KITS EYECARE LTD.

Condensed Interim Consolidated Financial Statements

For the Three and Six Months ended June 30, 2026 and June 30, 2025

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

(Unaudited)

KITS EYECARE LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

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

(Unaudited)

	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Revenue (Note 3)	$ 58,427	$ 49,580	$ 115,896	$ 96,175
Cost of sales	36,276	31,576	70,221	61,057
Gross profit	22,151	18,004	45,675	35,118
Fulfillment	6,371	5,320	12,380	10,408
Marketing	10,158	7,517	21,015	13,811
General and administrative	4,455	3,625	7,734	6,567
Exchange (gain)/loss	(758)	1,684	(1,464)	1,771
Depreciation and amortization	214	219	397	444
Operating income (Loss)	1,711	(361)	5,613	2,117
Finance costs - net	(375)	128	575	299
Income (Loss) before income taxes	2,086	(489)	5,038	1,818
Income taxes (Note 12)	630	205	1,607	909
Net Income (Loss) for the period	$ 1,456	$ (694)	$ 3,431	$ 909
Income (Loss) per share (Note 13)				
Basic	$ 0.04	$ (0.02)	$ 0.10	$ 0.03
Diluted	$ 0.04	$ (0.02)	$ 0.10	$ 0.03
Weighted average number of shares outstanding (Note 13)				
Basic	33,963,372	32,013,063	33,825,787	31,936,054
Diluted	34,279,505	32,013,063	34,133,155	33,940,741

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 (LOSS)

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

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Net income (loss) for the period	$ 1,456	$ (694)	$ 3,431	$ 909
Other comprehensive income for the period:				
Items that may be reclassified to profit or loss				
Currency translation differences	808	(1,698)	1,455	(1,724)
Total other comprehensive income (loss) for the period	$ 2,264	$ (2,392)	$ 4,886	$ (815)

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)

	June 30, 2026	(Audited) December 31, 2025
Assets		
Current assets		
Cash and cash equivalents	$ 27,385	$ 29,815
Investments (Note 5(a))	-	3,859
Accounts and other receivables	2,754	2,355
Inventory (Note 6)	25,464	23,670
Tax receivable	8	8
Prepaids, deposits and other assets	1,282	980
Total current assets	56,893	60,687
Deferred Financing Costs (Note 4(b))	99	134
Property and equipment (Note 7)	4,105	3,058
Right-of-use asset (Note 8)	5,718	6,062
Deferred tax asset (Note 12)	1,080	2,653
Intangible assets (Note 14)	1,142	1,133
Goodwill (Note 14)	40,676	39,233
Total assets	$ 109,713	$ 112,960
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 23,490	$ 26,499
Tax payable	443	427
Deferred revenue (Note 3)	7,377	7,345
Loan (Note 4(a), (b))	-	9,988
Promissory note (Note 4(c))	-	290
Lease liability (Note 8)	887	825
Total current liabilities	32,197	45,374
Cash-settled LTIP Liability (Note 10(b))	450	553
Lease liability (Note 8)	4,264	4,719
Total liabilities	36,911	50,646
Shareholders' equity		
Share capital (Note 9)	86,348	81,772
Contributed surplus (Note 10)	3,472	2,446
Retained deficit	(18,257)	(21,688)
Accumulated other comprehensive income (loss)	1,239	(216)
Total shareholders' equity	72,802	62,314
Total liabilities and shareholders' equity	$ 109,713	$ 112,960

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	Retained earnings	Accumulated	
	Common shares		surplus	(deficit)	other comprehensive	Total
	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)	-	-	913	-	-	913
RSR exercise (Note 9)	100,384	880	(880)	-	-	-
Shares issued due to options (Note 9)	437,891	1,461	(278)	-	-	1,183
Net income and comprehensive income (loss)	-	-	-	909	(1,724)	(815)
Balance as at June 30, 2025	32,101,310	$ 80,498	$ 2,887	$ (23,889)	$ (325)	$ 59,171
Balance as at December 31, 2025	32,270,670	$ 81,772	$ 2,446	$ (21,688)	$ (216)	$ 62,314
Share-based payments (Note 10)	-	-	1,879	-	-	1,879
RSR exercise (Note 9)	6,999	117	(117)	-	-	-
Shares issued due to options (Note 9)	1,747,140	5,442	(736)	-	-	4,706
Shares repurchased (Note 9)	(89,200)	(983)	-	-	-	(983)
Net income and comprehensive income	-	-	-	3,431	1,455	4,886
Balance as at June 30, 2026	33,935,609	$ 86,348	$ 3,472	$ (18,257)	$ 1,239	$ 72,802

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 June 30, 2026	Three months ended ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Operating activities				
Net Income (Loss)	$ 1,456	$ (694)	$ 3,431	$ 909
Items not affecting cash:				
Share-based payments (Note 10)	1,427	644	1,878	913
Depreciation of property and equipment and right-of-use assets (Note 7, 8)	559	604	1,043	1,228
Finance costs	(366)	175	593	390
Income taxes	630	205	1,607	909
Unrealized foreign exchange (gain) loss	(91)	250	(199)	256
Gain on fixed asset disposal	-	-	-	(16)
Cash-settled LTIP recovery (Note 10(b))	(66)	-	(103)	-
Changes in non-cash operating working capital:				
Accounts and other receivables	2,561	(87)	(399)	523
Inventory	1,886	3,752	(1,794)	2,057
Prepaids, deposits and other assets	(102)	81	(302)	50
Accounts payable and accrued liabilities	(219)	(3,102)	(3,009)	(4,214)
Deferred revenue	88	(225)	32	(927)
Income tax paid	-	(12)	-	(12)
Cash provided by operating activities	**7,763**	**1,591**	**2,778**	**2,066**
Financing activities				
Repayment of lease obligation (Note 8)	(299)	(311)	(598)	(629)
Repayment of loan (Note 4(b))	-	(1,669)	(9,965)	(2,517)
Repayment of promissory note (Note 4(c))	(290)	-	(290)	(2,122)
Proceeds from exercise of stock options	180	-	4,706	1,183
Repurchase of shares (Note 9)	(983)	-	(983)	-
Cash used in financing activities	**(1,392)**	**(1,980)**	**(7,130)**	**(4,085)**
Investing activities				
Disposal of investments	3,516	-	3,516	-
Purchase of property and equipment net of disposal proceeds (Note 7)	(1,382)	(8)	(1,418)	5
Cash provided by (used in) investing activities	**2,134**	**(8)**	**2,098**	**5**
Increase / (decrease) in cash and cash equivalents	**8,505**	**(397)**	**(2,254)**	**(2,014)**
Foreign exchange effect on cash and cash equivalents	(78)	837	(176)	858
Cash and cash equivalents, beginning of period	18,958	17,675	29,815	19,271
Cash and cash equivalents, end of period	**$ 27,385**	**$ 18,115**	**$ 27,385**	**$ 18,115**

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

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 August 4, 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.

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 and six months ended June 30, 2026, the US/CDN exchange rate depreciated by 0% and 2.3% (2025: appreciated by 1.1% and 3.6%).

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
United States	$ 37,163	$ 32,466	$ 74,452	$ 64,383
Canada and other	21,264	17,114	41,444	31,792
Total	$ 58,427	$ 49,580	$ 115,896	$ 96,175

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

Deferred revenue

Deferred revenue consists of unfulfilled orders of $5,588 (December 31, 2025: $5,729) and allowance of estimated returns of $1,789 (December 31, 2025: $1,616).

Revenue by product

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	2026	2025
Contact Lenses	$ 47,361	$ 42,394	$ 94,037	$ 82,266
Glasses	11,066	7,186	21,859	13,909
Total	$ 58,427	$ 49,580	$ 115,896	$ 96,175

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 and six months ended June 30, 2026, the Company made repayments of $nil and $nil (2025: $1,669 and $2,517) and recognized $nil and $nil (2025: $75 and $169) 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.

The Company repaid the remaining outstanding balance under the BMO ABL Facility in full during the six months ended June 30, 2026. There were no further drawdowns or repayments under the facility during the six months ended June 30, 2026. As at June 30, 2026, the outstanding balance under the facility was $nil (2025: $9,988).

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 and six months ended June 30, 2026, $17 and $35 (2025: $nil and $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 June 30, 2026, the carrying value of the Promissory Note is $nil (2025: $290), following full repayment of the remaining balance during the six months ended June 30, 2026. During the three and six months ended June 30, 2026, a total principal of $290 and $290 (2025: $nil and $2,122) was paid to the Promissory Note holders. The Company recorded accretion expense of $nil and $nil (2025: $nil and $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

From time to time the Company holds investments as part of its treasury management strategy. As at June 30, 2026, the balance of Investments was nil and therefore there is not disclosure of any fair value through profit and loss ("FVTPL")

During the three and six months ended June 30, 2026, the Company recognized a fair value gain of $491 and a fair value loss of $343 (2025: $nil and $nil) in respect of these investments within finance costs. As at June 30, 2026, the Company no longer held any investments measured at FVTPL. Prior to disposal, 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:

June 30, 2026	Carrying value	Fair value measurement Level 1	Fair value measurement Level 2
Financial assets			
Investments	$ -	$ -	$ -
Total	$ -	$ -	$ -

December 31, 2025	Carrying value		Fair value measurement Level 1		Fair value measurement Level 2	
Financial assets						
Investments	$	3,859	$	3,859	$	-
Total	$	3,859	$	3,859	$	-

(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.

June 30, 2026	Carrying value		Fair value measurement Level 2		Fair value measurement Level 3	
Financial liabilities						
Loan (note 4(b))	$	-	$	-	$	-
Promissory note		-		-		-
Total	$	-	$	-	$	-

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	$	10,278	$	10,278	$	-

During the three and six months ended June 30, 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 June 30, 2026 and December 31, 2025 is shown in the table below.

June 30, 2026	Amortized cost (Financial asset)	FVTPL (Financial asset)	Amortized cost (Financial liabilities)	FVTPL (Financial liabilities)	Total
Financial assets					
Cash and cash equivalents	$ 27,385	$ -	$ -	$ -	$ 27,385
Accounts and other receivables	2,554	-	-	-	2,554
Investments	-	-	-	-	-
Total financial assets	$ 29,939	$ -	$ -	$ -	$ 29,939
Financial liabilities					
Account payable and accrued liabilities	$ -	$ -	$ 23,490	$ -	$ 23,490
Loan	-	-	-	-	-
Promissory note	-	-	-	-	-
LTIP	-	-	-	450	450
Total financial liabilities	$ -	$ -	$ 23,490	$ 450	$ 23,940

December 31, 2025	Amortized cost (Financial asset)	FVTPL (Financial asset)	Amortized cost (Financial liabilities)	FVTPL (Financial liabilities)	Total
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	$ 32,032	$ 3,859	$ -	$ -	$ 35,891
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	$ -	$ -	$ 36,777	$ 553	$ 37,330

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 June 30, 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 June 30, 2026, the Company's exposure to interest rate risk is not significant as there was no borrowing during the quarter. 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 June 30, 2026:

	June 30, 2026		December 31, 2025	
	USD	CAD	USD	CAD
Cash and cash equivalents	$ -	$ 2,780	$ -	$ 14,210
Accounts and other receivables	-	2,757	-	1,588
Accounts payable and accrued liabilities	-	(11,386)	-	(14,170)
Current Portion of Loan	-	-	-	(9,988)
Total	$ -	$ (5,849)	$ -	$ (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 $531 (2025: $723) on net 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 June 30, 2026 and December 31, 2025.

June 30, 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	$ 23,490	$ 23,490	$ 23,490	$ -	$ -	$ -
Capital commitments	2,671	2,671	2,671	-	-	-
LTIP	450	450	-	450	-	-
	$ 26,611	$ 26,611	$ 26,161	$ 450	$ -	$ -

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	-	-
	$ 37,330	$ 37,330	$ 36,777	$ 553	$ -	$ -

6. Inventory

As at June 30, 2026, inventory mainly comprised of $17,234 (2025: $15,491) of contact lenses, $5,904 (2025: $6,483) of frames, prescription lenses of $1,786 (2025: $1,222), and other miscellaneous inventory of $540 (2025: $474). For the three and six months ended June 30, 2026, the total amount of inventory recognized as a cost of sales was $34,140 and $65,582 (2025: $28,652 and $55,708). On February 20, 2026, the U.S. Supreme Court invalidated tariffs imposed under the International Emergency Economic Powers Act (the "IEEPA"). For the three and six months ended June 30, 2026, the Company recorded $nil and $2,147 of refunds as a reduction to cost of sales.

7. Property and equipment

During the six months ended June 30, 2026, the Company had property and equipment additions of $1,418 (2025: $45), disposed of $nil (2025: $60) of property and equipment, recognized depreciation expense of $511 (2025: $733) and recorded $140 (2025: $208) exchange differences. The Company received $nil (2025: $50) of cash proceeds from disposal.

8. Leases

During the six months ended June 30, 2026, the Company paid $598 (2025: $629) of lease payments, recognized $215 (2025: $205) of accretion expense, $nil (2025: $1) of foreign exchange differences, and a remeasurement adjustment of $10 (2025: $nil).

During the six months ended June 30, 2026, the Company recognized depreciation expense of $532 (2025: $495), incurred $198 (2025: $295) of exchange differences and recorded a remeasurement adjustment of $10 (2025: $nil).

9. Share capital

During the six months ended June 30, 2026, 6,999 (2025: 100,384) vested restricted shares rights ("RSRs") were delivered to the Company's employees, officers and directors and 1,747,140 options (2025: 437,891) were exercised at a weighted average exercise price of $2.69 (2025: $2.70).

During the six months ended June 30, 2026, the Company repurchased and canceled 89,200 common shares (2025: nil) as part of its share buyback program. The total consideration paid for the repurchased shares was $983 (2025: $nil), which was recorded as a reduction in equity.

10. Share-based compensation

(a) Stock options and restricted share rights ("RSR")

During the six months ended June 30, 2026, the Company granted 8,517 (2025: 10,636) RSRs to its directors which vest immediately upon grant and 38,632 (2025: 88,247) RSRs to its management and employees that vested on June 30, 2026. The RSRs have a weighted fair value of $17.07 (2025: $8.90) which is the Company's average share price for the period the services were provided. As at June 30, 2026, the Company has a total of 45,701 outstanding RSRs, comprising of 1,897 non-vested RSRs.

During the six months ended June 30, 2026, 88 (2025: 1,000) stock options were forfeited at a weighted average exercise price of $2.60 (2025: $2.48). A total of 1,747,140 (2025: 437,891) stock options were exercised at a weighted average exercise price of $2.69 (2025: $2.70). As at June 30, 2026, the Company has a total of 1,053,863 (2025: 2,209,449) of stock options outstanding with a weighted average exercise price of $11.73 (2025: $2.93) and a weighted average remaining contractual life of 5.48 years (2025: 1.79 years), comprising of 300,814 (2025: 2,205,450) of exercisable stock options with a weighted average exercise price of $3.66 (2025: $2.93).

Share-based compensation expense related to stock options and RSRs of $1,427 and $1,878 (2025: $644 and $913) was recorded for the three months and six months ended June 30, 2026, respectively.

(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 and six months ended June 30, 2026, the Company recovered $67 and $103 (2025: $nil and $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 June 30, 2026, the total carrying amount of the cash-settled LTIP liability was $450 (2025: $553).

11. Related party transactions

During the three and six months ended June 30, 2026, the Company recorded $70 and $131 (2025: $56 and $113) of share-based compensation and $38 and $71 (2025: $31 and $62) of Board fees and advisory fees to the directors, of which $40 (2025: $31) remains unpaid as at June 30, 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 and six months ended June 30, 2026, the Company paid $464 and $913 (2025: $439 and $872) of wages and employee benefits and recovered $58 and $90 (2025: $nil and $nil) of cash-settled LTIP expenses to key management and recorded $1,188 and $1,497 (2025: $438 and $604) 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/(loss) for the three and six months ended June 30, 2026 comprises of current income tax expense (recovery) of ($47) and $nil (2025: $12 and $12) and deferred income tax expense of $677 and $1,607 (2025: $193 and $897).

As at June 30, 2026, the Company recognized a net deferred tax asset of $1,080 (2025: $2,653). This balance consists of:

- Deferred tax assets of $3,600 (2025: $5,048), primarily comprised of available non-capital losses and other tax deductions of $1,941 (2025: $3,177), lease liability of $1,176 (2025: $1,282), provision for sales refunds of $483 (2025: $436) and loss on investment of $nil (2025: $153); offset by
- Deferred tax liabilities of $2,520 (2025: $2,395), primarily comprised of taxable temporary differences arising from property and equipment of $668 (2025: $644), intangible assets of $86 (2025: 83), right of use assets of $1,329 (2025: $1,422), tariff receivable of $58 (2025: $nil) and foreign exchange of $379 (2025: $246).

The Company has non-capital losses of approximately $6,840 (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 (Loss) per share

For the three and six months ended June 30, 2026, the weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share includes the 316,133 (2025: 2,032,079) and 307,368 (2025: 2,004,687) share equivalents of the vested options.

There is no change to the net income attributable to ordinary shareholders (diluted) for the three and six months ended June 30, 2026 and 2025.

14. Goodwill and intangible assets

During the six months ended June 30, 2026, the Company recognized $1,452 (2025: $2,149) 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 June 30, 2026, no impairment indicators exist.

15. Commitments

As of June 30, 2026, the Company had outstanding capital commitments for equipment purchase of $2,671 (2025: $nil).

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 June 30, 2026, 32,000 stock options were exercised for an equal number of the Company's common shares ("Common Shares") at a weighted average exercise price of $3.95 per share. In addition, 38,632 restricted share rights vested and were settled through the issuance of an equal number of Common Shares.