the purchase of future receipts/revenues of \$ 6,883. Pursuant to the terms of the agreement, the unaffiliated third parties will auto withdraw an aggregate of \$ 243 from the Company's operating account weekly. The term of the agreement extends until the advances are paid in full. The notes did not bear any interest, however, the average interest was imputed at a rate of 33 % based on the face value of the note and the proceeds received. As a result, the Company recorded a liability of \$ 6,883 to account for the future receipts sold and a debt discount of \$ 2,280 to account for the difference between the liability related to the future receipts sold and the cash received. The debt discount is being amortized over the term of the agreement.

During the nine months ended December 31, 2024, the Company paid \$ 3,846 of the notes and received an early payment discount of \$ 179, and as such, the outstanding balance of the notes was \$ 2,858 as of December 31, 2024. The Company amortized \$ 1,160 of the debt discount during the period and cancelled debt discount of \$ 179 against the notes, which is related to the early payment discount of \$ 179, resulting in unamortized balance of \$ 941 as of December 31, 2024. As such, the balance of the notes net of unamortized discount was \$ 1,917 as of December 31, 2024.

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NOTE 9. COMMON STOCK

Common stock

Shares Issued for Services

During the nine months ended December 31, 2024, the Company issued 615,241 shares of restricted common stock to vendors for services rendered and to be rendered with a fair value of \$ 681. These shares of common stock were valued based on the market value of the Company's common stock price at the issuance date or the date the Company entered into the agreement related to the issuance. During the nine months ended December 31, 2024 the Company amortized \$ 419 of the value of the shares as the services were rendered and \$ 262 of the remaining fair value of the shares was included as a prepaid asset as of December 31, 2024.

NOTE 10. RESTRICTED STOCK UNITS

Restricted Stock Units

A summary of restricted stock unit activity for the nine months ended December 31, 2024 is presented below.

	Shares	Fair Value	Weighted-Average Grant Date Fair Value
Non-vested at March 31, 2024	225,000	\$ 801	\$ 4.10
Granted	805,866	946	1.17
Vested/deemed vested	(289,199)	(488)	2.00
Forfeited	-	-	-
Non-vested at December 31, 2024	741,667	\$ 1,259	\$ 1.74

During the nine months ended December 31, 2024, the Company issued 805,866 shares of restricted stock units to employees and vendors for services rendered with a fair value of \$ 946. The shares were valued based on the market value of the Company's stock price on the grant date and amortized over its vesting term.

The total fair value of restricted stock units that vested or deemed vested during the nine months ended December 31, 2024 was \$ 488 and is included in selling, general and administrative expenses in the accompanying statements of operations. As of December 31, 2024, the amount of unvested compensation related to issuances of restricted stock award was \$ 1,178 which will be recognized as an expense in future periods as the shares vest.

NOTE 11. STOCK OPTIONS

The Company maintains the 2021 Equity Incentive Plan (the "2021 Plan"), which provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock units and performance units and performance shares to employees, directors and consultants of the Company or any parent or subsidiary of the Company. The purpose of the 2021 Plan is to enable the Company to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants of the Company or any parent or subsidiary of the Company, and to promote the success of the Company's business. The Company has 2,173,083 and 2,527,944 shares available to issue from the 2021 plan as of December 31, 2024 and March 31, 2024, respectively. The Company has historically granted stock options to non-employees in exchange for the provision of services, both under the 2021 Plan and outside of the 2021 Plan.

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A summary of option activity for the period ended December 31, 2024 is presented below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at March 31, 2024	1,108,356	3.42	3.45	595
Granted	688,194	2.15	-	-
Forfeited	(600,000)	4.10	-	-
Exercised	-	-	-	-
Outstanding at December 31, 2024	<u>1,196,550</u>	<u>\$ 2.35</u>	<u>3.03</u>	<u>\$ 162</u>
Vested December 31, 2024	509,493	\$ 2.05	-	\$ 162
Exercisable at December 31, 2024	342,237	\$ 1.61	-	\$ 162

During the nine months ended December 31, 2024, the Company granted stock options to employees to purchase 688,194 shares of common stock for services rendered. The options have an average exercise price of \$ 2.31 per share, expire in ten years, vesting equally over four years from the employees' start date. The total fair value of these options at the grant date was approximately \$ 1,444 using the Black-Scholes Option Pricing Model.

During the nine months ended December 31, 2024, the Company cancelled 600,000 of vested and unvested stock previously issued to officers for services rendered and to be rendered with a fair value of \$ 2,460. The shares were valued based on the market value of the Company's stock price on the grant date and were amortized over their vesting terms. The Company credited back \$ 14 to SG&A related to expense charged on unvested options through the cancellation date.

The total stock compensation expense recognized related to vesting of stock options for the nine months ended December 31, 2024 and 2023 amounted to \$ 609 and \$ 18, respectively. As of December 31, 2024 the total unrecognized stock-based compensation was \$ 1,317, which is expected to be recognized as part of operating expense through September 2028.

At December 31, 2024, the intrinsic value of the outstanding options under the 2021 Plan was \$ 162.

The fair value of the share option awards was estimated using the Black-Scholes method and probability-weighted expected return method (PWERM) based on the following weighted-average assumptions:

	<u>Nine Months Ended December 31, 2024</u>
Expected life in years	10
Stock price volatility	138.35 % - 142.42%
Risk free interest rate	2.09 % - 3.58 %
Expected dividends	0%
Forfeiture rate	18.02 – 19.10%

NOTE 12. STOCK WARRANTS

A summary of warrant activity for the nine months ended December 31, 2024 is presented below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at March 31, 2024	66,700	\$ 7.50	4.87	\$ -
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at December 31, 2024, all vested	<u>66,700</u>	<u>\$ 7.50</u>	<u>4.12</u>	<u>\$ -</u>

No warrants were issued for the nine months ended December 31, 2024.

As of December 31, 2024 the outstanding warrants had no intrinsic value.

NOTE 13. FOREIGN CURRENCY TRANSLATION

We report all currency amounts in USD. The Company's subsidiaries in the U.K., Hong Kong and Switzerland maintain their books and records in their functional currencies, which are GBP, HKD and CHF, respectively.

When consolidating the subsidiaries with non-USD functional currencies, we translate the amounts of assets and liabilities into USD using the exchange rate on the balance sheet date, and the amounts of revenue and expense are translated at the average exchange rate prevailing during the period. The gains and losses resulting from translation of financial statement amounts into USD are recorded as a separate component of accumulated other comprehensive loss within shareholders' deficit.

We used the exchange rates in the following table to translate amounts denominated in non-USD currencies as of and for the periods noted:

Period end exchange rate:

	December 31, 2024	March 31, 2024
GBP:USD	1.25209	1.26254

HKD:USD	0.12873	0.12778
CHF:USD	1.10267	1.10871

Average exchange rate:

	Three Months Ended	
	December 31, 2024	December 31, 2023
GBP:USD	1.28088	1.24192
HKD:USD	0.12862	0.12798
CHF:USD	1.13940	1.12880

	Nine Months Ended	
	December 31, 2024	December 31, 2023
GBP:USD	1.28107	1.25321
HKD:USD	0.12825	0.12778
CHF:USD	1.13342	1.12421

The following table, reported in USD, disaggregates our cash balances by currency denomination:

Cash denominated in:

	December 31, 2024	March 31, 2024
	\$'000	\$'000
USD	\$ 3,166	\$ 7,187
GBP	464	598
HKD	105	27
CHF	13	14
EUR	375	84
	<u>\$ 4,123</u>	<u>\$ 7,910</u>

Our cash primarily consists of funds held in bank accounts and third party payment platforms.

Cash held by Chase	\$ 845	\$ 6,180
Cash held by HSBC	1,822	1,637
Restricted cash held by HSBC	1,351	-
Cash held by other banks	84	45
Cash held by third party payment platforms	21	46
Petty cash	-	2
	<u>\$ 4,123</u>	<u>\$ 7,910</u>

With the exception of petty cash, all our cash consists of funds held in bank accounts and third-party payment platforms. The Company maintains the majority of cash at HSBC where the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250 . At times, the cash balances may exceed the FDIC-insured limit. As of December 31, 2024, we do not believe we have any significant concentrations of credit risk due to the strong credit rating of HSBC and the cash balance is expected to be utilized within 6 months to fund working capital requirements. The cash held by other banks is within the \$ 250 FDIC insured amount and cash held by third party payment platforms are short term timing balances.

14. COMMITMENTS AND CONTINGENCIES

Legal proceedings - The Company is, from time to time, involved in routine legal matters, and audits and inspections by governmental agencies and other third parties which are incidental to the conduct of its business. This includes legal matters such as initiation and defense of proceedings to protect intellectual property rights, liability claims, employment claims, and similar matters. The Company believes the ultimate resolution of any such legal proceedings, audits, and inspections will not have a material adverse effect on its consolidated balance sheets, results of operations or cash flows.

On December 20, 2023, Aspen Skiing Company, LLC ("ASC") filed a complaint against the Company in the United States District Court for the District of Colorado, alleging, among other things, trademark infringement, false association, false endorsement, unfair competition and deceptive trade practices by the Company (the "ASC Suit"). Management has determined, after the advice of legal counsel, that the claims and actions related to such complaint are not expected to have a material adverse effect on our financial condition because management believes that the lawsuit will not succeed on the merits and the risk of any material loss is remote. The claims relate to the Company's social media posts of models and influencers in ski gondolas on the mountain owned by Aspen Skiing Company and now discontinued limited edition clothing sold by the Company that included images, which were licensed by the Company from a photographer, of a skier's rest area in Aspen that Aspen Skiing Company calls the "AspenX Beach Club." The complaint seeks injunctive relief, but no motion for injunctive relief has been filed in the suit. The complaint also seeks delivery of all infringing material to Aspen Skiing Company and an award of the Company's profits and Aspen Skiing Company's damages in an amount to be determined at trial, costs incurred by Aspen Skiing Company in the action, their attorney's fees and treble damages.

In August 28, 2024 the Company and ASC entered into a Settlement Agreement (the "Settlement Agreement") with respect to the ASC Suit. The Company agreed to terminate all marketing, distribution and sale of the PM DeDe Johnston Apparel and to terminate all use of any marketing and advertising in which an ASC Trademark (as that those terms are defined in the Settlement Agreement) is visible and recognizable, and to pay ASC the sum of \$ 10,000 .

On December 17, 2024 the Company received a notification from the NYSE American LLC stating that the Company is not in compliance with the minimum stockholders' equity requirements of Sections 1003(a)(ii) of the NYSE American Company Guide requiring stockholders' equity of \$ 4.0 million or more if the Company has reported losses from continuing operations and/or net losses in three of the four most recent fiscal years. As of September 30, 2024, the Company had stockholders' equity of \$ 2.7 million and had losses in its three most recent fiscal years ended March 31, 2024.

The Company is now subject to the procedures and requirements of Section 1009 of the Company Guide. The Company had until January 10, 2025, to submit a plan (the "Plan") of actions it has taken or will take to regain compliance with the continued listing standards by June 11, 2026. The Company submitted a plan to regain compliance with NYSE American listing standards on January 10, 2025. If the NYSE American accepts the Plan, the Company will be able to continue its listing during the Plan period and will be subject to periodic reviews including quarterly monitoring for compliance with the Plan until it has regained compliance. If the Plan is not accepted by the NYSE American, the Letter stated that delisting proceedings will commence. The

Company may appeal to staff delisting determination in accordance with Section 1010 and Part 12 of the Company Guide.

The Letter has no immediate effect on the listing or trading of the Company's common stock on the NYSE American. The Company's receipt of the Letter from the NYSE American does not affect the Company's business, operations or reporting requirements with the U.S. Securities and Exchange Commission.

Capital commitments - The Company had no purchase obligations as of December 31, 2024, related to purchase orders to factories for the manufacture of finished goods. All future obligations are to be financed by HSBC letters of credit and comprise the balance held as restricted cash on the condensed consolidated balance sheets.

NOTE 15. RELATED PARTY TRANSACTIONS

Certain directors of the Company and its subsidiaries previously provided consulting and advisory services for the Company which are recognized in selling, general and administrative expenses in the accompanying condensed consolidated statement of operations.

Below are the directors of the Company and its subsidiaries, that provide consulting and advisory services.

	Three Months Ended		Nine Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
(A) Max Gottschalk (director of the Company)	\$ -	\$ 45	\$ -	\$ 135
(B) Tracy Barwin (director of the Company)	-	6	-	129
(C) Andreas Keijzers (director of a subsidiary)	-	4	-	28
Total Expenses	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ 292</u>

(A) We, through PMA, are party to a consulting agreement with Max Gottschalk, dated May 15, 2019, which continues until terminated in accordance with its terms, during which Mr. Gottschalk is entitled to receive fees for services rendered amounting to £ 8,000 per month from April 2021 to November 2022 and £ 12,000 per month since December 2022. These amounts are in lieu of any other cash payments or equity awards Mr. Gottschalk may otherwise have been entitled to receive as a member of our board of directors.

(B) We were party to a consulting agreement with Tracy Barwin, dated November 18, 2022, pursuant to which Ms. Barwin was entitled to receive £ 1,500 per day for services rendered with a minimum commitment of two days per month. These amounts were in lieu of any other cash payments or equity awards Ms. Barwin may otherwise have been entitled to receive as a member of our board of directors. The consulting agreement with Ms. Barwin was terminated in October 2023 and replaced by an independent director agreement.

(C) We, through PMA, were party to a consulting agreement with Arnhem Consulting Limited ("Arnhem"), a company controlled by Andre Keijzers, dated February 28, 2017, pursuant to which Arnhem was entitled to receive £ 1,200 per month for services rendered. The consulting agreement was terminated in September 2023 as a result of Mr. Keijzers becoming a director of the Company.

For 2024, all these related parties became board members, and were paid board fees of \$ 213 in the aggregate for the nine months end December 31, 2024. No other fees were paid to these individuals or entities during that period.

16. SUBSEQUENT EVENTS

Shares Issued for Services

Subsequent to December 31, 2024, the Company issued 336,861 shares of common stock to vendors for services rendered and to be rendered with a fair value of \$ 288. These shares of common stock were valued based on the market value of the Company's common stock price at the issuance date or the date the Company entered into the agreement related to the issuance.

NYSE American Delisting

On December 17, 2024 the Company received a notification from the NYSE American LLC stating that the Company is not in compliance with the minimum stockholders' equity requirements of Sections 1003(a)(ii) of the NYSE American Company Guide requiring stockholders' equity of \$ 4.0 million or more if the Company has reported losses from continuing operations and/or net losses in three of the four most recent fiscal years. As of September 30, 2024, the Company had stockholders' equity of \$ 2.7 million and had losses in its three most recent fiscal years ended March 31, 2024.

The Company is now subject to the procedures and requirements of Section 1009 of the Company Guide. The Company had until January 10, 2025, to submit a plan (the "Plan") of actions it has taken or will take to regain compliance with the continued listing standards by June 11, 2026.

The Company submitted a plan to regain compliance with NYSE American listing standards on January 10, 2025. If the NYSE American accepts the Plan, the Company will be able to continue its listing during the Plan period and will be subject to periodic reviews including quarterly monitoring for compliance with the Plan until it has regained compliance. If the Plan is not accepted by the NYSE American, the Letter stated that delisting proceedings will commence. The Company may appeal to staff delisting determination in accordance with Section 1010 and Part 12 of the Company Guide.

The Letter has no immediate effect on the listing or trading of the Company's common stock on the NYSE American. The Company's receipt of the Letter from the NYSE American does not affect the Company's business, operations or reporting requirements with the U.S. Securities and Exchange Commission.

Executive Changes

On January 31, 2025, the Company terminated Mark Buckley as Chief Executive Officer of the Company. As of the date of this filing, the Company has not entered into a separation agreement with Mr. Buckley with respect to his termination. Mr. Buckley shall continue to serve as a director of the Company.

On January 31, 2025, the Company terminated Jeff Clayborne, the prior Chief Financial Officer of the Company. As of the date of this filing, the Company has not entered into a separation agreement with Mr. Clayborne with respect to his termination.

On February 3, 2025, the Board of Directors appointed Chath Weerasinghe as the Company's Chief Financial Officer and Chief Operating Officer, effective February 3, 2025. Mr. Weerasinghe's Employment Agreement provides for a base salary of £ 300,000 per year and allow for a performance bonus of up to 50 % of Mr. Weerasinghe's annual salary subject to achieving certain performance targets. Additionally, per the terms of the Employment Agreement, Mr. Weerasinghe will receive a sign-on bonus of £ 20,000, to be paid on Mr. Weerasinghe's start date, February 3, 2025. In addition, Mr. Weerasinghe will be entitled to participate in the Company's 2021 Equity Incentive Plan, with 300,000 restricted stock units (the "RSU's) to be granted as of

Mr. Weerasinghe's start date. The RSU's will vest over a period of four years pursuant to a Restricted Stock Unit Agreement, with 75,000 RSU's vesting on the twelve (12) month anniversary of the start date and the remaining RSU's will vest quarterly over three years, with 18,750 RSU's vesting per quarter.

On February 3, 2025, The Board of Directors of the Company appointed Jane Gottschalk to the role of President of the Company, effective immediately. Other than the job title change adding the position of President, terms of Ms. Gottschalk's current contract of employment will not change.

ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

(Amounts in this Item 2 are presented in thousands, except (i) share and per share data and (ii) percentages)

Perfect Moment is a high-performance, luxury skiwear and lifestyle brand that fuses technical excellence with fashion-led designs. We create apparel and products that feature what we believe is an unmatched combination of fashion, form, function and fun for women, men and children.

Across all revenue channels, Perfect Moment distributes to over sixty countries. We design our products in-house and work with a variety of suppliers to manufacture materials and finished goods. Our collections are worn by an evolving list of celebrities and influencers whose perfect moments are captured across a range of social media platforms.

Revenue

Total net revenue for the nine months ended December 31, 2024 was \$16,466 compared to \$19,602 for the nine months ended December 31, 2023, a decrease of \$3,136 or 16%. The decrease is primarily attributed to the termination of a collaboration with Hugo Boss in FY24 totaling \$3,169. The remaining increase of \$33 is attributed to retail revenue of \$516 from our New York and London pop-up locations, plus \$91 in revenue from our collaboration with Johnnie Walker, all offset by \$592 lower wholesale revenue.

Total revenue for the three months ended December 31, 2024 was \$11,658 compared to \$12,726 for the three months ended December 31, 2023, a decrease of \$1,068 or 8%. The decrease is primarily attributed to the termination of a collaboration with Hugo Boss in FY24 totaling \$1,145. The remaining increase of \$77 is attributed to retail revenue of \$516 from our New York and London pop-up locations, plus \$91 in revenue from our collaboration with Johnnie Walker, all offset by \$494 lower wholesale revenue.

The Company did not extend the two-year collaboration with Hugo Boss as the collaboration took precedence over all other wholesalers. The change allows management to continue building the foundations of future growth through better delivery times, improved quality, consistency, and extend our supplier relationships, which will better serve our wholesale partners and direct to consumer channels, driving longer terms sustainable revenue growth.

Ecommerce

The Company has deployed strategies across the entire sales and marketing funnel as we focus on building a direct relationship with our customers, which we believe is an important step of following our customer from the ski slopes, to après, to the chalet, and eventually home expanding our product offering across all seasons.

We remain one of the most followed luxury ski brands globally and increased our followers across all social media platforms (Instagram, Facebook (Meta) and TikTok) increased by 6.9% from March 31, 2024 through December 31, 2024 and increased 19.2% compared to December 31, 2023. The number of unpaid celebrities and influencers driving the top of our funnel is extraordinary for a Company our size. The strength at the top of the funnel provides opportunities to move our customers through the funnel that not only leads to sales, but more importantly allows us to build a community and ultimately customer loyalty.

Gross Profit and Margin

Our gross profit for the nine months ended December 31, 2024 was \$8,819 compared to \$10,388 for the nine months ended December 31, 2023, a decrease of \$1,569 or 15%. The decrease is driven by lower sales that is primarily attributed to a two-year collaboration with Hugo Boss that ended in FY24. Our gross margins were 54% compared to 53% in the prior year. Improving our gross margins remains an important focus, and we anticipate our gross margins to continue to improve and ultimately reflect significant improvement year-over-year. We are making significant progress across all our margin expansion projects including opening our first U.S. distribution center last month. Following the facility opening in October 2024, we realized an immediate improvement in operating efficiency. We will experience reduced duty costs for ecommerce orders in the second half of this fiscal year, which will drive improved gross margins compared to last year. For the six months ended September 30, 2024 we reported gross margins 51%. In the beginning of fiscal 2025 we sold a high percentage of product sold at a discount, making way for a significant new collection replacing many of our product lines for autumn/winter 2024 (AW24), in part due to an upcoming change in legislation in some of our markets for the use of Durable Water Repellency treatments. Based on our initiatives we anticipate additional margin improvements in Q4.

Our gross profit for the three months ended December 31, 2024 was \$6,389 compared to \$6,627 for the three months ended December 31, 2023, a decrease of \$238 or 4%. The decrease is driven by lower sales that is primarily attributed to a collaboration with Hugo Boss that ended in FY24. Our gross margins were 55.0% compared to 52% achieved in the prior year. The increase in gross margin is attributed to our margin expansion projects

Third-Party Distribution Center Update

Historically, all ecommerce orders were dispatched from a third-party distribution center in the United Kingdom and in most instances the Company is paying duties to cross international borders. Compounding the margin dilution is the fact we were paying duties at full retail and not at a transfer price.

On July 15, 2024 we executed an agreement with Quiet Platforms to be our third party operated distribution center in the United States. The U.S. distribution center will improve our customer experience, lower our duty cost plus reduce outbound and return shipping cost in the U.S. market, which represented over 40% of our revenue for the fiscal year ended March 31, 2024. In fiscal year 2025 our ecommerce revenue will flow through the U.S. distribution center with Wholesale revenue running through the U.S. distribution center in fiscal year 2026. We are reviewing our European distribution strategy to improve margins in the fiscal year 2026, which represented over 30% of our revenue for the fiscal year ended March 31, 2024.

The Company has reclassified certain costs totaling \$1,761 and \$2,752 previously classified as cost of sales for the three and nine months ended December 31, 2023, respectively, to SG&A expenses to conform to the current year presentation. For fiscal year ended March 31, 2024 and March 31, 2023, had we reclassified \$3.2 million and \$2.7 million, respectively, of costs of revenue to SG&A, the our adjusted gross margin would have been 50.9% and 48.7%.

Summary of Key Strategies to Improve Margin

- *Shift towards direct-to-consumer revenue (such as ecommerce and physical retail)* . We expect that rebalancing our sales from wholesale to direct to consumer, coupled with the other margin initiatives would result in a double-digit percentage point improvement in our gross margin, due to channel mix, over time.
- *Reducing product range within skiwear* . We believe the current range offers too much choice, and yields poorer margins, resulting from a lack of economies of scale and higher levels of markdown and discounts.
- *Review and modify supplier base* . We are expecting our supplier base to evolve as we source fabrics and trims more efficiently and introduce new finished good suppliers with better commercial terms (such as lower labor costs or better duty rates due to factories being based in the EU, UK or Vietnam).
- *Review and revise price positioning* . We will continue reviewing our selling prices. We are expecting to introduce better discipline and processes to assess price positioning with a focus on margin by each product, country of manufacture and country of selling. We expect to raise selling prices to improve the gross margin over time as part of the range development process and will monitor price elasticity. We believe prices are relatively in-elastic for our industry and our customer segment, and that pricing increases are generally expected by customers annually for luxury goods.
- *Focusing on reducing costs relating to crossing borders* . Operating a global business requires crossing borders with products resulting in high costs for freight, duty, couriers and other handling costs. Perfect Moment has grown very quickly and as a result has not been able to focus on crossing borders in a cost-effective way. We are focused on reducing these costs and expect to see savings over time in freight (for example by using less air freight and more sea freight), lowering duty costs (for example moving production to countries with lower tariffs and opening third party logistic hubs) and reducing broker fees through better processes.

Our Business Strategy

Perfect Moment sits at the intersection of three large and growing markets (luxury ski apparel, premium outerwear and athleisure and lifestyle). Based on the characteristics of these respective markets, we believe we have the right brand profile, geographic footprint, target demographic, marketing tools and operational expansion plan to gain significant market share. We believe we are also well-positioned to drive sustainable growth and profitability by executing on the following strategies:

Grow Brand Awareness and Attract New Customers

Building brand awareness among potential new customers and strengthening our connections with those who already know us will be a key driver of our growth. While we believe our brand has achieved substantial traction globally and those who have experienced our products demonstrate loyalty, our presence is relatively nascent in many of our markets. We believe we have a significant opportunity to increase brand awareness and attract new customers to Perfect Moment through word of mouth, brand marketing and performance marketing.

In the past, Perfect Moment's strong skiing heritage has been used to engage with a core ski audience for whom we believe the combination of technical performance and retro inspired designs resonate strongly. We believe the nature of skiing as a largely affluent, international pursuit means there is a large opportunity in aspirational, lifestyle-led social media engagement. We believe Perfect Moment has captured this social media opportunity to great effect, combining the style and form of the brand with celebrities, influencers, top-tier editorial, collaborations and luxury locations to create a distinct, fun and engaging aspirational lifestyle narrative. Beyond social media, we believe Perfect Moment has been able to deploy this same core brand proposition and narrative to direct digital marketing and traditional media, elevating brand profile and driving high levels of engagement simultaneously. Perfect Moment has also been able to build an effective online marketing engine driving large volumes of direct, organic search and paid search traffic to our ecommerce website, www.perfectmoment.com

Perfect Moment expects to continue its approach to social media, building its follower base through a similar and evolving mix of celebrities, influencers, editorials and locations. It also expects to continue to pursue and scale the effective search engine optimization and paid search strategies which have contributed to online sales growth, as well as direct marketing and customer engagement via direct customer communications. Perfect Moment is developing plans to leverage a new Perfect Moment owned physical store network to deepen its brand identity and profile, as well as drive higher levels of loyalty and engagement at the local level. On August 1, 2024 the Company executed a six-month lease for our first seasonal store in SOHO, New York for AW24 and on October 25, 2024 the Company commenced a three-month lease for our second seasonal store in Bicester, England (the "Bicester Lease"). The Bicester Lease was extended for an additional three months.

Brand marketing and performance marketing also work together to drive millions of visits to our digital platforms. Brand marketing includes differentiated content, our network of ambassadors, and social media, all of which result in what we believe is outsized engagement with our community. Our performance marketing efforts are designed to drive customers from awareness to consideration to conversion. These efforts include retargeting, paid search and product listing advertisements, paid social media advertisements, search engine optimization and personalized email. We believe our highly productive, diversified strategy generates a significant return on brand equity, driving sales and building a growing customer database.

We approach this strategy as a funnel, with brand awareness at the top and customer conversion at the bottom, allocating resources across the top, middle and bottom, and measuring returns on these respective investments.

Accelerate Digital Growth

Having used the wholesale channel to establish our brand globally, we believe we will become less reliant on wholesale partners during the next five years by committing more resources to our direct-to-consumer strategy and accelerating our digital growth. We believe technology and partnerships are the key underpinning factors in any e-commerce business and as such we will continue to enhance customer experience, focusing on mobile as the dominant growth channel and leveraging the emerging benefits of social and conversational commerce.

Pursue International Expansion and Enter New Markets

We believe there is an opportunity to increase penetration across our existing markets and selectively enter new regions. Although the Perfect Moment brand is recognized globally, our past investments have been focused on North America, the United Kingdom and the EU and have driven revenue growth in the United States during the past fiscal year.

While we expect the majority of our near-term growth to continue to come from the United States, the United Kingdom and the EU, we believe there is a tremendous opportunity over the long term throughout the rest of the world. In the fiscal year ended March 31, 2024, we increased our outreach

We believe there is a significant opportunity beyond our existing markets, with China representing the next market opening for Perfect Moment. China is projected to become the largest winter sports market, with people participating expected to reach 50 million by 2025 with one thousand ski resorts to be open by 2030, according to reports by Daxue Consulting and Capital Mind. We allocated a small amount of inventory to test the Chinese market directly in November 2024 on Tmall, using local partners to operate, with a digital approach to selling. We were originally forecasting to run losses with respect to such activities for two years, then become profitable from the third year of such activities, with China representing less than 10% of our revenue by 2027. The data we now have on this small test has led to exploring partnership models such as a Joint Venture, where we could benefit for local distribution, market expertise and financial support for inventory and marketing. We still believe the most significant hurdle to overcome with respect to our plan to enter the Chinese market is liquidity to fund the initial operating losses.

In order to offer a more localized experience to customers internationally, we intend to offer market-specific languages, currency and content, as well as strategic international shipping and distribution hubs. We plan to leverage our social media strategy and expand our network of social media ambassadors to grow our brand awareness globally.

Enhance Our Wholesale Network

Although in the next five years we will be mainly focused on accelerating digital growth and our direct-to-consumer channel, we still intend to continue broadening customer access and strengthening our global foothold in new and existing markets by strategically expanding our wholesale network and deepening current relationships. In all of our markets, we have an opportunity to increase sales by adding new wholesale partners and increasing volume in existing retailers. Additionally, we are focused on strengthening relationships with our retail partners through broader offerings, exclusive products and shop-in-shop formats, which are dedicated spaces within another company's retail store on a short-term rental basis. We believe our retail partners have a strong incentive to showcase our brand as our products drive customer traffic and consistent full-price sell-through in their stores.

Broaden Our Product Offering

Continuing to enhance and expand our product offering represents a meaningful growth driver for Perfect Moment. We expect that broadening our product line will allow us to strengthen brand loyalty with the existing Perfect Moment customer base, drive higher penetration in our existing markets and expand our appeal across new geographies. We intend to continue developing our offering through the following strategies.

Elevate Fall and Winter. Perfect Moment will continue to focus on quality materials and distinctive designs to create luxury products which aim to deliver technical performance and style impact. However, believing that people want to bring the functionality of our ski apparel into their everyday lives, Perfect Moment is broadening the product range beyond the core "on-slope" skiwear to encompass less technical lifestyle products and a wide range of exceptional products for any occasion, including all year-round accessories.

Expand Spring and Summer. We intend to continue building our successful Spring and Summer collections in categories such as activewear, loungewear and swimwear. We believe offering inspiring new and complementary product categories that are consistent with our values of heritage, functionality and quality and can become part of our core business represents an opportunity to develop a closer relationship with our customers and expand our addressable market. In June 2024, we launched an Ibiza-inspired Summer Capsule Collection across our global eCommerce channels. The collection was highlighted in a photoshoot published in British Vogue featuring photographer, Grace Burns, and models Stella Jones and Paloma Baygual wearing items from the collection.

We believe this strategy will deliver a number of benefits:

- *Increased Revenues.* We expect that cross-over into adjacent product markets will increase sales by allowing us to sell outerwear, lifestyle products, activewear and swimwear to non-skiers and cross-sell lifestyle and "off-slope" products to existing skiwear customers in a winter setting.
- *Reduced Seasonality.* We expect that sales of new lifestyle products as well as activewear and swimwear products will be less concentrated in the winter months and increase revenue from new and existing customers as we grow brand awareness.
- *Improved Margins.* We believe that our margins will be improved by this strategy because modest price increases across the existing range will allow Perfect Moment to strengthen its gross margins, greater use of high-margin luxury materials such as cashmere will support price and margin increases and a move towards more less technically-complex lifestyle pieces will also drive margin improvement. Full price sales with limited promotional activity will further improve margins.

During the fiscal year ended March 31, 2024 and the nine months ended December 31, 2024, we restructured and invested in our design, product development, merchandizing and production teams to create a pathway to execute this underpinning strategy. We launched our first spring / summer capsule encapsulating our new strategy at the end of Q1 FY25. We plan to then gradually increase our product offering as we evaluate demand, supply and profitability. As of this filing, we are selling to the AW25 Wholesale Market which opened in December and closes in February for shipments in FY26. We have bolstered the team that includes hiring a Chief Merchant and a new Head of Business Development. The Chief Merchant is revising the calendar for 2026 (FY27) to increase the number of product drops, further capitalizing on opportunities to increase revenue and margin. The Head of Business Development will focus on growing our wholesale relationships, online marketplaces and expand further into retail in the U.S. and globally.

Establish Perfect Moment Owned Physical Retail

Perfect Moment has grown to date without a Perfect Moment owned physical stand-alone store presence. Sales growth has been driven by our wholesale network and online offering. As part of our growth strategy, we believe opening directly operated stores in strategically selected major cities and pop-up stores in strategic ski resorts and high-traffic city locations would provide an excellent opportunity to generate sales in key locations, providing a luxury in-store experience, reflecting the character of the brand and providing an experiential contact point for customers. On August 1, 2024 the Company executed a six-month lease for our first pop-up in SOHO, New York for AW24 and on October 25, 2024 the Company commenced a three-month lease for our second seasonal store in Bicester, England, which resulted in revenues of \$516 for the three and nine months ended December 31, 2024. The Bicester Lease was extended for an additional three months.

As our product range expands, we see the potential to further grow our community with a physical presence by opening directly operated stores. We already have a physical presence in department stores, operated under wholesale arrangements. Operating Perfect Moment owned stores would provide our community a home for the brand and act as a beacon for new or potential customers, but they also add extra complexity and risk. In order to test our retail model, we plan to first establish seasonal store locations. We evaluate each potential store location based on lease availability and projected viability, and plan to open year-round stores beginning the fiscal year ending March 31, 2027.

Segment Reporting

The Company applies ASC Topic 280, Segment Reporting, in determining reportable segments for its financial statement disclosure. The Chief Operating Decision Maker has been identified as the Chief Executive Officer. The Company reports segments based on the financial information it uses in assessing performance and deciding how to allocate resources. Management has determined that the Company operates in one business segment, product sales. Key financial measures including but not limited to gross profit, Adjusted EBITDA and net loss are not reported at a disaggregated level for wholesale and ecommerce and resource allocation decisions to the business strategy are not made based solely on our key financial measures.

Geographic Concentration

Although we are organized fundamentally as one business segment, our revenue is primarily split between three geographic areas: the United States, Europe and the United Kingdom. Customers in these regions are served by our leadership and operations teams in the United Kingdom and our production team in Hong Kong.

The table below reflects total net revenues attributed to Europe (excluding the United Kingdom), United States, United Kingdom, and the rest of the world:

	Three Months Ended		Nine Months Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Europe (excluding United Kingdom)	\$ 4,214	36%	\$ 4,801	38%
United States	4,187	36%	4,743	37%
United Kingdom	2,222	19%	2,402	19%
Rest of the World	1,035	9%	780	6%
Total Revenues	\$ 11,658		\$ 12,726	
			\$ 16,466	
				\$ 19,602

The decrease in United States revenue as a percentage of total revenue is primarily attributed to the termination of a collaboration with Hugo Boss in FY24 totaling \$3,169.

The Company did not extend the two-year collaboration with Hugo Boss as the collaboration took precedence over all other wholesalers. The change allows management to continue building the foundations of future growth through better delivery times, improved quality, consistency, and extend our supplier relationships which will better serve our wholesale partners and direct to consumer channels, driving longer terms sustainable revenue growth.

Supplier concentration

For the three months ended December 31, 2024 and 2023, the largest single supplier of manufactured goods produced 62% and 92%, respectively, of the Company's products. For the three months ended December 31, 2024 and 2023, there were no fabric purchases

For the nine months ended December 31, 2024 and 2023, the largest single supplier of manufactured goods produced 40% and 75%, respectively, of the Company's products. For the nine months ended December 31, 2024 and 2023, the single largest fabric supplier supplied 46% and 63%, respectively, of the fabric used to manufacture the Company's products.

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Customer concentration

No single customer accounted for more than 10% of total revenue for the three and nine months ended December 31, 2024.

No single customer accounted for more than 10% of total revenue for the three months ended December 31, 2023. For the nine months ended December 31, 2023, we had one major customer, which accounted for approximately 16% or \$3,168 of total revenue. The related accounts receivable balance for this customer was \$0 as of December 31, 2023, and \$41 as of March 31, 2023.

Key Financial Measures

We use the following US GAAP and non-US GAAP financial measures to assess the progress of our business, make decisions on where to allocate time and investment and assess then near-term and longer-term performance of our business:

Key Financial Measures	Three months ended December 31,		Nine months ended December 31,	
	2024 (unaudited)	2023 (unaudited)	2024 (unaudited)	2023 (unaudited)
Net revenue				
Wholesale	\$ 7,335	\$ 7,829	\$ 10,066	\$ 10,658
Ecommerce	3,716	3,752	5,793	5,775
Retail	516	-	516	-
Net revenue - subtotal	11,567	11,581	16,375	16,433
Collaboration	91	1,145	91	3,169
Total net revenue	11,658	12,726	16,466	19,602
Gross profit	6,389	6,627	8,819	10,388
Gross margin (1)	55%	52%	54%	53%
(Loss)/Income from operations	(1,294)	728	(7,244)	(2,284)
Net (loss)/income	\$ (2,482)	\$ 1,204	\$ (8,614)	\$ (2,980)
Adjusted EBITDA (2)	\$ (671)	\$ 1,749	\$ (5,574)	\$ (1,171)

(1) Gross margin is defined as gross profit as a percentage of total net revenue.

(2) We define "Adjusted EBITDA" as net loss excluding interest expense, income tax benefit (expense), depreciation and amortization and stock-based compensation expense. Adjusted EBITDA is a measure that is not defined in US GAAP. For further information about how we calculate Adjusted EBITDA, the limitations of its use and a reconciliations to the most comparable US GAAP measure.

Results of Operations

Three Months Ended December 31, 2024 as Compared to the Three Months Ended December 31, 2023

The following is a comparison of our results of operations for the three months ended December 31, 2024 and 2023.

	Three months ended December 31,			Change	
	2024	2023			
<i>(Amounts in thousands)</i>					
Statements of operations data:					
Net revenue					
Wholesale	\$ 7,335	\$ 7,829	\$ (494)		
E-commerce	3,716	3,752	(36)		
Retail	516	-	516		
Revenue - subtotal	11,567	11,581	(14)		
Collaborations	91	1,145	(1,054)		
Total Revenue	11,658	12,726	(1,068)		
Cost of goods sold	5,269	6,099	(830)		
Gross profit	6,389	6,627	(238)		
Operating expenses					
Selling, general and administrative expenses	6,649	4,420	2,229		
Marketing and advertising expenses	1,034	1,479	(445)		
Total operating expenses	7,683	5,899	1,784		
(Loss)/Gain from operations	(1,294)	728	(2,022)		
Interest expense	(1,046)	(403)	(643)		
Foreign currency transactions gains/(losses)	(142)	879	(1,021)		
Net (loss)/income	(2,482)	1,204	(3,686)		
Other comprehensive losses					
Foreign currency translation losses	(28)	(758)	730		
Comprehensive (loss)/gain	\$ (2,510)	\$ 446	\$ (2,956)		

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Revenue

Total revenue for the three months ended December 31, 2024 was \$11,658 compared to \$12,726 for the three months ended December 31, 2023, a decrease of \$1,068 or 8%. The decrease is primarily attributed to a collaboration with Hugo Boss in FY24 totaling \$1,145 that ended in FY24. The remaining increase of \$77 is attributed to retail revenue of \$516 from our New York and London pop-up locations, plus Diageo revenue totaling \$91 all offset by \$494 lower wholesale revenue.

The Company did not look to extend the two-year collaboration with Hugo Boss as the relationship required the use of Perfect Moments supply chain, designers, and took precedence over all other wholesalers. The change allows management to continue building the foundations of future growth through better delivery times, improved quality, consistency, and extend our supplier relationships, which will better serve our wholesale partners and direct to consumer channels, driving longer terms sustainable revenue growth.

Cost of goods sold

Cost of goods sold for the three months ended December 31, 2024 was \$5,269 compared to \$6,099 for the three months ended December 31, 2023, a decrease of \$830 or 14%. The change in cost of goods sold is primarily attributed to a decline in sales.

Gross profit and gross margin

Our gross profit for the three months ended December 31, 2024, was \$6,389 compared to \$6,627 for the three months ended December 31, 2023, a decrease of \$238 or 4%. The decrease in gross profit is primarily attributed to a collaboration with Hugo Boss that ended in FY24. Our gross margins were 55% compared to 52% in the prior year. The increase in gross margin is attributed to our margin expansion projects

The Company has reclassified certain costs totaling \$1,761 and \$2,752 previously classified as cost of sales for the three and nine months ended December 31, 2023, respectively, to SG&A expenses to conform to the current year presentation.

Selling, general and administrative expenses ("SG&A")

SG&A expenses consist of personnel related expenses, stock compensation expense, legal and professional fees, depreciation and amortization, other selling, information technology, occupancy costs, travel and product sample costs.

SG&A expenses for the three months ended December 31, 2024 were \$6,649 compared to \$4,420 for the three months ended December 31, 2023, an increase of \$2,229 or 50%. The increase is primarily attributed to an increase in stock compensation expense and amortization of pre-paid services performed for equity totaling \$690, increased legal and professional fees of \$620 related to incremental public company costs, an increase in people costs to support growth initiatives totaling \$344, increase rent totaling \$142, increased in IT services of \$111 related to 3PL and retail set-ups, increased travel totaling \$56 to support new retail locations, and to support Diageo and an increase in dues and subscriptions of \$55 primarily attributed to NYSE.

Marketing and advertising expense

Marketing and advertising expenses for the three months ended December 31, 2024 were \$1,034 compared to \$1,479 for the three months ended December 31, 2023, a decrease of \$445 or 30%. The decrease is primarily attributed to lower costs leveraging our collaboration with Diageo.

Marketing and Brand Highlights

- The total social audience reached by content posted by global key opinion leaders (KOLs)¹ about Perfect Moment was more than 299.7 million during Q3. This represents the total combined followers of the celebrities, influencers, models, media publications, and fashion industry notables who organically posted about the brand during the quarter globally. Notable highlights include Instagram posts by Poppy Delevigne (VIP, 2.8 million followers), Victoria Brito (Influencer, 2.4 million followers), Claudia Schiffer (Model, 2.3 million followers), Kelsey Merritt (Model, Influencer, 2 million followers), Karolina Kurkova (Model, 1.1 million followers), Emma Brooks (Influencer, 1.1 million followers) and many more. Additionally this quarter, Priyanka Chopra Jonas (92.1

million followers) posted to her main feed and stories following the announcement of Perfect Moment's collaboration with Johnnie Walker.

- The total number of unique visitors per month (UVPM) reached more than 6.9 billion during the period. This is the combined sum of UVPM reached by all global digital media coverage achieved during the quarter.
- The AW24 collection was featured across leading fashion and lifestyle publications this quarter including a multi-page feature in The Standard UK, and coverage within Harper's BAZAAR US, ELLE US, Town & Country US, Condé Nast Traveler US, InStyle US, Country & Townhouse UK, The Telegraph UK, Grazia UK, Cosmopolitan UK, Marie Claire UK and many more globally.
- Notable press coverage from the Johnnie Walker collaboration included Women's Wear Daily, Forbes, InStyle, Grazia, Robb Report, Men's Journal and more.

¹ The company defines a key opinion leader (KOL) as a person who is considered an expert on a certain topic and whose opinions are respected by the public due to their trajectory and the reputation they have built. They are typically identified by their reach, social media following and stature. KOL may include but is not limited to celebrities, social media influencers, fashion models, contributors to media publications, and noted members of the fashion industry. There is no official listing or accreditation of KOLs, so the term is subjective, and therefore the list and definition may vary from company to company. The source of the KOLs, social media and audience reach statistics provided in this release are reports by the company's public relations firm. No reliance should be made upon their accuracy or timeliness.

Interest Expense

Interest expense for the three months ended December 31, 2024 was \$1,046 compared to \$403 for the three months ended December 31, 2023. The increase in interest expense was primarily driven by an increase in borrowings from advances on future receipts.

Foreign currency transactions gains (losses)

Foreign currency transactions decreased unfavourably by \$1,021, from a gain of \$879 for the three months ended December 31, 2023 to a loss of \$142 for the three months ended December 31, 2024, mainly driven by fluctuations in the U.S. dollar to the U.K. pound sterling exchange rate.

Foreign currency translation gains (losses)

Foreign currency translation gains (losses) result from the process of translating the financial statements of our foreign entities' functional currency into USD. Foreign currency translation losses decreased by \$730, from \$758 for the three months ended December 31, 2023 to \$28 for the three months ended December 31, 2024, mainly driven by fluctuations in the U.S. dollar to the U.K. pound sterling exchange rate.

Nine Months Ended December 31, 2024 as Compared to the Nine Months Ended December 31, 2023

The following is a comparison of our results of operations for the nine months ended December 31, 2024 and 2023.

	Nine months ended December 31,		
	2024	2023	Change
Statements of operations data:			
Net revenue			
Wholesale	\$ 10,066	\$ 10,658	\$ (592)
Ecommerce	5,793	5,775	18
Retail	516	-	516
Revenue - subtotal	16,375	16,433	(58)
Collaborations	91	3,169	(3,078)
Total Revenue	16,466	19,602	(3,136)
Cost of goods sold	7,647	9,214	(1,567)
Gross profit	8,819	10,388	(1,569)
Operating expenses			
Selling, general and administrative expenses	13,871	9,591	4,280
Marketing and advertising expenses	2,192	3,081	(889)
Total operating expenses	16,063	12,672	3,391
Loss from operations	(7,244)	(2,284)	(4,960)
Interest expense	(1,241)	(1,169)	(72)
Foreign currency transactions (losses) gains	(129)	473	(602)
Net loss	(8,614)	(2,980)	(5,634)
Other comprehensive losses			
Foreign currency translation losses	(21)	(407)	386
Comprehensive loss	\$ (8,635)	\$ (3,387)	\$ (5,248)

Revenue

Total net revenue for the nine months ended December 31, 2024 was \$16,466 compared to \$19,602 for the nine months ended December 31, 2023, a decrease of \$3,136 or 16%. The decrease is primarily attributed to a collaboration with Hugo Boss in FY24 totaling \$3,169 that ended in FY24. The remaining increase of \$33 is attributed to retail revenue of \$516 from our New York and London pop-up locations, plus Diageo revenue totaling \$91 all offset by \$592 lower wholesale revenue.

The Company did not look to extend the two-year collaboration with Hugo Boss as the relationship required the use of Perfect Moments supply chain, designers, and took precedence over all other wholesalers. The change allows management to continue building the foundations of future growth through better delivery times, improved quality, consistency, and extend our supplier relationships, which will better serve our wholesale partners and direct to consumer channels, driving longer terms sustainable revenue growth.

Cost of goods sold

Cost of goods sold for the nine months ended December 31, 2024 was \$7,647 compared to \$9,214 for the nine months ended December 31, 2023, a decrease of \$1,567 or 17%. The change in cost of goods sold is primarily attributed to a decline in sales.

Gross Profit and gross margin

Our gross profit for the nine months ended December 31, 2024 was \$8,819 compared to \$10,388 for the nine months ended December 31, 2023, a decrease of \$1,569 or 15%. The decrease is driven by lower sales that is primarily attributed to a two-year collaboration with Hugo Boss that ended in FY24. Our gross margins were 54% compared to 53% in the prior year. Improving our gross margins remains an important focus, and we anticipate our gross margins to continue to improve and ultimately reflect significant improvement year-over-year. We are making significant progress across all our margin expansion projects including opening our first U.S. distribution center last month. Following the facility opening in October 2024, we realized an immediate improvement in operating efficiency. We will experience reduced duty costs for ecommerce orders in the second half of this fiscal year, which will drive improved gross margins compared to last year. In the beginning of fiscal 2025 we sold a high percentage of product sold at a discount, making way for a significant new collection replacing many of our product lines for autumn/winter 2024 (AW24), in part due to an upcoming change in legislation in some of our markets for the use of Durable Water Repellency treatments. Based on our initiatives we anticipate additional margin improvements in Q4.

Selling, general and administrative expenses ("SG&A")

SG&A expenses for the nine months ended December 31, 2024 were \$13,871 compared to \$9,591 for the nine months ended December 31, 2023, an increase of \$4,280 or 45%. The increase is primarily attributed to an increase in stock compensation expense and amortization of pre-paid services performed for equity totaling \$1,315, increased legal and professional fees of \$966 related to incremental public company costs and the ASC litigation, an increase in people costs to support growth initiatives totaling \$744, increase rent totaling \$258, an increase in dues and subscriptions of \$198 primarily attributed to NYSE and EAC declarations, an increase in insurance totaling \$193 associated with public D&O, an increase in travel of \$160 to support Diageo, retail stores, investors conferences, and the CFOs travel to London, increased postage of \$120 to support samples, an increase in selling expenses of \$80k and an increase in IT expenses of \$79k related to 3PL and retail set-ups. Overall, the Company has identified approximately \$2,000 of year-over-year cost increases associated with going public.

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Marketing and advertising expense

Marketing and advertising expenses for the nine months ended December 31, 2024 were \$2,192 compared to \$3,081 for the nine months ended December 31, 2023, a decrease of \$889 or 29%. The decrease is primarily attributed to lower costs leveraging our collaboration with Diageo.

Marketing and Brand Highlights

- The total social audience reached by content posted by global KOLs about Perfect Moment was more than 637.3 million during the period. This represents the total combined followers of the celebrities, influencers, models, media publications, and fashion industry notables who organically posted about the brand during the quarter globally. Notable highlights include Instagram posts by Priyanka Chopra (92.1 million followers), Nick Jonas (35.4 million followers) Paris Hilton (26.2 million followers) wearing and tagging @perfectmomentsports.
- The total number of unique visitors per month (UVPM) reached more than 9.6 billion during the period. This is the combined sum of UVPM reached by all global digital media coverage achieved during the quarter.
- To celebrate the opening of Perfect Moment's first Soho store and the launch of the AW24 collection, Jane Gottschalk and photographer Grace Burns co-hosted an intimate dinner at Hotel Chelsea in New York City, attended by guests including Tamara Mellon, Rachelle Hruska MacPherson, Isabella Massenet, Clementine Vaughn, Bambi Northwood-Blyth, and Romilly Newman. The intimate event was featured exclusively first on Vogue online, and continued media coverage during the quarter included features of Perfect Moment's Soho store opening in Modern Luxury Manhattan, DuJour, Daily Front Row, and Avenue Magazine.
- In Q3, Perfect Moment partnered with Goldener Hirsch by Auberge Resorts Collection, Deer Valley's top winter destination, for an exclusive après-ski pop-up. The takeover spanned the hotel's main lobby, including two Christmas trees adorned with custom Perfect Moment ornaments, and the outdoor patio where guests could lounge in Perfect Moment houndstooth patterned sling chairs with branded throws and plush pillows. The partnership garnered coverage in WWD, Architectural Digest, and Haute Living amongst others. To celebrate the partnership, Perfect Moment hosted VIP ski trip with top models & influencers at Goldener Hirsch to amplify the partnership.
- Launched a product resale program, "Perfect Second Moment," in partnership with leading luxury platform, Reflaunt. By facilitating the resale of pre-loved skiwear and accessories through Reflaunt's technology, the program extends the longevity of Perfect Moment's high-quality luxury items and builds upon the brand's reputation for quality and durability.

Interest Expense

Interest expense for the nine months ended December 31, 2024 was \$1,241 compared to \$1,169 for the three months ended December 31, 2023. The increase in interest expense was primarily driven by an increase in borrowings from advances on future receipts.

Foreign currency transactions gains (losses)

Foreign currency transactions decreased unfavourably by \$602, from a gain of \$473 for the nine months ended December 31, 2023 to a loss of \$129 for the nine months ended December 31, 2024, mainly driven by fluctuations in the U.S. dollar to the U.K. pound sterling exchange rate.

Foreign currency translation gains (losses)

Foreign currency translation gains (losses) result from the process of translating the financial statements of our foreign entities' functional currency into USD. Foreign currency translation losses decreased by \$386, from \$407 for the nine months ended December 31, 2023 to \$21 for the nine months ended December 31, 2024, mainly driven by fluctuations in the U.S. dollar to the U.K. pound sterling exchange rate.

Use of Non-GAAP Measures - Adjusted EBITDA

In addition to our results under generally accepted accounting principles ("GAAP"), we present Adjusted EBITDA as a supplemental measure of our performance. However, Adjusted EBITDA is not a recognized measurement under GAAP and should not be considered as an alternative to net income, income from operations or any other performance measure derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of liquidity. We define Adjusted EBITDA as net income (loss), plus interest expense, depreciation and amortization, stock-based compensation, financing costs and changes in fair value of derivative liability.

Management considers our core operating performance to be that which our managers can affect in any particular period through their management of the resources that affect our underlying revenue and profit generating operations in that period. Non-GAAP adjustments to our results prepared in accordance with GAAP are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

	<i>For the Three months Ended</i>		<i>For the Nine months ended</i>	
	<i>December 31, 2024</i>	<i>December 31, 2023</i>	<i>December 31, 2024</i>	<i>December 31, 2023</i>
Net (loss) income, as reported	\$ (2,482)	\$ 1,204	\$ (8,614)	\$ (2,980)
Adjustments:				
Interest expense	1,046	403	1,241	1,169
Stock compensation expense	386	4	1,098	18
Amortization of pre-paid marketing and services	308	-	419	185
Depreciation and amortization	71	138	282	437
Total EBITDA adjustments	1,811	545	3,040	1,809
Adjusted EBITDA	\$ (671)	\$ 1,749	\$ (5,574)	\$ (1,171)

The \$2,420 decrease in adjusted EBITDA for the three months ended December 31, 2024 compared to the same period in 2023, is primarily attributed to unfavorable currency transactions totaling \$1,021, an increase in stock compensation expense and amortization of pre-paid services performed for equity totaling \$690, increased legal and professional fees of \$620 related to incremental public company costs, an increase in people costs to support growth initiatives totaling \$344 and an increase in retail development and planning costs of \$273 to support new retail locations, all offset by lower marketing and advertising of \$445.

The \$4,403 decrease in Adjusted EBITDA for the nine months ended December 31, 2024 compared to the same period in 2023, is primarily attributed to lower margin of \$1,569 primarily attributed to a collaboration with Hugo Boss that ended in FY24, an increase in stock compensation expense and amortization of pre-paid services performed for equity totaling \$1,315, increased legal and professional fees of \$966 related to incremental public company costs and the ASC litigation, an increase in people costs to support growth initiatives totaling \$747, unfavorable currency transactions totaling \$602, and an increase in retail development and planning costs of \$273 to support new retail locations, all offset by lower marketing and advertising of \$889.

We present adjusted EBITDA because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Adjusted EBITDA in developing our internal budgets, forecasts, and strategic plan; in analyzing the effectiveness of our business strategies in evaluating potential acquisitions; and in making compensation decisions and in communications with our board of directors concerning our financial performance. Adjusted EBITDA has limitations as an analytical tool, which includes, among others, the following:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect future interest expense, or the cash requirements necessary to service interest or principal payments, on our debts; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and the Adjusted EBITDA does not reflect any cash requirements for such replacements.

Seasonality and Quarterly Trends

Our business is seasonal with revenue concentrated in northern hemisphere countries. Revenue is elevated in the quarters ending September 30, December 31 and March 31 driven by sales of ski and outerwear through the fall and winter months. Our growth rate fluctuates quarter-on-quarter as a result of the seasonality of our business. We expect this fluctuation to continue. In addition to seasonality, quarter-on-quarter results are expected to be impacted by the timing of goods production and delivery, promotional activities and the addition of new products and geographies as the business grows. The business is also subject to the impact of economic cycles that influence retail apparel trends.

Liquidity and Capital Resources

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the ordinary course of business.

Through December 31, 2024, the Company has funded its operations with proceeds from the sale of common stock from the initial public offering, the issuance of common stock, convertible debt, and preferred stock, alongside existing trade, invoice and shareholder financing arrangements. The Company has incurred recurring losses, including a net loss of \$8,614 for the nine months ended December 31, 2024 and used cash in operations of \$8,780 during the period. As of December 31, 2024, the Company had an accumulated deficit of \$57,591. Also, we have accrued approximately \$1,143 of delinquent payroll taxes.

These factors raise substantial doubt about the Company's ability to continue as a going concern.

In addition, the Company's independent registered public accounting firm, in its report on the Company's consolidated financial statements for the year ended March 31, 2024, expressed substantial doubt about the Company's ability to continue as a going concern. These condensed consolidated financial statements do not include any adjustments that might result from this uncertainty.

Management's plans to alleviate the conditions that raise substantial doubt include:

- Taking out short-term loans, purchase order financing and debt factoring to assist with working capital shortfalls
- Exploring sources of long-term funding in the private markets and additional equity financing
- Closely monitoring the collection of debts
- Cost-reduction initiatives aimed at improving operational efficiency and preserving liquidity
- Strategies and plans in place to deliver improved margins in the next financial year

The Company's ability to continue as a going concern for 12 months from the date of these unaudited condensed Consolidated Financial Statements were available to be issued is dependent upon its ability to generate sufficient cash flows from operations to meet its obligations, which it has not been able to accomplish to date, and to obtain additional capital financing. No assurance can be given that the Company will be successful in these

efforts mentioned above.

As of December 31, 2024, we had cash and cash equivalents of \$2,772, restricted cash of \$1,351 and an accumulated deficit of \$57,591. Historically, Perfect Moment has generated negative cash flows from operations and has primarily financed its operations through private and public sales of equity securities, debt and working capital finance. Overall, cash and cash equivalents and restricted cash, in aggregate, decreased by \$3,787 million, from \$7,910 million as of March 31, 2024 to \$4,123 million as of December 31, 2024.

The Company, through PMA, has a trade finance facility extended on goods for which letters of credit are issued to the Company's suppliers by HSBC. As of December 31, 2024 and March 31, 2024 the Company had an trade finance facility limit of \$2,700 and \$5,000 respectively.

Amounts owed relating to issued letters of credit do not become the Company's responsibility until the Company receives the manufactured clothing goods from suppliers. Once drawn, the Company has the option of 195 days credit, in the form of a loan, before repayment is due. For drawings in Hong Kong dollars, the interest rate equals HIBOR plus 3.0%, and for drawings in U.S. dollars, the interest rate equals SOFR plus 3.3%.

As of December 31, 2024 and March 31, 2024 the outstanding balance under the trade finance facility was \$2,703 and \$0 respectively. As of December 31, 2024 and March 31, 2024, there were no outstanding pledged letters of credit by HSBC. As of December 31, 2024, total pledged letters of credit and trade loans sum to \$2,703, which was secured by a charge of \$1,351, held as restricted cash held with HSBC. The trade finance facility is also secured by a guarantee by Perfect Moment Ltd. in the amount of \$2.0 million.

We expect operating losses and negative cash flows from operations to continue into the foreseeable future as we continue to invest in growing our business and expanding our infrastructure. Our primary uses of cash include personnel and marketing expenditures, inventory, capital investment and expenditures in technology and incremental expenses arising from distribution center operating costs to support our operations and our growth.

As of December 31, 2024, our cash and cash equivalents and restricted cash are mainly held in U.S. dollar, U.K. pound sterling, Hong Kong dollar, and euro cash accounts with high credit quality financial institutions. As a result of the seasonality of our business, we typically draw down on our trade finance facilities during summer, fall and early winter to meet a large proportion of the cost of goods associated with the manufacture of our fall/winter collection. Trade finance and debt factoring facilities support our working capital cycle through to the late fall/winter season when wholesale receivables are paid and ecommerce revenues increase.

Our ability to fund inventory, capital expenditures, and growth will depend on our ability to generate cash in the future. Our future ability to generate cash from operations is, to a certain extent, subject to general economic, financial, competitive, regulatory and other conditions. Based on our current level of operations, we believe our existing cash balances and expected cash flows from operations, alongside the continuance of our existing financing arrangements, will be sufficient to meet our operating requirements for at least the next 6 months, excluding financing to support production (i.e. timing of working capital). We may seek additional or alternative debt and equity financing to that set out above. If we raise equity financing, our shareholders may experience significant dilution of their ownership interests. If we conduct additional debt financing, the terms of such debt financing may be similar or more restrictive than the terms of our current financing arrangements and we would have additional debt service obligations. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations could be harmed. See the sections set forth in our other filings with the Securities and Exchange Commission, including the Form 10-K, titled "Risk Factors – Risks Related to Ownership of Our Common Stock – Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our 2021 Equity Incentive Plan, could result in additional dilution of the percentage ownership of our stockholders" and "Risk Factors – Risks Related to Our Business, Our Brand, Our Products and Our Industry – We have a history of losses, expect to continue to incur losses in the near term and may not achieve or sustain profitability in the future, and as a result, our management has identified and our auditors reported that there is a substantial doubt about our ability to continue as a going concern."

The report of our independent registered public accounting firm that accompanies our audited consolidated financial statements for the fiscal years ended March 31, 2024 and March 31, 2023, includes a going concern explanatory paragraph in which such firm expressed that there is substantial doubt about our ability to continue as a going concern. Our consolidated financial statements contained in this Quarterly Report do not include any adjustments that might result if we are unable to continue as a going concern. If we are unable to continue as a going concern, holders of our securities might lose their entire investment. As discussed above, although we plan to attempt to raise additional capital through one or more private placements or public offerings, the doubts raised relating to our ability to continue as a going concern may make our shares an unattractive investment for potential investors. These factors, among others, may make it difficult to raise any additional capital and may cause us to be unable to continue to operate our business.

The following table shows summary consolidated cash flow information for the periods presented:

	Nine months ended December 31,	
	2024	2023
Consolidated statement of cash flow data:		
Net cash used in operating activities	\$ (8,780)	\$ (3,078)
Net cash used in investing activities	\$ (287)	\$ (194)
Net cash provided by financing activities	\$ 5,321	\$ 2,229

Cash Flows from Operating Activities

During the nine months ended December 31, 2024, operating activities used \$8,780 in cash and cash equivalents and restricted cash, primarily resulting from a net loss of \$8,614, an adjustment to add back non-cash charges of \$2,827 and a net cash outflow from changes in operating assets and liabilities of \$2,993. Net cash used by changes in operating assets and liabilities during the nine months ended December 31, 2024 consisted primarily of outflows of cash from a \$2,039 increase in inventory, a \$1,740 increase in accounts receivable, offset by a cash inflows as a result of a \$721 increase in accrued expenses.

During the nine months ended December 31, 2023, operating activities used \$3,078 in cash and cash equivalents and restricted cash, primarily resulting from a net loss of \$2,980, an adjustment to add back non-cash charges of \$1,950 and a net cash outflow from changes in operating assets and liabilities of \$2,048. Net cash used by changes in operating assets and liabilities during the nine months ended December 31, 2023 consisted primarily of an inflow of cash from a \$1,537 increase in accrued expenses, a \$704 increase in trade payables, offset by a cash outflow as a result of a \$2,571 increase in accounts receivable and an \$1,822 increase in inventories.

Cash Flows from Investing Activities

Cash used in investing activities was \$287 in the nine months ended December 31, 2024 and \$194 in the nine months ended December 31, 2023,

an increase of \$93, primarily due to an increase in software integration costs.

Cash Flows from Financing Activities

Net cash obtained from financing activities during the nine months ended December 31, 2024 was \$5,321 primarily attributed to \$4,604 of net proceeds from short term borrowings, \$2,849 of net proceeds from trade finance facilities, and \$2,000 of net proceeds related to a convertible note, all offset by \$3,846 repayment of short term borrowings.

Net cash obtained from financing activities during the nine months ended December 31, 2023 was \$2,229 mainly attributed to \$2,179 net proceeds from the issuance of common shares and \$1,847 in net proceeds from trade finance facilities, offset by \$923 in deferred offering costs and \$874 in repayment of trade finance facilities.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of those consolidated financial statements requires our management to make judgments and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenue generated, and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of asset and liabilities that are not readily apparent from other sources. Significant estimates inherent in the preparation of the consolidated financial statements include reserves for uncollectible accounts receivables; realizability of inventory; customer returns; useful lives and impairments of long-lived tangible and intangible assets; accounting for income taxes and related uncertain tax positions; and the valuation of stock-based compensation awards. Actual results may differ from these judgements and estimates under different assumptions or conditions and any such differences may be material.

We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgements and estimates.

Revenue recognition

The majority of the Company's revenue is recognized at a point in time based on the transfer of control. In addition, the majority of the Company's contracts do not contain variable consideration and contract modifications are minimal. The majority of the Company's revenue arrangements generally consists of a single performance obligation to transfer promised goods. Revenue is reported net of markdowns, discounts and sales taxes collected from customers on behalf of taxing authorities. Revenue is also presented net of an allowance for expected returns where contracts include the right of return.

We estimate returns on an ongoing basis to estimate the consideration from the customer that we expect to ultimately receive. Consideration in determining our estimates for returns may include agreements with customers, the Company's return policy and historical and current trends. We record the returns as a reduction to net sales in our consolidated statements of operations and the recognition of a provision for returns within accrued expenses in our consolidated balance sheets and the estimated value of inventory expected to be returned as an adjustment to inventories, net.

Revenue is comprised of direct-to-consumer ecommerce revenue through the Company's website and revenue related to wholesalers.

Revenue is recognized when performance obligations are satisfied through the transfer of control of promised goods to the Company's customers. Control transfers once a customer has the ability to direct the use of, and obtain substantially all of the benefits from, the product. This includes the transfer of legal title, physical possession, the risks and rewards of ownership, and customer acceptance. For direct-to-consumer ecommerce revenue, the Company receives payment before the customer receives the promised goods. Revenue is only recognized once the goods have been delivered to the customer. Sales to wholesale customers are recognized when the customer has control which will depend on the agreed upon International Commercial Terms ("incoterms"). For inventories sold on consignment to wholesalers, the Company records revenue when the inventory is sold to the third-party customer by the wholesaler. The Company may issue merchant credits, which are essentially refund credits. The merchant credits are initially deferred and subsequently recognized as revenue when tendered for payment.

The Company's business is significantly affected by the pattern of seasonality common to most retail apparel businesses. Historically, the Company has recognized a significant portion of its revenue in the fourth fiscal quarter of each year as a result of increased net revenue during the ski season.

Accounts receivable

Accounts receivable primarily arise out of sales to wholesale accounts and ecommerce partners. The allowance for doubtful accounts represents management's best estimate of probable credit losses in accounts receivable using the incurred loss methodology. Receivables are written off against the allowance when management believes that it is probable the amount receivable will not be recovered. Additionally, the Company records higher allowances in the first and third quarters following its peak sales seasons after the Company determines it to be probable that it will not collect the related receivables.

Inventories

Inventories, consisting of finished goods, inventories in transit, and raw materials, are initially recognized at cost and subsequently measured at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis and is comprised of all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The Company periodically reviews its inventories and makes a provision as necessary to appropriately value goods that are obsolete, have quality issues, or are damaged. The amount of the provision is equal to the difference between the cost of the inventory and its net realizable value based upon assumptions about product quality, damages, future demand, selling prices, and market conditions. If changes in market conditions result in reductions in the estimated net realizable value of its inventory below its previous estimate, the Company would increase its provision in the period in which it made such a determination.

In addition, the Company provides for inventory shrinkage based on historical trends from actual physical inventory counts. Inventory shrinkage estimates are made to reduce the inventory value for lost or stolen items. The Company performs a physical inventory at least count once a year and adjusts the shrinkage reserve accordingly.

Stock-based compensation

The Company maintains the 2021 Plan, which provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock units and performance units and performance shares to employees, directors and consultants of the Company or any parent or subsidiary of the Company. The purpose of the 2021 Plan is to enable the Company to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants of the Company or any parent or subsidiary of the company, and to promote the success of the Company's business. The Company has historically granted stock options to non-employees in exchange for the provision of services, both under the 2021 Plan and outside of the 2021 Plan.

The Company accounts for such awards based on ASC 505 and 718, whereby the value of the award is measured on the date of grant and recognized as compensation expense on a straight-line basis over the vesting period. The Company measures fair value as of the grant date for options and warrants using the Black Scholes option pricing model and for common share awards using a weighted average of the Black Scholes method and probability-weighted expected return method (PWERM).

The inputs into the Black Scholes option pricing model are subjective and generally require significant judgment. The fair value of the shares of common and preferred stock has historically been determined by the Company's management with the assistance of third-party specialists as there was no public market for the common stock. The fair value is obtained by considering a number of objective and subjective factors, including the valuation of comparable companies, sales of preferred stock to unrelated third parties, projected operating and financial performance, the lack of liquidity of common and preferred stock and general and industry specific economic outlook, amongst other factors. The expected term represents the period that the Company's stock options are expected to be outstanding and is determined using the simplified method (based on the mid-point between the vesting date and the end of the contractual term) as the Company's stock option exercise history does not provide a reasonable basis upon which to estimate expected term. Because the Company is privately held and does not have an active trading market for its common and preferred stock for a sufficient period of time, the expected volatility was estimated based on the average volatility for comparable publicly traded companies, over a period equal to the expected term of the stock option grants. The risk-free rate assumption is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the option. The Company has never paid dividends on its common stock and does not anticipate paying dividends on common stock in the foreseeable future. Therefore, the Company uses an expected dividend yield of zero.

Recent Accounting Pronouncements

For recent accounting pronouncements, see Note 2 of our unaudited condensed consolidated financial statements included in this report.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. These risk primarily include:

Interest rate risk

The fair value of our cash equivalents, held primarily in cash deposits, have not been significantly impacted by increases or decreases in interest rates to date, due to the short term nature of these instruments. The interest expense associated with our letter of credit trade finance facility and debt factoring facilities are composed of a fixed spread over HIBOR or SOFR. The fee associated with revenue financing is fixed and the interest rate on our convertible bridge loan is accrued at a fixed rate also. We are exposed to interest rate risk where the interest expense associated with our financing arrangements is depending upon HIBOR or SOFR, a floating reference rate, or in the event that the fixed interest rate associated with our financing arrangements is increased upon roll-over of the financing arrangement at its contractual maturity. Fluctuations in interest rates have not been significant to date.

Inflation risk

We are beginning to observe increases in our costs of goods sold, in particular, transportation costs. If these cost increases are sustained and we become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability to do so could harm our business, results of operations or financial condition.

Foreign exchange risk

To date, revenue has primarily been generated in U.S. dollar, U.K. pound sterling and euro. As a result, our revenue may be subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in U.K. pound sterling and euros relative to the U.S. dollar. Our foreign exchange risk is less pronounced for our cost of sales as to our cost of goods sold being predominantly U.S. dollar denominated. Our selling, general and administrative expenses are primarily made up of U.S. dollar, Hong Kong dollar, U.K. pound sterling and euro amounts. Although a portion of our non-U.S. dollar costs offset non-U.S. dollar revenue, a currency mismatch arises as to the amount and timing of our different currency cash flows. To date, we have not hedged our foreign currency exposure. We will continue to monitor the impact of foreign exchange risk and review whether to implement a hedging strategy to minimize this risk in future accounting periods. Hedging strategies where implemented are unlikely to completely mitigate this risk. To the extent that foreign exchange risk is not hedged it may result in harm to our business, results of operations and financial condition.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

For information regarding legal proceedings, refer to Note 13, "Commitments and Contingencies" of the Notes to our Condensed Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Factors that could cause our actual results to differ materially from those in this Quarterly Report are any of the risks described in "Part I, Item 1A. Risk Factors" in the Form 10-K. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

As of the date of this Quarterly Report, there were no material changes to the risks and uncertainties described in the section titled "Risk Factors" in Part I, Item 1A of the Form 10-K for our fiscal year ended March 31, 2024.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the nine months ended December 31, 2024, the Company issued 615,241 shares of restricted common stock to vendors for services rendered and to be rendered with a fair value of \$681. These shares of common stock were valued based on the market value of the Company's common stock price at the issuance date or the date the Company entered into the agreement related to the issuance. During the nine months ended December 31, 2024 the Company amortized \$419 of the value of the shares as the services were rendered and \$262 of the remaining fair value of the shares was included as a prepaid asset as of December 31, 2024.

Subsequent to December 31, 2024, the Company issued 338,861 shares of common stock to vendors for services rendered and to be rendered with a fair value of \$288. These shares of common stock were valued based on the market value of the Company's common stock price at the issuance date or the date the Company entered into the agreement related to the issuance.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 - OTHER INFORMATION

Insider Trading Arrangements

During the quarter ended December 31, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Item 408(a) of Regulation S-K under the Exchange Act.

ITEM 6 - EXHIBITS

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q, or are incorporated herein by reference, in each case as indicated below.

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	<u>Amended and Restated Certificate of Incorporation of the Company</u>	8-K	001-41930	3.1	February 13, 2024
3.2	<u>Amended and Restated Bylaws of the Company</u>	8-K	001-41930	3.2	February 13, 2024
4.1	<u>Form of the Company's Common Stock Certificate</u>	S-1	333-274913	4.1	November 6, 2023
4.2	<u>Form of Underwriter Warrants</u>	S-1	333-274913	4.2	January 22, 2024
4.3	<u>Form of Convertible Secured Note dated December 6, 2024</u>	8-K	001-41930	10.2	December 12, 2024

10.1	Subordinated Business Loan and Security Agreement dated October 2, 2024	10-Q	001-41930	10.4	November 14, 2024
10.2	Subordinated Business Loan and Security Agreement dated October 23, 2024	10-Q	001-41930	10.5	November 14, 2024
10.3	Business Loan and Security Agreement dated November 24, 2024				
10.4	Form of Convertible Secured Note Purchase Agreement dated December 6, 2024	8-K	001-41930	10.1	December 12, 2024
31.1	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1*	Certifications of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2*	Certifications of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).				
101.SCH	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

* The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of Perfect Moment Ltd. under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PERFECT MOMENT LTD.

Date: February 14, 2025

By: /s/ Jane Gottschalk
Jane Gottschalk
President
(Principal Executive Officer)

Date: February 14, 2025

By: /s/ Chath Weerasinghe
Chath Weerasinghe
Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)

BUSINESS LOAN AND SECURITY AGREEMENT

THIS BUSINESS LOAN AND SECURITY AGREEMENT (as the same may be amended, restated, modified, or supplemented from time to time, this “**Agreement**”) dated as of November 24, 2024 (the “**Effective Date**”) among Agile Capital Funding, LLC as collateral agent (in such capacity, together with its successors and assigns in such capacity, “**Collateral Agent**”), and Agile Lending, LLC, a Virginia limited liability company (“**Lead Lender**”) and each assignee that becomes a party to this Agreement pursuant to Section 12.1 (each individually with the Lead Lender, a “**Lender**” and collectively with the Lead Lender, the “**Lenders**”), and **PERFECT MOMENT LTD., A Domestic Delaware Corporation (“Parent” or “Borrower”)** and its subsidiaries, PERFECT MOMENT USA INC., A Domestic Delaware Corporation, and PERFECT MOMENT ASIA LIMITED, A Hong Kong Limited Liability Company, individually and collectively, jointly and severally, “**Guarantors**”), and provides the terms on which the Lenders shall lend to Borrower and Borrower shall repay the Lenders the loans described herein. The Collateral Agent, Lenders, and Borrower, each a “**Party**” and collectively the “**Parties**”, intending to be legally bound, hereby agree as follows:

1. DEFINITIONS, ACCOUNTING AND OTHER TERMS

1.1 Capitalized terms used herein shall have the meanings set forth in Section 13 to the extent defined therein. All other capitalized terms used but not defined herein shall have the meaning given to such terms in the Code. Any accounting term used but not defined herein shall be construed in accordance with GAAP and all calculations shall be made in accordance with GAAP. The term “**financial statements**” shall include the accompanying notes and schedules thereto. Any section, subsection, schedule or exhibit references are to this Agreement unless otherwise specified.

2. LOANS AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally promises to pay each Lender the outstanding principal amount of the Term Loan advanced to Borrower by such Lender and accrued and unpaid interest thereon and any other amounts due hereunder as and when due in accordance with this Agreement.

2.2 Term Loans.

(a) **Availability.** The Lenders, relying upon each of the representations and warranties set out in this Agreement, as well as each of the representations, covenants and warranties set out in the other Loan Documents, hereby severally and not jointly agree with the Borrower that, subject to and upon the terms and conditions of this Agreement, shall advance the Principal Loan to the Borrower on the Effective Date, but in any event no later than two (2) Business Days after the date hereof, by wiring the funds to the Borrower’s Account.

(b) **Repayment.** Borrower agrees to pay all amounts owing pursuant to the terms of this Agreement, including any financing charge, specified fees, interest and any other charges that may be assessed as provided in this Agreement or as documented in the Business Loan and Security Agreement Supplement (the “**Supplement**”) or the Secured Promissory Note (as defined below). The Term Loan shall be repaid by Borrower on the dates specified on Exhibit B-4 of this Agreement (each a “**Scheduled Repayment Date**”) by the amount set out opposite each Scheduled Repayment Date (each a “**Scheduled Repayment Amount**”) and in accordance with the Term Loan Amortization Schedule. If any payment on the Secured Promissory Note is due on a day which is not a Business Day, such payment shall be due on the next succeeding Business Day, and such extension of time shall be taken into account in calculating the amount of interest payable under this Note. All unpaid principal and accrued and unpaid interest with respect to the Term Loan is due and payable in full on the Maturity Date. The Term Loan may only be prepaid in accordance with Sections 2.2(c) and 2.2(d). Once repaid, no portion of the Term Loan may be reborrowed.

(c) **Mandatory Prepayments.** If an event described in Section 7.2 hereof occurs, or the Term Loan is accelerated following the occurrence of an Event of Default, Borrower shall immediately pay to Lenders, payable to each Lender in accordance with its respective Pro Rata Share, an amount equal to the sum of: (i) all outstanding

principal of the Term Loans plus accrued and unpaid interest thereon through the prepayment date, (ii) the Prepayment Fee (as defined in Section 2.2(d) below), plus (iii) all other Obligations that are due and payable, including, without limitation, interest at the Default Rate with respect to any past due amounts.

(d) **Permissive Prepayments and Make-Whole Premium.** Borrower shall have the right to make a full prepayment or partial prepayment of any or all of the Obligations in accordance with the prepayment amendment in Exhibit E of this Agreement. The foregoing notwithstanding, upon the prepayment of any principal amount, Borrower shall be obligated to pay a make-whole premium payment on account of such principal so paid, which shall be equal to the aggregate and actual amount of interest (at the contract rate of interest) that would be paid through the Maturity Date ("Prepayment Fee").

2.3 Payment of Interest on the Term Loans.

(a) **Interest Rate.** Borrower agrees to pay in full the interest as set forth in the Supplement found in Exhibit B-5 of this Agreement. Interest shall accrue on the Term Loan commencing on, and including, the Effective Date of such Term Loan, and shall accrue on the principal amount outstanding under the Term Loan through and including the day on which the Term Loan is paid in full.

(b) **Default Rate.** Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall accrue interest at a fixed per annum rate equal to the rate that is otherwise applicable thereto plus five percentage points (5.00%) (the "Default Rate"). Payment or acceptance of the increased interest rate provided in this Section 2.3(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Collateral Agent.

(c) **360 Day Year.** Interest shall be computed on the basis of a three hundred sixty (360) day year and the actual number of days elapsed.

(d) **Debit of Accounts; Payments.** All payments on the Secured Promissory Note shall be made via automated clearing house transfers of immediately available funds to be initiated by Lender in accordance with the authorization and direction of Borrower to Lead Lender provided in Exhibit B-6 of this Agreement.

(e) **Usury Savings Clause.** This Agreement and the other Loan Documents are subject to the express condition that at no time shall Borrower be required to pay interest on the principal balance of the Term Loan at a rate which could subject Lenders to either civil or criminal liability as a result of being in excess of the Maximum Legal Rate. If by the terms of this Agreement or the other Loan Documents, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of the Maximum Legal Rate, the Interest Rate or the Default Rate, as the case may be, shall be deemed to be immediately reduced to the Maximum Legal Rate and all previous payments in excess of the Maximum Legal Rate shall be deemed to have been payments in reduction of principal and not on account of the interest due hereunder. All sums paid or agreed to be paid to the Collateral Agent or Lenders for the use, forbearance, or detention of the sums due under the Loan, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of the Loan until payment in full.

2.4 Fees. Borrower shall pay to Collateral Agent and/or Lenders:

(a) **Administrative Agent Fee.** The Administrative Agent Fee of SEVENTY FIVE THOUSAND DOLLARS (\$75,000.00, which shall be paid at closing out of proceeds of the Term Loan for the account of Collateral Agent.

2.5 Secured Promissory Notes. The Term Loan shall be evidenced by a Secured Promissory Note in the form attached as Exhibit D hereto ("Secured Promissory Note") and shall be repayable as set forth in this Agreement.

3. CONDITIONS OF LOANS

3.1 Conditions Precedent to Term Loan. Each Lender's obligation to make the Term Loan is subject to the condition precedent that each Lender shall consent to or shall have received, in form and substance satisfactory to

each Lender, such documents, and completion of such other matters, as each Lender may reasonably deem necessary or appropriate.

4. CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Effective from and after the Effective Date of the Term Loan, Borrower hereby grants Collateral Agent, for the ratable benefit of the Lenders, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Collateral Agent, for the ratable benefit of the Lenders, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. If Borrower shall acquire a commercial tort claim (as defined in the Code), Borrower shall grant to Collateral Agent, for the ratable benefit of the Lenders, a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Collateral Agent. If this Agreement is terminated, Collateral Agent's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the Obligations (other than inchoate indemnity obligations) and at such time as the Lenders' obligation to extend the Term Loan has terminated, Collateral Agent shall, at the sole cost and expense of Borrower, release its Liens in the Collateral and all rights therein shall revert to Borrower.

4.2 Authorization to File Financing Statements. Borrower hereby authorizes Collateral Agent to file such financing statements and/or take any other action required to perfect Collateral Agent's security interests in the Collateral, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Collateral Agent's interest or rights in the Collateral and under the Loan Documents; *provided, however, Collateral Agent may only file such financing statements and/or take any other action required to perfect Collateral Agent's security interests in the Collateral, upon the occurrence of an Event of Default.*

4.3 Guaranty. (Intentionally omitted).

5. REPRESENTATIONS AND WARRANTIES

Each Borrower, jointly and severally, represents and warrants to Collateral Agent and the Lenders as follows:

5.1 Due Organization, Authorization: Power and Authority. Each Borrower and each of its respective Subsidiaries is duly formed, validly existing and in good standing as under the laws of its jurisdiction of organization or formation and each Borrower and each of its respective Subsidiaries is qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of its businesses or its ownership of property requires that it be qualified except where the failure to do so could not reasonably be expected to result in a Material Adverse Change.

5.2 Collateral. Borrower and Subsidiaries have good title to, have rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien under the Loan Documents, free and clear of any and all Liens except Permitted Liens, and neither Borrower nor any of its Subsidiaries have any deposit accounts, securities accounts, commodity accounts or other investment accounts other than the collateral accounts or other investment accounts (the "Collateral Accounts"), if any, described in the Perfection Certificates delivered to Collateral Agent in connection herewith with respect to which Borrower has given Collateral Agent notice and taken, subject to Section 6.6 (a), such actions as are necessary to give Collateral Agent a perfected security interest therein. The security interests granted herein are and shall at all times continue to be a first priority perfected security interest in the Collateral, subject only to Permitted Liens that are permitted by the terms of this Agreement to have priority to Collateral Agent's Lien. All Inventory and Equipment that is part of the Collateral is in all material respects of good and marketable quality, free from material defects.

5.3 Litigation. Except as disclosed on the Perfection Certificate, there are no actions, suits, investigations, or proceedings pending or, to the knowledge of any of the Responsible Officers, threatened in writing by or against Borrower or any of its Subsidiaries involving more than Fifty Thousand Dollars (\$50,000.00).

5.4 No Material Adverse Change; Financial Statements. All consolidated financial statements for Parent and its Subsidiaries, delivered to Collateral Agent fairly present, in conformity with GAAP, in all material respects the consolidated financial condition of Parent and its Subsidiaries, and the consolidated results of operations of Parent and its Subsidiaries. Since the date of the most recent financial statements submitted to any Lender, there has not been a Material Adverse Change.

5.5 Solvency. Borrower and each of its Subsidiaries, when taken as a whole, is Solvent.

5.6 Regulatory Compliance. Neither Borrower nor any of its Subsidiaries has violated any laws, ordinances or rules, the violation of which could reasonably be expected to result in a Material Adverse Change. Borrower and each of its Subsidiaries has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all governmental authorities that are necessary to continue their respective businesses as currently conducted.

5.7 Investments. Neither Borrower nor any of its Subsidiaries owns any stock, shares, partnership interests or other equity securities except for Permitted Investments.

5.8 Tax Returns and Payments; Pension Contributions. Each Borrower and each of its respective Subsidiaries has timely filed all required tax returns and reports, and, except as disclosed, each Borrower and each of its respective Subsidiaries, has timely paid all foreign, federal, state, and local taxes, assessments, deposits and contributions owed by such Borrower and such Subsidiaries, in all jurisdictions in which such Borrower or any such Subsidiary is subject to taxes, including the United States, unless such taxes are being contested in good faith.

5.9 Use of Proceeds. Borrower shall use the proceeds of the Term Loan to pay off existing balance of \$905,250.00 for MID:429346 funded by Agile Capital Funding, LLC, on August 27, 2024 and to fund its general business requirements in accordance with the provisions of this Agreement, and not for personal, family, household or agricultural purposes.

5.10 Full Disclosure. No written representation, warranty or other statement of any Borrower or any of its Subsidiaries in any certificate or written statement given to Collateral Agent or any Lender, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Collateral Agent or any Lender, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized that projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.11 Shares. Each Borrower has full power and authority to create a first lien on its Shares and no disability or contractual obligation exists that would prohibit such Borrower from pledging the Shares pursuant to this Agreement. To Borrower's knowledge, there are no subscriptions, warrants, rights of first refusal or other restrictions on transfer relative to, or options exercisable with respect to the Shares. With respect to each Subsidiary which is a corporation, the Shares have been and will be duly authorized and validly issued, and are fully paid and non-assessable. To Borrower's knowledge, the Shares are not the subject of any present or threatened suit, action, arbitration, administrative or other proceeding, and Borrower knows of no reasonable grounds for the institution of any such proceedings.

5.12 Guarantee. (Intentionally omitted)

6. AFFIRMATIVE COVENANTS

Borrower shall, and shall cause each of its Subsidiaries to, do all of the following:

6.1 Government Compliance. Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of organization and maintain qualification in each jurisdiction in which the failure to so qualify could reasonably be expected to have a Material Adverse Change.

6.2 Financial Statements, Reports, Certificates, Notices.

(a) Deliver to Collateral Agent and each Lender: (i) as soon as available, but no later than thirty (30) days after the last day of each month, a company prepared consolidated and consolidating balance sheet, income statement and cash flow statement covering the consolidated operations of Parent and its Subsidiaries for such month certified by a Responsible Officer and in a form reasonably acceptable to Collateral Agent; (ii) prompt notice of any material amendments of or other changes to the capitalization table of Borrower (other than Parent) and to the Operating Documents of Borrower or any of its Subsidiaries, together with any copies reflecting such amendments or changes with respect thereto; (iii) as soon as available, but no later than thirty (30) days after the last day of each month, copies of the month end account statements for each Collateral Account maintained by Borrower or its Subsidiaries, which statements may be provided to Collateral Agent and each Lender by Borrower or directly from the applicable institution(s); (iv) prompt notice of any event that (A) could reasonably be expected to materially and adversely affect the Borrower's Intellectual Property and (B) could reasonably be expected to result in a Material Adverse Change; (v) written notice at least (10) days' prior to Borrower's creation of a new Subsidiary in accordance with the terms of Section 6.10; (vi) written notice at least (30) days' prior to Borrower's (A) changing its jurisdiction of organization, (B) changing its organizational structure or type, (C) changing its legal name, (D) changing any organizational number (if any) assigned by its jurisdiction of organization, or (E) registering or filing any Intellectual Property; (vii) upon Borrower becoming aware of the existence of any Event of Default or event which, with the giving of notice or passage of time, or both, would constitute an Event of Default, prompt (and in any event within three (3) Business Days) written notice of such occurrence, which such notice shall include a reasonably detailed description of such Event of Default or event which, with the giving of notice or passage of time, or both, would constitute an Event of Default; (viii) notice of any commercial tort claim of Borrower or any Guarantor and of the general details thereof; (ix) other information as reasonably requested by Collateral Agent or any Lender. (x) written notice of any litigation or governmental proceedings pending or threatened (in writing) against Borrower or any of its Subsidiaries, which could reasonably be expected to result in damages or costs to Borrower or any of its Subsidiaries of more than Fifty Thousand Dollars (\$50,000.00); and (xi) written notice of all returns, recoveries, disputes and claims regarding Inventory that involve more than Fifty Thousand Dollars (\$50,000.00) individually or in the aggregate in any calendar year.

(b) Keep proper, complete and true books of record and account in accordance with GAAP and in all material respects. Borrower shall, and shall cause each of its Subsidiaries to, allow, at the sole cost of Borrower, Collateral Agent or any Lender, during regular business hours upon reasonable prior notice (provided that no notice shall be required when an Event of Default has occurred and is continuing), to visit and inspect any of its properties, to examine and make abstracts or copies from any of its books and records, and to conduct a collateral audit and analysis of its operations and the Collateral. Such audits shall be conducted no more often than twice every year unless (and more frequently if) an Event of Default has occurred and is continuing. Notwithstanding the foregoing, upon request of any Lender, Borrower agrees to permit such Lender to communicate with Borrower's accounting firm, in the presence of a Responsible Officer of the Borrower or the Parent, with respect to the consolidated financial statements delivered pursuant to this Section 6.2.

6.3 Inventory and Returns. Keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower, or any of its Subsidiaries, and their respective account debtors shall follow Borrower's, or such Subsidiary's, customary practices as they exist at the Effective Date.

6.4 Taxes. Timely file and require each of its Subsidiaries to timely file, all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely pay, all foreign, federal, state, and local taxes, assessments, deposits and contributions owed by Borrower or its Subsidiaries, except as otherwise permitted pursuant to the terms of Section 5.8 hereof.

6.5 Insurance. Keep Borrower's and its Subsidiaries' business and the Collateral insured for risks and in amounts standard for companies in Borrower's and its Subsidiaries' industry and location and as Collateral Agent may reasonably request (including customary lender's loss payable endorsements and naming the Collateral Agent as an additional insured), and give the Collateral Agent thirty (30) days' prior written notice before any such policy or policies shall be materially altered or canceled (other than cancellation for non-payment of premiums, for which ten (10) days' prior written notice shall be required). At Collateral Agent's request, Borrower shall deliver certified copies of policies and evidence of all premium payments to Collateral Agent. If Borrower or any of its Subsidiaries

fails to obtain insurance as required under this Section 6.5 or to pay any amount or furnish any required proof of payment to third persons, Collateral Agent and/or any Lender may make (but has no obligation to do so), at Borrower's expense, all or part of such payment or obtain such insurance policies required in this Section 6.5, and take any action under the policies Collateral Agent or such Lender deems prudent.

6.6 Operating Accounts. Borrower shall provide Collateral Agent ten (10) days' prior written notice before Borrower or any of its Subsidiaries establishes any Collateral Account.

6.7 Litigation Cooperation. Commencing on the Effective Date and continuing through the termination of this Agreement, make available to Collateral Agent and the Lenders, without expense to Collateral Agent or the Lenders, Borrower and each of Borrower's officers, employees and agents and Borrower's books and records, to the extent that Collateral Agent or any Lender may reasonably deem them necessary to prosecute or defend any third party suit or proceeding instituted by or against Collateral Agent or any Lender with respect to any Collateral or relating to Borrower.

6.8 Landlord Waivers; Bailee Waivers. In the event that Borrower, after the Effective Date, intends to add any new offices or business locations, including warehouses, or otherwise store any portion of the Collateral with, or deliver any portion of the Collateral to, a bailee, in each case pursuant to Section 7.2, then Borrower must first receive the written consent of Collateral Agent to do so.

6.9 Further Assurances. Execute any further instruments and take any and all further action as Collateral Agent or any Lender reasonably requests to perfect or continue Collateral Agent's Lien in the Collateral or to effect the purposes of this Agreement, including without limitation, permit Collateral Agent or any Lender to discuss Borrower's financial condition with Borrower's accountants in the presence of a Responsible Officer of the Borrower or the Parent.

6.10 Lockbox Agreement. Upon the request of any Lender at any time after the Effective Date and for any reason in Lenders' sole and absolute discretion, Borrower shall enter into a lockbox arrangement with Lenders with respect to Borrower's accounts receivable at a financial institution of the Lenders' choosing in their sole and absolute discretion and shall execute a deposit control agreement in favor of Lenders in a form satisfactory to Lenders in their sole and absolute discretion.

7. NEGATIVE COVENANTS

Borrower shall not, and shall not permit any of its Subsidiaries to, do any of the following without the prior written consent of the Required Lenders:

7.1 Dispositions. Convey, sell, lease, transfer, assign, dispose of (collectively, "Transfer"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property (including Intellectual Property), except for Transfers (a) of (i) Inventory in the ordinary course of business and (ii) Inventory, that, prior to the Effective Date, has been written down or written off, together with related tangible assets and non-material Intellectual Property; (b) of worn out or obsolete Equipment; (c) in connection with Permitted Liens, Permitted Investments and Permitted Licenses; (d) of any non-material Intellectual Property; (e) from (i) Borrower to another Borrower Guarantor, (ii) a non-Borrower Subsidiary to a Borrower, and (iii) a non-Borrower Subsidiary to another non-Borrower ; or (f) permitted under Section 7.3 below.

7.2 Changes in Business or Management, Ownership. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses engaged in by Borrower as of the Effective Date or reasonably related thereto; (b) liquidate or dissolve or permit any of its Subsidiaries to liquidate or dissolve; or (c) cause or permit, voluntarily or involuntarily, any Key Person to cease to be actively engaged in the management of Borrower unless written notice thereof is provided to Collateral Agent and each Lender within ten (10) days of such Key Person ceasing to be actively engaged in the management of Borrower,

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock, shares or property of another Person.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness. **For the avoidance of doubt, Indebtedness includes Merchant Cash Advances.**

7.5 Encumbrance. Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted herein (except for Permitted Liens), or enter into any agreement, document, instrument or other arrangement (except with or in favor of Collateral Agent, for the ratable benefit of the Lenders) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower, or any of its Subsidiaries, from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or such Subsidiary's Intellectual Property.

7.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 6.6 hereof.

7.7 Restricted Payments. Pay any dividends (other than dividends payable solely in capital stock) or make any distribution or payment in respect of or redeem, retire or purchase any capital stock.

7.8 Investments. Directly or indirectly make any Investment other than Permitted Investments, or permit any of its Subsidiaries to do so.

7.9 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower or any of its Subsidiaries (other than among Borrower), except for (a) transactions that are in the ordinary course of Borrower's or such Subsidiary's business, upon fair and reasonable terms that are no less favorable to Borrower or such Subsidiary than would be obtained in an arm's length transaction with a non-affiliated Person, and (b) Subordinated Debt or equity investments by Borrower's investors in Borrower or its Subsidiaries.

7.10 Subordinated Debt. Make or permit any payment on any Subordinated Debt or alternative financings that may encumber any assets of Borrower.

7.11 Material Agreements. Other than in the ordinary course of business, (a) enter into a Material Agreement or (b) terminate or materially amend a Material Agreement.

7.12 Financial Covenants. Waived.

8. EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "**Event of Default**") under this Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on the Term Loan on its due date, or (b) pay any other Obligation within three (3) Business Days after such Obligation is due and payable (which three (3) Business Day grace period shall not apply to payments due on the Maturity Date or the date of acceleration pursuant to Section 9.1 (a) hereof).

8.2 Covenant Default. Borrower or any of its Subsidiaries fails or neglects to perform any obligation in Sections 6.2 (Financial Statements, Reports, Certificates), 6.4 (Taxes), 6.5 (Insurance), 6.6 (Operating Accounts), or Borrower violates any provision in Section 7.

8.3 Material Adverse Change. A Material Adverse Change has occurred.

8.4 Attachment; Levy; Restraint on Business.

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower or any of its Material Subsidiaries or of any entity under control of Borrower or its Material Subsidiaries on deposit with any institution at which Borrower or any of its Subsidiaries maintains a Collateral Account, or (ii) a notice of

lien, levy, or assessment is filed against Borrower or any of its Material Subsidiaries or their respective assets by any government agency, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); and

(b) (i) any material portion of Borrower's or any of its Subsidiaries' assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents Borrower or any of its Subsidiaries from conducting any part of its business;

8.5 Insolvency. (a) Parent is or becomes Insolvent; (b) Parent and its Subsidiaries, taken as a whole, are or become Insolvent; (c) Borrower or any Material Subsidiary begins an Insolvency Proceeding; or (d) an Insolvency Proceeding is begun against Borrower or any Material Subsidiary and is not dismissed or stayed within forty five (45) days (but no Term Loan shall be extended while Parent or any Subsidiary is Insolvent and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. There is a default in any agreement between Borrower or any of its Subsidiaries and a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness.

8.7 Judgments. (a) One or more judgments, orders, or decrees for the payment of money in an amount, individually or in the aggregate, of at least Fifty Thousand Dollars (\$50,000.00) (not covered by independent third party insurance) shall be rendered against Borrower or any of its Subsidiaries and shall remain unsatisfied, unvacated, or unstayed for a period of twenty (20) days after the entry thereof or (b) any judgments, orders or decrees rendered against Borrower that could reasonably be expected to result in a Material Adverse Change;

8.8 Misrepresentations. Borrower or any of its Subsidiaries or any Person acting for Borrower or any of its Subsidiaries makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Collateral Agent and/or Lenders or to induce Collateral Agent and/or the Lenders to enter this Agreement or any Loan Document, and such representation, warranty, or other statement, when taken as a whole, is incorrect in any material respect when made.

8.9 Subordinated Debt. A default or breach occurs under any agreement between Borrower or any of its Subsidiaries and any creditor of Borrower or any of its Subsidiaries that signed a subordination, intercreditor, or other similar agreement with Collateral Agent or the Lenders, or any creditor that has signed such an agreement with Collateral Agent or the Lenders breaches any terms of such agreement;

8.10 Guaranty. (Intentionally Omitted)

8.11 Lien Priority. Any Lien created hereunder or by any other Loan Document shall at any time fail to constitute a valid and perfected first Lien on any of the Collateral purported to be secured thereby, subject to no prior or equal Lien, other than Permitted Liens arising as a matter of applicable law.

9. RIGHTS AND REMEDIES

9.1 Rights and Remedies. Upon the occurrence of an Event of Default hereunder (unless all Events of Default have been cured by Borrower, as applicable, or waived by Lenders in writing), Lenders may, at their option: (i) by written notice to Borrower, declare the entire unpaid principal balance of the Term Loan, together with all accrued interest thereon and any other charges or fees payable hereunder, immediately due and payable regardless of any prior forbearance and (ii) exercise any and all rights and remedies available to it hereunder, under the Secured Promissory Note and/or under applicable law, including, without limitation, the right to collect from Borrower all sums due under this Agreement and the Secured Promissory Note and repossess any Collateral at Borrower's expense. Borrower shall pay all reasonable costs and expenses incurred by or on behalf of Lenders or Collateral Agent in connection with Lenders' exercise of any or all of its rights and remedies under this Agreement or the Secured Promissory Note, including, without limitation, reasonable attorneys' fees. Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

9.2 Power of Attorney. Borrower hereby irrevocably appoints Collateral Agent as its lawful attorney in fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's or any of its Subsidiaries' name on any checks or other forms of payment or security; (b) sign Borrower's or any of its Subsidiaries' name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Collateral Agent determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Collateral Agent or a third party as the Code or any applicable law permits. Borrower hereby appoints Collateral Agent as its lawful attorney in fact to sign Borrower's or any of its Subsidiaries' name on any documents necessary to perfect or continue the perfection of Collateral Agent's security interest in, and lien on, the Collateral regardless of whether an Event of Default has occurred until all Obligations (other than inchoate indemnity obligations) have been satisfied in full and Collateral Agent and the Lenders are under no further obligation to extend the Term Loan hereunder. Collateral Agent's foregoing appointment as Borrower's or any of its Subsidiaries' attorney in fact, and all of Collateral Agent's rights and powers, coupled with an interest, are irrevocable until all Obligations (other than inchoate indemnity obligations) have been fully repaid and performed and Collateral Agent's and the Lenders' obligation to provide the Term Loan terminates.

9.3 No Waiver; Remedies Cumulative. Failure by Collateral Agent or any Lender, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Collateral Agent or any Lender thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Collateral Agent and the Required Lenders and then is only effective for the specific instance and purpose for which it is given. The rights and remedies of Collateral Agent and the Lenders under this Agreement and the other Loan Documents are cumulative. Collateral Agent and the Lenders have all rights and remedies provided under the Code, any applicable law, by law, or in equity. The exercise by Collateral Agent or any Lender of one right or remedy is not an election, and Collateral Agent's or any Lender's waiver of any Event of Default is not a continuing waiver. Collateral Agent's or any Lender's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.4 Demand Waiver. Borrower waives, to the fullest extent permitted by law, demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Collateral Agent or any Lender on which Borrower or any Subsidiary is liable.

10. NOTICES

All notices, consents, requests, approvals, demands, or other communication (collectively, "Communication") by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by facsimile transmission or e-mail; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Any of Collateral Agent, any Lender or Borrower may change its mailing address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower: Perfect Moment Ltd

Address: 307 Canalot Studios, 222 Kensal Road
London, UK W10 5BN
E-Mail Address: jeff@perfectmoment.com

If to Collateral Agent:

Agile Capital Funding, LLC
244 Madison Ave, Suite 168
New York, NY 10016
E-Mail Address:
aaron@agilecapitalfunding.com

11. CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

11.1 Waiver of Jury Trial. EACH OF BORROWER, COLLATERAL AGENT AND LENDERS UNCONDITIONALLY WAIVES ANY AND ALL RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS, ANY OF THE INDEBTEDNESS SECURED HEREBY, ANY DEALINGS AMONG BORROWER, COLLATERAL AGENT AND/OR LENDERS RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED AMONG BORROWER, COLLATERAL AGENT AND/OR LENDERS. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. THIS WAIVER IS IRREVOCABLE. THIS WAIVER MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING. THE WAIVER ALSO SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

11.2 Governing Law and Jurisdiction.

(a) THIS AGREEMENT, THE OTHER LOAN DOCUMENTS (EXCLUDING THOSE LOAN DOCUMENTS THAT BY THEIR OWN TERMS ARE EXPRESSLY GOVERNED BY THE LAWS OF ANOTHER JURISDICTION) AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE COMMONWEALTH OF VIRGINIA (WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF ANY LAWS OTHER THAN THE LAWS OF THE COMMONWEALTH OF VIRGINIA), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, REGARDLESS OF THE LOCATION OF THE COLLATERAL, PROVIDED, HOWEVER, THAT IF THE LAWS OF ANY JURISDICTION OTHER THAN VIRGINIA SHALL GOVERN IN REGARD TO THE VALIDITY, PERFECTION OR EFFECT OF PERFECTION OF ANY LIEN OR IN REGARD TO PROCEDURAL MATTERS AFFECTING ENFORCEMENT

OF ANY LIENS IN COLLATERAL, SUCH LAWS OF SUCH OTHER JURISDICTIONS SHALL CONTINUE TO APPLY TO THAT EXTENT.

(b) **Submission to Jurisdiction.** Any legal action or proceeding with respect to the Loan Documents shall be brought exclusively in the courts of the Commonwealth of Virginia, including, without limitation the Circuit Court of Arlington County in the Commonwealth of Virginia and, by execution and delivery of this Agreement, Borrower hereby accepts for itself and in respect of its Property, generally and unconditionally, the jurisdiction of the aforesaid courts. Notwithstanding the foregoing, Collateral Agent and Lenders shall have the right to bring any action or proceeding against Borrower (or any property of Borrower) in the court of any other jurisdiction Collateral Agent or Lenders deem necessary or appropriate in order to realize on the Collateral or other security for the Obligations. The parties hereto hereby irrevocably waive any objection, including any objection to the laying of venue or based on the grounds of forum non conveniens, that any of them may now or hereafter have to the bringing of any such action or proceeding in such jurisdictions.

(c) **Service of Process.** Borrower irrevocably waives personal service of any and all legal process, summons, notices and other documents and other service of process of any kind and consents to such service in any suit, action or proceeding brought in the United States of America with respect to or otherwise arising out of or in connection with any Loan Document by any means permitted by applicable requirements of law, including by the mailing thereof (by registered or certified mail, postage prepaid) to the address of Borrower specified herein (and shall be effective when such mailing shall be effective, as provided therein). Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(d) **Non-exclusive Jurisdiction.** Nothing contained in this Section 11.2 shall affect the right of Collateral Agent or Lenders to serve process in any other manner permitted by applicable requirements of law or commence legal proceedings or otherwise proceed against Borrower in any other jurisdiction.

12. GENERAL PROVISIONS

12.1 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each Party. Borrower may not transfer, pledge or assign this Agreement or any rights or obligations under it without Collateral Agent's prior written consent (which may be granted or withheld in Collateral Agent's discretion, subject to Section 12.5). The Lenders have the right, without the consent of or notice to Borrower, to sell, transfer, assign, pledge, negotiate, or grant participation in (any such sale, transfer, assignment, negotiation, or grant of a participation, a "Lender Transfer") all or any part of, or any interest in, any one or more Lenders' obligations, rights, and benefits under this Agreement and the other Loan Documents. In the event of such a Lender Transfer, Collateral Agent or Lead Lender shall have the right to, at its respective sole and absolute option, (a) notify Borrower of such Lender Transfer, in accordance with Section 10 hereof, and direct Borrower to make payments directly to such other Lender or Lenders, indicating such other Lenders' Pro Rata share of the Term Loan and the amount of the payment to be made in connection therewith, or (b) continue to collect payments hereunder and under the other Loan Documents and pay such other Lenders their Pro Rata Share of the Term Loan, in accordance with, and on such terms, as are determined by and between the Lenders.

12.2 Indemnification. Borrower, jointly and severally, agrees to indemnify, defend and hold Collateral Agent and the Lenders and their respective members, managers, directors, officers, employees, consultants, agents, attorneys, or any other Person affiliated with or representing Collateral Agent or the Lenders (each, an "Indemnified Person") harmless against: (a) all obligations, demands, claims, and liabilities (collectively, "Claims") asserted by any other party in connection with; related to; following; or arising from, out of or under, the transactions contemplated by the Loan Documents; and (b) all losses or expenses incurred, or paid by Indemnified Person in connection with; related to; following; or arising from, out of or under, the transactions contemplated by the Loan Documents between Collateral Agent, and/or the Lenders and Borrower (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by such Indemnified Person's gross negligence or willful misconduct. Borrower hereby further, jointly and severally, indemnifies, defends and holds each Indemnified Person harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the fees and disbursements of counsel for such Indemnified Person) in connection with any investigative, response, remedial,

administrative or judicial matter or proceeding, whether or not such Indemnified Person shall be designated a party thereto and including any such proceeding initiated by or on behalf of Borrower, and the reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and any commission, fee or compensation claimed by any broker (other than any broker retained by Collateral Agent or Lenders) asserting any right to payment for the transactions contemplated hereby which may be imposed on, incurred by or asserted against such Indemnified Person as a result of or in connection with the transactions contemplated hereby and the use or intended use of the proceeds of the loan proceeds except for liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements directly caused by such Indemnified Person's gross negligence or willful misconduct.

12.3 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.4 Correction of Loan Documents. Collateral Agent may correct patent errors and fill in any blanks in this Agreement and the other Loan Documents consistent with the agreement of the parties.

12.5 Amendments in Writing; Integration. (a) No amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, and no consent to any departure by Borrower or any of its Subsidiaries therefrom, shall in any event be effective unless the same shall be in writing and signed by Borrower, Collateral Agent and the Required Lenders provided that:

(i) no such amendment, waiver or other modification that would have the effect of increasing or reducing a Lender's Term Loan Commitment or Commitment Percentage shall be effective as to such Lender without such Lender's written consent;

(ii) no such amendment, waiver or modification that would affect the rights and duties of Collateral Agent shall be effective without Collateral Agent's written consent or signature; and

(iii) no such amendment, waiver or other modification shall, unless signed by all the Lenders directly affected thereby, (A) reduce the principal of, rate of interest on or any fees with respect to the Term Loan or forgive any principal, interest (other than default interest) or fees (other than late charges) with respect to the Term Loan (B) postpone the date fixed for, or waive, any payment of principal of the Term Loan or of interest on the Term Loan (other than default interest) or any fees provided for hereunder (other than late charges or for any termination of any commitment); (C) change the definition of the term "Required Lenders" or the percentage of Lenders which shall be required for the Lenders to take any action hereunder; (D) release all or substantially all of any material portion of the Collateral, authorize Borrower to sell or otherwise dispose of all or substantially all or any material portion of the Collateral, except, in each case with respect to this clause (D), as otherwise may be expressly permitted under this Agreement or the other Loan Documents (including in connection with any disposition permitted hereunder); (E) amend, waive or otherwise modify this Section 12.5 or the definitions of the terms used in this Section 12.5 insofar as the definitions affect the substance of this Section 12.5; (F) consent to the assignment, delegation or other transfer by Borrower of any of its rights and obligations under any Loan Document or release Borrower of its payment obligations under any Loan Document, except, in each case with respect to this clause (F), pursuant to a merger or consolidation permitted pursuant to this Agreement; (G) amend any of the provisions of Section 9.4 or amend any of the definitions of Pro Rata Share, Term Loan Commitment, Commitment Percentage or that provide for the Lenders to receive their Pro Rata Shares of any fees, payments, setoffs or proceeds of Collateral hereunder; (H) subordinate the Liens granted in favor of Collateral Agent securing the Obligations. It is hereby understood and agreed that all Lenders shall be deemed directly affected by an amendment, waiver or other modification of the type described in the preceding clauses (C), (D), (E), (F), (G) and (H) of the immediately preceding sentence.

(b) Other than as expressly provided for in Section 12.5(a)(i) (iii), Collateral Agent may, if requested by the Required Lenders, from time to time designate covenants in this Agreement less restrictive by notification to a representative of Borrower.

(c) This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements with respect to such subject matter. All prior agreements,

understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

12.6 Counterparts; Electronic Signatures. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement. Any and all electronic signatures, whether by scan, e-mail, PDF, DocuSign or similar means, and any electronic delivery of signature pages hereto, shall be treated as originals.

12.7 Survival. All covenants, representations and warranties made in this Agreement continue in full force and effect until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied. The obligation of Borrower in Section 12.2 to indemnify each Lender and Collateral Agent, as well as the confidentiality provisions in Section 12.8 below, shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

12.8 Confidentiality. In handling any confidential information of Borrower, the Lenders and Collateral Agent shall exercise the same degree of care that it exercises for their own proprietary information, but disclosure of information may be made: (a) subject to the terms and conditions of this Agreement, to the Lenders' and Collateral Agent's Subsidiaries or Affiliates; (b) to prospective transferees (other than those identified in (a) above) or purchasers of any interest in the Term Loan (provided, however, the Lenders and Collateral Agent shall obtain such prospective transferee's or purchaser's agreement to the terms of this provision or to similar confidentiality terms); (c) as required by law, regulation, subpoena, or other order; (d) to Lenders' or Collateral Agent's regulators or as otherwise required in connection with an examination or audit; (e) as Collateral Agent reasonably considers appropriate in exercising remedies under the Loan Documents; and (f) to third party service providers of the Lenders and/or Collateral Agent so long as such service providers have executed a confidentiality agreement or have agreed to similar confidentiality terms with the Lenders and Collateral Agent with terms no less restrictive than those contained herein. Confidential information does not include information that either: (i) is in the public domain or in the Lenders' and/or Collateral Agent's possession when disclosed to the Lenders and/or Collateral Agent, or becomes part of the public domain after disclosure to the Lenders and/or Collateral Agent at no fault of the Lenders or the Collateral Agent; or (ii) is disclosed to the Lenders and/or Collateral Agent by a third party, if the Lenders and/or Collateral Agent does not know that the third party is prohibited from disclosing the information. Collateral Agent and the Lenders may use confidential information for any purpose, including, without limitation, for the development of client databases, reporting purposes, and market analysis. The provisions of the immediately preceding sentence shall survive the termination of this Agreement. The agreements provided under this Section 12.8 supersede all prior agreements, understanding, representations, warranties, and negotiations between the parties about the subject matter of this Section 12.8.

12.9 Right of Set Off. Borrower hereby grants to Collateral Agent and to each Lender, a lien, security interest and right of set off as security for all Obligations to Collateral Agent and each Lender hereunder, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Collateral Agent or the Lenders or any entity under the control of Collateral Agent or the Lenders (including a Collateral Agent affiliate) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Collateral Agent or the Lenders may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE COLLATERAL AGENT TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED BY BORROWER.

12.10 Borrower Liability. Each Borrower may, acting singly, request credit extensions hereunder. Each Borrower hereby appoints the other as agent for the other for all purposes hereunder, including with respect to requesting credit extensions hereunder. Each Borrower hereunder shall be jointly and severally obligated to repay all credit extensions made hereunder, regardless of which Borrower actually receives said credit extension, as if each Borrower hereunder directly received all credit extensions. Each Borrower waives (a) any suretyship defenses

available to it under the Code or any other applicable law, and (b) any right to require Collateral Agent or any Lender to: (i) proceed against any Borrower or any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Collateral Agent and/or any Lender may exercise or not exercise any right or remedy it has against any Borrower or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting any Borrower's liability. Notwithstanding any other provision of this Agreement or other related document, each Borrower irrevocably waives all rights that it may have at law or in equity (including, without limitation, any law subrogating Borrower to the rights of Collateral Agent and the Lenders under this Agreement) to seek contribution, indemnification or any other form of reimbursement from any other Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by Borrower with respect to the Obligations in connection with this Agreement or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section 12.10 shall be null and void. If any payment is made to a Borrower in contravention of this Section 12.10, such Borrower shall hold such payment in trust for Collateral Agent and the Lenders and such payment shall be promptly delivered to Collateral Agent for application to the Obligations, whether matured or unmatured.

12.11. Change of Law. If, due to any change in applicable law or regulations, or the interpretation thereof by any court of law or other governing body having jurisdiction subsequent to the date of this Agreement, the performance of any provision of this Agreement, the loans granted pursuant hereto or any transaction contemplated hereby shall become unlawful, impracticable or impossible, the Lender shall have the right, with the consent of the Borrower not to be unreasonably withheld, conditioned or delayed, to amend the terms hereof in good faith so as to comply with the then current laws, rules and/or regulations in the way that, in its reasonable judgment, best and most closely reflects the terms and conditions negotiated herein and intended hereby.

13. DEFINITIONS

As used in this Agreement, the following terms have the following meanings:

“Accounts” shall mean accounts receivable of Parent.

“Affiliate” of any Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners if such Person is a partnership and, for any Person that is a limited liability company, that Person's managers and members.

“Borrowing Base” shall mean, at any time, an amount equal to 100% of Eligible Accounts.

“Business Day” is any day that is not a Saturday, Sunday or a day on which banks are closed in the Commonwealth of Virginia.

“Code” is the Uniform Commercial Code, as enacted in the Commonwealth of Virginia.

“Collateral” is any and all properties, rights and assets of Borrower described on Exhibit A.

“Disbursement Instruction Form” is that certain form attached hereto as Exhibit B-2.

“Drawdown” means any principal amount borrowed or to be borrowed (by any means) under the provisions hereof.

“Eligible Accounts” shall mean Accounts that are not excluded as ineligible by virtue of one or more of the criteria set forth below. None of the following shall be Eligible Accounts: (A) Accounts (i) with respect to which the scheduled due date is more than 60 days after the original invoice date, (ii) which are unpaid more than (A) 90 days after the date of the original invoice therefor; (B) Accounts which (i) do not arise from the sale of goods or performance of services in the ordinary course of business, (ii) are not evidenced by an invoice or other documentation reasonably satisfactory to the Collateral Agent, (iii) represent a progress billing, or (iv) are

contingent upon any Borrower's completion of any further performance; (C) Accounts which are owed by an account debtor which (i) does not maintain its chief executive office in the United States or (ii) is not organized under any applicable law of the United States, any State of the United States or the District of Columbia; (D) Accounts which are owed in any currency other than dollars; or (E) Accounts which are owed by any Affiliate, employee, officer, director or stockholder of any Borrower or Guarantor.

“Equipment” is all “equipment” as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

“Existing Indebtedness” is the indebtedness of Borrower listed in the Perfection Certificate.

“Indebtedness” is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, (d) merchant cash advances; and (e) Contingent Obligations in respect of any of the foregoing.

“Insolvency Proceeding” is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions or proceedings seeking reorganization, arrangement, or other relief.

“Insolvent” means not Solvent.

“Intellectual Property” shall mean, all (a) trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights, logos, trade dress, domain names, web sites, and all other indicia of origin or quality, and goodwill associated therewith and arising therefrom; (b) patents and patent rights; and (c) works of authorship and copyrights therein, and all common law rights in all of the foregoing, and registration and applications for all of the foregoing issued by or filed with the US Patent and Trademark Office, any State of the US, the US Copyright Office, or any foreign equivalent thereof, and all of the foregoing (a)-(c) used in, at, or in connection with and/or necessary for the (i) conduct of any Borrower's business and/or (ii) use and/or operation of the Collateral.

“Inventory” is all “inventory” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made under the Code, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of any Person's custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

“Investment” is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

“Key Person” is JEFFREY ROBERT CLAYBORNE

“Lien” is a mortgage, deed of trust, levy, charge, pledge, security interest, or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

“Loan Documents” are, collectively, this Agreement, each Secured Promissory Note, each Disbursement Instruction Form, any subordination agreements, any note, or notes or guaranties executed by Borrower or any other Person, and any other present or future document, certificate, form or agreement entered into by Borrower or any other Person for the benefit of the Lenders and Collateral Agent in connection with this Agreement; all as amended, restated, or otherwise modified or supplemented from time to time.

“Material Adverse Change” is (a) a material adverse change in the business, operations or condition (financial or otherwise) of Parent, or Parent and each Subsidiary, taken as a whole; (b) a material impairment of the prospect of repayment of any portion of the Obligations, or (c) a material adverse effect on the Collateral.

“Material Agreement” is any license, agreement or other similar contractual arrangement with a Person or Governmental Authority whereby Borrower or any of its Subsidiaries is reasonably likely to be required to transfer, either in-kind or in cash, prior to the Maturity Date, assets or property valued (book or market) at more than Fifty Thousand Dollars (\$50,000.00) in the aggregate or any license, agreement or other similar contractual arrangement conveying rights in or to any material Intellectual Property.

“Maturity Date” is 30 weeks from the Effective Date.

“Maximum Legal Rate” shall mean the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the indebtedness evidenced by the Note and as provided for herein or the other Loan Documents, under the laws of such state or states whose laws are held by any court of competent jurisdiction to govern the interest rate provisions of the Term Loan.

“Obligations” are all of Borrower’s obligations to pay when due any debts, principal, interest, the Prepayment Fee, the Final Fee, and other amounts Borrower owes the Lenders now or later, in connection with, related to, following, or arising from, out of or under, this Agreement or, the other Loan Documents, or otherwise, and including interest accruing after Insolvency Proceedings begin (whether or not allowed) and debts, liabilities, or obligations of Borrower assigned to the Lenders and/or Collateral Agent, and the performance of Borrower’s duties under the Loan Documents.

“Operating Documents” are, for any Person, such Person’s formation documents, as certified by the Secretary of State (or equivalent agency) of such Person’s jurisdiction of organization on a date that is no earlier than thirty (30) days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

“Perfection Certificate” is that certain form attached hereto as Exhibit B-1.

“Permitted Indebtedness” is: (a) Borrower’s Indebtedness to the Lenders and Collateral Agent under this Agreement and the other Loan Documents; (b) Indebtedness existing on the Effective Date and disclosed on the Perfection Certificate(s); (c) unsecured Indebtedness to trade creditors and Indebtedness in connection with credit cards incurred in the ordinary course of business; (d) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (c) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose materially more burdensome terms upon Borrower, or its Subsidiary, as the case may be;

“Permitted Investments” are: (a) investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business; (b) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (b) shall not apply to Investments of Borrower in any Subsidiary.

“Permitted Licenses” are licenses of over-the-counter software that is commercially available to the public.

“Permitted Liens” are Liens existing on the Effective Date and disclosed on the Perfection Certificates or arising under this Agreement and the other Loan Documents;

“Person” is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

“Pro Rata Share” is, as of any date of determination, with respect to each Lender, a percentage (expressed as a decimal, rounded to the ninth decimal place) determined by dividing the outstanding principal amount of the Term Loan held by such Lender by the aggregate outstanding principal amount of the Term Loan.

“Related Persons” means, with respect to any Person, each Affiliate of such Person and each director, officer, employee, agent, trustee, representative, attorney, accountant and each insurance, environmental, legal, financial and other advisor and other consultants and agents of or to such Person or any of its Affiliates.

“Required Lenders” means (i) for so long as the Lead Lender has not assigned or transferred any of its interests in the Term Loan, Lenders holding one hundred percent (100%) of the aggregate outstanding principal balance of the Term Loan, or (ii) at any time from and after the Lead Lender has assigned or transferred any interest in its Term Loan, Lenders holding at least fifty one percent (51%) of the aggregate outstanding principal balance of the Term Loan.

“Responsible Officer” is any of the President, Chief Executive Officer, or Chief Financial Officer of Borrower or Parent.

“Secured Promissory Note” is defined in Section 2.5.

“Shares” means one hundred percent (100.0%) of the stock, units or other evidence of equity ownership held by Borrower or its Subsidiaries of any Subsidiary which is organized under the laws of the United States.

“Solvent” is, with respect to any Person: the fair salable value of such Person’s consolidated assets (including goodwill minus disposition costs) exceeds the fair value of such Person’s liabilities; such Person is not left with unreasonably small capital after the transactions in this Agreement; and such Person is able to pay its debts (including trade debts) as they mature in the ordinary course (without taking into account any forbearance and extensions related thereto).

“Subordinated Debt” is indebtedness incurred by Borrower or any of its Subsidiaries subordinated to all Indebtedness of Borrower and/or its Subsidiaries to the Lenders (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Collateral Agent and the Lenders entered into between Collateral Agent, Borrower, and/or any of its Subsidiaries, and the other creditor), on terms acceptable to Collateral Agent and the Lenders.

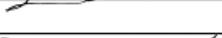
“Subsidiary” is, with respect to any Person, any Person of which more than fifty percent (50%) of the voting stock or other equity interests (in the case of Persons other than corporations) is owned or controlled, directly or indirectly, by such Person or through one or more intermediaries. Unless otherwise specified, references herein to a Subsidiary means a Subsidiary of Borrower.

“Term Loan” is defined in Section 2.2(a) hereof.

“Term Loan Amortization Schedule” means the amortization schedule set forth in Exhibit B-4 of this Agreement.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by one of its officers thereunto duly authorized on the date hereof.

<u>Parties</u>	<u>Name of Signatory and Title</u>	<u>Signature</u>
<u>Borrowers</u>		
PERFECT MOMENT LTD.	JEFFREY ROBERT CLAYBORNE, CFO	
PERFECT MOMENT USA INC.	JEFFREY ROBERT CLAYBORNE, CFO	
PERFECT MOMENT ASIA LIMITED	JEFFREY ROBERT CLAYBORNE, CFO	
<u>Guarantors</u>		
PERFECT MOMENT LTD.	JEFFREY ROBERT CLAYBORNE, CFO	
PERFECT MOMENT USA INC.	JEFFREY ROBERT CLAYBORNE, CFO	
PERFECT MOMENT ASIA LIMITED	JEFFREY ROBERT CLAYBORNE, CFO	

LEAD LENDER:
Agile Lending, LLC


By: Aaron Greenblott
Its: Member

COLLATERAL AGENT:
Agile Capital Funding, LLC


By: Aaron Greenblott
Its: Member

EXHIBITS TO FOLLOW

APPENDIX 1
BORROWER LIST

EXHIBIT A

DESCRIPTION OF COLLATERAL

The Collateral consists of all of Borrower's right, title and interest in and to the following property:

All of Borrower's goods, Accounts, Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (including Intellectual Property), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts and other Collateral Accounts, all certificates of deposit, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

All of Borrower's books and records relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include (i) any license or contract, in each case if the granting of a Lien in such license or contract is prohibited by or would constitute a default under the agreement governing such license or contract (but (A) only to the extent such prohibition is enforceable under applicable law and (B) other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-408 or 9-409 (or any other Section) of Division 9 of the Code); provided that upon the termination, lapsing or expiration of any such prohibition, such license or contract, as applicable, shall automatically be subject to the security interest granted in favor of Collateral Agent hereunder and become part of the "Collateral."

EXHIBIT B-1

PERFECTION CERTIFICATE

The undersigned, the CFO of **PERFECT MOMENT LTD., A Domestic Delaware Corporation** (the “Parent” or “**Borrower**”), hereby certifies, with reference to (i) the Business Loan and Security Agreement, dated as of November 24, 2024 (the “**Loan Agreement**”), **among Agile Capital Funding, LLC as collateral agent** (in such capacity, together with its successors and assigns in such capacity, “**Collateral Agent**”), and **Agile Lending, LLC, a Virginia limited liability company (“Lead Lender”)** and each assignee that becomes a party to this Agreement pursuant to Section 12.1 (each individually with the Lead Lender, a “**Lender**” and collectively with the Lead Lender, the “**Lenders**”), and **the Borrower** and its subsidiaries, **PERFECT MOMENT USA INC., A Domestic Delaware Corporation**, and **PERFECT MOMENT ASIA LIMITED, A Hong Kong Limited Liability Company**, individually and collectively, jointly and severally, “**Guarantors**”) as Guarantors, to the Lender as follows:

- 1. Name, Tax ID, and State of Formation.** The exact legal name of the Borrower and Guarantors as that name appears on its Certificate of Organization, as amended, is as follows:

Name	Tax ID	State of Formation
PERFECT MOMENT LTD.	86-1437114	DELAWARE
PERFECT MOMENT USA INC.	99-0781109	DELAWARE
PERFECT MOMENT ASIA LIMITED		

2. Other Identifying Factors.

- (a) The following is the mailing address of the Borrower and Guarantors:

**209 CANALOT STUDIOS 222 KENSAL RD
LONDON, W10 5BN**

**244 5TH AVE STE
1219 NEW YORK
NY 10001-7604**

**307 CANALOT STUDIOS
222 KENSAL
ROAD LONDON
W10 5BN**

**RM B 13/F GEE CHUNG
HONG CTR 65 WONG CHUK
HANG RD
WONG CHUK HANG, HK**

(b) The following are any DBAs of the Borrower:

3. Other Current Locations.

(a) The following are all other locations in which the Borrower maintains any books or records relating to any of the Collateral consisting of accounts, instruments, chattel paper, general intangibles or mobile goods:

(b) The following are all other places of business of the Company in the United States of America:

Perfect Moment Ltd.	PMINT	USA	86-1437114	Delaware	307CanalStudios,222KensalRoad,London, UnitedKingdomW105BN
Perfect Moment USA Inc.	na	USA	99-0781109	Delaware	244 5th Ave, Ste 1219, New York, NY 10001
Perfect Moment Asia Limited	na	Hong Kong	na	na	Unit
Perfect Moment (UK) Limited	na	United Kingdom			
Perfect Moment TM					

(c) The following are all other locations where any of the Collateral consisting of inventory or equipment is located:

PMUK Rhenus	UK	Rhenus,Unit6130,Harrier Parkway, MagnaPark, Lutterworth, Leicestershire, LE174XT	Inventory
PMA CNL	HK	1/F, 18-20 PUN SHAN STREET, TSUEN WAN, NT, Hong Kon	
PMUSA Inc			

(d) The following are the names and addresses of all persons or entities other than the Company, such as lessees, consignees, warehousemen or purchasers of chattel paper, which have possession or are intended to have possession of any of the Collateral consisting of instruments, chattel paper, inventory or equipment:

4. Prior Locations.

(a) Set forth below is the information required by §4(a) or (b) with respect to each location or place of business previously maintained by the Company at any time during the past five years in a state in which the Company has previously maintained a location or place of business at any time during the past four months:

(b) Set forth below is the information required by §4(c) or (d) with respect to each other location at which, or other person or entity with which, any of the Collateral consisting of inventory or equipment has been previously held at any time during the past twelve months:

5. Fixtures. Set forth below is the information required by UCC §9-502(b) or former UCC §9-402(5) of each state in which any of the Collateral consisting of fixtures are or are to be located and the name and address of each real estate recording office where a mortgage on the real estate on which such fixtures are or are to be located would be recorded.

6. Intellectual Property.

Set forth below is a complete list of all United States and foreign patents, copyrights, trademarks, trade names and service marks registered or for which applications are pending in the name of the Company.

7. Securities; Instruments. Set forth below is a complete list of all stocks, bonds, debentures, notes and other securities and investment property owned by the Company (*provide name of issuer, a description of security and value*).

8. Motor Vehicles. The following is a complete list of all motor vehicles owned by the Borrower (*describe each vehicle by make, model and year and indicate for each the state in which registered and the state in which based*):

Vehicle	State of Registration	State in Which Based
NA		

Truck	Plate	VIN	Make
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9. Permitted Indebtedness.

Lender	Balance	Total Payment (indicate daily, weekly, or monthly)
NA		

10. Permitted Liens:

11. Bank Accounts. The following is a complete list of all bank accounts (including securities and commodities accounts) maintained by the Borrower (*provide name and address of depository bank, type of account and account number*):

Bank Account	Account Number	Account Routing
JP Morgan Chase Wire	57933075	021000021
JP Morgan ACH	579733075	32271627

12. Unusual Transactions. All of the Collateral has been originated by the Borrower in the ordinary course of the Borrower's business or consists of goods which have been acquired by the Borrower in the ordinary course from a person in the business of selling goods of that kind.

13. Litigation

- a. The following is a complete list of pending and threatened litigation or claims involving amounts claimed against the Borrower in an indefinite amount or in excess of \$50,000 in each case:

On December 20, 2023, Aspen Skiing Company, LLC filed a complaint against the Company in the United States District Court for the District of Colorado, alleging, among other things, trademark infringement, false association, false endorsement, unfair competition and deceptive trade practices by the Company. Management has determined, after the advice of legal counsel, that the claims and actions related to such complaint are not expected to have a material adverse effect on our financial condition because management believes that the lawsuit will not succeed on the merits and the risk of any material loss is remote. The claims relate to the Company's social media posts of models and influencers in ski gondolas on the mountain owned by Aspen Skiing Company and now discontinued limited edition clothing sold by the Company that included images, which were licensed by the Company from a photographer, of a skier's rest area in Aspen that Aspen Skiing Company calls the "AspenX Beach Club." The complaint seeks injunctive relief, but no motion for injunctive relief has been filed in the suit. The complaint also seeks delivery of all infringing material to Aspen Skiing Company and an award of the Company's profits and Aspen Skiing Company's damages in an amount to be determined at trial, costs incurred by Aspen Skiing Company in the action, their attorney's fees and treble damages. Although the results of such litigation matters and claims cannot be predicted with certainty, we believe that the final outcome of such ordinary, routine litigation will not have a material adverse impact on our financial position, liquidity, or results of operations.

- b. The following are the only claims which the Borrower has against others (other than claims on accounts receivable), which the Borrower is asserting or intends to assert, and in which the potential recovery exceeds \$50,000:

14. Insurance Broker. The following broker handles the Borrower's property insurance:

Broker	Contact	Telephone	Email
Brunel Insurance	David Curry	44(0)794 756 8486	David@brunel-insu

The Borrower agrees to advise you of any change or modification to any of the foregoing information or any supplemental information provided on any continuation pages attached hereto, and, until such notice is received by you, you shall be entitled to rely upon such information and presume it is correct. The Borrower acknowledges that your acceptance of this Perfection Certificate and any continuation pages does not imply any commitment on your part to enter into a loan transaction with the Borrower, and that any such commitment may only be made by an express written loan commitment, signed by one of your authorized officers.

Date: November 24, 2024

[PERFECT MOMENT]

By: 

Name: JEFFREY ROBERT
CLAYBORNE
Its: CFO
Email: Jeff@perfectmoment.com

EXHIBIT B-2
DISBURSEMENT INSTRUCTION FORM

The proceeds of the first advance of Term Loan shall be disbursed as follows:

Term Loan	\$1,500,000.00
 Less:	
Administrative Agent Fee to be remitted to <u>Agile Capital Funding, LLC</u>	(\$75,000.00)
PERFECT MOMENT LTD. - 429346 - Balance	(\$905,250.00)
TOTAL TERM LOAN NET PROCEEDS TO BORROWER	\$519,750.00

The aggregate net proceeds of the Term Loan shall be transferred to the Designated Deposit Account as follows:

BORROWER: PERFECT MOMENT LTD.

Account Name: Perfect Moment USA, Inc. _____

Bank Name: J.P. Morgan Chase Bank, N.A. _____

ABA Number: 021-000-021 _____

Account Number: 579733075 _____

The proceeds of the subsequent advances of the Term Loan shall be disbursed as follows:

EXHIBIT B-3

DRAWDOWN SCHEDULE

Within 2 Business Days of Closing Date.

EXHIBIT B-4
REPAYMENT AND AMORTIZATION SCHEDULE

Projected Payment Schedule	
	Weekly Payment
12/3/2024	\$71,000.00
12/10/2024	\$71,000.00
12/17/2024	\$71,000.00
12/24/2024	\$71,000.00
12/31/2024	\$71,000.00
1/7/2025	\$71,000.00
1/14/2025	\$71,000.00
1/21/2025	\$71,000.00
1/28/2025	\$71,000.00
2/4/2025	\$71,000.00
2/11/2025	\$71,000.00
2/18/2025	\$71,000.00
2/25/2025	\$71,000.00
3/4/2025	\$71,000.00
3/11/2025	\$71,000.00
3/18/2025	\$71,000.00
3/25/2025	\$71,000.00
4/1/2025	\$71,000.00
4/8/2025	\$71,000.00
4/15/2025	\$71,000.00
4/22/2025	\$71,000.00
4/29/2025	\$71,000.00
5/6/2025	\$71,000.00
5/13/2025	\$71,000.00
5/20/2025	\$71,000.00
5/27/2025	\$71,000.00
6/3/2025	\$71,000.00
6/10/2025	\$71,000.00
6/17/2025	\$71,000.00
6/24/2025	\$71,000.00
Total	\$2,130,000.00

EXHIBIT B-5

Business Loan and Security Agreement Supplement

Principal Amount of Loan:	\$1,500,000.00, including the Administrative Agent Fee , available as set forth in the Drawdown Schedule found in Exhibit B-3 of this Agreement.
Total Repayment Amount:	The total repayment amount of the Term Loan, including all interest, lender fees, and third-party fees, assuming all payments are made on time is \$2,130,000.00 .
Payment Schedule:	As set forth in the Repayment and Amortization Schedule found in Exhibit B-4 of the Agreement.
Payment Multiplier: (The per dollar cost of the loan inclusive of all interest and fees).	1.42
Interest Charge:	\$630,000.00 , assuming all payments are made on time.
Fees payable to Collateral Agent and its designees:	Administrative Agent Fee: \$75,000.00 , payable at closing out of proceeds of the Term Loan

EXHIBIT B-6

**AUTHORIZATION AGREEMENT
FOR AUTOMATED CLEARING HOUSE TRANSACTIONS**

Borrower hereby authorizes Lender and / or Servicer (or its representatives) to present automated clearing house (ACH) debits to the following checking account in the amount of fees and other obligations due to Lender from Borrower under the terms of the Business Loan and Security Agreement and Subordinated Secured Promissory Note entered into between Lender and Borrower, as it may be amended, supplemented or replaced from time to time. In addition, if an Event of Default (as defined in the Business Loan and Security Agreement or Secured Promissory Note) occurs, Borrower authorizes Lender and / or Servicer (or its representatives) to debit any and all accounts controlled by Borrower or controlled by any entity with the same Federal Tax Identification Number as Borrower up to the total amount, including but not limited to, all fees and charges, due to Lender from Borrower under the terms of the Agreement.

Transfer Funds To/From: Perfect Moment USA, Inc. _____
Account Name: _____ Checking _____

Bank Name: _JP Morgan Chase Bank_____

ABA Number: _3222-71627_____

Account Number: _579733075_____

This authorization is to remain in full force and effect until all obligations due to Borrower under the Agreement have been fulfilled.

Borrower Information:__Perfect Moment USA, Inc._____

Borrower's Name:____Perfect Moment_____

Signature of Authorized Representative: 

Print Name:____Jeff Clayborne_____

Title:____CFO_____

Borrower's Tax ID: _99-0781109_____

Date: _11 / 25 / 2024_____

EXHIBIT D

CONFESSED JUDGMENT SECURED PROMISSORY NOTE

IMPORTANT NOTICE: THIS INSTRUMENT CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A DEBTOR AND ALLOWS THE CREDITOR TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT ANY FURTHER NOTICE.

CONFESSED JUDGMENT SECURED PROMISSORY NOTE

\$1,500,000.00

Dated: November 24, 2024

FOR VALUE RECEIVED, the undersigned **PERFECT MOMENT LTD., A Domestic Delaware Corporation** ("Parent" or "Borrower") and its subsidiaries, **PERFECT MOMENT USA INC., A Domestic Delaware Corporation, and PERFECT MOMENT ASIA LIMITED, A Hong Kong Limited Liability Company**, individually and collectively, jointly and severally, "Guarantors"), HEREBY JOINTLY AND SEVERALLY PROMISE TO PAY to the order of Agile Lending, LLC, or its designees or assigns ("Lead Lender") the principal amount of ONE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$1,500,000.00) or such lesser amount as shall equal the outstanding principal balance of the Term Loan made to Borrower by Lender, plus interest on the aggregate unpaid principal amount of such Term Loan, at the rates and in accordance with the terms of the Business Loan and Security Agreement dated November 24, 2024, by and among Borrower, Lender, Collateral Agent, and the other Lenders from time to time party thereto (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"). If not sooner paid, the entire principal amount and all accrued and unpaid interest hereunder shall be due and payable on the Maturity Date as set forth in the Loan Agreement.

Any capitalized term not otherwise defined herein shall have the meaning attributed to such term in the Loan Agreement.

Principal, interest and all other amounts due with respect to the Term Loan, are payable in lawful money of the United States of America to Lender as set forth in the Loan Agreement and this Confessed Judgment Secured Promissory Note (this "Note").

The Loan Agreement, among other things, (a) provides for the making of a secured Term Loan by Lender to Borrower, and (b) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

This Note may not be prepaid except as set forth in Section 2.2 (c) and Section 2.2(d) of the Loan Agreement.

This Note and the obligation of Borrower to repay the unpaid principal amount of the Term Loan, interest on the Term Loan and all other amounts due Lender under the Loan Agreement is secured as provided under the Loan Agreement.

Presentment for payment, demand, notice of protest and all other demands and notices of any kind in connection with the execution, delivery, performance and enforcement of this Note are hereby waived.

Borrower shall pay all reasonable fees and expenses, including, without limitation, reasonable attorneys' fees and costs, incurred by Lender in the enforcement or attempt to enforce any of Borrower's obligations hereunder not performed when due.

This Note shall be governed by, and construed and interpreted in accordance with, the internal laws of the Commonwealth of Virginia.

The ownership of an interest in this Note shall be registered on a record of ownership maintained by Lender or its agent. Notwithstanding anything else in this Note to the contrary, the right to the principal of, and stated interest on, this Note may be transferred only if the transfer is registered on such record of ownership and the transferee is identified as the owner of an interest in the obligation. Borrower shall be entitled to treat the registered holder of this Note (as recorded on such record of ownership) as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in this Note on the part of any other person or entity.

BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTELLIGENTLY WAIVES ANY AND ALL RIGHTS THAT EACH PARTY TO THIS NOTE MAY NOW OR HEREAFTER HAVE UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR THE COMMONWEALTH OF VIRGINIA, TO A TRIAL BY JURY OF ANY AND ALL ISSUES ARISING DIRECTLY OR INDIRECTLY IN ANY ACTION OR PROCEEDING RELATING TO THIS NOTE, THE LOAN DOCUMENTS OR ANY TRANSACTIONS CONTEMPLATED THEREBY OR RELATED THERETO. IT IS INTENDED THAT THIS WAIVER SHALL APPLY TO ANY AND ALL DEFENSES, RIGHTS, CLAIMS AND/OR COUNTERCLAIMS IN ANY SUCH ACTION OR PROCEEDING.

BORROWER UNDERSTANDS THAT THIS WAIVER IS A WAIVER OF A CONSTITUTIONAL SAFEGUARD, AND EACH PARTY INDIVIDUALLY BELIEVES THAT THERE ARE SUFFICIENT ALTERNATE PROCEDURAL AND SUBSTANTIVE SAFEGUARDS, INCLUDING, A TRIAL BY AN IMPARTIAL JUDGE, THAT ADEQUATELY OFFSET THE WAIVER CONTAINED HEREIN.

UPON THE OCCURRENCE OF AN EVENT OF DEFAULT HEREUNDER OR UNDER THE LOAN AGREEMENT, LEAD LENDER MAY CONFESS JUDGMENT AGAINST BORROWER AS PROVIDED HEREIN. UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT HEREUNDER, BORROWER HEREBY AUTHORIZES AND EMPOWERS THE CLERK OF ANY COURT OF RECORD IN THE COMMONWEALTH OF VIRGINIA, INCLUDING BUT NOT LIMITED TO THE CLERK OF THE CIRCUIT COURT FOR THE COUNTY OF ARLINGTON TO ENTER JUDGMENT BY CONFESSION AGAINST BORROWER IN FAVOR OF LEAD LENDER FOR THE FULL AMOUNT DUE AND PAYABLE UNDER THE FINANCING AGREEMENTS AND SECURED BY THE LOAN AGREEMENT, TOGETHER WITH ALL PERMITTED FEES AND INTEREST, AS EVIDENCED BY AN AFFIDAVIT SIGNED BY AN OFFICER OF LEAD LENDER SETTING FORTH THE AMOUNT THEN DUE, TOGETHER WITH REASONABLE ATTORNEYS' FEES AND COLLECTION COSTS INCURRED BY LEAD LENDER AS PROVIDED IN THIS INSTRUMENT, TO THE EXTENT PERMITTED BY LAW, EXPRESSLY WAIVING SUMMONS AND OTHER PROCESS, AND DOES HEREBY CONSENT TO THE IMMEDIATE EXECUTION OF SUCH JUDGMENT, EXPRESSLY WAIVING THE BENEFIT OF ALL EXEMPTION OR HOMESTEAD LAWS.

BORROWER HEREBY CONSTITUTES AND APPOINTS JODIE E. BUCHMAN, ESQ., PIERCE C. MURPHY, ESQ., OF SILVERMAN, THOMPSON, SLUTKIN & WHITE, 400 E PRATT ST, SUITE 900, BALTIMORE, MD, 21202, OR A DULY APPOINTED SUBSTITUTE AS THE TRUE AND LAWFUL ATTORNEY-IN-FACT FOR BORROWER AND ALL PERSONS CLAIMING THROUGH OR UNDER BORROWER TO SIGN AN AGREEMENT FOR ENTERING IN ANY COMPETENT COURT AN AMICABLE ACTION IN EJECTMENT FOR POSSESSION OF THE COLLATERAL AND/OR TO APPEAR IN THE CLERK'S OFFICE OF THE CIRCUIT COURT OF ARLINGTON COUNTY, VIRGINIA, OR ANY COURT OF COMPETENT JURISDICTION AND TO CONFESS JUDGMENT AGAINST BORROWER, AND ALL PERSONS CLAIMING UNDER OR THROUGH BORROWER IN FAVOR OF LEAD LENDER, FOR WHICH THIS NOTE, OR A COPY THEREOF VERIFIED BY AFFIDAVIT, SHALL BE SUFFICIENT WARRANT; WHEREUPON A WRIT OF POSSESSION MAY IMMEDIATELY ISSUE FOR POSSESSION OF THE COLLATERAL, WITHOUT ANY PRIOR WRIT OR PROCEEDING WHATSOEVER AND WITHOUT ANY STAY OF EXECUTION. LEAD LENDER MAY BRING AN AMICABLE ACTION IN EJECTMENT AND/OR CONFESS JUDGMENT THEREIN EITHER BEFORE OR AFTER THE INSTITUTION OF PROCEEDINGS TO ENFORCE THIS NOTE AND/OR AFTER ENTRY OF JUDGMENT ON THIS NOTE, OR AFTER A PUBLIC SALE OF THE COLLATERAL IN WHICH LEAD LENDER IS THE SUCCESSFUL BIDDER.

BORROWER HEREBY RATIFIES AND CONFIRMS ALL THAT SAID ATTORNEY OR ATTORNEYS MAY DO PURSUANT TO THE FOREGOING POWER. PURSUANT TO SECTION 8.01-435 OF THE CODE OF VIRGINIA OF 1950, AS AMENDED, BORROWER IS HEREBY NOTIFIED THAT A SUBSTITUTE ATTORNEY-IN-FACT UNDER THIS PARAGRAPH MAY BE APPOINTED BY THE LEAD LENDER, OBLIGEE, OR PERSON OTHERWISE ENTITLED TO PAYMENT UNDER THIS AGREEMENT BY RECORDING AN INSTRUMENT NAMING SUCH SUBSTITUTE ATTORNEY-IN-FACT IN THE CLERK'S OFFICE WHERE JUDGMENT IS TO BE CONFESSED.

THE FOREGOING AUTHORIZATION TO PURSUE PROCEEDINGS FOR CONFESSING JUDGMENT AND ANY AND ALL JUDGMENT ENFORCEMENT MEASURES THAT LEAD LENDER OPTS TO PURSUE, INCLUDING BUT NOT LIMITED TO OBTAINING POSSESSION OF THE COLLATERAL, AND IS AN ESSENTIAL PART OF LEAD LENDER'S REMEDIES FOR ENFORCEMENT OF THIS NOTE AND THE LOAN AGREEMENT AND SHALL SURVIVE ANY ENFORCEMENT ACTIONS OR FORECLOSURE SALE BY OR TO LEAD LENDER.

{Signature Page to Follow}

IN WITNESS WHEREOF, Borrower caused this Note to be duly executed under seal by one of its officers thereunto duly authorized on the date hereof.

BORROWER:

_____ [SEAL]
By: JEFFREY ROBERT CLAYBORNE
Date:

BORROWER:

_____ [SEAL]
By:
Date:

STATE:
COUNTY OF:

I hereby certify that on ___, before me, the undersigned, Notary Public in and for the State of ___, at large, personally appeared JEFFREY ROBERT CLAYBORNE, individually and as the CFO of PERFECT MOMENT LTD., A Domestic Delaware Corporation ("Parent") and its subsidiaries, PERFECT MOMENT USA INC., A Domestic Delaware Corporation, and PERFECT MOMENT ASIA LIMITED, A Hong Kong Limited Liability Company known to me or satisfactorily proven to be the person whose name is subscribed to the foregoing instrument and acknowledged that he executed the foregoing on behalf of himself individually, PERFECT MOMENT LTD., A Domestic Delaware Corporation ("Parent") and its subsidiaries, PERFECT MOMENT USA INC., A Domestic Delaware Corporation, and PERFECT MOMENT ASIA LIMITED, A Hong Kong Limited Liability Company for the purposes set forth therein.

(Seal)
Notary Public _____

My Commission Expires: Registration Number:

EXHIBIT E

PREPAYMENT AMENDMENT

Upon the prepayment of any principal amount, Borrower shall be obligated to pay a Prepayment Fee comprising make-whole premium payment on account of such principal so paid, which Prepayment Fee shall be equal to the aggregate and actual amount of interest (at the contract rate of interest) that would be paid through the Maturity Date

Calendar Days After Funding	Payoff Amount
30 Days	\$1,830,000.00
45 Days	\$1,890,000.00
60 Days	\$1,950,000.00

Title	PERFECT MOMENT LTD.- 435248
File name	PERFECT_MOMENT_LTD.-_435248.docx
Document ID	7192fe0a94423b3fce32a257c4736c4640866898
Audit trail date format	MM / DD / YYYY
Status	● Signed

Document history

 SENT	11 / 24 / 2024 16:32:18 UTC-5	Sent for signature to JEFFREY ROBERT CLAYBORNE (jeff@perfectmoment.com) and Aaron Greenblott (contracts@lendwizely.com) from contracts@lendwizely.com IP: 71.105.210.36
 VIEWED	11 / 25 / 2024 16:10:27 UTC-5	Viewed by JEFFREY ROBERT CLAYBORNE (jeff@perfectmoment.com) IP: 71.38.45.91
 SIGNED	11 / 25 / 2024 16:10:51 UTC-5	Signed by JEFFREY ROBERT CLAYBORNE (jeff@perfectmoment.com) IP: 71.38.45.91
 VIEWED	11 / 26 / 2024 10:02:20 UTC-5	Viewed by Aaron Greenblott (contracts@lendwizely.com) IP: 71.105.210.36
 SIGNED	11 / 26 / 2024 10:02:53 UTC-5	Signed by Aaron Greenblott (contracts@lendwizely.com) IP: 71.105.210.36
 COMPLETED	11 / 26 / 2024 10:02:53 UTC-5	The document has been completed.

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13A-14 AND 15D-14
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Jane Gottschalk, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Perfect Moment Ltd.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this quarterly report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 14, 2025

/s/ Jane Gottschalk
Jane Gottschalk
President
(Principal Executive Officer)

**CERTIFICATIONS OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13A-14 AND 15D-14
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Chath Weerasinghe, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Perfect Moment Ltd.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this quarterly report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 14, 2025

/s/ Chath Weerasinghe

Chath Weerasinghe
Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Perfect Moment Ltd. ("Company") on Form 10-Q for the quarter ending December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof ("Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the knowledge of the undersigned:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 14, 2025

/s/ Jane Gottschalk

Jane Gottschalk
President
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Perfect Moment Ltd. ("Company") on Form 10-Q for the quarter ending December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof ("Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the knowledge of the undersigned:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 14, 2025

/s/ Chath Weerasinghe

Chath Weerasinghe
Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)
