

KITS EYECARE LTD.

Consolidated Annual Financial Statements

For the years ended December 31, 2025 and 2024

(in thousands of Canadian Dollars, except share and per share data)

To the Shareholders of Kits Eyecare Ltd.:

Opinion

We have audited the consolidated financial statements of Kits Eyecare Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter Description

Revenue Recognition

We draw attention to the Note 3 (b) Material accounting policies - Revenue recognition and Note 4 Critical accounting judgments, estimates and assumptions - Revenue to the consolidated financial statements.

The Company recognizes revenue from online sales processed through multiple highly automated e-commerce platforms and payment processors with revenue data recorded in internal transaction system. Revenue recognized is represented by a high volume of individually low-value transactions and relies on the completeness and accuracy of large volumes of system-generated transactional data, as well as the appropriate matching of customer payments, refunds, and shipping/delivery activity.

We considered the risk of fraud as it relates to the occurrence of revenue to be a key audit matter due to the significance of revenue to the consolidated financial statements, the pervasive reliance on automated information technology ("IT") systems and interfaces, and the risk that revenue transactions could be incomplete, duplicated, or inaccurately recorded. Addressing this matter required a higher degree of auditor judgment and effort, including the involvement of IT specialists and the use of computer-assisted audit techniques ("CAATs") to test the occurrence, completeness and accuracy of revenue data.

Audit Response

We responded to this matter by performing procedures in relation to revenue recognition. Our audit work in relation to this included, but was not restricted to, the following:

- With the assistance of our IT specialists, we obtained an understanding of the end-to-end revenue data flow, including key systems used to process customer orders, payments, refunds, and shipments, and performed walkthroughs of the data extraction processes used to generate the datasets for audit testing (including payment processors and shipment providers);
- We received shipment manifests directly from third-party providers;
- Applying CAATs, we performed shipping occurrence and completeness testing by reconciling revenue transactions to third party shipment data from multiple logistics providers to assess whether recorded revenue corresponded to orders shipped to customers;
- We investigated exceptions (on a sample basis) identified through CAAT procedures by obtaining explanations from management and corroborating those explanations with supporting documentation and other audit evidence;
- We performed audit procedures in respect of refunds and refunds provision to assess the timing of refunds relative to original sales and shipment dates, and evaluated whether refunds were appropriately netted against revenue;
- We obtained an understanding of the different classes of deferred revenue and assessed management's deferred revenue estimates;
- We performed revenue cut-off substantive procedures to ensure revenue is recorded in the appropriate period;
- Using CAATs, we reconciled customer payment data from payment processors to the Company's internal transaction ledger to identify unmatched transactions, timing differences, refunds, and other variances that could indicate incomplete or inaccurate revenue recognition; and
- We assessed the overall reasonableness of revenue trends by analyzing revenue patterns and relationships across systems and over time.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brent Wolfe.

Vancouver, British Columbia

March 3, 2026

MNP LLP

Chartered Professional Accountants

KITS EYECARE LTD.
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 2025 and 2024
(in thousands of Canadian Dollars, except share and per share data)

	Year ended December 31,	
	2025	2024
Revenue (Note 6)	\$ 202,458	\$ 159,338
Cost of sales	130,353	105,693
Gross profit	<u>72,105</u>	<u>53,645</u>
Fulfillment (Note 7)	21,210	17,633
Marketing (Note 7)	29,982	21,758
General and administrative (Note 7)	11,823	10,330
Exchange loss (gain)	1,786	(2,673)
Depreciation and amortization (Note 11, 12, 13)	825	1,171
Operating income	<u>6,479</u>	<u>5,426</u>
Finance costs - net (Note 15 (d))	1,432	975
Income before income taxes	<u>5,047</u>	<u>4,451</u>
Income taxes (Note 8)	1,937	1,335
Net Income for the year	<u>\$ 3,110</u>	<u>\$ 3,116</u>
Income per share (Note 22)		
Basic	<u>\$ 0.10</u>	<u>\$ 0.10</u>
Diluted	<u>\$ 0.09</u>	<u>\$ 0.09</u>
Weighted average number of shares outstanding (Note 22)		
Basic	32,052,058	31,515,493
Diluted	33,945,668	33,753,660

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

KITS EYECARE LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2025 and 2024
(in thousands of Canadian Dollars, except share and per share data)

	Year	
	ended December 31,	
	2025	2024
Net income for the year	\$ 3,110	\$ 3,116
Other comprehensive income for the year:		
Items that may be reclassified to profit or loss		
Currency translation differences	(1,615)	2,465
Total other comprehensive income for the year	<u>\$ 1,495</u>	<u>\$ 5,581</u>

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

KITS EYECARE LTD.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(in thousands of Canadian Dollars, except share and per share data)

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 29,815	\$ 19,271
Investments (Note 16)	3,859	-
Accounts and other receivables (Note 9)	2,355	2,497
Inventory (Note 10)	23,670	22,487
Tax receivable (Note 8)	8	33
Prepays, deposits and other assets	980	787
Total current assets	<u>60,687</u>	<u>45,075</u>
Deferred financing costs (Note 15 (b))	134	-
Property and equipment (Note 11)	3,058	4,478
Right-of-use asset (Note 12 (a))	6,062	6,381
Deferred tax asset (Note 8)	2,653	4,757
Intangible assets (Note 13)	1,133	1,145
Goodwill (Note 13)	39,233	41,188
Total assets	<u>\$ 112,960</u>	<u>\$ 103,024</u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 14)	\$ 26,499	\$ 25,255
Tax payable	427	448
Deferred revenue (Note 6)	7,345	6,831
Loan (Note 15 (a), (b))	9,988	2,982
Promissory note (Note 15 (c))	290	2,396
Lease liability (Note 12 (b))	825	841
Total current liabilities	<u>45,374</u>	<u>38,753</u>
Cash-settled LTIP Liability (Note 19 (c))	553	-
Loan (Note 15 (a))	-	1,779
Lease liability (Note 12 (b))	4,719	4,602
Total liabilities	<u>50,646</u>	<u>45,134</u>
Shareholders' equity		
Share capital (Note 18)	81,772	78,157
Contributed surplus (Note 19)	2,446	3,132
Retained deficit	(21,688)	(24,798)
Accumulated other comprehensive income (loss)	(216)	1,399
Total shareholders' equity	<u>62,314</u>	<u>57,890</u>
Total liabilities and shareholders' equity	<u>\$ 112,960</u>	<u>\$ 103,024</u>

*Commitments – Note 12**Contingencies – Note 23**Subsequent Events – Note 24**The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.*

Approved on behalf of the Board:

Signed: "Roger V. Hardy", Director

Signed: "Arshil Abdulla", Director

KITS EYECARE LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2025 and 2024
(in thousands of Canadian Dollars, except share and per share data)

	Share Capital		Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
	Common shares					
	Shares	Amount				
Balance as at December 31, 2023	1	\$ 77,386	\$ 3,040	\$ (27,914)	\$ (1,066)	51,446
Share-based payments (Note 19)	-	-	1,005	-	-	1,005
RSR exercise (Note 19)	130,787	865	(865)	-	-	-
Shares issued due to options	17,467	119	(48)	-	-	71
Shares repurchased (Note 19)	(25,000)	(213)	-	-	-	(213)
Net income and comprehensive income	-	-	-	3,116	2,465	5,581
Balance as at December 31, 2024	31,563,035	\$ 78,157	\$ 3,132	\$ (24,798)	\$ 1,399	\$ 57,890
Balance as at December 31, 2024	31,563,035	\$ 78,157	\$ 3,132	\$ (24,798)	\$ 1,399	57,890
Share-based payments (Note 19)	-	-	1,087	-	-	1,087
RSR exercise (Note 19)	108,337	993	(993)	-	-	-
Shares issued due to options (Note 19)	599,298	2,622	(780)	-	-	1,842
Net income and comprehensive income (loss)	-	-	-	3,110	(1,615)	1,495
Balance as at December 31, 2025	32,270,670	\$ 81,772	\$ 2,446	\$ (21,688)	\$ (216)	\$ 62,314

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

KITS EYECARE LTD.**CONSOLIDATED STATEMENTS OF CASH FLOWS****For the years ended December 31, 2025 and 2024**

(in thousands of Canadian Dollars, except share and per share data)

	Year ended	
	ended December 31	
	2025	2024
Operating activities		
Net Income	\$ 3,110	\$ 3,116
Items not affecting cash:		
Share-based payments (Note 19)	1,087	1,005
Depreciation of property and equipment and right-of-use assets (Note 11, 12)	2,380	2,306
Amortization of intangible assets (Note 13)	-	356
Finance costs (Note 15 (d))	1,642	1,555
Income taxes	1,937	1,335
Unrealized foreign exchange loss (gain)	248	(444)
Gain on lease extinguishment	-	(7)
Gain on fixed asset disposal	(24)	-
Cash-settled LTIP expense (Note 19 (c))	553	-
Changes in non-cash operating working capital:		
Accounts and other receivables	142	(703)
Inventory	(1,182)	(7,078)
Prepays, deposits and other assets	(201)	(59)
Accounts payable and accrued liabilities	1,244	9,277
Deferred revenue	514	2,405
Income tax refund (paid)	14	(27)
Cash provided by operating activities	11,464	13,037
Financing activities		
Repayment of lease obligation (Note 12)	(1,254)	(1,189)
Repayment of loan (Note 15 (a))	(4,830)	(3,687)
Net proceeds from loan facility (Note 15 (b))	9,969	-
Repayment of promissory note (Note 15 (c))	(2,122)	-
Proceeds from exercise of stock options	1,842	71
Repurchase of shares (Note 19)	-	(213)
Payment of deferred financing costs	(134)	-
Cash provided by (used in) financing activities	3,471	(5,018)
Investing activities		
Purchase of investments (Note 16)	(4,991)	-
Purchase of property and equipment net of disposal proceeds (Note 11)	(136)	(3,154)
Cash used in investing activities	(5,127)	(3,154)
Increase in cash and cash equivalents	9,808	4,865
Foreign exchange effect on cash and cash equivalents	736	(1,634)
Cash and cash equivalents, beginning of year	19,271	16,040
Cash and cash equivalents, end of year	\$ 29,815	\$ 19,271

*Supplementary cash flow information - Note 21**The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.*

KITS EYECARE LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2025 and 2024

(in thousands of Canadian Dollars, except share and per share data)

1. Nature of operations

Kits Eyecare Ltd. (the "Company" or "KITS") is a vertically integrated, digitally native eyecare platform, with sales primarily in the United States and Canada. The Company was incorporated under the Business Corporations Act (British Columbia) on October 19, 2018 with its registered headquarters located at 1020 - 510 Seymour Street, Vancouver, BC, V6B 3J5.

The Company is listed on the Toronto Stock Exchange (the "TSX") under the symbol "KITS".

2. Basis of preparation and statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee, effective for the Company's reporting for the year ended December 31, 2025.

The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention except for financial instruments and share-based payments that are measured at fair value at initial recognition. There are no IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's consolidated financial statements.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Kits.com Technologies Inc. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany transactions, balances, and unrealized gains or losses have been eliminated.

These consolidated financial statements are prepared and presented in Canadian dollars, which is the functional currency of the Company.

These annual consolidated financial statements were approved by and authorized for issuance by the Company's Board of Directors on **March 3, 2026**.

3. Material accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, except for a new policy adopted during the year as disclosed in Note 3 (n). There were no new accounting standards adopted as disclosed in Note 5.

(a) Foreign currency translation

Revenues, expenses, and non-monetary assets and liabilities denominated in foreign currencies are recorded at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the reporting period end. Unrealized and realized translation gains and losses are reflected in the consolidated statements of income.

The assets and liabilities of the Company's wholly owned subsidiary, including goodwill and fair value adjustment arising on acquisition, whose functional currency is U.S. dollar, are translated into Canadian dollars at the exchange rates in effect at the reporting period end. Revenues and expenses are translated at average exchange rates for the period. Differences arising from the exchange rate changes are included in other comprehensive income in the cumulative translation account.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a subsidiary, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative translation account and reclassified from equity to the consolidated statements of income upon disposal of the net investment.

(b) Revenue recognition

The Company's primary source of revenue is derived from selling eyecare products online.

The Company recognizes revenue when control of the goods is transferred to the customer, which generally occurs upon delivery, to the customer. When the Company receives payment before performance obligations are satisfied, these payments are initially recorded as a contract liability under deferred revenue and recognized as revenue in the period when goods are delivered, and the control is transferred to the customer.

Revenue represents cash received from customers, net of sales taxes, rebates, and discounts and is presented net of an allowance for estimated returns, which is based on historical experience. Shipping fees billed to customers are recorded as revenue, and shipping costs incurred to deliver the goods to the customer from the Company's warehouse are recognized within fulfillment expenses in the same period the related revenue is recognized.

(c) Expenses

The Company classified its operating expenses as:

Cost of goods sold consists of the cost of third-party brand and KITS brand products sold to customers, inventory freight, inventory shrinkage costs, and inventory valuation adjustments, offset by reductions for promotions and percentage or volume rebates offered by the Company's vendors.

Fulfillment costs primarily consist of those costs incurred in operating and staffing the Company's fulfillment, optical lab, and customer service centers, third party fulfillment and shipping costs, and payment processing costs.

Marketing costs include advertising and payroll and related expenses for personnel engaged in marketing and selling activities.

General and administrative expenses consist of payroll and related expenses for employees involved in general corporate functions, costs associated with use by these functions of facilities and equipment, professional fees, and other general corporate costs.

(d) Earnings per share

Basic earnings per share represents the income for the period, divided by the weighted average number of common shares outstanding during the period.

Diluted earnings per share represents the income for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options where the inclusion of these would not be anti-dilutive.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

(f) Accounts and other receivables

Accounts receivable consist of credit card receivables and rebates receivable from inventory vendors and are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less expected credit loss. Any allowance for expected credit loss is recorded against accounts receivable and the Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all accounts and other receivables as these items do not have a significant financing component.

(g) Inventory

Inventory consists of optical products held for sale and are stated at the lower of cost and net realizable value. Included in the cost of inventories are costs of purchase net of vendor allowances, plus other costs, such as transportation and duties, that are directly incurred to bring inventories to their present location and condition. Cost is determined using the weighted average cost method, based on individual products. Net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to make the sale. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in realizable value, the amount of the write-down previously recorded is reversed.

(h) Property and equipment

Property and equipment are recorded at cost, less accumulated depreciation. Cost includes all costs required to bring the item into its intended use. Depreciation methods and useful lives are reviewed annually and are adjusted prospectively, if appropriate.

Depreciation is determined at the following annual rates:

Office, computer equipment and equipment	20% to 30% declining-balance
Furniture and fixtures	20% declining-balance
Store and warehouse leasehold improvements	Straight-line over the life of lease

(i) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and whether the Company has the right to direct the use of the asset.

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component relative to each component's stand-alone value. For the leases of property, the Company has elected to separate non-lease components and account for the lease and non-lease components separately.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the date the leased asset is available for use to the end of the lease term or useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the net present value of the lease payments discounted by either the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to the consolidated statements of income on a straight-line basis over the lease term.

(j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets with finite lives are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with a finite life are amortized on a straight-line basis over their estimated useful economic lives as follows:

Domain names	Indefinite life
Software	4 years
Customer relationships	5 years

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income.

The domain names are considered to have an indefinite life based on a history of revenue and cash flow performance, and the intent and ability of the Company to continue the use of the domain names for the foreseeable future. The domain names are tested at least annually for impairment, at the cash generating unit (“CGU”) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

(k) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, at the date of the business acquisition, to the Company's reporting units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized and is tested at least annually for impairment or whenever changes in circumstances indicate that the carrying amount of the reporting unit to which goodwill is assigned may exceed the recoverable amount of the reporting unit. When the carrying amount of a reporting unit, including goodwill, exceeds its recoverable amount, an impairment loss is charged to goodwill in an amount equal to the excess of the goodwill balance. An impairment loss is not subsequently reversed.

(l) Impairment of long-lived assets

The carrying amount of the Company's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses are recognized in the consolidated statements of income.

The recoverable amount of an asset is the greater of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independently of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(m) Income taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination; at the time of the transaction, affects neither accounting nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries, associates, and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising upon the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

(n) Share-based compensation and other share-based payments

Equity-settled transactions

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment. The fair value of options is determined using the Black–Scholes option pricing model. The number of shares and options expected to vest are reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Upon the settlement of equity settled awards, the balance of the contributed surplus related to those rights and awards is transferred to share capital.

Cash-settled Share-based Payments (cash-settled LTIP)

A liability is recognized for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognized in wages, salaries and benefits. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value of the cash-settled LTIP is estimated using a Monte Carlo simulation to account for path-dependent market performance conditions and includes inputs relating to the Company's expected volatility and risk-free rate.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Loans

Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Loans are derecognized from the consolidated statements of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Revolving Credit Facilities

For revolving credit facilities, where the Company has the right to borrow and repay funds numerous times over the life of the facility, transaction costs are not associated with a specific financial liability. These costs, which include setup fees, legal fees, and mandatory prerequisites such as initial inventory appraisals and financial audit fees, are capitalized as deferred financing costs within prepaid assets (current) and other non-current assets on the statement of financial position. These costs are amortized on a straight-line basis over the term of the facility and recognized as finance costs in the consolidated statements of income.

(q) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company determines the classification of financial instruments at initial recognition.

The classification of financial assets is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Financial assets that do not meet the criteria for amortized cost or FVTOCI, such as the Company's investment in Bitcoin exchange-traded funds ("ETFs"), are measured at FVTPL.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

- Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

- Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of income as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and consolidated statements of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI is reclassified from equity to consolidated statements of income as a reclassification adjustment.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of income.

4. Critical accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances.

Management continually evaluates the estimates and judgments used in the preparation of the consolidated financial statements. 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 believes will materially affect the methodology or assumptions utilized in making these estimates and judgments.

The following are the accounting policies subject to judgments and key sources of management's estimates that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements for the current year.

Inventories

Key Sources of Estimation: Inventories are carried at the lower of cost and net realizable value. In estimating net realizable value, the Company uses estimates related to fluctuations in inventory levels, planned production, customer behaviour, obsolescence, future selling prices, and costs necessary to sell the inventory.

Revenue

Key Sources of Estimation: Revenue is recognized when the goods are delivered and have been accepted by customers. The critical assumptions and estimates used in determining the total revenue to be recognized for each reporting period are based on an estimated couriers' average transit time it takes for the customer to accept the goods.

Leases

Judgments Made in Relation to Accounting Policies Applied: The Company exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease-by-lease basis. The Company considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option at inception and over the term of the lease, including investments in major leaseholds, operating performance, and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if the Company is reasonably certain to exercise that option. Changes in the economic environment or changes in the retail industry may impact the assessment of the lease term and any changes in the estimate of lease terms may have a material impact on the Company's consolidated statements of financial position.

Key Sources of Estimation: The critical assumptions and estimates used in determining the present value of future lease payments require the Company to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term, and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

Impairment of non-financial assets (goodwill, intangible assets, property and equipment, and right-of-use assets)

Judgments Made in Relation to Accounting Policies Applied: Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing non-financial assets for impairment. The Company has concluded that it has only 1 CGU and tests goodwill and these intangible assets for impairment on that basis.

Key Sources of Estimation: In determining the recoverable amount of the CGU, various estimates are employed. The Company determines value-in-use by using estimates including projected future revenues, margins, costs, and capital investment consistent with strategic plans presented to the Board of Directors and key management. Discount rates are consistent with external industry information reflecting the risk associated with the Company and its cash flows.

Share-based payments

Key Sources of Estimation: Compensation expense for equity-settled awards is measured at the fair value at the grant date using the Black-Scholes option pricing model. The critical assumptions used under the option valuation model at the grant date are forfeiture rate, expected time to exercise in years, expected dividend yield, and volatility. Compensation expense for cash-settled awards is recognized as a liability based on the fair value of the services received to date. The fair value is estimated at each reporting date using a Monte Carlo

simulation to incorporate market-based performance conditions. The critical assumptions used under the Monte Carlo simulation include share price volatility, risk-free interest rates, and the probability of achieving performance targets.

Income and other taxes

Key Sources of Estimation: In determining the recoverable amount of deferred tax assets, the Company forecasts future taxable income by legal entity and the period in which the income occurs to ensure that sufficient taxable income exists to utilize the attributes. Inputs to those projections are management's financial forecasts and statutory tax rates.

5. Change in accounting policies

The Company has applied certain amendments, which are effective for annual periods beginning on or after January 1, 2025. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments had no impact on the Company's consolidated financial statements.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments

In May 2024, the IASB issued narrow-scope amendments to IFRS 9 Financial Instruments and the related disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The amendments clarify application guidance to address diversity in practice and enhance transparency without fundamentally changing the classification and measurement requirements of IFRS 9. The amendments clarify the timing of recognition and derecognition of financial assets and financial liabilities and introduce an option that permits an entity to derecognise certain financial liabilities settled through an electronic payment system before the settlement date when specified criteria are met. The amendments also provide enhanced guidance on assessing whether financial assets meet the criteria to be measured at amortized cost or at fair value through other comprehensive income rather than at fair value through profit or loss. In addition, the amendments to IFRS 7 introduce expanded disclosure requirements relating to equity instruments designated at fair value through other comprehensive income and require additional disclosures about contractual terms that could change the timing or amount of contractual cash flows for financial assets measured at amortized cost or at fair value through other comprehensive income and for financial liabilities measured at amortized cost. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted, and the amendments are required to be applied retrospectively with any transition adjustments recognized in opening retained earnings at the date of initial application. The amendments are not expected to have a material impact on the Company's consolidated financial statements.

Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows. The amendments

will be effective for reporting periods beginning on or after January 1, 2026. Earlier application is permitted and must be disclosed. The amendments are not expected to have a material impact on the Company's consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after January 1, 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Company is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are not yet effective and that would be expected to have a material impact on the Company.

6. Segment information and deferred revenue

The operating segment is reported in a manner consistent with the internal reporting provided to the key management team that comprises the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). The key management team fulfills the role of the chief operating decision-maker. The key management team is responsible for allocating resources and assessing the performance of the Company's operating segments. The Company manages its business under a single reportable operating segment, being the sale of eyecare products to consumers.

Geographic information

The Company determines the geographic location of revenue based on the location of its customers. In 2025, the US/CDN exchange rate appreciated by 2.0% (2024: appreciated by 1.5%).

	<u>2025</u>	<u>2024</u>
United States	\$ 132,900	\$ 108,938
Canada and other	69,558	50,400
Total	<u>\$ 202,458</u>	<u>\$ 159,338</u>

All of the Company's non-current assets are located in Canada.

Deferred revenue

Deferred revenue consists of unfulfilled orders of \$5,729 (2024: \$5,422) and allowance of estimated returns of \$1,616 (2024: \$1,409).

Revenue by product

	2025	2024
Contact Lenses	\$ 172,794	\$ 137,545
Glasses	29,664	21,793
Total	<u>\$ 202,458</u>	<u>\$ 159,338</u>

7. Expenses

Fulfillment

Fulfillment costs primarily consist of those costs incurred in operating and staffing the Company's fulfillment, optical lab, and customer service centers, third party fulfillment costs, and payment processing costs. During the year ended December 31, 2025, the Company incurred \$10,179 (2024: \$7,759) of shipping expenses, \$5,250 (2024: \$4,916) of wages, salaries and benefits, payment processing fees of \$4,803 (2024: \$3,876) and other expenses of \$978 (2024: \$1,082).

Marketing

Marketing costs include advertising and payroll and related expenses for personnel engaged in marketing and selling activities. During the year ended December 31, 2025, marketing expense comprises of \$27,402 (2024: \$19,548) of advertising and promotion, \$2,438 (2024: \$2,111) of wages, salaries and benefits, \$138 of KITS storefront costs (2024: \$103) and \$4 (2024: \$(4)) of share-based payments (recovery).

General and administrative

General and administrative expenses consist of payroll and related expenses for employees involved in general corporate functions, costs associated with use by these functions of facilities and equipment, professional fees, technology expenses, and other general corporate costs. During the year ended December 31, 2025, general and administrative expenses consist of wages, salaries and benefits of \$6,768 (2024: \$5,401), rental expenses of \$438 (2024: \$342), share-based payment of \$1,016 (2024: \$957), technology expense of \$1,494 (2024: \$1,245), professional and corporate regulatory fees of \$921 (2024: \$1,114) and other expense of \$1,186 (2024: \$1,271).

8. Income taxes

Income tax expense

For the year ended December 31, 2025, the Company recorded an income tax expense of \$1,937 (2024: \$1,335) which is comprised of current income tax expense of \$11 (2024: \$3) and a deferred tax expense of \$1,926 (2024: \$1,332). Included in the current income tax expense is a current tax expense of prior periods of \$19 (2024: \$27).

Reconciliation of effective tax rate

	2025	2024
Net income before income taxes	\$ 5,047	\$ 4,451
Combined Canadian statutory income tax rate	27%	27%
Income tax expense computed at statutory income tax rate	1,363	1,202
Tax effect of:		
Non-deductible expenses	269	301
Change in estimates	-	55
Non-taxable portion of capital loss (gain)	286	(250)
Adjustments for current tax of prior periods	19	27
Income tax expense	<u>\$ 1,937</u>	<u>\$ 1,335</u>

Deferred income tax assets and liabilities

Deferred tax asset on the consolidated statements of financial position is \$2,653 (2024: \$4,757). The following temporary differences and tax losses give rise to deferred income tax assets and liabilities as at:

	<u>2025</u>	<u>2024</u>
Property and equipment	\$ (644)	\$ (791)
Right of use assets	(1,422)	(1,603)
Right of use liabilities	1,282	1,254
Promissory note	-	(4)
Investments	153	-
Intangible assets	(83)	(84)
Foreign exchange	(246)	(393)
Provision for sales refunds	436	380
Non-capital loss and other tax deductions	3,177	5,998
Net deferred income tax asset	<u>\$ 2,653</u>	<u>\$ 4,757</u>

The change for the year in the Company's net deferred tax position was as follows:

	<u>2025</u>	<u>2024</u>
Opening deferred income tax asset	\$ 4,757	\$ 5,683
Deferred tax expense	(1,926)	(1,332)
Deferred tax charged against equity	(178)	406
Ending deferred income tax asset	<u>\$ 2,653</u>	<u>\$ 4,757</u>

The Company intends to indefinitely reinvest the undistributed earnings of its subsidiary; accordingly, the Company has not recognized tax on these earnings.

9. Accounts and other receivables

Accounts receivable consists of credit card receivables and rebates from suppliers of \$2,217 (2024: \$2,198) and GST receivable of \$138 (2024: \$299).

10. Inventory

As at December 31, 2025, the inventory mainly comprised of \$15,491 (2024: \$15,540) of contact lenses, \$6,483 (2024: \$5,315) of frames, prescription lenses of \$1,222 (2024: \$1,196) and other miscellaneous inventory of \$474 (2024: \$436). For the year ended December 31, 2025, the total amount of inventory recognized as a cost of sales was \$121,726 (2024: \$98,679) and no provision of inventory obsolescence was recognized (2024: \$nil).

11. Property and equipment

	Office computer equipment	Equipment	Furniture and fixtures	Warehouse Improvements	Store leasehold improvements	Total
Year ended December 31, 2025						
Opening net book value	\$ 168	\$ 3,840	\$ 49	\$ 262	\$ 159	\$ 4,478
Additions	48	11	9	143	5	216
Disposals	-	(56)	-	-	-	(56)
Depreciation	(55)	(1,120)	(11)	(46)	(159)	(1,391)
Exchange differences	(8)	(160)	(2)	(14)	(5)	(189)
Net Book value at December 31, 2025	\$ 153	\$ 2,515	\$ 45	\$ 345	\$ -	\$ 3,058
At December 31, 2025						
Cost	\$ 435	\$ 6,702	\$ 131	\$ 434	\$ 906	\$ 8,608
Accumulated depreciation	(282)	(4,187)	(86)	(89)	(906)	(5,550)
Net book value	\$ 153	\$ 2,515	\$ 45	\$ 345	\$ -	\$ 3,058
Year ended December 31, 2024						
Opening net book value	\$ 145	\$ 1,711	\$ 35	\$ 146	\$ 366	\$ 2,403
Additions	62	2,967	19	121	-	3,169
Depreciation	(52)	(1,083)	(9)	(21)	(229)	(1,394)
Exchange differences	13	245	4	16	22	300
Net Book value at December 31, 2024	\$ 168	\$ 3,840	\$ 49	\$ 262	\$ 159	\$ 4,478
At December 31, 2024						
Cost	\$ 407	\$ 7,167	\$ 128	\$ 308	\$ 946	\$ 8,956
Accumulated depreciation	(239)	(3,327)	(79)	(46)	(787)	(4,478)
Net book value	\$ 168	\$ 3,840	\$ 49	\$ 262	\$ 159	\$ 4,478

For the year ended December 31, 2025, \$1,056 (2024: \$1,002) of depreciation was categorized as cost of goods sold.

12. Leases

The Company leases equipment, a warehouse, store buildings, and an office. During the year ended December 31, 2025:

- (1) the Company entered into a new lease agreement for a store building in Toronto, Ontario. The new lease commenced on December 12, 2025, with rent payments escalating over a 60-month term; and
- (2) the Company exercised a renewal option for its store location in Vancouver, resulting in a five-year extension of the lease term. This event was accounted for as a lease re-measurement, resulting in an increase of \$431 to both Right-of-use assets and Lease liabilities.

(a) Right-of-use assets

	<u>Equipment</u>	<u>Warehouse building</u>	<u>Store buildings</u>	<u>Office</u>	<u>Total</u>
Year ended December 31, 2025					
Opening net book value	\$ 1,634	\$ 4,209	\$ 96	\$ 442	\$ 6,381
Additions	-	-	510	-	510
Lease modification	-	-	431	-	431
Depreciation	(266)	(476)	(100)	(147)	(989)
Exchange differences	(72)	(192)	(7)	-	(271)
Net Book value at December 31, 2025	<u>\$ 1,296</u>	<u>\$ 3,541</u>	<u>\$ 930</u>	<u>\$ 295</u>	<u>\$ 6,062</u>

At December 31, 2025					
Cost	\$ 2,582	\$ 5,643	\$ 1,394	\$ 479	\$ 10,098
Accumulated depreciation	(1,286)	(2,102)	(464)	(184)	(4,036)
Net book value	<u>\$ 1,296</u>	<u>\$ 3,541</u>	<u>\$ 930</u>	<u>\$ 295</u>	<u>\$ 6,062</u>

	<u>Equipment</u>	<u>Warehouse building</u>	<u>Store buildings</u>	<u>Office</u>	<u>Total</u>
Year ended December 31, 2024					
Opening net book value	\$ 1,753	\$ 4,319	\$ 177	\$ -	\$ 6,249
Additions	-	-	-	797	797
Extinguishment of lease	-	-	-	(263)	(263)
Depreciation	(261)	(467)	(92)	(92)	(912)
Exchange differences	142	357	11	-	510
Net Book value at December 31, 2024	<u>\$ 1,634</u>	<u>\$ 4,209</u>	<u>\$ 96</u>	<u>\$ 442</u>	<u>\$ 6,381</u>

At December 31, 2024					
Cost	\$ 2,711	\$ 5,925	\$ 481	\$ 479	\$ 9,596
Accumulated depreciation	(1,077)	(1,716)	(385)	(37)	(3,215)
Net book value	<u>\$ 1,634</u>	<u>\$ 4,209</u>	<u>\$ 96</u>	<u>\$ 442</u>	<u>\$ 6,381</u>

For the year ended December 31, 2025, \$499 (2024: \$489) of depreciation was categorized as cost of goods sold.

(b) Lease liabilities

The following table presents the changes in the Company's lease liabilities:

	<u>Equipment</u>	<u>Warehouse building</u>	<u>Store buildings</u>	<u>Office</u>	<u>Total</u>
Year ended December 31, 2025					
Opening balance	\$ 615	\$ 4,286	\$ 83	\$ 459	\$ 5,443
Commencement of new leases	-	-	941	-	941
Payments	(334)	(652)	(103)	(165)	(1,254)
Interest expense (note 15 (c))	32	314	22	45	413
Exchange differences	24	202	7	-	233
Impact of translation	(24)	(201)	(8)	1	(232)
As at December 31, 2025	<u>\$ 313</u>	<u>\$ 3,949</u>	<u>\$ 942</u>	<u>\$ 340</u>	<u>\$ 5,544</u>
At December 31, 2025					
Current	\$ 199	\$ 380	\$ 98	\$ 148	\$ 825
Non-current	114	3,569	844	192	4,719
Total lease liabilities	<u>\$ 313</u>	<u>\$ 3,949</u>	<u>\$ 942</u>	<u>\$ 340</u>	<u>\$ 5,544</u>

	Equipment	Warehouse building	Store buildings	Office	Total
Year ended December 31, 2024					
Opening balance	\$ 926	\$ 4,581	\$ 167	\$ -	\$ 5,674
Commencement of new leases	-	-	-	797	797
Extinguishment of lease	-	-	-	(270)	(270)
Payments	(366)	(634)	(95)	(94)	(1,189)
Interest expense (note 15 (c))	56	339	10	26	431
Exchange differences	63	369	10	-	442
Impact of translation	(64)	(369)	(9)	-	(442)
As at December 31, 2024	<u>\$ 615</u>	<u>\$ 4,286</u>	<u>\$ 83</u>	<u>\$ 459</u>	<u>\$ 5,443</u>
At December 31, 2024					
Current	\$ 302	\$ 337	\$ 83	\$ 119	\$ 841
Non-current	313	3,949	-	340	4,602
Total lease liabilities	<u>\$ 615</u>	<u>\$ 4,286</u>	<u>\$ 83</u>	<u>\$ 459</u>	<u>\$ 5,443</u>

For leases that do not use the implicit interest rate, the Company's incremental borrowing rate applied to these lease liabilities recognized in the consolidated statements of financial position was 8-12% (2024: 8-12%).

Short-term leases are not included in the calculation of lease liabilities. For the year ended December 31, 2025, \$438 (2024: \$342) of short-term lease expenses were recognized in general and administrative expenses. The future undiscounted minimum lease commitments for the Company's leases for its premises and equipment, excluding other occupancy charges and variable lease payments, are as follows:

	2025	2024
Less than 1 year	\$ 1,242	\$ 1,236
Between 1 and 5 years	4,103	4,140
More than 5 years	1,789	1,789
Total undiscounted lease payments	<u>7,134</u>	<u>7,165</u>
Less imputed interest	<u>(1,590)</u>	<u>(1,722)</u>
Total	<u>\$ 5,544</u>	<u>\$ 5,443</u>

The Company reasonably expects to exercise a five-year lease extension option for the Company's warehouse building where the amount estimated is based on the lease payment in the year prior to extension.

Lease contracts related to leased premises contain extension options. The Company includes lease liabilities related to extension options when the Company has assessed that it is reasonably certain that these extension options will be exercised. The Company will reassess the likelihood of exercising the options if there is a significant event or change in circumstances. As at December 31, 2025, potential future cash outflows of \$2,059 (undiscounted) have not been included in the store building lease liability because it is not reasonably certain that the lease will be extended (2024: \$1,035).

13. Intangible assets and goodwill

	Goodwill	Domain names	Proprietary Software	Customer relationship	Total
Year ended December 31, 2025					
Opening net book value	\$ 41,188	\$ 1,145	\$ -	\$ -	\$ 42,333
Amortization	-	-	-	-	-
Exchange differences	(1,955)	(12)	-	-	(1,967)
Net Book value at December 31, 2025	<u>\$ 39,233</u>	<u>\$ 1,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,366</u>
At December 31, 2025					
Cost	\$ 39,233	\$ 1,133	\$ 1,662	\$ 6,834	\$ 48,862
Accumulated amortization	-	-	(1,662)	(6,834)	(8,496)
Net book value	<u>\$ 39,233</u>	<u>\$ 1,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,366</u>

	<u>Goodwill</u>	<u>Domain names</u>	<u>Proprietary Software</u>	<u>Customer relationship</u>	<u>Total</u>
Year ended December 31, 2024					
Opening net book value	\$ 37,859	\$ 1,124	\$ -	\$ 343	\$ 39,326
Amortization	-	-	-	(356)	(356)
Exchange differences	3,329	21	-	13	3,363
Net Book value at December 31, 2024	<u>\$ 41,188</u>	<u>\$ 1,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,333</u>
At December 31, 2024					
Cost	\$ 41,188	\$ 1,145	\$ 1,745	\$ 7,175	\$ 51,253
Accumulated amortization	-	-	(1,745)	(7,175)	(8,920)
Net book value	<u>\$ 41,188</u>	<u>\$ 1,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,333</u>

An annual impairment test of goodwill and indefinite life intangible assets was performed on December 31, 2025 and December 31, 2024, and did not result in any goodwill and intangible assets impairment losses.

The Company only has one CGU and the recoverable amount of the CGU was based on its value in use, calculated using discounted cash flows over five years with a terminal value generated from continuing use of the CGU. The calculation of the recoverable amount of the CGU was determined using discounted cash flow projections based on financial forecasts approved by management covering a five-year period (Level 3 of the fair value hierarchy), a mid-term cash flow growth rate of 8-10% (2024: 8-10%) and a terminal growth rate of 2.5% (2024: 2.5%). The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

The key assumptions and estimates used in determining the recoverable amount are related to revenue and EBITDA assumptions, which are based on the financial forecast and assumed growth rates, working capital assumptions and the pre-tax discount rate of 19.7% (2024: 17.5%) applied to the cash flow projections. The pre-tax discount rate is based on a risk-free rate, an equity risk premium, company-specific risk premium, a cost of debt based on comparable corporate bond yields and the capital structure of the Company.

Cash flows were projected based on expected operating results which are based on past performance and management's expectations of the Company's revenue and EBITDA growth for the next five years. The average EBITDA and revenue growth rates are based on management's planned marketing initiatives and investments to acquire new customers and retain existing customers which are anticipated to be funded from the proceeds from the Company's IPO in January 2021 and operating cash flows.

Reasonable changes in these key assumptions would not cause the carrying amount to exceed the estimated recoverable amount. A 1% increase in the pre-tax discount rate or a 10% decrease in EBITDA would not have resulted in impairment.

These assumptions are subjective judgments based on the Company's experience, knowledge of operations and knowledge of the economic environment in which it operates. If future cash flow projections, long-term growth rates or pre-tax discount rates are different to those used, it is possible that the outcome of future impairment tests could result in a different outcome with a CGU's goodwill and/or intangible assets being impaired.

14. Accounts payable and accrued liabilities

As at December 31, 2025, the Company has recorded accounts payable of \$22,216 (2024: \$21,831) and accrued liabilities and other payables of \$4,283 (2024: \$3,424).

15. Financial liabilities

Credit Facilities

	2025	2024
Opening balance	\$ 4,761	\$ 7,685
Interest expense on BDC loan and BMO ABL Facility (note 15 (d))	244	605
Gain on derecognition of BDC loan (note 15 (d))	(170)	-
Loss on change in estimates in loan payments (note 15 (d))	-	158
Repayments to BDC loan (note 15 (a))	(4,830)	-
Drawdown of BMO ABL Facility (note 15 (b))	10,000	-
Payments to BMO ABL Facility (note 15 (b))	(31)	-
Foreign exchange on BMO ABL Facility	14	-
Loan	\$ 9,988	\$ 4,761

(a) Loan – BDC Loan

The Company entered into a secured loan agreement (the "BDC Loan") for \$23.4 million with BDC Capital Inc. ("BDC") on March 26, 2019, with a repayment date of April 15, 2026 and a monthly contractual principal payment of \$250. Effective as of January 15, 2021, the BDC Loan bears interest at BDC's floating rate plus a variance of 4.45% per annum and is payable on a monthly basis. During the year ended December 31, 2022, the Company entered into a loan amendment with BDC providing for, among other things (i) adjusting the final payment to \$150 payable on the April 15, 2026 and (ii) amendments to various covenants. The BDC Loan was secured by a first ranking security interest in all present and after acquired personal property and all present and future intellectual property of the Company. The Company was subject to various covenants under the BDC Loan, including requirements to maintain certain financial ratios.

During the year ended December 31, 2025, the Company recognized \$239 (2024: \$605) of interest expense. Interest expense is calculated by applying the effective interest rate of 10.00% (2024: 11.00%).

During the year ended December 31, 2025, the Company elected to repay the loan in full. This early repayment was executed without any penalties or fees. As a result of the early repayment, the Company recognized a gain of \$170 representing the difference between the carrying amount of the financial liability and cash consideration paid.

In 2024, the Company recognized a loss of \$158 resulting from a change in estimated future cash flows associated with the one-time payment due at maturity.

(b) Loan – BMO ABL Facility

On November 24, 2025, the Company entered into a revolving asset-based lending facility with the Bank of Montreal (the "BMO ABL Facility"). The BMO ABL Facility provides a maximum borrowing capacity of the lesser of \$15.0 million or a borrowing base determined by eligible accounts receivable and inventory. The agreement includes an uncommitted accordion feature allowing for a potential increase of up to \$5.0 million, subject to lender approval. The BMO ABL Facility matures on November 24, 2028 and bears interest at variable rates based on, at the Company's option, CAD Prime, US Base Rate, Adjusted Term CORRA, or Adjusted Term SOFR, plus an applicable margin. As at December 31, 2025, the Company's borrowings bore interest at the CAD Prime rate plus 0.75% at 5.2%.

The facility is secured by a first-priority lien on substantially all present and future personal property of the Company. The Company has various covenants under the BMO ABL Facility, including requirements to maintain certain financial ratios. The BMO ABL Facility is in good standing as of the date hereof.

As at December 31, 2025, the outstanding balance under the facility was \$9,988 (2024: \$nil), reflecting the net impact of drawdowns and subsequent repayments, and the Company recognized \$5 (2024:\$nil) of interest expense.

Transaction costs associated with the BMO ABL Facility were capitalized and are being amortized on a straight-line basis over the 36-month term of the agreement. The current portion of these costs is included within Prepaid expenses, deposits and other assets, while the non-current portion is recorded as Deferred financing costs. During the year ended December 31, 2025, \$7 (2024: \$nil) of these costs were amortized and included within finance costs.

Subsequent to year-end, in January 2026, the Company repaid the remaining outstanding balance in full (Note 24).

(c) Promissory note

On January 18, 2021, the Company issued a promissory note of \$2,412. The note bears no interest and matures on the earlier of January 31, 2026 or the date after the Company's current loan from BDC Capital has been repaid in full (the "Maturity Date").

During the year ended December 31, 2025, \$2,122 was paid to the promissory note holders (2024: \$nil). As at December 31, 2025, the carrying value of the promissory note was \$290 (2024: \$2,396).

The promissory note is measured at amortized cost using the effective interest method with a discount rate of 8.00%. During the year ended December 31, 2025, the Company recognized accretion expense of \$16 (2024: \$163) and a loss of \$nil (2024: \$198) as a result of a change in the expected timing of repayment of the promissory note in finance costs. Accretion expense is calculated by applying the effective interest rate of 8.00%.

(d) Finance costs

	<u>2025</u>	<u>2024</u>
Interest income net of bank charges	\$ (210)	\$ (580)
Loss on investments (note 16 (a))	1,132	-
Interest expense on loan (note 15 (a), 15(b))	244	605
Amortization of prepaid financing charges	7	-
Gain on derecognition of BDC loan (note 15 (a))	(170)	-
Loss on change in estimates in loan payments (note 15 (a))	-	158
Loss on change in estimates in promissory note (note 15 (c))	-	198
Accretion expense on promissory note (note 15 (c))	16	163
Interest expense on lease liability (note 12 (b))	413	431
Total finance costs	<u>\$ 1,432</u>	<u>\$ 975</u>

16. Financial instruments and fair values

(a) Investments

Investments comprise of a Bitcoin exchange-traded fund measured at fair value through profit or loss ("FVTPL"). This is held primarily for capital appreciation.

During the year ended December 31, 2025, the Company recognized a fair value loss of \$1,132 (2024: \$nil) in respect of these investments within finance costs (Note 15(d)). As at December 31, 2025, the fair value of these investments was determined based on unadjusted quoted prices in active markets.

The following table shows the carrying amount and the fair values of investments, including their levels in the fair value hierarchy (2024: nil):

December 31, 2025	Carrying value	Fair value measurement Level 1	Fair value measurement Level 2
Financial assets			
Investments	\$ 3,859	\$ 3,859	\$ -
Total	<u>\$ 3,859</u>	<u>\$ 3,859</u>	<u>\$ -</u>

(b) Fair values

The Company characterizes fair value measurements using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1: fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these financial instruments. These financial instruments are classified as financial assets and liabilities at amortized cost.

There are no financial liabilities that are measured at fair value. The following table shows the carrying amount and the fair values of financial liabilities, including their levels in the fair value hierarchy.

December 31, 2025	Carrying value	Fair value measurement Level 2	Fair value measurement Level 3
Financial liabilities			
Loan (note 15 (b))	\$ 9,988	\$ 9,988	\$ -
Promissory note	290	290	-
Total	<u>\$ 10,278</u>	<u>\$ 10,278</u>	<u>\$ -</u>

December 31, 2024	Carrying value	Fair value measurement Level 2	Fair value measurement Level 3
Financial liabilities			
Loan (note 15 (a))	\$ 4,761	\$ 4,677	\$ -
Promissory note	2,396	2,412	-
Total	<u>\$ 7,157</u>	<u>\$ 7,089</u>	<u>\$ -</u>

During the year ended December 31, 2025 and 2024 there have been no transfers of amounts between Level 1, Level 2, and Level 3 of the fair value hierarchy.

The classification of the financial instruments as well as their carrying values as at December 31, 2025 and 2024 is shown in the table below.

	Amortized cost (Financial asset)	FVTPL (Financial asset)	Amortized cost (Financial liabilities)	Total
December 31, 2025				
Financial assets				
Cash and cash equivalents	\$ 29,815	\$ -	\$ -	\$ 29,815
Accounts and other receivables	2,217	-	-	2,217
Investments	-	3,859	-	3,859
Total financial assets	<u>\$ 32,032</u>	<u>\$ 3,859</u>	<u>\$ -</u>	<u>\$ 35,891</u>
Financial liabilities				
Account payable and accrued liabilities	\$ -	\$ -	\$ 26,499	\$ 26,499
Loan	-	-	9,988	9,988
Promissory note	-	-	290	290
Total financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,777</u>	<u>\$ 36,777</u>
	Amortized cost (Financial asset)	FVTPL (Financial asset)	Amortized cost (Financial liabilities)	Total
December 31, 2024				
Financial assets				
Cash and cash equivalents	\$ 19,271	\$ -	\$ -	\$ 19,271
Accounts and other receivables	2,198	-	-	2,198
Total financial assets	<u>\$ 21,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,469</u>
Financial liabilities				
Account payable and accrued liabilities	\$ -	\$ -	\$ 25,255	\$ 25,255
Loan	-	-	4,761	4,761
Promissory note	-	-	2,396	2,396
Total financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,412</u>	<u>\$ 32,412</u>

17. Financial risk management objectives and policies

The Company's primary risk management objective is to protect the Company's assets and cash flow, in order to increase the Company's enterprise value. The Company is exposed to capital management risk, market risk, credit risk, and liquidity risk. The Company's senior management and Board of Directors oversee the management of these risks. The Board of Directors reviews and approves policies for managing each of these risks which are summarized below.

(a) Capital management

The Company manages its capital, which consists of equity and long-term debt, with the objectives of safeguarding sufficient net working capital over the annual operating cycle and providing sufficient financial resources to grow operations to meet long-term consumer demand. The Company prepares and updates its annual operational results based on the Company's short- and long-term objectives and monitors actual operating results compared to the forecast to ensure that there is sufficient capital on hand to grow its operations. The Board of Directors of the Company monitors the Company's capital management on a regular basis. The Company will continually assess the adequacy of the Company's capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and risk characteristics of the business.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise interest rate risk, foreign currency risk and other price risk.

Interest rate risk

The Company is exposed to changes in interest rates on its cash and cash equivalents and loans. The Company's debt under the BMO ABL Facility is subject to a variable interest rate based on the prime rate plus a margin.

As at December 31, 2025, the Company's exposure to interest rate risk is not significant as the borrowing during the year was short-term in nature. Management has determined that a 1% change in the prime rate would not have a material impact on the Company's consolidated statements of income.

In 2024, the Company's debt consisted of a loan with a variable interest rate based on the BDC's floating base rate plus a margin. As at December 31, 2024, the principal amount outstanding under this loan was \$3.9 million, bearing interest at 11.00%. A 1% increase in the rate would have increased annual interest payable by \$50 and finance costs by \$18.

Currency risk

The Company's and its subsidiary's functional currencies are the Canadian Dollar ("CAD") and the United States Dollar ("USD") respectively. The Company is exposed to fluctuations in the USD and the CAD relative to these functional currencies. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The Company is exposed to the following currency risk:

	December 31, 2025		December 31, 2024	
	USD	CAD	USD	CAD
Cash and cash equivalents	\$ -	\$ 14,210	\$ -	\$ 2,130
Accounts and other receivables	-	1,588	2	1,738
Accounts payable and accrued liabilities	-	(14,170)	-	(11,142)
Current Portion of Loan	-	(9,988)	-	-
Total	\$ -	\$ (8,360)	\$ 2	\$ (7,274)

A 10% strengthening in the Canadian dollar against the U.S. dollar on net monetary accounts would, with all other variables being constant, have an approximately unfavorable impact of \$760 (2024: \$661) on consolidated statements of income.

Price risk

The Company is exposed to price risk as the fair value of its investments is affected by changes in the market price of Bitcoin. As at December 31, 2025, the Company's exposure to price risk is \$3,859. A 30% increase or decrease in the market price of the Bitcoin exchange-traded funds, with all other variables held constant, would result in an increase or decrease of approximately \$1,158 (2024: \$nil) on consolidated statements of income.

(c) Credit risk

Credit risk refers to the possibility that the Company can suffer financial losses due to the failure of the Company's counterparties to meet their payment obligations. The Company is exposed to minimal credit risk. The Company does not extend credit to customers, but does have some receivables exposure with respect to payment processors transferring customer funds to the Company and to rebates receivable from the Company's vendors. The majority of accounts receivables are settled in under 30 days. In order to reduce this risk, the Company uses industry leading payment processors, including Braintree Payment Gateway, American Express, Shopify and PayPal. The Company deposits its cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. As such, exposure to customer credit risk is nominal (2024: nominal).

(d) Liquidity risk

Liquidity risk is the risk that we cannot meet a demand for cash or fund its obligations as they come due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of the Company's revenue, income, and working capital needs. The following table summarizes the amount of contractual undiscounted future cash flow requirements as at December 31, 2025 and 2024:

Contractual obligations	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities	\$ 26,499	\$ 26,499	\$ 26,499	\$ -	\$ -	\$ -
Loan - Principal amount	9,988	9,988	9,988	-	-	-
Loan - Interest	-	-	-	-	-	-
Promissory note	290	290	290	-	-	-
	<u>\$ 36,777</u>	<u>\$ 36,777</u>	<u>\$ 36,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2024						
Contractual obligations	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities	\$ 25,255	\$ 25,255	\$ 25,255	\$ -	\$ -	\$ -
Loan - Principal amount	4,761	4,800	3,000	1,800	-	-
Loan - Interest	-	296	277	19	-	-
Promissory note	2,396	2,412	2,412	-	-	-
	<u>\$ 32,412</u>	<u>\$ 32,763</u>	<u>\$ 30,944</u>	<u>\$ 1,819</u>	<u>\$ -</u>	<u>\$ -</u>

18. Share capital

(a) Authorized

- Unlimited common shares, each entitled to 1 vote without par value.
- Unlimited preferred shares without par value.

(b) Issued and outstanding common shares

During the year ended December 31, 2025, 108,337 (2024: 130,787) vested RSRs were delivered to the Company's employees, officers and directors (note 19(b)) and 599,298 options (2024: 17,467) were exercised (note 19(a)).

During the year ended December 31, 2024, the Company repurchased and canceled 25,000 common shares as part of its share buyback program. The total consideration paid for the repurchased shares was \$213, which was recorded as a reduction in equity. There was no transactions during the year ended December 31, 2025.

19. Share-based compensation

(a) Stock options

In 2020, the Company adopted a stock option plan (the "Plan"), where options granted under the Company's previous option plan will be subject to the terms of the Plan. Under the Plan, the Plan is considered to be an "evergreen" plan and the maximum number of Common Shares reserved for issuance, in the aggregate, under the Stock Option Plan and all other security-based compensation arrangements will be 10% of the aggregate number of Common Shares issued and outstanding from time to time, and the number of Common Shares reserved for issuance pursuant to options granted to any one individual, within a one-year period, shall not

exceed 5% of the aggregate number of Common Shares issued and outstanding. Stock options have a maximum term of up to ten years and the vesting period for each grant is established by the Company's Board.

The following table summarizes information about the stock options granted under the Plan:

	Number	Weighted average exercise price
Balance: December 31, 2023	2,722,640	\$ 2.99
Exercised during the year	(17,467)	\$ 4.07
Forfeited during the year	(56,833)	\$ 7.46
Balance: December 31, 2024	2,648,340	\$ 2.89
Granted during the year	25,000	\$ 16.38
Exercised during the year	(599,298)	\$ 3.07
Forfeited during the year	(1,000)	\$ 2.48
Balance: December 31, 2025	2,073,042	\$ 3.00

During the year ended December 31, 2025, the Board approved an option grant by the Company of 25,000 options which expire seven years after initial grant date, subject to a vesting schedule and the terms of the Company's option plan. These options have an exercise price of \$16.38, a term of 7 years, and vest over 3 years. The Company applies an estimated forfeiture rate of 2.3% on these options and the exercise price is the closing price of the common shares on the date of the grant. The expected volatility was based on the Company's historical volatility.

The Black-Scholes option pricing model was used to estimate the fair value of the share options using the following assumptions on the grant date of the options:

<u>Issue date</u>	<u>Expected Option life (years)</u>	<u>Risk free interest rate</u>	<u>Dividend yield</u>	<u>Expected volatility</u>	<u>Weighted average fair value</u>	<u>Forfeiture rate</u>
July 10, 2025	5	2.86%	0%	51%	\$ 7.82	2.3%

There were no options granted during the year ended December 31, 2024.

The total share-based payment expense recorded during the year ended December 31, 2025 from the vesting of these options was \$91 (2024: \$141), of which \$89 (2024: \$133) was classified as general and administration expense, \$2 (2024: \$12) as fulfillment expenses and \$nil (2024: \$(4)) as marketing expenses (recovery) within the consolidated financial statements.

The following table summarizes information about the share options as at December 31, 2025 and 2024:

December 31, 2025					
<u>Exercise price per share of options outstanding</u>	<u>Number of options outstanding</u>	<u>Weighted average remaining life (years)</u>	<u>Weighted average exercise price options exercisable</u>	<u>Number of options exercisable</u>	<u>Expiry date</u>
\$ 2.61	1,619,200	0.75	\$ 2.61	1,619,200	September 30, 2026
\$ 5.22	19,327	1.58	\$ 5.22	19,327	July 29, 2027
\$ 6.52	39,100	1.58	\$ 6.52	39,100	July 29, 2027
\$ 7.77	50,630	2.36	\$ 7.77	50,630	May 11, 2028
\$ 2.79	1,100	2.86	\$ 2.79	1,100	November 7, 2028
\$ 2.60	310,088	3.25	\$ 2.60	310,088	March 29, 2029
\$ 2.48	8,597	3.86	\$ 2.48	8,597	November 7, 2029
\$ 16.38	25,000	6.53	\$ 16.38	-	July 9, 2032
	<u>2,073,042</u>	<u>1.27</u>	<u>\$ 3.00</u>	<u>2,048,042</u>	

December 31, 2024						
Exercise price per share of options outstanding	Number of options outstanding	Weighted average remaining life (years)	Weighted average exercise price options exercisable	Number of options exercisable	Expiry date	
\$ 2.61	1,963,400	1.75	\$ 2.61	1,963,400	September 30, 2026	
\$ 5.22	125,734	2.58	\$ 5.22	125,734	July 29, 2027	
\$ 6.52	39,560	2.58	\$ 6.52	39,560	July 29, 2027	
\$ 7.77	50,630	3.36	\$ 7.77	50,630	May 11, 2028	
\$ 2.79	1,100	3.86	\$ 2.79	1,100	November 7, 2028	
\$ 2.60	455,000	4.25	\$ 2.60	300,002	March 29, 2029	
\$ 2.48	12,916	4.86	\$ 2.48	8,584	November 7, 2029	
	<u>2,648,340</u>	<u>2.28</u>	\$ <u>2.89</u>	<u>2,489,010</u>		

(b) Restricted share rights ("RSR")

In 2020, the Company adopted an RSR plan ("RSRP"), which is a component of the Company's long term incentive program, whereby RSRs may be granted to employees, officers, directors, management employees and consultants of the Company as a discretionary payment in consideration of current performance and expected future performance. The purpose of the RSRP is to advance the interests of the Company through the motivation, attraction, and retention of key persons and to secure for the Company and the shareholders the benefits inherent with the retention of such persons. Each RSR entitles the holder to receive one fully paid Common Share without payment of additional consideration upon vesting of the RSR.

Pursuant to the terms of the RSRP, the aggregate maximum number of Common Shares reserved for issuance under the RSRP and all other security-based compensation arrangements shall be 10% of the aggregate number of Shares issued and outstanding from time to time, and the number of Common Shares reserved for issuance pursuant to RSRs granted to any one individual, within a one-year period, shall not exceed 5% of the aggregate number of Common Shares outstanding from time to time on a fully diluted basis. Each RSR entitles the holder to receive one fully paid Common Share without payment of additional consideration on the later of: (i) the end of a restricted period of time wherein a RSR cannot be exercised as determined by the Board (the "Restricted Period"); and (ii) a date determined by an eligible participant or Compensation Committee that is after the Restricted Period and before a participant's retirement date or termination date (a "Deferred Payment Date"). A participant's entitlement to receive the Common Shares may not, however, be deferred by a participant to a date which is later than December 31st of the third calendar year following the date of grant of the RSRs to the participant, or such later date as may be expressly permitted by the Company and applicable income tax laws. The weighted average grant date of the fair value of the RSRs below was determined with reference to the fair value of the underlying equity instruments at the grant date.

The following table summarizes information about the RSRs granted under the RSRP:

	Number	Weighted average grant date fair value
Balance: December 31, 2023	10,321	\$ 5.45
Granted for the year	126,455	\$ 6.83
Exercised during the year	(130,787)	\$ 6.60
Balance: December 31, 2024	5,989	\$ 9.39
Granted for the year	107,899	\$ 9.43
Exercised during the year	(108,337)	\$ 9.16
Balance: December 31, 2025	5,551	\$ 14.63

As at December 31, 2025, 3,654 RSRs (2024: 5,989) were vested and there were 1,897 unvested RSRs (2024: nil). Share-based payment expense recorded during the year ended December 31, 2025 from the vesting of these RSRs was \$927 (2024: \$824) was classified as general and administration expense, \$65 (2024: \$40) as fulfillment expense and \$4 (2024: \$ nil) as marketing expense within the consolidated statements of income.

(c) Long term incentive plan

In 2022, the Company adopted a long-term incentive plan ("LTIP") where interests in the plan may be granted to employees, officers, directors, management company employees and consultants of the Company for their contributions to the long-term performance of the Company. The purpose of the LTIP is to further align the interests of the Company with shareholders through the motivation, attraction, and retention of key persons and to secure for the Company and the shareholders the benefits inherent with the retention of such persons.

Pursuant to the terms of the LTIP, the LTIP performance periods will be three years in duration, beginning on the first day of the Company's fiscal year and ending on the last day of the third fiscal year thereafter, except for an initial implementation phase ("LTIP Performance Period"). The LTIP has two performance measures: Total Shareholder Return ("TSR"), defined as the average closing price per common share of the Company for the 60 trading days preceding the beginning of the LTIP Performance Period, adjusted for stock splits divided by the averaging closing price per common share of the Company for the 60 trading day period ending on the last day of the corresponding LTIP Performance Period and Realized Exit Value ("REV"), defined as total cash, stock, and/or other consideration, with any non-cash consideration valued as determined by the value ascribed to such consideration by the parties to such transaction received by a holder of common stock in connection with a change in control, calculated on a per share basis, ("REV"). At the beginning of each LTIP Performance Period the Board will establish cash awards to be delivered upon meeting the TSR or REV targets.

During the year ended December 31, 2025, the Company made its initial grants under the LTIP to key management and certain employees. No grants were outstanding or awarded prior to January 1, 2025. These awards entitle participants to a cash payment at the end of a three-year performance period (the "LTIP Performance Period"), provided certain market-based performance conditions are met.

As these awards are settled in cash, the Company recognizes a liability for the services received to date, measured at the fair value of the award at each reporting period. The cost is recognized as an expense over the vesting period.

For the year ended December 31, 2025, the Company recognized \$553 in wages, salaries, and benefits within general and administrative expenses, representing the portion of the fair value of the 2025 grants earned during the period. As at December 31, 2025, the total carrying amount of the cash-settled LTIP liability was \$553.

The fair value of the cash-settled LTIP is estimated at each reporting date using a Monte Carlo simulation. This model incorporates the probability of satisfying the TSR and REV targets. The following table lists the inputs used for the valuation as at December 31, 2025. Expected volatility was determined based on the historical volatility of the Company's share price over the period remaining until the end of the performance period.

<u>Share price at Reporting date</u>	<u>Expected Volatility</u>	<u>Risk-free interest rate</u>	<u>Expected Dividend Yield</u>	<u>Expected remaining life of award (years)</u>
\$ 18.33	50.13%	2.58%	0.00%	2

20. Related party transactions

The promissory note holders (Note 15(c)) include certain key management of the Company, and their families and related entities.

During the year ended December 31, 2025, the Company recorded \$225 (2024: \$225) of share-based compensation and \$124 (2024: \$124) of Board fees and advisory fees to the directors, of which \$31 (2024: \$31) is unpaid as at December 31, 2025.

Key management compensation

Key management consists of the Board and officers of the Company. As at December 31, 2025, the Company recorded a bonus payable of \$392 (2024: \$573) to key management. Key management compensation comprises of wages, short-term employee benefits and cash-settled LTIP expenses. For the year ended December 31, 2025, the Company paid \$2,108 (2024: \$2,504) of wages and short-term employee benefits and \$480 (2024: \$nil) of cash-settled LTIP expenses to key management and recorded \$661 (2024: \$659) of key management share-based compensation.

21. Supplemental cash flow

For the year ended December 31, 2025, the Company paid interest of \$213 (2024: \$688) and received interest of \$210 (2024: \$580). There were no non-cash investing and financing activities for the year ended December 31, 2025 and 2024.

22. Earnings per share

For the year ended December 31, 2025, the weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share includes the 1,893,610 share equivalents of the vested options. There is no change to the net income attributable to ordinary shareholders (diluted) for the year ended December 31, 2025.

For the year ended December 31, 2024, the weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share includes the 2,238,167 share equivalents of the vested options. There is no change to the net income attributable to ordinary shareholders (diluted) for the year ended December 31, 2024.

23. Contingencies

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. It does not believe that adverse decisions in any pending or threatened proceedings, or any amount it may be required to pay by reason thereof, will have a material adverse effect on the financial condition or future results of operations of the Company.

The Company has received notice of a potential claim from a former employee and consultant relating to their voluntary resignation and the subsequent termination of their consulting arrangements. No formal legal proceedings have been commenced. The Company believes the claim to be without merit and intends to vigorously defend its position should proceedings be initiated. Based on information currently available and consultation with external legal counsel, management does not believe the matter will have a material adverse effect on the Company's financial position, results of operations, or cash flows. No provision has been recorded in the consolidated financial statements as of December 31, 2025. The Company will continue to monitor developments and will update disclosure as appropriate.

24. Subsequent events

Subsequent to December 31, 2025, 1,716,140 stock options were exercised and converted into common shares at weighted average exercise price of \$2.64 per share.

On January 2, 2026, the Company repaid the principal and interest owing on BMO ABL Facility in full (Note 15(b)).