MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2026

The following Management's Discussion and Analysis ("MD&A") dated August 5, 2026, provides information concerning the financial condition and results of operations of Kits Eyecare Ltd. (together with its consolidated subsidiaries, referred to herein as "KITS", the "Company", "we", "us" or "our"). This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2026, and June 30, 2025, including the related notes thereto. In addition, this MD&A should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2025 and 2024, including the related notes thereto, and the related Management's Discussion and Analysis for the year ended December 31, 2025, each filed on March 4, 2026. This discussion contains forward-looking information that involves risks and uncertainties. Our actual results, performance and achievements could differ materially from those contained in or implied by such forward-looking information as a result of various factors discussed below and in our Annual Information Form for the year ended December 31, 2025, which was filed on March 4, 2026 (the "AIF"), particularly under "Forward-Looking Information" and "Risk Factors". Unless otherwise noted, all dollar amounts in this MD&A are in thousands of Canadian Dollars.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects development of new technologies, product launches, industry trends, consumer preferences or opportunities in the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Forward-looking information is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. The factors and assumptions on which forward-looking information is based include, but are not limited to the expansion and enhancement of our fulfillment network, including our optical laboratory for glasses and warehouse facilities; our future plans for marketing and expenditures related thereto; the growth of our business; the resilience, efficiency and scalability of our model; our ability to leverage new technologies; the performance of our existing infrastructure, technologies and online tools; premium lens adoption and smart eyewear expansion; our ability to drive sales growth and expectations regarding customer conversion into the Company's premium offerings; our ability to maintain, enhance, and grow within our addressable market; our ability to sustain customer growth and continue to attract and retain customers; trends and customers habits and preferences; our ability to drive ongoing development and innovation of our exclusive brands and product categories; our ability to continue directly sourcing from third party suppliers and manufacturers; our ability to retain key personnel; our ability to maintain, automate, optimize and expand our manufacturing and distribution capabilities; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition and our position within the market we operate in; the changes and trends in our industry or the global economy; exchangeable securities vesting rights and the changes in laws, rules, regulations, and global standards.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, and are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors described in greater detail in the Company's Annual Information Form for the year ended December 31, 2025, which was filed on March 4, 2026 (the "AIF"). If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions described under the heading "Risk Factors" in the AIF should also be considered carefully by readers. A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Data Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in the forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward looking information. There can be no assurance that such information will prove to be accurate. Accordingly, readers should not place undue reliance on such information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as of the date they are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. If we do update certain forward-looking information, no inference should be made that we will further update such or other forward-looking information.

All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

Overview

KITS makes eyecare easy. KITS is a fast-growing vertically integrated vision care platform redefining how the world experiences eyecare, providing eyecare for eyes everywhere. As a vertically integrated vision care platform, we combine digital innovation, operational excellence, and customer obsession to make eyecare easy, accessible, and affordable. Through our advanced technology stack and proprietary suite of online vision tools including OpticianAI™, our AI-powered fitting engine trained on more than one million customer interactions we help customers find their perfect fit. Our end-to-end infrastructure from in-house frame design and North American optical lab to just-in-time manufacturing and intelligent fulfillment enables us to deliver made-to-order products with category-leading speed, accuracy, and value. By removing intermediaries and leveraging real-time data, we offer competitive prices, exceptional customer service, and a seamless digital and omni channel shopping experience. At KITS, our mission is to earn our customers' lifelong trust by delivering beautiful products they love, service they remember, and an experience that sets a new standard for the future of eyecare.

Recent Key Events

KITS Delivers 15th Consecutive Quarter of Positive Adjusted EBITDA with Record Revenue of $58.4 Million, Glasses Revenue Growth of 54% Year-over-Year, and Record Quarterly Operating Cash Flow of $7.8 Million

Q2 2026 was a strong quarter across the KITS platform. We delivered all-time high revenue of $58.4 million, up 17.8% year-over-year, led by glasses revenue that increased by 54% year-over-year and now represents nearly one-fifth of our business. Behind the top line, our customers are buying more, returning more often, and staying longer; average order value reached a record $213, repeat customers contributed a 65.5% of revenue, and our 2-year Active Customer base grew to a record 1,142,000. This strength converted directly to the bottom line, with net income improving to $1.5 million from a net loss of $0.7 million in the prior-year period. We had a record cash flow from operations of $7.8 million, accompanied by Adjusted EBITDA of $2.9 million, or 5.0% of revenue. This marks our fifteenth consecutive quarter of positive Adjusted EBITDA, underpinned by the expanding unit economics of our vertically integrated platform. Revenue for the first six months of 2026 reached $115.9 million, an increase of 20.5% over the prior-year period.

The recurring foundation of the business reached new highs in the quarter, as our high customer retention continues to be KITS advantage and differentiator. Repeat orders contributed 65.5% of revenue, up from 60.6% in the prior-year period, with repeat revenue reaching $38.3 million, an increase of $8.2 million year-over-year. Our 2-year Active Customer base grew 15.2% year-over-year to a record 1,142,000 and continues to deliver category leading retention rates. We fulfilled approximately 274,400 patient orders during the quarter, with average order value rising to a record $213, up 15.8% from $184 in the prior-year period, reflecting deepening engagement, expanding cross-category participation, and increasing adoption of premium products across both new and returning customers. Our Autoship subscription program, now operating at a $24.6 million annual run-rate pace, continues to anchor this recurring revenue base with minimal maintenance cost and best-in-class lifetime value metrics.

Glasses continued to strengthen as a category this quarter, leading the company's growth. Glasses revenue grew 54.0% year-over-year to $11.1 million, representing 18.9% of revenue, up from 14.5% in the prior-year period, with approximately 148,300 glasses delivered, a 32.4% increase year-over-year. While the glasses business continues to grow rapidly, the characteristics of this customer base's behaviour are simultaneously improving: premium lens upgrades represented 45.2% of glasses revenue and 78,500 units were delivered to repeat customers, a 51.0% increase reflecting increasing customer demand for solutions that enhance both visual acuity and personal expression. New glasses customers acquired in Q2 2026 generated first-order revenue 55.9% higher than the comparable Q2 2025 cohort, as customers self-select into higher-value configurations aided by OpticianAI™ earlier in their relationship with KITS. Growth remained strong in Canada, where revenue rose 24.2% year-over-year, driven by gains across both new and returning customers and across both our glasses and contact lens categories.

Gross profit increased $4.1 million year-over-year to $22.2 million, with gross margin expanding to 37.9% of revenue from 36.3% in the prior-year period. Unlike the first quarter, where margin benefited from a $2.1 million non-recurring tariff recovery, Q2's expansion was organic, driven by the growing mix of glasses revenue, increased customer adoption of premium lens upgrades, and disciplined pricing and promotion management.

We continued to invest into our long-term strength. Marketing investment was $10.2 million, or 17.4% of revenue, compared to 15.2% in the prior-year period, reflecting the strategic deployment of capital toward the acquisition of high-value customers across premium segments. This investment delivered 90,800 new customers whose first-order economics are significantly superior to those of prior-year cohorts, while supporting record repeat engagement across our existing base. Management evaluates every marketing dollar against long-horizon cohort returns, and the economics observed in the quarter reinforced our conviction to continue deploying growth capital at the level the data supports.

The remainder of our cost structure continued to scale efficiently. Fulfillment expenses were 10.9% of revenue in the quarter, compared to 10.7% in the prior-year period, with the increase driven by higher shipping costs related to episodic fuel surcharges; for the six-month period, fulfillment expenses improved to 10.7% of revenue as automation and order consolidation efficiencies offset these cost pressures. General and administrative expenses, excluding share-based compensation, improved to 5.3% of revenue in the quarter from 6.1% in the prior-year period, as revenue growth continued to outpace our infrastructure costs.

The quarter also marked a step-change in cash generation and capital discipline. Cash flow from operating activities was a record $7.8 million, reflecting the normalization of working capital anticipated in our Q1 disclosure, including the continued optimization of inventory levels, accounts payable and the collection of the tariff recovery receivable. We ended the quarter with $27.4 million in cash, no outstanding debt, and an undrawn $15 million available on our revolving asset-based lending facility. During the quarter, we repaid the remaining $0.3 million promissory note, retiring the last of the Company's legacy debt obligations, and completed the disposition of our

Bitcoin exchange-traded fund treasury position. We also began returning capital to shareholders, repurchasing and cancelling 89,200 common shares for $1.0 million at an average of $11.00 per share under our normal course issuer bid program, reflecting our confidence in the intrinsic value of the business and our commitment to disciplined capital allocation as cash generation scales.

Financial Highlights

We measure our business using both financial and operating data and use the following metrics and measures to assess the near term and long-term performance of our overall business, including identifying trends, formulating financial projections, making strategic decisions, assessing operational efficiencies, and monitoring our business. See the sections in this MD&A entitled "Components of Our Results of Operations and Trends Affecting Our Business" and "Non-IFRS Measures and Industry Metrics". The following table summarizes our financial highlights for the three and six months ended June 30, 2026 and June 30, 2025.

	Three Months Ended		Six Months Ended	
Financial and Operating Data	**June 30, 2026** (unaudited)	**June 30, 2025** (unaudited)	**June 30, 2026** (unaudited)	**June 30, 2025** (unaudited)
Revenue	$ 58,427	$ 49,580	$ 115,896	$ 96,175
Net income (loss)	$ 1,456	$ (694)	$ 3,431	$ 909
Net income (loss) per share				
Basic	$ 0.04	$ (0.02)	$ 0.10	$ 0.03
Diluted	$ 0.04	$ (0.02)	$ 0.10	$ 0.03
Non-IFRS Measures (a):				
Constant currency revenue	$ 58,453	$ 49,580	$ 117,555	$ 96,175
EBITDA	$ 2,270	$ 243	$ 6,656	$ 3,345
Adjusted EBITDA	$ 2,943	$ 2,575	$ 7,077	$ 6,036
Adjusted EBITDA Margin %	5.0%	5.2%	6.1%	6.3%

Notes:
(a) Refer to "Non-IFRS Measures and Industry Metrics" section

Non-IFRS Measures and Industry Metrics

In addition to our results determined in accordance with IFRS, we believe the following non-IFRS measures and industry metrics provide useful information both to management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Non-IFRS Measures

Management uses these non-IFRS financial measures to exclude the impact of certain expenses and income that management does not believe are reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of the underlying operating performance.

"**Constant Currency Revenue**" As a majority of our sales are transacted in U.S. dollars, the comparability of revenue reported in Canadian dollars is affected by foreign currency exchange rate fluctuations of U.S. dollars compared to the Canadian dollar over time. The rate fluctuations can have a significant impact on our reported results. Therefore, in addition to financial measures prepared in accordance with IFRS, our revenue discussions may contain references to constant currency measures, which are calculated by translating current period results in local currency using the conversion rates from the comparative period. This measure should not be considered in isolation or as a substitute for any standardized measure under IFRS and the most directly comparable financial measure that is disclosed in our interim consolidated financial statements is revenue. We present constant currency financial information, which is a non-IFRS financial measure, as a supplement to our reported operating results. We use constant currency information to provide a framework to assess how our business performed excluding the effects of foreign currency exchange rate fluctuations. We believe this information is useful to investors to facilitate comparisons of operating results and better identify trends in our businesses. Other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure. The following table provides a quantitative reconciliation of reported revenue to revenue on a constant currency basis for the periods presented:

	Three Months Ended		Six Months Ended	
	June 30, 2026 (unaudited)	June 30, 2025 (unaudited)	June 30, 2026 (unaudited)	June 30, 2025 (unaudited)
Reconciliation of constant currency revenue				
Revenue	$ 58,427	$ 49,580	$ 115,896	$ 96,175
Foreign exchange impact	26	-	1,659	-
Constant Currency Revenue	$ 58,453	$ 49,580	$ 117,555	$ 96,175
Change in constant currency	$ 8,873		$ 21,380	
Change in constant currency %	17.9%		22.2%	

"**Adjusted EBITDA**" is defined as EBITDA, adjusted for the impact of certain items, including non-cash items such as stock-based compensation, unrealized foreign exchange gains or losses and other items we consider non-recurring and not representative of our ongoing operating performance. The most directly comparable financial measure that is disclosed in our interim consolidated financial statements is net income.

"**Adjusted EBITDA Margin**" is defined as Adjusted EBITDA divided by revenue from the same period.

"**EBITDA**" is defined as consolidated net income before depreciation and amortization, finance cost and provision for income taxes.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin are financial measures that are not defined under IFRS. We use these non-IFRS financial measures and believe they enhance an investor's understanding of our financial and operating performance from period to period, because they exclude certain material non-cash items and certain other adjustments, which we believe are not reflective of our ongoing operations and our performance. Accordingly, we use these metrics to measure our core financial and operating performance for business planning purposes and as a component in the determination of incentive compensation for salaried employees.

In addition, we believe EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin are measures commonly used by investors to evaluate companies in the e-commerce industry. However, they are not presentations made in accordance with IFRS and the use of the terms EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin vary from others in our industry. These financial measures are not intended to represent and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as measures of liquidity.

We have updated our Adjusted EBITDA to exclude any non-cash unrealized foreign exchange gains or losses as these are not reflective of our ongoing operations or our performance. Comparatives for Adjusted EBITDA have been updated to reflect the above.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS. For example, these financial measures:

- exclude certain tax payments that may reduce cash available to us;

- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- do not reflect changes in, or cash requirements for, our working capital needs; and
- do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt.

The following table provides a quantitative reconciliation of net income to EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin for the periods presented:

	Three Months Ended		Six Months Ended	
	June 30, 2026 (unaudited)	June 30, 2025 (unaudited)	June 30, 2026 (unaudited)	June 30, 2025 (unaudited)
Reconciliation of Adjusted EBITDA				
Net income (loss) for the period	$ 1,456	$ (694)	$ 3,431	$ 909
Add back:				
Income taxes	630	205	1,607	909
Finance costs – net	(375)	128	575	299
Depreciation and amortization	559	604	1,043	1,228
EBITDA	$ 2,270	$ 243	$ 6,656	$ 3,345
Add back				
Share-based compensation (a)	$ 1,427	$ 644	$ 1,878	$ 913
Exchange loss / (gain)	(758)	1,684	(1,464)	1,771
One-time costs (b)	4	4	7	7
Adjusted EBITDA	$ 2,943	$ 2,575	$ 7,077	$ 6,036
Revenue	$ 58,427	$ 49,580	$ 115,896	$ 96,175
Adjusted EBITDA Margin % (c)	5.0%	5.2%	6.1%	6.3%

Notes:

(a) Represents non-cash share-based compensation expense associated with restricted share rights and options recognized in the period.
(b) One-time IPO, directors' and officers' insurance costs which is expensed over the insurance coverage period.
(c) Represents Adjusted EBITDA divided by revenue from the same period.

Industry Metrics

"**Active Customers**" As of the last date of each reporting period, we determine our number of active customers by counting the total number of individual customers who have ordered, and for whom an order has shipped, at least once during the preceding stated period. We introduced this number for a 2-year period to provide greater visibility in measuring our business performance as a 2-year period more closely reflects the frequency of repeat purchases in the eyecare sector. The change in active customers in the reporting period captures both the inflow of new customers and the outflow of customers who have not made a purchase in the stated period. We view the number of active customers as a key indicator of our growth, acquisition and retention of customers and, as such, an indicator of the results of our marketing efforts and the value we provide to our customers.

"**Autoship Subscribers**" We define Autoship Subscribers as customers that have an active Autoship subscription as of the last date of each reporting period.

Summary of Factors Affecting Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities. These factors are also subject to a number of inherent risks and challenges, some of which are discussed below and in the "Risk Factors" section of the AIF.

Repeat Customer Behavior

We believe the value of our business lies in the strength of the KITS brand and the loyalty it earns. One way we measure loyalty - is the cumulative revenue generated by each customer cohort over their relationship with KITS. Mature cohorts within our customer base demonstrate strong annual revenue retention, with revenue per continuing customer increasing in successive years after acquisition. This pattern, more characteristic of subscription-based consumer businesses than traditional retail, reflects the recurring nature of vision care and the deepening engagement of customers as they expand from a single product category into multi-category KITS relationships. As at June 30, 2026, we had 1,142,000 2-year Active Customers, up from 991,000 as at June 30, 2025. We continue to successfully attract a large number of new customers and serve past customers whose value continues to compound. Repeat revenue in the three months ended June 30, 2026, was over $38.3 million, an increase of $8.2 million from the same period in 2025. In this quarter, we continued to focus our marketing spend on attracting higher value new cohorts and orders from repeat customers. We served 90,800 new customers in the second quarter of 2026.

A significant component of our repeat business is driven by our Autoship subscription program. We believe that our recurring revenues anchored in our subscription program gives KITS a competitive advantage over other eyecare providers. Our Autoship subscription delivery program delivered $6.1 million in revenue for the three months ended June 30, 2026. Autoship offers the “set it and forget it” convenience to our community of customers, free upgraded shipping, and complimentary vision perks. We believe that our Autoship program gives us a competitive advantage over traditional optical providers and ecommerce providers alike. At a current $24.6 million annual run-rate and minimal costs associated with maintaining these customers, we believe that our Autoship program will continue to deliver value and convenience to our customers with minimal acquisition costs and provide higher lifetime customer value.

Growth of Our Glasses Business

Glasses customers acquired in 2026 are generating per-customer first-order revenue that significantly exceeds the multi-year cumulative revenue of cohorts acquired in earlier years. This trend reflects the maturation of our premium product offering, the rollout of OpticianAI™ across the funnel, and the strength of our tiered pricing architecture. Customers are self-selecting into higher-value product tiers aided by OpticianAI™ suggestions without changes to entry-level pricing. The North American glasses market continues to evolve rapidly as consumers move away from fragmented traditional retailers toward providers offering greater value, convenience, and personalization. Digital innovation is accelerating this shift, enabling customers to confidently purchase eyewear online, and especially in younger cohorts of consumers who are more digitally native and who seek out better value and convenience online.

This transformation presents an opportunity for KITS to continue redefining the eyewear experience through innovation and a direct-to-consumer model that aims to make eyecare easy and accessible. Our Virtual Try-On (VTO) and OpticianAI™ technologies guide customers through every step of their eyewear journey, replicating and enhancing key elements of the in-clinic experience while driving higher purchase intent, stronger conversion, and greater adoption of premium lenses. Combined with our vertically integrated, automated manufacturing, we believe these innovations deliver industry-leading efficiency, scalability, and a modern, personalized approach to eyecare.

In addition, our expanded tiered pricing architecture provides customers with enhanced choice across a range of price points, supporting broader accessibility. Demand for KITS-branded frames remains strong among consumers seeking a balance of design, quality, and value, which continues to support repeat purchasing behavior and customer loyalty.

Glasses delivered revenue grew 54.0% year-over-year to $11.1 million for the three months ended June 30, 2026, up from $7.2 million in 2025. Growth was driven by higher unit volumes and increased adoption of premium lens upgrades, highlighting the strength of our product offering and deepening customer engagement.

Returning customers were a key contributor to Q2 performance, with many opting for higher-value orders and premium enhancements. We continue to see that returning customers spend more than new customers, validating our view that as customers become familiar with KITS, they return to purchase additional pairs and invest more in premium eyewear and other specialty vision categories. This trend reflects rising demand for high-quality, customized eyewear and underscores the effectiveness of our pricing and product-tiering strategy. Glasses delivered to repeat customers grew by 51.0% year-over-year, increasing from 52,000 in 2025 to over 78,500 in 2026.

New glasses customers acquired in Q2 2026 generated first-order revenue 50% higher than the comparable Q2 2025 cohort, on consistent entry-level pricing. This reflects deeper basket composition rather than price increases, customers are purchasing more line items per first order, with greater premium lens attached. Because premium lenses carry higher gross margins than entry-level configurations, the unit economics of our newest customer cohort are improving on both a revenue and a margin basis simultaneously.

We ended the quarter with over 521,300 frames in stock and more than 24,600 unique styles, helping ensure that KITS is likely to have the glasses that customers want over any other comparable retailer, aa KITS remains a leading destination for premium, affordable eyewear while maintaining an efficient and scalable supply chain.

The economic signals from our Q2 2026 glasses cohort are the strongest in the Company's history. New glasses customers acquired in the quarter generated first-order revenue that meaningfully exceeds the multi-year cumulative revenue of glasses customers acquired in earlier years. Premium lens upgrades represented 45.2% of glasses revenue, Digital Progressives revenue grew over 39.8% year-over-year, and 78,500 of approximately 148,300 glasses delivered went to repeat customers. Each of these signals reinforces our strategic conviction that the KITS brand is beginning to resonate within the category for new vision corrected customers.

Glasses currently represent 18.9% of revenue, up from 14.5% in the prior-year period. Management views this as the early phase of a multi-year mix shift toward a more balanced contact lens and glasses revenue base. We expect to continue investing in glasses customer acquisition, premium lens product development, frame design, and the continued rollout of OpticianAI™ at the level the underlying data support. We believe this category represents the most significant operating leverage opportunity in the Company today, and we intend to deploy capital accordingly.

Components of Our Results of Operations and Trends Affecting Our Business

Revenue

We generate revenue primarily from the sales of contact lenses including our own brand of KITS contact lenses and glasses, as well as third party contact lenses and glasses. Revenue is recognized when products are delivered, net of promotional discounts and refund allowances. Revenue is primarily driven by the number of Active Customers acquired, retained, and the frequency with which customers re-order products from KITS.

Cost of Sales

Cost of goods sold consists of the cost of materials, assembly, KITS contact lenses and glasses as well as third-party 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 our suppliers, which may depend on reaching minimum purchase thresholds which historically KITS has meaningfully exceeded. During the reporting period, the Company experienced stable input costs and operating expenses. While broader economic inflationary trends have affected many industries, KITS has effectively managed its costs through an emphasis on strategic sourcing and strong vendor partnerships. The Company monitors cost fluctuations closely and may strategically adjust selling prices if necessary to maintain profitability.

Fulfillment

Fulfillment costs primarily consist of costs incurred in operating and staffing our fulfillment center, optical lab, customer service centers, third party fulfillment costs, and payment processing costs. Fulfillment costs as a percentage of revenue may vary due to factors, such as payment processing and related transaction costs, our level of productivity and accuracy, changes in volume, size, and weight of units received and fulfilled, the timing of fulfillment network and optical lab expansion, the extent to which we utilize fulfillment services provided by third parties, mix of products and services sold, and our ability to improve efficiency per shipment through optimization of our operations and enhancements to our customer self-service features.

We continue to expand our fulfillment network to accommodate a greater selection and facilitate faster delivery times. We regularly evaluate our facility and lab requirements. We are continuing to automate and optimize our consolidated manufacturing and distribution center.

Marketing

We are focused on providing exceptional products, service and post purchase experience to drive customer loyalty and brand awareness. Organic word-of-mouth and our loyal repeat customers are essential to our growth. We believe that the company with the highest net promoter score, or NPS, in any category ultimately derives the highest value in the category. Accordingly, we work hard to ensure we deliver exceptional products and service to customers and actively invest in delivering exceptional experiences across all customer touch points, to ensure customers long-term and lifetime value. We believe this allows our customers to become advocates for our brand and share their KITS experience with friends and family, becoming our most efficient marketing channel and validated by our incredible retention rates. Most of our customers arrive at our sites directly, which we believe is fueled by word-of-mouth and customer engagement. Since launching glasses, we have continued to see our NPS increase steadily. Our goal is to maintain the highest customer satisfaction metrics in the category.

Marketing includes brand development, advertising and payroll and related expenses for personnel engaged in marketing and selling activities. We direct customers to our platforms through a number of marketing channels, such as our TV advertising, performance search, third party customer referrals, social media influencers, online advertising, and other initiatives. Our marketing costs are largely variable and can be adjusted to align with growth objectives. In general, our marketing expenditure has been getting more efficient over time as word of mouth continues to grow. To the extent there is increased or decreased competition for these traffic sources, or to the extent our mix of these channels' shifts, we would expect to see a corresponding change in our marketing costs. As the majority of our business is repeat or subscription-based, and the majority of our store traffic and customers come to us via word of mouth, we expect to become less reliant on external forms of marketing over time. We believe our return on invested capital is among the highest in the category and that our lifetime value metrics demonstrate that the investments we are making in sales and marketing are balanced to ensure long-term sustainable growth. We specifically design differentiated and relevant marketing programs to accelerate word-of-mouth adoption and to decrease reliance on large providers such as Google and Facebook.

Selected Quarterly Consolidated Financial Information

The following table summarizes our recent results of operations for the periods indicated. The selected consolidated financial information set out below for the three and six months ended June 30, 2026 and 2025, has been derived from our condensed interim consolidated financial statements and related notes.

	Three Months Ended		Six Months Ended	
Financial and Operating Data	**June 30, 2026** (unaudited)	**June 30, 2025** (unaudited)	**June 30, 2026** (unaudited)	**June 30, 2025** (unaudited)
CAD $000s, unless otherwise noted				
Revenue	$ 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

Financial and Operating Data		Three Months Ended June 30, 2026 (unaudited)		Three Months Ended June 30, 2025 (unaudited)		Six Months Ended June 30, 2026 (unaudited)		Six Months Ended June 30, 2025 (unaudited)
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 tax expense		630		205		1,607		909
Net Income (loss)	$	1,456	$	(694)	$	3,431	$	909
Non-IFRS measures (a)								
Constant currency revenue	$	58,453	$	49,580	$	117,555	$	96,175
EBITDA	$	2,270	$	243	$	6,656	$	3,345
Adjusted EBITDA	$	2,943	$	2,575	$	7,077	$	6,036
Adjusted EBITDA Margin %		5.0%		5.2%		6.1%		6.3%

Notes:
(a) Refer to "Non-IFRS Measures and Industry Metrics" section of this MD&A.

Three and Six Months Ended June 30, 2026, Compared to Three and Six Months Ended June 30, 2025

The following section provides an overview of our financial performance during the three and six months ended June 30, 2026 to the three and six months ended June 30, 2025. The selected consolidated financial information contained herein for these periods has been derived from our condensed interim consolidated financial statements and related notes.

Revenue

Revenue was $58,427 and $115,896 respectively, in the three and six months ended June 30, 2026, an increase of 17.8% and 20.5%, compared to $49,580 and $96,175 in the three and six months ended June 30, 2025. On a Constant Currency Revenue basis, revenue was $58,453 and $117,555 in the three and six months ended June 30, 2026, an increase of 17.9% and 22.2% compared to the three and six months ended June 30, 2025. This strong Q2 performance was fueled by multiple consecutive record-breaking sales weeks, high customer engagement, and increased repeat purchases.

Revenue from our glasses delivered increased by 54.0% to $11,066 and 57.2% to $21,859 for the three and six months ended June 30, 2026, an increase of $3,880 and $7,950 from $7,186 and $13,909 for the three and six months ended June 30, 2025. The increase in revenue from glasses is attributable to our growing base of repeat customers and consistent growth of new customers. 78,500 and 157,500 glasses were delivered to returning customers in the three and six months ended June 30, 2026, compared to 52,000 and 101,500 glasses delivered in the three and six months ended June 30, 2025. In addition to an increased number of repeat purchases, repeat customers often placed orders with higher average order values compared to their initial purchases, deepening customer engagement and rising lifetime value on orders subsequent to their first order.

Gross Profit

Gross profit increased by $4,147 and $10,557 to $22,151 and $45,675 in the three and six months ended June 30, 2026, compared to $18,004 and $35,118 in the three and six months ended June 30, 2025. Gross margins were 37.9% and 39.4% for the three and six months ended June 30, 2026, compared to 36.3% and 36.5% in the three and six months ended June 30, 2025. For the six months ended June 30, 2026, reported gross margin includes a $2.1 million tariff recovery; excluding this item, gross margin remained above 37%, reflecting the strength of the underlying product mix combined with increased customer adoption of premium lens upgrades.

This improvement was achieved through strategic pricing, optimizing product mix, and implementing targeted promotions intended to boost customer acquisition and encourage repeat purchases. We remain committed to progressing toward our long-term gross margin target, supported by the continued growth of our glasses business and increasing revenue from returning contact lens customers, both of which contribute to a more profitable and sustainable revenue mix.

Fulfillment

Fulfillment expenses increased by $1,051 and $1,972 for the three and six months ended June 30, 2026, respectively, to $6,371 and $12,380 compared to $5,320 and $10,408 for the corresponding periods in 2025. As a percentage of revenue, fulfillment expenses increased to 10.9% for the three months ended June 30, 2026 from 10.7% in the prior year driven by the increase in fuel cost, while improving to 10.7% for the six months ended June 30, 2026 from 10.8% in the prior year. We continued to enhance our state-of-the-art manufacturing and distribution center, further improving shipping efficiency and streamlining operations. By optimizing shipping logistics and order consolidation strategies, we leveraged higher order volumes to drive greater operational efficiency. Our vertically integrated optical lab remains a key competitive advantage, ensuring consistent production quality and operational excellence. This in-house capability enables us to deliver faster, higher-quality products and an exceptional customer experience.

Marketing

Marketing expenses increased by $2,641 and $7,204 to $10,158 and $21,015, in the three and six months ended June 30, 2026, compared to $7,517 and $13,811 in the three and six months ended June 30, 2025. Marketing expense as a percentage of revenue was 17.4% and 18.1% in the three and six months ended June 30, 2026, compared to 15.2% and 14.4% in the three and six months ended June 30, 2025.

The increase in marketing expense as a percentage of revenue reflects our continued investment in customer acquisition. We acquired 90,800 new customers in Q2, who accounted for approximately 34.5% of total revenue. Average order value for the three months ended June 30, 2026, increased to $213, a 15.8% increase as compared to $184 for the three months ended June 30, 2025, and repeat customers contributed to approximately 65.5% of revenue. As our customer base continues to scale and brand awareness deepens, we expect the mix of marketing efficiency improvements and growth investment to be calibrated to the cohort economics we observe in any given period. We will continue to lean into growth investment where strong unit economics support accelerated customer acquisition and expanding brand awareness. The cumulative revenue generated per acquired customer continues to expand year-over-year, supported by rising average order values, deepening repeat purchase behavior, and increasing cross-category participation. We assess our marketing spend against a long horizon return framework, and the data supporting Q2 deployment reinforces our conviction in the durability of our customer relationships and the compounding value of our base.

General and administrative

G&A expenses as a percentage of revenue increased from 7.3% to 7.6% in the three months ended June 30, 2026 and decreased from 6.8% to 6.7% in the six months ended June 30, 2026, compared to the three and six months ended June 30, 2025, as we continued to grow our top line and leverage our existing infrastructure. G&A expenses were $4,455 and $7,734 in the three and six months ended June 30, 2026, compared to $3,625 and $6,567 in the three and six months ended June 30, 2025. Excluding share-based compensation, general and administrative expenses as a percentage of revenue were 5.3% and 5.2% in the three and six months ended June 30, 2026, compared to 6.1% and 5.9% in the three and six months ended June 30, 2025. The change in G&A expenses, excluding share-based compensation, was outpaced by our revenue growth, enabling us to realize continued scale efficiencies and improve G&A as a percentage of revenue. This improvement reflects our ongoing focus on disciplined administrative spending and optimized resource allocation. As we continue to scale the business, we expect general and administrative expenses to further decline as a percentage of revenue.

Exchange (gain)/loss

Exchange gain was $758 and $1,464 in the three and six months ended June 30, 2026, compared to an exchange loss of $1,684 and $1,771 in the three and six months ended June 30, 2025. The exchange gain in the three and six months ended June 30, 2026 was due to the strengthening of the US dollar against the Canadian dollar in the same period.

EBITDA and Adjusted EBITDA

EBITDA increased to $2,270 and $6,656 in the three and six months ended June 30, 2026, compared to $243 and $3,345 in the three and six months ended June 30, 2025. EBITDA as a percentage of revenue was 3.9% and 5.7% in the three and six months ended June 30, 2026, compared to 0.5% and 3.5% in the three and six months ended June 30, 2025.

Adjusted EBITDA increased to $2,943 and $7,077 in the three and six months ended June 30, 2026, compared to $2,575 and $6,036 in the three and six months ended June 30, 2025. Adjusted EBITDA as a percentage of revenue was 5.0% and 6.1% in the three and six months ended June 30, 2026, compared to 5.2% and 6.3% in the three and six months ended June 30, 2025. Reported Adjusted EBITDA for the six months ended June 30, 2026 included a $2.1 million non-recurring tariff recovery.

The improvements in EBITDA and Adjusted EBITDA reflect our focus on profitability and operating discipline, while driving revenue growth and gross margin expansion.

Finance costs

Finance costs decreased by $503 and increased by $276 to $(375) and $575 in the three and six months ended June 30, 2026, compared to $128 and $299 in the three and six months ended June 30, 2025. The change is mainly attributed to the realized gain on our investment in a Bitcoin exchange-traded fund.

Income Taxes

Income tax expense was $630 and $1,607 in the three and six months ended June 30, 2026, compared to an income tax expense of $205 and $909 in the three and six months ended June 30, 2025. These changes were primarily a result of generating income during the year within the operating entity.

Net Income

Net income was $1,456 and $3,431 in the three and six months ended June 30, 2026, an increase of $2,150 and $2,522 compared to a net loss of $694 and net income of $909 in the three and six months ended June 30, 2025.

The improvement in net income was primarily driven by higher revenue and a 160-basis point expansion in gross margin, together with a favourable change in exchange gain/loss. Refer to the factors discussed above related to the variance in the costs incurred in the current quarter.

Quarterly Results and Performance Measures

The following table summarizes the results of KITS’ operations for the last eight most recently completed quarters. This unaudited quarterly information, other than comparable sales growth, has been prepared in accordance with IFRS.

Summary of Quarterly Results

CAD $000s, unless otherwise noted	June 30, 2026	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Revenue	$ 58,427	$ 57,469	$ 53,891	$ 52,392	$ 49,580	$ 46,595	$ 44,833	$ 41,871
Net income (loss)	$ 1,456	$ 1,975	$ 264	$ 1,937	$ (694)	$ 1,603	$ 2,733	$ 132
Weighted average number of shares								
Basic	33,963,372	33,686,674	32,196,355	32,135,986	32,013,063	31,858,190	31,583,405	31,565,907
Diluted	34,279,505	34,012,712	34,110,476	34,175,827	32,013,063	33,848,924	33,879,476	33,884,309
Net income (loss) per share								
Basic	$ 0.04	$ 0.06	$ 0.01	$ 0.06	$ (0.02)	$ 0.05	$ 0.09	$ 0.00
Diluted	$ 0.04	$ 0.06	$ 0.01	$ 0.06	$ (0.02)	$ 0.05	$ 0.08	$ 0.00
Average US$/Canadian dollar exchange rate (a)	$ 1.3843	$ 1.3717	$ 1.3942	$ 1.3773	$ 1.3838	$ 1.4352	$ 1.3995	$ 1.3640

Notes:

(a) Average US$/Canadian dollar exchange rate is the average of Bank of Canada daily noon rates based on calendar days within the quarter.

Revenue

Over the last eight quarters, revenue has been impacted by the following:

- the growth in orders and increased new and returning customers;
- vision corrected customers seeking more affordable and convenient eyecare offerings;
- the successful growth of our Kits.com and Kits.ca sites and amalgamation of some of our other web properties;
- the rollout of our own KITS-branded glasses offering and expanded lens offering;
- the integration of insurances programs with our web properties
- the launch of our progressive glasses offerings
- the introduction and continued focus to grow our Autoship subscription program; and
- the continual increase in branded glass frames selection and inventory.

Net Income

Net income has been affected by the following factors over the last eight quarters:

- the impact of the items noted in revenue above;
- improved margins from higher margin categories;
- growth of recurring revenue;
- growth of returning number of customers;
- increase in average order sizes;
- launch and growth of our progressive category;
- growth of Kits branded contact lens category;
- growth of insurance partnership revenues;
- reduction in marketing spend growth in our Autoship subscription business and glasses offering;
- the increase in brand, marketing, and personnel costs to support our brand and corporate growth, and expanded operating capabilities including the optical lab expansion;
- the investment in our fulfillment and optical lab center; and
- the impact of foreign exchange on our revenue and costs.

Financial Condition, Liquidity and Capital Resources

Overview

The objectives of our capital management strategy are to invest in growing our business while maintaining our financial and operating flexibility, providing benefits to our stakeholders, and providing an adequate return on investment to our shareholders. We allocate capital based on our assessment of the expected risk and return profile of each investment. This strategy is adjusted with changes in the economic environment and risks of the underlying investments. We are currently subject to working capital requirements through the BMO ABL Facility (defined herein) agreement.

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures, debt service, and general corporate purposes. Our primary source of liquidity is cash on hand and funds generated by operating activities. Our ability to fund our operations, to make planned capital expenditures, to make scheduled debt payments, and to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business, and other factors, some of which are beyond our control.

Working Capital

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its growth strategy, to establish a strong capital base to satisfy its obligations towards its creditors, and to provide an adequate return to shareholders.

Our primary sources of cash flow are from sales growth and operations. Our approach to managing liquidity is to ensure, to the extent possible, that we optimize the working capital funded by our operations and maintain sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow and performing budget-to-actual analysis on a regular basis.

Net working capital as at June 30, 2026 was $24,696 compared to $15,313 as at December 31, 2025. Similar to other e-commerce businesses, customers pay for purchases upfront and we deliver goods from inventory or from suppliers. We have favorable payment terms with suppliers of goods and services typically resulting in a net positive source of working capital. We believe that cash generated from our operations and our current cash balance will adequately meet our capital requirements and operational needs for the next 12 months. Our goal is to increase capital as we grow and remain an asset-light eyecare company.

Indebtedness

Prior to 2025, the Company's primary debt obligation was a secured term loan with BDC Capital Inc. (the "BDC Loan"), which was subject to a floating interest rate and secured by a first-ranking interest in all personal and intellectual property. During the year ended December 31, 2025, the Company elected to repay the BDC Loan in full ahead of its maturity. This early repayment was executed without any penalties or fees.

On November 24, 2025, the Company secured a three-year, $15.0 million revolving asset-based lending facility with the Bank of Montreal (the "BMO ABL Facility"), maturing November 24, 2028. This facility replaces the BDC Loan and provides liquidity at a lower cost of capital. 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 the Company's option, CAD Prime, US Base Rate, Adjusted Term CORRA, or Adjusted Term SOFR, plus an applicable margin. Amounts drawn under the BMO ABL Facility during the six months ended June 30, 2026 bore interest at CAD Prime plus 0.75% (5.2%). As at June 30, 2026, no amounts were outstanding under the facility. The BMO ABL 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.

In 2021, the Company issued a $2,412 non-interest-bearing promissory note to settle accrued dividends upon the conversion of all outstanding preferred shares. The note matures the earlier of January 31, 2026, or the full repayment of the BDC Loan. During the three and six months ended June 30, 2026, the Company repaid $290 and $290 to the promissory note holders (2025: $nil and $2,122) to bring the balance down to zero. As at June 30, 2026, the carrying value of the note was $nil (2025: $290).

Cash Flows

The following table summarizes our cash flows for the three and six months ended June 30, 2026 and June 30, 2025:

	Three Months Ended		Six Months Ended	
	June 30, 2026 (unaudited)	June 30, 2025 (unaudited)	June 30, 2026 (unaudited)	June 30, 2025 (unaudited)
Net cash provided by operating activities	$ 7,763	$ 1,591	$ 2,778	$ 2,066
Net cash (used in) financing activities	(1,392)	(1,980)	(7,130)	(4,085)
Net cash provided by (used in) investing activities	2,134	(8)	2,098	5
Increase (decrease) in cash	8,505	(397)	(2,254)	(2,014)
Cash and cash equivalents, end of period	$ 27,385	$ 18,115	$ 27,385	$ 18,115

Analysis of Cash Flows for the three and six months ended June 30, 2026, compared to the three and six months ended June 30, 2025

Cash Provided by Operating Activities

Cash flow provided by operating activities was $7,763 and $2,778 in the three and six months ended June 30, 2026, compared to cash provided by operating activities of $1,591 and $2,066 in the three and six months ended June 30, 2025, an increase of cash provided of $6,172 and $712. This change was primarily driven by the continued optimization of inventory levels, accounts payable and the collection of the tariff recovery receivable We expect cash flows related to working capital to vary from quarter to quarter, reflecting normal business seasonality and the timing of routine receipts and disbursements.

Cash Used in Financing Activities

Cash flow used in financing activities was $1,392 and $7,130 in the three and six months ended June 30, 2026, compared to $1,980 and $4,085 of cash flow used in the three and six months ended June 30, 2025. Cash flows used in financing activities decreased by $588 and increased by $3,045 in the three and six months ended June 30, 2026. For the six months ended June 30, 2026, financing activities comprised the $9,965 repayment of the BMO ABL Facility, which was repaid in full during the period, the repurchase and cancellation of 89,200 common shares for $983, the repayment of the remaining $290 promissory note and $598 of lease liability repayments, partially offset by $4,706 of proceeds received from the exercise of stock options.

Cash Provided by Investing Activities

Cash flow provided by investing activities increased by $2,142 and $2,093 to $2,134 and $2,098 in the three and six months ended June 30, 2026, compared to $8 of cash flow used in and $5 of cash flow provided by investing activities in the three and six months ended June 30, 2025. The increase in cash flow provided by investing activities in Q2 is primarily due to the sale of the Bitcoin exchange-traded fund.

Off-Balance Sheet Arrangements and Commitments

As of June 30, 2026, the Company had outstanding capital commitments for equipment purchase of $2,671.

Contractual Obligations

The following table summarizes certain of our significant contractual obligations and other obligations as at June 30, 2026:

Contractual obligations	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
	Payments Due by Period ($ in thousands)				
Accounts payable and accrued liabilities.......	$ 23,490	$ 23,490	$ -	$ -	$ -
Promissory note	-	-	-	-	-
Lease liability	6,525	1,270	2,034	1,779	1,442
Total Contractual obligations	$ 30,015	$ 24,760	$ 2,034	$ 1,779	$ 1,442

As of June 30, 2026, we had additional liabilities which included pending or in-transit orders and sales returns. These liabilities have not been included in the table above as the timing and amount of future payments are uncertain.

Financial Instruments

The Company's financial instruments comprise of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, the BMO ABL Facility and the Promissory Note.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these financial instruments. These financial instruments, the BMO ABL Facility and the Promissory Note are classified as financial assets and liabilities at amortized cost. Investments comprised a Bitcoin exchange-traded fund measured at fair value through profit or loss ("FVTPL"), which was measured at fair value at the end of each reporting period. There were no financial liabilities that are measured at fair value as at June 30, 2026.

BMO ABL Facility

The BMO ABL Facility is recorded at amortized cost. During the six months ended June 30, 2026, the Company repaid the remaining outstanding balance under the BMO ABL Facility in full. As at June 30, 2026, the outstanding balance under the facility was $nil (2025: $9,988), and the Company recognized $nil (2025: $nil) of interest expense.

BDC Loan

As at June 30, 2026, the carrying amount of the loan was $nil (December 31, 2025: $nil) as the BDC Loan was fully paid and extinguished during the year ended December 31, 2025.

Promissory Note

As at June 30, 2026, the carrying value of the Promissory Note is $nil (2025: $290). 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%.

Investment

Investments comprised a Bitcoin exchange-traded fund measured at fair value through profit or loss ("FVTPL"). This was held primarily for capital appreciation. During the three and six months ended June 30, 2026, the Company recognized a fair value gain of $492 and a fair value loss of $343 (2025: $nil and $nil) in respect to these investments within finance costs. As at June 30, 2026, the investment balance was $nil.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the “Risk Factors” section of the AIF, which is available on SEDAR+ at www.sedarplus.ca.

In addition, we are exposed to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit, liquidity, and equity price risk, as summarized below. We believe that our overall risk management program and business practices help minimize any potential adverse effects on our consolidated financial performance.

The impact of changes in U.S. trade policy, including tariffs or adjustments to existing trade agreements, remains uncertain. We continue to monitor developments and adapt our strategies as needed to manage potential impacts. While these policies may affect costs, operations, or market dynamics, we remain focused on mitigating risks and maintaining flexibility in our business approach.

Risk management is carried out under practices approved by our board of directors (the “Board”). This includes reviewing the adequacy of our risk management policies and procedures with regard to identifying the Company’s principal risks and implementing appropriate systems and controls to manage these risks. Risk management covers many areas of risk including, but not limited to, foreign exchange risk, interest rate risk, credit risk, liquidity risk and equity price risk.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of financial risks in the normal course of operations including foreign exchange, interest rate, credit, and liquidity risk. Our overall risk management program and business practices seek to minimize any potential adverse effects on our consolidated financial performance. For a detailed description of risk factors associated with the Company, refer to the “Risk Factors” section of the AIF, which is available on SEDAR+ at www.sedarplus.ca.

Foreign Exchange Risk

The presentation currency for our consolidated interim financial statements is the Canadian dollar. Because we recognize sales in the United States in U.S. dollars, if the U.S. dollar weakens against the Canadian dollar, it would have a negative impact on our U.S. operating results upon translation of those results into Canadian dollars for the purposes of interim financial statement consolidation. We may face similar risks in other foreign jurisdictions where sales are recognized in foreign currencies. 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 approximate unfavorable impact of $531 on the three months ended June 30, 2026 consolidated income.

Interest Rate Risk

We are exposed to changes in interest rates on our cash and cash equivalents, loans and borrowings. Debt issued at variable rates exposes us to cash flow interest rate risk. As at June 30, 2026, the Company has determined that its interest rate risk is not significant as there was no borrowing during the quarter and outstanding balance under the BMO ABL Facility was repaid in full. 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.

Credit Risks

Credit risk refers to the possibility that we can suffer financial losses due to the failure of our counterparties to meet their payment obligations. We are exposed to minimal credit risk. We do not extend credit to customers but do have some receivables exposure with respect to payment processors transferring customer funds to us and to rebates receivable from our vendors. The majority of accounts receivable are settled in under 30 days. To reduce this risk, we use industry leading payment processors, including Braintree Payment Gateway, American Express, Shopify and PayPal. We deposit our cash and cash equivalents with major financial institutions that have been assigned high credit ratings by internationally recognized credit rating agencies. We do not have any derivative contracts.

Liquidity Risk

Liquidity risk is the risk that we cannot meet a demand for cash or fund our obligations as they come due. We manage liquidity risk by managing our balance sheet and monitoring actual and projected cash flows, considering the seasonality of our revenue, income and working capital needs.

Risks Associated with Financial Instruments

We have an undrawn BMO ABL Facility to support future growth and operational needs. This indebtedness subjects the Company to restrictive financial and operational covenants. These covenants may limit our ability to structure or operate the business as desired, including restrictions on certain investments, asset sales, or additional incurrence of debt. Our ability to satisfy these covenants is subject to factors beyond our control, such as general economic conditions. A failure to comply with these obligations could result in an event of default, potentially triggering the acceleration of our debt repayment and limiting our access to further liquidity.

Related Party Transactions

During the three months and six months ended June 30, 2026, the Company recorded $38 and $71 (2025: $31 and $62) of non-executive director fees and $70 and $131 (2025: $56 and $113) of share-based compensation. As at June 30, 2026, $40 (2025: $31) of non-executive director fees were included in accounts payable and accrued liabilities. The Promissory Note holders are former holders of the Preferred Shares in the Company and include certain key management of the Company and their affiliates. For further details regarding the Promissory Note, see "Financial Condition, Liquidity and Capital Resources" and "Financial Instruments" above.

Key management compensation

Key management consists of the Board, the Chief Executive Officer, and the executives who report directly to the Chief Executive Officer. Key management compensation comprises 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 short-term employee benefits to key management and recorded $58 and $90 (2025: $nil and $nil) of cash-settled LTIP recoveries to key management and $1,188 and $1,497 (2025: $438 and $604) of key management share-based compensation.

Critical Accounting Estimates and Judgments

Our interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Account Standards Board. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses and are based on a set of underlying data that may include our historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. We continually evaluate the estimates and judgments used in the preparation of the financial statements. Actual results could differ from these estimates. Areas requiring the most significant estimates and judgments are outlined below.

Inventories

In estimating the net realizable value of inventory, we use estimates related to fluctuations in inventory levels, planned production, customer behavior, obsolescence, future selling prices, and costs necessary to sell the inventory.

Revenue

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

We exercise 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. We consider 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.

The critical assumptions and estimates used in determining the present value of future lease payments require us to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets. We determine 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, plant & equipment, and right-of-use assets)

We are required to exercise judgment in determining the grouping of assets to identify their cash-generating units (CGUs) for the purposes of testing non-financial assets for impairment. 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 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

Compensation expense for equity-settled share-based compensation granted to employees is measured at the fair value at the grant date. 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. The fair value of options is determined by 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. For options granted during the three months ended June 30, 2026, the Company applied 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.

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

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 into those projections are management's financial forecasts and statutory tax rates.

Significant New Accounting Standards Not Yet Adopted

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.

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 were settled through the issuance of an equal number of Common Shares.

Current Share Information

As at August 4, 2026, an aggregate of 34,006,241 Common Shares were issued and outstanding. There were no Preferred Shares issued and outstanding as of such date.

As at August 4, 2026, there were 996,863 options and 7,069 restricted share rights outstanding under the Company's equity incentive plans, of which 277,148 options and 5,172 restricted share rights were vested as of such date. Each option is exercisable for one Common Share. We expect that vested restricted share rights will be paid at settlement through the issuance of one Common Share per restricted share right.

Additional Information

Additional information relating to the Company, including the AIF, is available on SEDAR+ at www.sedarplus.ca. Our Common shares are listed for trading on the TSX under the symbol "KITS".