

KITS EYECARE LTD.

Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 2026 and March 31, 2025

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

(Unaudited)

KITS EYECARE LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME**

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

(Unaudited)

	Three months ended March 31,	
	2026	2025
Revenue (Note 3)	\$ 57,469	\$ 46,595
Cost of sales	33,945	29,481
Gross profit	<u>23,524</u>	<u>17,114</u>
Fulfillment	6,009	5,088
Marketing	10,857	6,294
General and administrative	3,279	2,942
Exchange (gain)/loss	(706)	87
Depreciation and amortization	183	225
Operating income	<u>3,902</u>	<u>2,478</u>
Finance costs - net	950	171
Income before income taxes	<u>2,952</u>	<u>2,307</u>
Income taxes (Note 12)	977	704
Net income for the period	<u>\$ 1,975</u>	<u>\$ 1,603</u>
Income per share (Note 13)		
Basic	<u>\$ 0.06</u>	<u>\$ 0.05</u>
Diluted	<u>\$ 0.06</u>	<u>\$ 0.05</u>
Weighted average number of shares outstanding (Note 13)		
Basic	33,686,674	31,858,190
Diluted	34,012,712	33,848,924

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

KITS EYECARE LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

(Unaudited)

	Three months ended March 31,	
	2026	2025
Net income for the period	\$ 1,975	\$ 1,603
Other comprehensive income for the period:		
Items that may be reclassified to profit or loss		
Currency translation differences	647	(26)
Total other comprehensive income for the period	<u>\$ 2,622</u>	<u>\$ 1,577</u>

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

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

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

(Unaudited)

	<u>March 31,</u> <u>2026</u>	<u>December 31,</u> <u>2025</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 18,958	\$ 29,815
Investments (Note 5(a))	3,025	3,859
Accounts and other receivables	5,315	2,355
Inventory (Note 6)	27,349	23,670
Tax receivable	-	8
Prepays, deposits and other assets	1,180	980
Total current assets	<u>55,827</u>	<u>60,687</u>
Deferred Financing Costs (Note 4(b))	117	134
Property and equipment (Note 7)	2,924	3,058
Right-of-use asset (Note 8)	5,882	6,062
Deferred tax asset (Note 12)	1,748	2,653
Intangible assets (Note 14)	1,137	1,133
Goodwill (Note 14)	39,900	39,233
Total assets	<u>\$ 107,535</u>	<u>\$ 112,960</u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 23,709	\$ 26,499
Tax payable	474	427
Deferred revenue (Note 3)	7,289	7,345
Loan (Note 4(a), (b))	-	9,988
Promissory note (Note 4(c))	290	290
Lease liability (Note 8)	850	825
Total current liabilities	<u>32,612</u>	<u>45,374</u>
Cash-settled LTIP Liability (Note 10(b))	517	553
Lease liability (Note 8)	4,493	4,719
Total liabilities	<u>37,622</u>	<u>50,646</u>
Shareholders' equity		
Share capital (Note 9)	86,964	81,772
Contributed surplus (Note 10)	2,231	2,446
Retained deficit	(19,713)	(21,688)
Accumulated other comprehensive income (loss)	431	(216)
Total shareholders' equity	<u>69,913</u>	<u>62,314</u>
Total liabilities and shareholders' equity	<u>\$ 107,535</u>	<u>\$ 112,960</u>

*Commitments – Note 15**Contingencies – Note 16**Subsequent event – Note 17**The accompanying notes to the condensed interim consolidated financial statements are an integral part of these condensed interim consolidated financial statements.*

KITS EYECARE LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(Unaudited)

	Share Capital		Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
	Common shares					
	Shares	Amount				
Balance as at December 31, 2024	31,563,035	\$ 78,157	\$ 3,132	\$ (24,798)	\$ 1,399	57,890
Share-based payments (Note 10)	-	-	269	-	-	269
RSR exercise (Note 9)	5,989	56	(56)	-	-	-
Shares issued due to options (Note 9)	437,891	1,461	(278)	-	-	1,183
Net income and comprehensive income (loss)	-	-	-	1,603	(26)	1,577
Balance as at March 31, 2025	32,006,915	\$ 79,674	\$ 3,067	\$ (23,195)	\$ 1,373	\$ 60,919
Balance as at December 31, 2025	32,270,670	\$ 81,772	\$ 2,446	\$ (21,688)	\$ (216)	62,314
Share-based payments (Note 10)	-	-	451	-	-	451
RSR exercise (Note 9)	3,654	56	(56)	-	-	-
Shares issued due to options (Note 9)	1,716,140	5,136	(610)	-	-	4,526
Net income and comprehensive income	-	-	-	1,975	647	2,622
Balance as at March 31, 2026	33,990,464	\$ 86,964	\$ 2,231	\$ (19,713)	\$ 431	\$ 69,913

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

KITS EYECARE LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

(Unaudited)

	Three months ended	
	ended March 31,	
	2026	2025
Operating activities		
Net Income	\$ 1,975	\$ 1,603
Items not affecting cash:		
Share-based payments (Note 10)	451	269
Depreciation of property and equipment and right-of-use assets (Note 7, 8)	484	623
Finance costs	959	215
Income taxes	977	704
Unrealized foreign exchange (gain) loss	(108)	6
Gain on fixed asset disposal	-	(16)
Tariff recovery receivable	(2,147)	-
Cash-settled LTIP recovery (Note 10(b))	(37)	-
Changes in non-cash operating working capital:		
Accounts and other receivables	(813)	610
Inventory	(3,679)	(1,695)
Prepays, deposits and other assets	(200)	(31)
Accounts payable and accrued liabilities	(2,790)	(1,112)
Deferred revenue	(56)	(702)
Cash provided by (used in) operating activities	<u>(4,984)</u>	<u>474</u>
Financing activities		
Repayment of lease obligation (Note 8)	(299)	(318)
Repayment of loan (Note 4(b))	(9,965)	(848)
Repayment of promissory note (Note 4(c))	-	(2,122)
Proceeds from exercise of stock options	4,526	1,183
Cash used in financing activities	<u>(5,738)</u>	<u>(2,105)</u>
Investing activities		
Purchase of property and equipment net of disposal proceeds (Note 7)	(36)	13
Cash provided by (used in) investing activities	<u>(36)</u>	<u>13</u>
Decrease in cash and cash equivalents	(10,758)	(1,618)
Foreign exchange effect on cash and cash equivalents	(99)	22
Cash and cash equivalents, beginning of period	29,815	19,271
Cash and cash equivalents, end of period	<u>\$ 18,958</u>	<u>\$ 17,675</u>

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

KITS EYECARE LTD.

Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited)

1. Nature of operations

Kits Eyecare Ltd. (the "Company" or "KITS") is 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

The Company prepares its annual consolidated financial statements in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (IAS 34).

These condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements for the year ended December 31, 2025, as some disclosures from the annual consolidated financial statements have been condensed or omitted. IFRS 18, Presentation and Disclosure in Financial Statements (IFRS 18), was issued in April 2024 and is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is currently evaluating the impact of IFRS 18 on the presentation of its consolidated financial statements. Other than IFRS 18, there are no IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's condensed interim consolidated financial statements.

On May 5, 2026, the board of directors of the Company (the "Board") authorized these condensed interim consolidated financial statements for issuance.

Critical accounting estimates and judgements

In preparing these condensed interim consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The material estimates and judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the most recent annual consolidated financial statements.

Management exercised judgment in determining the timing and measurement of recoveries related to US tariffs deemed unlawful by legal rulings. The Company concluded that the criteria for recognition were met as of the reporting date based on the substantive transfer of risks and rewards associated with the underlying claims. The recovery has been presented as a reduction of Cost of Sales, consistent with the line where the original duties were expensed.

3. Segment information and deferred revenue

The Company operates in a single reportable operating segment, being the sale of eyewear products to consumers.

Geographic information

The Company determines the geographic location of revenue based on the location of its customers. For the three months ended March 31, 2026, the US/CDN exchange rate depreciated by 4.6% (2025: appreciated by 6.1%).

	Three months ended March 31,	
	2026	2025
United States	\$ 37,289	\$ 31,917
Canada and other	20,180	14,678
Total	<u>\$ 57,469</u>	<u>\$ 46,595</u>

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

Deferred revenue

Deferred revenue consists of unfulfilled orders of \$5,547 (December 31, 2025: \$5,729) and allowance of estimated returns of \$1,742 (December 31, 2025: \$1,616).

Revenue by product

	Three months ended March 31,	
	2026	2025
Contact Lenses	\$ 46,676	\$ 39,872
Glasses	10,793	6,723
Total	<u>\$ 57,469</u>	<u>\$ 46,595</u>

4. Financial liabilities

(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 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 elected to repay the loan in full. This early repayment was executed without any penalties or fees.

For the three months ended March 31, 2026, the Company made repayments of \$nil (2025: \$848) and recognized \$nil (2025: \$95) of interest expense in finance costs. Interest expense is calculated by applying the effective interest rate of N/A (2025: 10.00%).

(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.

During the three months ended Mar 31, 2026, the Company repaid the remaining outstanding balance under the BMO ABL Facility in full. As at March 31, 2026, the outstanding balance under the facility was \$nil (2025: \$9,988), reflecting the net impact of drawdowns and subsequent repayments, and the Company recognized \$nil (2025: \$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 three months ended March 31, 2026, \$17 (2025: \$nil) of these costs were amortized and included within finance costs.

(c) Promissory note

On January 18, 2021, the Company issued a promissory note of \$2,412 (the "Promissory Note"). 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").

As at March 31, 2026, the carrying value of the Promissory Note is \$290 (2025: \$290). During the three months ended March 31, 2026, a total principal of \$nil (2025: \$2,122) was paid to the Promissory Note holders. The Company recorded accretion expense of \$nil (2025: \$16) in finance costs. Accretion expense is calculated by applying the effective interest rate of 8.00%.

5. Financial instruments and fair values

(a) Investments

Investments comprise of a Bitcoin exchange-traded fund measured at fair value through profit or loss ("FVTPL").

During the three months ended March 31, 2026, the Company recognized a fair value loss of \$834 (2025: \$nil) in respect of these investments within finance costs. As at March 31, 2026, 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:

March 31, 2026	Carrying value	Fair value measurement Level 1	Fair value measurement Level 2
Financial assets			
Investments	\$ 3,025	\$ 3,025	\$ -
Total	<u>\$ 3,025</u>	<u>\$ 3,025</u>	<u>\$ -</u>

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 amounts and the fair values of financial liabilities, including their levels in the fair value hierarchy.

March 31, 2026	Carrying value	Fair value measurement Level 2	Fair value measurement Level 3
Financial liabilities			
Loan (note 4(b))	\$ -	\$ -	\$ -
Promissory note	290	290	-
Total	<u>\$ 290</u>	<u>\$ 290</u>	<u>\$ -</u>

December 31, 2025	Carrying value	Fair value measurement Level 2	Fair value measurement Level 3
Financial liabilities			
Loan (note 4(b))	\$ 9,988	\$ 9,988	\$ -
Promissory note	290	290	-
Total	<u>\$ 10,278</u>	<u>\$ 10,278</u>	<u>\$ -</u>

During the three months ended March 31, 2026, 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 March 31, 2026 and December 31, 2025 is shown in the table below.

	Amortized cost (Financial asset)	FVTPL (Financial asset)	Amortized cost (Financial liabilities)	FVTPL (Financial liabilities)	Total
March 31, 2026					
Financial assets					
Cash and cash equivalents	\$ 18,958	\$ -	\$ -	\$ -	\$ 18,958
Accounts and other receivables	5,144	-	-	-	5,144
Investments		3,025	-	-	3,025
Total financial assets	<u>\$ 24,102</u>	<u>\$ 3,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,127</u>
Financial liabilities					
Account payable and accrued liabilities	\$ -	\$ -	\$ 23,709	\$ -	\$ 23,709
Loan	-	-	-	-	-
Promissory note	-	-	290	-	290
LTIP	-	-	-	517	517
Total financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,999</u>	<u>\$ 517</u>	<u>\$ 24,516</u>
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>\$ -</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
LTIP	-	-	-	553	553
Total financial liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,777</u>	<u>\$ 553</u>	<u>\$ 37,330</u>

Valuation techniques and significant unobservable inputs

To determine the fair value of financial liabilities at initial recognition, the Company considered the present value of expected payments, discounted using a risk-adjusted discount rate. As at March 31, 2026, none of the Company's financial liabilities are subsequently measured at fair value after initial recognition, except the long-term incentive plan (LTIP) that is remeasured to fair value at each reporting date based on the share price and other performance outcomes.

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 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.

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 March 31, 2026, the Company's exposure to interest rate risk is not significant as there was no borrowing during the quarter and the outstanding balance under the BMO ABL Facility was paid in full. Management has determined that a 1% change in the prime rate would not have a material impact on the Company's condensed interim statements of income.

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 as at March 31, 2026:

	March 31, 2026		December 31, 2025	
	USD	CAD	USD	CAD
Cash and cash equivalents	\$ -	\$ 4,979	\$ -	\$ 14,210
Accounts and other receivables	-	2,441	-	1,588
Accounts payable and accrued liabilities	-	(10,330)	-	(14,170)
Current Portion of Loan	-	-	-	(9,988)
Total	\$ -	\$ (2,910)	\$ -	\$ (8,360)

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 \$264 (2025: \$537) on net 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 March 31, 2026, the Company's exposure to price risk is \$3,025. 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 \$908 (2025: \$1,158) on condensed interim statements of income.

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 (2025: nominal).

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund our obligations as they come due. The Company manages liquidity risk by managing our balance sheet and continuously monitoring actual and projected cash flows, taking into account the seasonality of the Company's revenue, income and working capital needs. The following tables summarize the amount of contractual undiscounted future cash flow requirements as at March 31, 2026 and December 31, 2025.

March 31, 2026

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	\$ 23,709	\$ 23,709	\$ 23,709	\$ -	\$ -	\$ -
Promissory note	290	290	290	-	-	-
Capital commitments	2,778	2,778	2,778	-	-	-
LTIP	517	517	-	517	-	-
	<u>\$ 27,294</u>	<u>\$ 27,294</u>	<u>\$ 26,777</u>	<u>\$ 517</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2025

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	-	-	-
Promissory note	290	290	290	-	-	-
LTIP	553	553	-	553	-	-
	<u>\$ 37,330</u>	<u>\$ 37,330</u>	<u>\$ 36,777</u>	<u>\$ 553</u>	<u>\$ -</u>	<u>\$ -</u>

6. Inventory

As at March 31, 2026, inventory mainly comprised of \$19,187 (2025: \$15,491) of contact lenses, \$6,319 (2025: \$6,483) of frames, prescription lenses of \$1,362 (2025: \$1,222), and other miscellaneous inventory of \$481 (2025: \$474). For the three months ended March 31, 2026, the total amount of inventory recognized as a cost of sales was \$31,442 (2025: \$27,056).

7. Property and equipment

During the three months ended March 31, 2026, the Company had property and equipment additions of \$36 (2025: \$37), disposed of \$nil (2025: \$34) of property and equipment, recognized depreciation expense of \$219 (2025: \$372) and recorded \$49 (2025: \$5) exchange differences. The Company received \$nil (2025: \$50) of cash proceeds from disposal.

8. Leases

During the three months ended March 31, 2026, the Company had \$nil (2025: \$nil) of lease liability additions, paid \$299 (2025: \$318) of lease payments, recognized \$108 (2025: \$104) of accretion expense, \$nil (2025: \$1) of foreign exchange differences, and a remeasurement adjustment of \$10 (2025: \$nil).

During the three months ended March 31, 2026, the Company had \$nil (2025: \$nil) of right-of-use asset additions, recognized depreciation expense of \$265 (2025: \$251), incurred \$95 (2025: \$6) of exchange differences and recorded a remeasurement adjustment of \$10 (2025: \$nil).

9. Share capital

During the three months ended March 31, 2026, 3,654 (2025: 5,989) vested restricted shares rights ("RSRs") were delivered to the Company's employees, officers and directors and 1,716,140 options (2025: 437,891) were exercised at a weighted average exercise price of \$2.64 (2025: \$2.70).

10. Share-based compensation**(a) Stock options and restricted share rights ("RSR")**

During the three months ended March 31, 2026, the Company granted 3,345 (2025: 6,148) RSRs to its directors which vest immediately upon grant and 38,632 (2025: 88,247) RSRs to its management and employees that vest on June 30, 2026. The RSRs have a weighted fair value of \$17.50 (2025: \$8.73) which is the Company's average share price for the period the services were provided. As at March 31, 2026, the Company has a total of 43,874 outstanding RSRs, comprising of 40,529 non-vested RSRs.

During the three months ended March 31, 2026, nil (2025: 333) stock options were forfeited at a weighted average exercise price of \$nil (2025: \$2.48). A total of 1,716,140 (2025: 437,891) stock options were exercised at a weighted average exercise price of \$2.64 (2025: \$2.70). As at March 31, 2026, the Company has a total of 1,084,951 (2025: 2,210,116) of stock options outstanding with a weighted average exercise price of \$11.56 (2025: \$2.93) and a weighted average remaining contractual life of 5.62 years (2025: 2.32 years), comprising of 331,902 (2025: 2,206,117) of exercisable stock options with a weighted average exercise price of \$3.85 (2025: \$2.93).

Share-based compensation expense related to stock options and RSRs of \$451 (2025: \$269) was recorded for the three months ended March 31, 2026.

(b) 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. 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.

For the three months ended March 31, 2026, the Company recovered \$36 (2025: \$nil) in wages, salaries, and benefits within general and administrative expenses, representing the portion of the fair value of the 2026 grants earned during the period. As at March 31, 2026, the total carrying amount of the cash-settled LTIP liability was \$517 (2025: \$553).

11. Related party transactions

During the three months ended March 31, 2026, the Company recorded \$61 (2025: \$56) of share-based compensation and \$33 (2025: \$31) of Board fees and advisory fees to the directors, of which \$33 (2025: \$31) remains unpaid as at March 31, 2026.

Key management compensation

Key management consists of the Board and officers of the Company. Key management compensation comprises of wages, short-term employee benefits and cash-settled LTIP expenses. For the three months ended March 31, 2026, the Company paid \$449 (2025: \$433) of wages and employee benefits and recovered \$32 (2025: \$nil) of cash-settled LTIP expenses to key management and recorded \$308 (2025: \$166) of key management share-based compensation.

12. Income taxes

The Company calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of income for the three months ended March 31, 2026 comprises of current income tax expense of \$47 (2025: \$nil) and deferred income tax expense of \$930 (2025: \$704).

As at March 31, 2026, the Company recognized a net deferred tax asset of \$1,748 (2025: \$2,653). This balance consists of:

- Deferred tax assets of \$4,722 (2025: \$5,048), primarily comprised of available non-capital losses and other tax deductions of \$2,760 (2025: \$3,177), lease liability of \$1,227 (2025: \$1,282), provision for sales refunds of \$470 (2025: \$436) and loss on investment of \$265 (2025: \$153); offset by
- Deferred tax liabilities of \$2,974 (2025: \$2,395), primarily comprised of taxable temporary differences arising from property and equipment of \$617 (2025: \$644), intangible assets of \$84 (2025: \$83), right of use assets of \$1,373 (2025: \$1,422), tariff receivable of \$589 (2025: \$nil) and foreign exchange of \$311 (2025: \$246).

The Company has non-capital losses of approximately \$9,797 (2025: \$11,304) that can be applied against future years' taxable income for Canadian income tax purposes. The Company has recognized these losses as a deferred income tax asset as it expects to utilize these losses against future taxable income.

13. Income per share

For the three months ended March 31, 2026, the weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share includes the 326,038 (2025: 1,990,734) share equivalents of the vested options.

There is no change to the net income attributable to ordinary shareholders (diluted) for the three months ended March 31, 2026 and 2025.

14. Goodwill and intangible assets

During the three months ended March 31, 2026, the Company recognized \$nil (2025: \$nil) of amortization expenses, and \$671 (2025: \$37) of exchange differences. The Company exercises judgement to determine whether there is an impairment indicator requiring an impairment test for its goodwill and indefinite life intangible assets to be completed. As at March 31, 2026, no impairment indicators exist.

15. Commitments

As of March 31, 2026, the Company had outstanding capital commitments for equipment purchase of \$2,778.

16. Contingencies

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company 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.

17. Subsequent event

Subsequent to March 31, 2026, the company repaid the balance of the Promissory Note, described in Note 4(c), totaling \$290. This repayment resulted in the full settlement of the Promissory Note.