

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025

The following Management's Discussion and Analysis ("**MD&A**") dated November 4, 2025 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 nine months ended September 30, 2025 and September 30, 2024, 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, 2024 and 2023, including the related notes thereto, and the related Management's Discussion and Analysis for the year ended December 31, 2024, each filed on March 5, 2025. This discussion contains forward-looking information that involves risks and uncertainties. Our actual results, performance and achievements could differ materially from those implied by such forward-looking information as a result of various factors discussed below, 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 or opportunities or 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 the 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 expand product offerings; 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, 2024, which was filed on March 5, 2025 (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. 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.

We caution that the list of risk factors and uncertainties described in the MD&A and the AIF is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. 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. 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 KITS consumer technology vision care brand 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, guaranteed. 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 surpassed one million Active Customers and achieved more than 25% year-over-year revenue.. Additionally, revenue growth continued to be strong in the Canadian market where we saw 38% year-over-year growth. KITS achieved its twelfth consecutive quarter of positive Adjusted EBITDA and net income of \$1.9 million.

KITS delivered strong third-quarter results with clarity, demonstrating the capabilities of our KITS team and the resilience of our model and our connection with our community of vision corrected customers as we focus on making eyecare easy. This quarter marked our twelfth consecutive quarter of expanding positive Adjusted EBITDA. Our customer-first strategy continues to attract and retain high-value vision-corrected consumers who become loyal users of both KITS branded and other branded glasses and contact lenses. Our proprietary technology makes eyecare easy and convenient for consumers while driving improving order values, efficiency gains and margin expansion. As we balance revenue growth with sustained profitability, we remain committed to broadening our eyewear and optical offerings and delivering exceptional value, convenience, and service through our omnichannel platform, which integrates our website, digital tools, and customer service channels to create a seamless experience for customers across all touchpoints.

Q3 revenue was \$52.4 million, an increase of 25.1% compared to the same quarter in 2024 and representing an annualized revenue run rate of approximately \$210 million. For the nine-month period ended September 30, 2025, total revenue increased to a record \$148.6 million, up 29.7% from \$114.5 million during the same period in 2024. Gross margins were 34.6% in the quarter and 35.8% in the nine-month period, resulting in a record gross profit of \$18.1 million and \$53.3 million, respectively, as compared to \$13.8 million and \$37.4 million in the same periods in the prior year.

During the quarter, we continued to expand our base of high-value vision-corrected consumers, surpassing one million 2-year Active Customers, a milestone that underscores the strength of our acquisition and retention strategy and our disciplined approach to profitability and demonstrates that our offering is resonating with loyal customers. We fulfilled approximately 266,200 patient orders in the quarter, with average order value (AOV) rising to \$197, up from \$190 in the prior year period. KITS AOV has continued to rise over the past several years demonstrating our expanding share of the vision market within glasses and contact lenses and broader vision market including sun, prescription sun, blue light and other specialty lenses. Returning customers also continued to increase their vision care spend, contributing to higher AOVs and reinforcing the expanding value and loyalty within our customer base.

Over the past eight quarters, KITS has delivered consistent top-line growth, with revenue increasing from \$31.7 million in Q4 2023 to \$52.4 million in Q3 2025, representing a compound annualized growth rate of over 28.0%. This sustained performance reflects continued customer acquisition and retention momentum, a growing contribution from KITS-branded products, and steady gains in average order value. Marketing investment has remained disciplined at 13% to 15% of revenue throughout this period, supporting scalable growth while maintaining profitability. Year-over-year revenue growth has consistently ranged between 20% and 42%, underscoring the strength and resilience of our model. Q3 marketing investment increased to 14.1% of revenue, up from 13.4% in the prior year period, contributing to the acquisition of 99,000 new customers, representing approximately 37.6% of total revenue. The continued growth of new customers reflects the resonance of the KITS brand, the scalability of our platform, and deepening engagement across our expanding customer base all achieved with minimal capital expenditure cost expansion growth of new customers reflects the growing resonance of the KITS brand, the scalability of our platform, and deepening engagement across our expanding customer base.

We continued to see strong momentum in Canada, where revenue grew approximately 38.4% year-over-year, supported by gains across both new and returning customers and across our glasses and contact lens categories and including specialty lenses and products. Returning customers accounted for 62.4% of total revenue in the quarter, reflecting the value we deliver, the durability of our core customer base and the recurring nature of our model. We also achieved meaningful growth in our newly launched KITS-branded contact lenses predominately in Canada, with Q3 revenue over \$0.5 million, increasing over 380% year-over-year at a gross margin of 51.2%, which remains accretive to the overall business. Glasses revenue grew 24.6% year-over-year to \$7.1 million, compared to \$5.7 million in the prior year period. Unit volume increased 40.9% to approximately 93,000 pairs, reflecting growth in both new customer adoption and repeat customers. Premium lens upgrades remained a key driver, contributing approximately 44.1% of total glasses revenue and grew nearly 54.7% year-over-year, highlighting our customers' demand for specialty products.

During the quarter, we launched the beta version of OpticianAI™, our proprietary artificial intelligence platform designed to provide a seamless, personalized vision care experience. Early user feedback has been positive, and with modest conversion gains highlighting its early impact and potential to enhance long-term customer engagement and revenue growth while improving service times and reducing costs.

We delivered our twelfth consecutive quarter of positive Adjusted EBITDA, totaling \$2.9 million, or 5.5% of revenue, while continuing to invest in strategic initiatives (refer to the "Non-IFRS Measures and Industry Metrics" section). As we scale, we remain focused on operational efficiency, with fulfillment expenses declining as a percentage of revenue from 10.8% to 10.2% year-over-year and general and administrative expenses decreasing from 6.2% to 5.7%

We generated positive operating cash flow of \$3.0 million in Q3 and \$5.0 million in the nine-month period, ending the quarter with a strong cash position of \$19.7 million.

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 nine months ended September 30, 2025 and September 30, 2024.

	Three Months Ended		Nine Months Ended	
	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)
Financial and Operating Data				
Revenue	\$ 52,392	\$ 41,871	\$ 148,567	\$ 114,505
Exchange loss / (gain)	\$ (547)	\$ 528	\$ 1,224	\$ (651)
Net income	\$ 1,937	\$ 132	\$ 2,846	\$ 383
Net income per share				
Basic	\$ 0.06	\$ 0.00	\$ 0.09	\$ 0.01
Diluted	\$ 0.06	\$ 0.00	\$ 0.08	\$ 0.01
Non-IFRS Measures (a):				
Constant currency revenue	\$ 51,976	\$ 41,871	\$ 145,783	\$ 114,505
EBITDA	\$ 3,309	\$ 946	\$ 6,654	\$ 3,234
Adjusted EBITDA	\$ 2,862	\$ 1,599	\$ 8,898	\$ 3,524
Adjusted EBITDA Margin %	5.5%	3.8%	6.0%	3.1%

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 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 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		Nine Months Ended	
	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)
Reconciliation of constant currency revenue				
Revenue	\$ 52,392	\$ 41,871	\$ 148,567	\$ 114,505
Foreign exchange impact	(416)	-	(2,784)	-
Constant Currency Revenue	\$ 51,976	\$ 41,871	\$ 145,783	\$ 114,505
Change in constant currency	\$ 10,105		\$ 31,278	
Change in constant currency %	24.1%		27.3%	

"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 financial statements is net income (loss).

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

"EBITDA" is defined as consolidated net income (loss) 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 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.

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 loss to EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin for the periods presented:

	Three Months Ended		Nine Months Ended	
	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)
Reconciliation of Adjusted EBITDA				
Net income for the period	\$ 1,937	\$ 132	\$ 2,846	\$ 383
Add back:.....				
Income taxes	698	124	1,607	349
Finance costs – net	67	84	366	551
Depreciation and amortization.....	607	606	1,835	1,951
EBITDA.....	\$ 3,309	\$ 946	\$ 6,654	\$ 3,234
Add back				
Share-based compensation (a).....	\$ 97	\$ 122	\$ 1,010	\$ 931
Exchange loss / (gain)	(547)	528	1,224	(651)
One-time costs (b)	3	3	10	10
Adjusted EBITDA.....	\$ 2,862	\$ 1,599	\$ 8,898	\$ 3,524
Revenue	\$ 52,392	\$ 41,871	\$ 148,567	\$ 114,505
Adjusted EBITDA Margin % (c).....	5.5%	3.8%	6.0%	3.1%

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 are 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 Behaviour

As of September 30, 2025, we had over 1,030,000 2-year Active Customers, up from 890,000 as at September 30, 2024. We continue to successfully attract a record number of new customers and serve past customers whose value continues to compound. Repeat revenue in the three months ended September 30, 2025 reached a record of approximately \$32.7 million, an increase of \$6.7 million from the same period in 2024. In this

quarter, we continued to focus our marketing spend on attracting higher value new orders and orders from repeat customers. We served a total of 99,000 new customers in the third quarter of 2025.

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 September 30, 2025 and represents an increase of 4.0% year over year. 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 an over \$24.4 million dollar annuity 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

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.

Through an expanded tiered pricing strategy, we offer customers greater flexibility and choice, enhancing accessibility. KITS-branded frames continue to resonate with consumers seeking style, quality, and value, contributing to loyalty and repeat purchases.

Revenue from glasses grew 24.6% year-over-year to \$7.1 million for the three months ended September 30, 2025, up from \$5.7 million in 2024. 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 Q3 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 increased 28.2% year-over-year, rising from 39,000 in 2024 to over 50,000 in 2025.

We ended the quarter with over 600,000 frames in stock and more than 14,000 styles, ensuring that KITS remains a leading destination for premium, affordable eyewear with an efficient and scalable supply chain.

Components of Our Results of Operations and Trends Affecting Our Business

Revenue

We generate revenue primarily from sales of 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 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. 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 expenditures have 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 channels like 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 nine months ended September 30, 2025 and

September 30, 2024 has been derived from our condensed interim consolidated financial statements and related notes.

Financial and Operating Data	Three Months Ended		Nine Months Ended	
	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)	September 30, 2025 (unaudited)	September 30, 2024 (unaudited)
CAD \$000s, unless otherwise noted				
Revenue	\$ 52,392	\$ 41,871	\$ 148,567	\$ 114,505
Cost of sales	34,249	28,080	95,306	77,130
Gross profit	18,143	13,791	53,261	37,375
Fulfillment	5,342	4,521	15,750	12,903
Marketing	7,412	5,609	21,223	15,190
General and administrative	3,010	2,591	9,577	7,715
Exchange (gain)/loss	(547)	528	1,224	(651)
Depreciation and amortization	224	202	668	935
Operating income	2,702	340	4,819	1,283
Finance costs, net	67	84	366	551
Income before income taxes	\$ 2,635	\$ 256	\$ 4,453	\$ 732
Income tax expense	698	124	1,607	349
Net Income	\$ 1,937	\$ 132	\$ 2,846	\$ 383
Non-IFRS measures (a)				
Constant currency revenue	\$ 51,976	\$ 41,871	\$ 145,783	\$ 114,505
EBITDA	\$ 3,309	\$ 946	\$ 6,654	\$ 3,234
Adjusted EBITDA	\$ 2,862	\$ 1,599	\$ 8,898	\$ 3,524
Adjusted EBITDA Margin %	5.5%	3.8%	6.0%	3.1%

Notes:

(a) Refer to the "Non-IFRS Measures and Industry Metrics" section.

Three and Nine Months Ended September 30, 2025, Compared to Three and Nine Months Ended September 30, 2024

The following section provides an overview of our financial performance during the three and nine months ended September 30, 2025 to the three and nine months ended September 30, 2024. 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 \$52,392 and \$148,567 in the three and nine months ended September 30, 2025, an increase of 25.1% and 29.7%, compared to \$41,871 and \$114,505 in the three and nine months ended September 30, 2024. On a constant currency basis, revenue was \$51,976 and \$145,783 in the three and nine months ended September 30, 2025, an increase of 24.1% and 27.3%, compared to the three and nine months ended September 30, 2024.

Revenue from our eyeglasses delivered increased 24.6% to \$7,077 and 37.6% to \$20,986 for the three and nine months ended September 30, 2025, an increase of \$1,395 and \$5,732 from \$5,682 and \$15,254 for the three and nine months ended September 30, 2024. The increase in revenue from eyeglasses is driven by our growing base of repeat customers and the strong growth of new customers. During the three months ended September 30, 2025, 50,000 eyeglasses were delivered to returning customers compared to 39,000 eyeglasses in the three months ended September 30, 2024 and 152,000 eyeglasses in the nine months ended September 30, 2025 compared to 123,000 eyeglasses in the nine months ended September 30, 2024. In addition to an increased number of repeat purchases,

repeat customers often placed orders with higher average order values compared to their initial purchases. This trend is primarily driven by their increased propensity to invest in lens upgrades on orders subsequent to their first order.

Gross Profit

Gross profit increased by 31.6% and 42.5% to a record \$18,143 and \$53,261 in the three and nine months ended September 30, 2025, compared to \$13,791 and \$37,375 in the three and nine months ended September 30, 2024. Gross margins were 34.6% and 35.8% for the three and nine months ended September 30, 2025, compared to 32.9% and 32.6% in the three and nine months ended September 30, 2024. This improvement was achieved through strategic pricing, optimizing product mix, and implementing targeted promotions intended to boost customer acquisition and encourage repeat purchases.

Fulfillment

Fulfillment expenses as a percentage of revenue improved to 10.2% and 10.6% in the three and nine months ended September 30, 2025 respectively, compared to 10.8% and 11.3% of revenue in the three and nine months ended September 30, 2024. Fulfillment expenses totaled \$5,342 and \$15,750 in the three and nine months ended September 30, 2025, compared to \$4,521 and \$12,903 in the three and nine months ended September 30, 2024. 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 totaled \$7,412 and \$21,223 in the three and nine months ended September 30, 2025 compared to \$5,609 and \$15,190 in the three and nine months ended September 30, 2024. Marketing expenses as a percentage of revenue were 14.1% and 14.3% in the three and nine months ended September 30, 2025 compared to 13.4% and 13.3% in the three and nine months ended September 30, 2024.

The increase in marketing expense as a percentage of revenue reflects our continued investment in customer acquisition. During the quarter, we acquired over 99,000 new customers, who accounted for approximately 37.6% of total revenue. Average order value in the quarter increased 3.7% year-over-year to \$197, compared to \$190 in the prior year period, while repeat customers contributed approximately 62.4% of revenue. As brand awareness and customer loyalty continue to strengthen, we expect to realize further marketing efficiencies over time.

General and administrative

General and administrative expenses as a percentage of revenue were 5.7% and 6.4% in the three and nine months ended September 30, 2025, compared to 6.2% and 6.7% in the three and nine months ended September 30, 2024. General and administrative expenses were \$3,010 and \$9,577 in the three and nine months ended September 30, 2025, compared to \$2,591 and \$7,715 in the three and nine months ended September 30, 2024. The change in general and administrative expenses was outpaced by our revenue growth, as we leveraged our existing cost base.

Exchange (gain)/loss

Foreign exchange resulted in a gain of \$547 and a loss of \$1,224 for the three and nine months ended September 30, 2025, respectively, compared to a loss of \$528 and a gain of \$651 in the corresponding periods of 2024. The quarterly variance primarily reflects the weakening of the Canadian dollar against the U.S. dollar, while the variance in the nine-month period was mainly driven by the strengthening of the Canadian dollar relative to the U.S. dollar during the period.

EBITDA and Adjusted EBITDA

EBITDA was \$3,309 and \$6,654 in the three and nine months ended September 30, 2025, compared to \$946 and \$3,234 in the three and nine months ended September 30, 2024. Adjusted EBITDA was \$2,862 and \$8,898 in the

three and nine months ended September 30, 2025, compared to \$1,599 and \$3,524 in the three and nine months ended September 30, 2024.

EBITDA as a percentage of revenue was 6.3% and 4.5% in the three and nine months ended September 30, 2025, compared to 2.3% and 2.8% in the three and nine months ended September 30, 2024. Adjusted EBITDA as a percentage of revenue was 5.5% and 6.0% in the three and nine months ended September 30, 2025, compared to 3.8% and 3.1% in the three and nine months ended September 30, 2024.

The improvements in EBITDA and Adjusted EBITDA reflect our focus on profitability and operating discipline, as we capture leverage across marketing, fulfillment, and G&A expenses.

Finance costs

Finance costs in the three and nine months ended September 30, 2025 decreased by \$17 and \$185 from \$84 and \$551 in the three and nine months ended September 30, 2024 to \$67 and \$366. The decrease is primarily due to a lower interest expense on the BDC Loan (as defined below) due to lower principal outstanding as we continued to pay down \$750 per quarter on the principal of the BDC Loan.

Income Taxes

Income taxes increased by \$574 in the three months ended September 30, 2025 and increased by \$1,258 in the nine months ended September 30, 2025 to an income tax expense of \$698 and \$1,607 respectively, compared to an income tax expense of \$124 and \$349 in the three and nine months ended September 30, 2024, primarily as a result of generating income during the year within the operating entity.

Net Income

Net income was \$1,937 and \$2,846 in the three and nine months ended September 30, 2025, a change of \$1,805 and \$2,463 compared to a net income of \$132 and \$383 in the three and three and nine months ended September 30, 2024.

The improvement in net income was mainly attributed to an improvement in our revenue and fulfillment efficiency. 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.

CAD \$000s, unless otherwise noted	Summary of Quarterly Results							
	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
Revenue.....	\$ 52,392	\$ 49,580	\$ 46,595	\$ 44,833	\$ 41,871	\$ 37,852	\$ 34,782	\$ 31,663
Net income (loss).....	\$ 1,937	\$ (694)	\$ 1,603	\$ 2,733	\$ 132	\$ 187	\$ 64	\$ (491)
Weighted average number of shares								
Basic.....	32,135,986	32,013,063	31,858,190	31,583,405	31,565,907	31,461,257	31,450,102	31,437,460
Diluted	34,175,827	32,013,063	33,848,924	33,879,476	33,884,309	33,640,629	33,551,070	31,437,460
Net income (loss) per share								
Basic.....	\$ 0.06	\$ (0.02)	\$ 0.05	\$ 0.09	\$ 0.00	\$ 0.01	\$ 0.00	\$ (0.02)
Diluted.....	\$ 0.06	\$ (0.02)	\$ 0.05	\$ 0.08	\$ 0.00	\$ 0.01	\$ 0.00	\$ (0.02)
Average US\$/Canadian dollar exchange rate (a)	\$ 1.3773	\$ 1.3838	\$ 1.4352	\$ 1.3995	\$ 1.3640	\$ 1.3683	\$ 1.3482	\$ 1.3607

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 eyeglass frames selection and inventory.

Net Income (loss)

Net income (*loss*) 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;
- 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, provide benefits to our stakeholders, and provide 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 and minimum cash requirements through the BDC Loan 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 funds generated by operating activities and proceeds from our IPO. 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, operations, debt financing, and equity issuances. 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 September 30, 2025 was \$13,156 compared to \$6,322 as at December 31, 2024. Similar to other e-commerce businesses our customers pay for purchases when they place an order, 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.

Indebtedness

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. As at September 30, 2025, the carrying amount of the BDC Loan is \$1,676 (December 31, 2024: \$4,761). The change is due to principal repayments made during the period in accordance with the terms of the Company’s loan agreement with BDC.

The BDC Loan bears interest at the BDC floating rate plus a variance of 4.45% per annum and is payable on a monthly basis. At maturity, the Company is required to make a one-time payment to BDC equal to 0.45% of the Company’s annual gross sales at maturity. As at September 30, 2025, the interest rate was 10.25% (December 31, 2024: 11.00%). The BDC Loan is 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 is subject to various covenants under the BDC Loan, including requirements to maintain certain financial ratios. As at September 30, 2025, the BDC Loan is in good standing and the Company is in compliance with all of these covenants.

On January 18, 2021, in connection with the conversion of all of the Company’s outstanding preferred shares (“Preferred Shares”), the Company issued a promissory note of \$2,412 (the “Promissory Note”) which represents the accrued dividends payable to the former holders of Preferred Shares. The Promissory Note bears no interest and matures on the earlier of January 31, 2026 or the date after the BDC Loan has been repaid in full (the “Maturity Date”). Subject to the consent of BDC unpaid principal shall be payable in quarterly installments of \$121 beginning on March 31, 2021. Any unpaid principal shall be payable in full upon the Maturity Date. As at September 30, 2025, the carrying amount of the Promissory Note is \$290 (December 31, 2024: \$2,396). During the three and nine months ended September 30, 2025, a total principal of \$nil and \$2,122 (three and nine months ended September 30, 2024: \$nil and \$nil) was paid to the Promissory Note holders.

Cash Flows

The following table presents cash and cash equivalents as at September 30, 2025 and September 30, 2024:

	Three Months Ended		Nine Months Ended	
	September 30, 2025 <i>(unaudited)</i>	September 30, 2024 <i>(unaudited)</i>	September 30, 2025 <i>(unaudited)</i>	September 30, 2024 <i>(unaudited)</i>
Net cash provided by operating activities.....	\$ 2,952	\$ 2,240	\$ 5,018	\$ 9,242
Net cash (used in) financing activities.....	(966)	(1,181)	(5,051)	(3,663)
Net cash (used in) investing activities.....	(136)	(1,521)	(131)	(2,059)
Increase (decrease) in cash.....	1,850	(462)	(164)	3,520
Cash and cash equivalents, end of period	\$ 19,692	\$ 19,148	\$ 19,692	\$ 19,148

Analysis of Cash Flows for the three and nine months ended September 30, 2025, compared to the three and nine months ended September 30, 2024

Cash Provided by Operating Activities

Cash provided by operating activities was \$2,952 and \$5,018 in the three and nine months ended September 30, 2025, compared to cash provided by operating activities of \$2,240 and \$9,242 in the three and nine months ended September 30, 2024, changes of \$712 and \$(4,224). The changes in cash provided by operating activities for the three and nine months ended September 30, 2025, were primarily driven by fluctuations in working capital, particularly the timing of vendor payments. 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 used in financing activities were \$966 and \$5,051 in the three and nine months ended September 30, 2025, compared to \$1,181 and \$3,663 of cash used in financing activities in the three and nine months ended September 30, 2024. Cash used in financing activities increased by \$1,388 in the nine months ended September 30, 2025 due to the repayments made to the Promissory Note holders and a one-time cash sweep payment to BDC, offset by a lower interest expense on the BDC Loan due to a reduced principal balance and a lower interest rate and proceeds received from the exercise of stock options.

Cash Used in Investing Activities

Cash used in investing activities was \$136 and \$131 for the three and nine months ended September 30, 2025, compared to \$1,521 and \$2,059 of cash used in investing in the three and nine months ended September 30, 2024. These changes were minor equipment purchased during the three and nine months ended September 30, 2025.

Off-Balance Sheet Arrangements and Commitments

We have no off-balance sheet arrangements or commitments.

Contractual Obligations

The following table summarizes certain of our significant contractual obligations and other obligations as at September 30, 2025:

Contractual obligations	Payments Due by Period (\$ in thousands)				
	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities.....	\$ 22,810	\$ 22,810	\$ -	\$ -	\$ -
Loan principal amount	1,700	1,700	-	-	-
Loan interest	15	15	-	-	-
Promissory Note	290	290	-	-	-
Lease liability	6,798	1,181	2,007	1,618	1,992
Total contractual obligations	\$ 31,613	\$ 25,996	\$ 2,007	\$ 1,618	\$ 1,992

As of September 30, 2025, we had additional liabilities which included pending or in-transit orders and sales returns in the normal course of operations. 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, accounts receivable, accounts payable and accrued liabilities, the BDC Loan and the Promissory Note.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and Promissory Note approximate their fair value because of the short-term nature of these financial instruments. These financial instruments and the BDC Loan are classified as financial assets and liabilities at amortized cost. There were no financial liabilities that are measured at fair value as at September 30, 2025.

BDC Loan

As at September 30, 2025, the carrying amount of the BDC Loan is \$1,676 (December 31, 2024: \$4,761), and the principal amount owing is \$800 (December 31, 2024: \$3,900). For the three and nine months ended September 30, 2025, the Company made repayments of \$784 and \$3,301 (three and nine months ended September 30, 2024: \$910 and \$2,809) and recognized \$47 and \$216 (three and nine months ended September 30, 2024: \$141 and \$489) of interest expense in finance costs. Interest expense is calculated by applying the effective interest rate of 10.25% (December 31, 2024: 11.00%).

Promissory Note

As at September 30, 2025, the carrying value of the Promissory Note is \$290 (December 31, 2024: \$2,396). During the three and nine months ended September 30, 2025, a total principal of \$nil and \$2,122 (three and nine months ended September 30, 2024: \$nil and \$nil) was paid to the Promissory Note holders, with the consent of BDC. In the three and nine months ended September 30, 2025, the Company recorded accretion expense of \$nil and \$16 (three and nine months ended September 30, 2024: \$41 and \$121) in finance costs. Accretion expense is calculated by applying the effective interest rate of 8.00%.

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 future and proposed changes in U.S. trade policy, including tariffs, duties 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 Risks

The presentation currency for our consolidated financial statements is the Canadian dollar. As 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 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 approximately unfavorable impact of \$444 on the nine months ended September 30, 2025 consolidated income.

Interest Rate Risks

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. During the period, we had a variable interest rate loan from BDC. The principal amount outstanding under the loan was \$800 as at September 30, 2025 which currently bears interest at 10.25%. A 1.00% increase in the floating interest rate would have increased interest paid by \$17 and finance costs by \$16 for nine months ended September 30, 2025.

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, PayPal and Shopify. 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 are currently indebted under the BDC Loan and we may incur additional indebtedness in the future. We are exposed to changes in interest rates on our bank indebtedness and long-term debt. Debt issued at variable rates exposes us to cash flow and interest rate risk while debt issued at fixed rates exposes us to fair value interest rate risk. The BDC Loan contains restrictive financial and other covenants which affect, among other things, the manner in which we may structure or operate our business. Our ability to satisfy these restrictive covenants could be affected by factors outside our control which could further restrict our corporate activities

Related Party Transactions

During the three and nine months ended September 30, 2025, the Company recorded \$31 and \$93 (three and nine months ended September 30, 2024: \$31 and \$93) of Board fees to its directors and \$56 and \$169 (three and nine months ended September 30, 2024: \$56 and \$169) of share-based compensation. \$31 of Board fees remain unpaid as at September 30, 2025. The Promissory Note holders are former holders of Preferred Shares 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 directors and officers of the Company. Key management compensation comprises of wages and employee benefits. For the three and nine months ended September 30, 2025, the Company paid \$446 and \$1,318 (three and nine months ended September 30, 2024: \$479 and \$1,385) of wages and employee benefits to key management and recorded \$40 and \$644 (three and nine months ended September 30, 2024: \$19 and \$640) of key management share-based compensation.

Critical Accounting Estimates and Judgments

Our 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 and determine the appropriate lease term on a lease-by-lease basis. 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. These estimates include 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 share-based compensation granted is measured at the fair value at the grant date using the Black-Scholes option pricing model. The critical assumptions used under the option valuation model at the grant date are forfeiture rate, expected time to exercise in years, expected dividend yield, and volatility.

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

Significant New Accounting Standards Not Yet Adopted

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.

Current Share Information

As at November 4, 2025, an aggregate of 32,140,705 Common Shares were issued and outstanding. There were no Preferred Shares issued and outstanding as of such date.

As at November 4, 2025, there were 2,199,542 options and 3,465 restricted share rights outstanding under the Company's equity incentive plans, of which 2,170,543 options and 3,465 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".