



Vitalist Inc.

(Formerly known as CE Brands Inc.)

Management's Discussion and Analysis

For the interim period ended December 31, 2025

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The following Management’s Discussion and Analysis (“**MD&A**”) of the financial condition and results of the operations of Vitalist Inc. (“**Vitalist**” or the “**Company**”, “**Corporation**”), a public company traded on the TSX Venture Exchange (“**TSX-V**”) under the symbol VITA and on OTCQB Venture Market (“**OTCQB**”) under the symbol VTLSF, constitutes management’s review of the factors that affected the Company’s financial and operating performance for the nine month period ended December 31, 2025 and December 31, 2024. This MD&A should be read in conjunction with the Company’s unaudited Condensed Consolidated Interim Financial Statements and accompanying notes for the nine month period ended December 31, 2025 and December 31, 2024, (“**Q3 FY26 Financial Statements**”) as well as the audited financial statements of the Company for the fiscal years ended March 31, 2025 and March 31, 2024, together with the notes thereto which have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 and Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”), respectively. The consolidated financial statements are available on SEDAR+ at www.sedarplus.ca.

This MD&A is dated February 12, 2026. All dollar amounts in this MD&A are in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

This MD&A contains “forward-looking information” within the meaning of applicable Canadian securities laws. In general, forward-looking information is disclosure about future conditions, courses of action, and events, including information about prospective financial performance or financial position. The use of any of the words “anticipates”, “believes”, “expects”, “intends”, “plans”, “will”, “would”, and similar expressions are intended to identify forward-looking information. Forward-looking statements included or incorporated by reference in this MD&A include, without limitation, with respect to:

- the ability of the Company to continue as a going concern;
- the impact on the Company of the voluntary assignment into bankruptcy of eBuyNow eCommerce Ltd. (“**EBN**”), a wholly-owned Canadian subsidiary of the Company, which was filed by EBN on June 27, 2023 pursuant to the *Bankruptcy and Insolvency Act* (R.S.C., 1985, c. B-3) (the “**Act**”) (collectively, the “**Bankruptcy**”);
- the effects of global supply constraints on the Company and the likelihood that such constraints will continue to occur and impact the Company;
- the plans of the Company for the Reebok (defined below) product category, the status of the Reebok product category relative to those plans, and the anticipated timing and costs to advance the Reebok product category;
- the plans of the Company for the Vitalist (defined below) product category, the status of the Vitalist product category relative to those plans, and the anticipated timing and costs to advance the Vitalist product category;
- the plans of the Company to terminate certain product lines and product categories;
- the strategies of the Company for customer retention and growth;
- anticipated demand for the products and services of the Company, and its ability to meet that demand;
- the Company’s intent to maintain a flexible capital structure;
- the ability of the Company to generate sufficient cash to maintain its capacity and fund its growth and development;
- fluctuations in the liquidity of the Company;
- the ability of the Company to meet its obligations as they become due;

- the plans of the Company for remedying its working capital deficiency;
- the need for the Company to pursue additional sources of financing and the ability of the Company to obtain such additional sources of financing;
- capital expenditures not yet committed, but required, to maintain the capacity of the Company and fund its growth and development;
- fluctuations in the capital resources of the Company;
- the sources of financing that the Company has arranged, but not yet used; and
- the plans of the Company to reduce general and administrative expenses.

The forward-looking information is based on certain key expectations and assumptions, including the continuance of manufacturing operations at the Company's partner factories in Asia, the timing of product launches, shipments and deliveries, forecast sales price and sales volumes of the Company's products and the ability of the Company to secure additional sources of financing in the future.

There can be no assurance that the Company will be able to secure additional financing in the future in a timely manner or at all. If the Company fails to secure additional financing, the Company may have insufficient liquidity and capital resources to operate its business resulting in material uncertainty regarding the Company's ability to meet its financial obligations as they become due and continue as a going concern.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company cannot give any assurance that it will prove to be accurate. By its nature, forward-looking information is subject to various risks, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed in this MD&A. Such risks and uncertainties include, without limitation:

- there is the potential for litigation to arise from creditors in connection with the Bankruptcy resulting in contingent liabilities and additional legal costs to the Company;
- certain liabilities of EBN and its subsidiaries may not be extinguished in connection with the Bankruptcy;
- the Company may require additional funds by way of debt or equity financings to continue to fund its operating, investing, and financing activities;
- the Company may continue to experience negative impacts of global supply constraints;
- the Company has limited financial resources, a working capital deficiency and a history of negative cash flow, including negative cash flow from operating activities, and may require additional funds by way of debt or equity financings to continue to fund its operating, investing, and financing activities;
- the Company is at risk of not being able to settle its debt obligations or to extend, replace, or refinance its existing debt obligations on terms reasonably acceptable to the Company, or at all;
- global operations risks including unexpected changes in foreign governmental laws, policies, regulations or project locations concerning the import and export of goods, services and technology, and exposure to global credit and financial factors on consumers in the Company's areas of operations;
- the Company cannot guarantee that it will become cash-flow positive or profitable, and negative cash flow or the failure to become profitable in any future fiscal period could result in an adverse material change to the Company;
- the Company relies on third party manufacturing and from time to time there may be product defects caused by the manufacturing process, assembly, or engineering, particularly when first introduced or

when new versions are released

- global manufacturing risks including the risk that products manufactured by the Company may be subject to changing tariffs applied by selling countries to countries of origin with little or no warning due to the Company's use of factories in China, Vietnam, Taiwan, or Malaysia, from time to time;
- the Company's revenues may vary over time and with seasonality;
- the Company may not generate sufficient revenue to sustain operations;
- the Company may not be able to successfully negotiate contracts to source, develop, manufacture, pack, ship, distribute, or sell products economically, if at all;
- the Company relies on major components to be manufactured on an original equipment manufacturer basis, which involves several risks, including the possibility of defective products, a shortage of components, delays in delivery schedules, and increases in component costs;
- demand for international sales may not grow as expected or at all, and there is no assurance that the Company will succeed in expanding into new markets;
- the ability of the Company to successfully enter new markets is subject to uncertainties;
- there can be no assurance that the business and growth strategy of the Company will enable the Company to be profitable;
- the Company relies on licenses from third parties, and there can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms, or at all;
- the Company may be required to obtain and maintain certain permits, licenses, and approvals in the jurisdictions where its products or technologies are being commercialized or sold, and there can be no assurances that the Company will be able to obtain or maintain any such necessary licenses, permits, or approvals;
- the future growth and profitability of the Company may be dependent in part on the effectiveness and efficiency of its sales and marketing expenditures;
- the Company may be exposed to product liability claims in the use of its products;
- the Company may be exposed to patent infringement claims with regard to the intellectual property it uses in its products;
- the market for the Company's products is characterized by rapidly changing technology, evolving industry standards, and customer requirements, which may cause the introduction of products embodying new technology and the emergence of new industry standards to render the existing technology solutions of the Company obsolete or unmarketable, and may also exert price pressures on the Company's existing solutions;
- the Company may not be able to develop new market relevant products in a timely manner;
- the ability of the Company to generate revenue will largely depend upon the effectiveness of its sales and marketing efforts, both domestically and internationally;
- the success of the Company is largely dependent on the performance of its key directors, officers, and employees;
- the commercial success of the Company is reliant on the ability to develop new or improved technologies, manufacture products, and to successfully obtain patents or other proprietary or statutory protection for these technologies and products in Canada and other jurisdictions;

- the Company could become subject to a wide variety of cyberattacks on its networks and systems;
- the Company is engaged in an industry that is highly competitive and rapidly evolving;
- the new products provided by the competitors of the Company may render the existing products of the Company less competitive;
- the Company uses contract manufacturers to manufacture its products and products under development and its reliance on contract manufacturers subjects it to significant operational risks, many of which would impair its ability to deliver products to its customers should they occur;
- the Company may become party to litigation, mediation, or arbitration from time to time in the ordinary course of business;
- any future acquisitions may result in significant transaction expenses and may present additional risks associated with entering new markets, offering new products, and integrating the acquired companies;
- the business plan of the Company anticipates rapid growth, and the Company may not be able to continue to attract, hire, and retain the highly skilled and motivated officers and employees necessary to manage its growth effectively;
- the computer infrastructure of the Company may potentially be vulnerable to physical or electronic computer break-ins, viruses, and similar disruptive problems and security breaches;
- the Company may not be able to enhance its current products or develop new products at competitive prices or in a timely manner;
- the Company is subject to taxes in Canada and other foreign jurisdictions, and in the ordinary course of business, there may be many transactions and calculations where the ultimate tax determination is uncertain;
- a customer of the Company or counterparty to a financial instrument of the Company may fail to meet its contractual obligations to the Company;
- the ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems, which may not always be possible;
- the forecasts and models of the Company could be inaccurate;
- the accounting estimates and judgments of the Company could be incorrect;
- the Company may fail to develop or maintain effective controls over financial reporting;
- there is no assurance that insurance will be consistently available to the Company on economic terms, if at all; and
- the risk factors included in the Company's other continuous disclosure documents available on SEDAR+ at www.sedarplus.ca.

Readers are cautioned not to place undue reliance on the forward-looking information, which is given as of the date of this MD&A, and to not use such forward-looking information other than for its intended purpose, because Vitalist cannot give any assurance that it will prove to be accurate. Vitalist undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events, or otherwise, except as required by applicable securities law.

BASIS OF PRESENTATION

This MD&A should be read in conjunction with the Company's Q3 FY26 Financial Statements. **Correction of Prior Period Misstatements:** During the preparation of the Q3 FY26 Financial Statements, management identified a misstatement in previously issued interim financial statements for the three months ended June 30, 2025, and the three and six-month periods ended September 30, 2025. The error related to the overstatement of revenue and cost of products due to a design deficiency in internal controls. Accordingly, the comparative figures for the first and second quarters of the current fiscal year have been revised within the Q3 FY26 Financial Statements. Readers should refer to Note 2 of those statements for a comprehensive reconciliation of these revisions.

In this MD&A all references to: (a) "Q3 2026" is to the three month period ended December 31, 2025; (b) "Q3 2025" is to the three month period ended December 31, 2024; (c) "Fiscal 2025" is to the fiscal year ended March 31, 2025; (d) "Fiscal 2024" is to the fiscal year ended March 31, 2024; and (e) "Fiscal 2026" is to the fiscal year ending March 31, 2026. The unaudited Condensed Consolidated Interim Financial Statements and the accompanying notes for the nine month period ended December 31, 2025 and December 31, 2024, and this MD&A, were reviewed and approved on behalf of the Board of Directors by the Company's Audit Committee on February 12, 2026.

GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due.

There is material uncertainty with respect to the Company's ability to continue as a going concern. The Company has not yet achieved profitable operations and had a deficit of \$68.55 million as at December 31, 2025 (March 31, 2025 - \$66.04 million) and incurred a net loss of \$2.51 million for the nine months ended December 31, 2025 (December 31, 2024 - \$2.10 million net loss) and used cash flow in operating activities for the nine months ended December 31, 2025 of \$1.61 million (December 31, 2024 - \$1.09 million). At December 31, 2025, the Company had a working capital deficiency of \$6.89 million (March 31, 2025 - \$13.42 million) which includes the current portion of long-term debt of \$3.70 million (Note 9 of the Q3 FY26 Financial Statements). In addition, the Company has future minimum payments committed under non-cancellable agreements and towards debt balances of \$21.02 million due in the next four years (Note 16 of the Q3 FY26 Financial Statements).

On June 27, 2023, EBN filed a voluntary assignment into bankruptcy under the Act. There is uncertainty as to the duration and impact of the bankruptcy process and whether the process will impact the Company's ability to continue to operate in the foreseeable future. The impacts of the bankruptcy filing on the Company may include, amongst others:

- the potential for litigation to arise from creditors in connection with the bankruptcy process may result in contingent liabilities and additional legal costs.
- the potential that certain liabilities of EBN and its wholly owned subsidiaries may not be extinguished in connection with the bankruptcy process.

As of February 12, 2026 the EBN bankruptcy process is ongoing and EBN has not been discharged from bankruptcy.

On January 29, 2024, the Company entered into a Debenture notes amendment agreement to (i) extend the maturity date of the Debenture notes from April 30, 2024 to October 1, 2025, (ii) waive any pre-existing rights associated with a contractual breach in relation to the bankruptcy of EBN, (iii) waive any pre-existing rights associated to a contractual breach in relation to any event prior to the date the definitive amending and waiver agreements, including any failure to pay interest or principal during such period, and (iv) amend the interest payment frequency to quarterly payments commencing on April 1, 2024.

Effective July 1, 2025, the Company amended the agreement with the Debenture notes holders to crystalize all of the outstanding accrued interest as at June 30, 2025 into the principal balance, extend the maturity date until June 30, 2027, adjust the interest rate to zero, and add a premium adjustment, which will add 20% of any unpaid balance outstanding at June 30, 2026 to the principal (the **“Second Debenture Amendment”**).

Further, the Company did not meet its minimum repayment requirements under the Choco Facility, up until May 29, 2025. The failure to make these payments was considered an event of default providing Happy CP Company Limited (**“Choco”**) the right to demand immediate repayment of all amounts outstanding.

Effective May 29, 2025, Choco entered into a revised repayment agreement with the Company (Note 9 of the Q3 FY26 Financial Statements) to (i) waive any pre-existing rights associated with a contractual breach in relation to the bankruptcy of EBN, (ii) waive any pre-existing rights associated with a contractual breach in relation to any failure to pay interest or principal during such period, and (iii) revised the repayment schedule to quarterly payments, which will be made over a period of up to 36 months.

The Company’s ability to continue operations and remain a going concern is impacted by achieving profitable operations, while securing additional funding through debt and equity financing, to fund its operating, investing, and financing activities in the foreseeable future. There can be no assurance that a financing will be completed or that it will be sufficient such that additional debt or equity financing is not required. Future financing activities may not be available on terms acceptable to the Company or at all. The inability of the Company to achieve profitable operations, successfully complete a bankruptcy process, or access debt or equity financing for its operations could have a material adverse effect on the Company’s financial condition, or results of operations. These conditions create a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the condensed consolidated interim financial statements. Such adjustments could be material.

Change in functional currency

On October 1, 2024, the Company’s wholly owned subsidiary CE Brands International Inc. (the **“Subsidiary”**) completed a functional currency change from the Canadian Dollar (**“CAD”**) to the United States Dollar (**“USD”**). Historically, the Subsidiary primarily carried debt and incurred expenditures in CAD. In recent periods, the Subsidiary incurred more lending in USD, and has experienced rising sales volumes increasing revenue and costs of goods, which are denominated in USD. The proportionate increase in USD transactions changed the primary economic environment in which the Subsidiary operates. Due to these factors, management determined that USD would be a more appropriate functional currency. There was no impact to the financial statements on October 1, 2024, or prior periods, as the change was accounted for prospectively. Moving forward the application of this standard will result in a gain/(loss) on translation of foreign operations being recognized through other comprehensive (loss) income in the consolidated financial statements each period.

CORPORATE OVERVIEW

Vitalist Inc. formerly known as CE Brands Inc. is a public company traded on the TSX Venture Exchange under the symbol VITA and on OTCQB Venture Market under the symbol VTLSF. The Company’s registered and head office is 2100 Livingston Place, 222 3rd Avenue SW, Calgary, AB T2P 0B4.

Vitalist is a smart wearable platform technology company that enables established brands to rapidly enter the high-growth wearable technology market. Vitalist empowers brands with the complete technology foundation needed to create compelling smartwatch products that leverage their existing market presence and customer loyalty.

The Company has established key partnerships that demonstrate market validation and provide pathways for scale:

- **Reebok Partnership:** Multi-year licensing agreement for branded smartwatch products leveraging Reebok's athletic heritage and market presence.
- **Technology Foundation:** Strategic alliance with MicroEJ providing core virtualization technology that enables VitalOS™ platform capabilities.

Vitalist is positioned to establish VitalOS™ as a leading technology platform for branded smartwatch and other smart wearable products, building a sustainable ecosystem that grows with partner success. The Company's focus on brand enablement, proven technology platform, and strategic partnership approach provides multiple pathways for value creation as the wearable technology market continues to expand.

Shares consolidation transaction

On January 24, 2024, the Company consolidated its outstanding common shares (reverse split of shares) on a ratio of 10-to-1. Resultantly for every 10 existing outstanding common shares as on the mentioned date, 1 new common share was issued. IAS 33 *Earnings Per Share* requires retrospective adjustment to the number of shares and EPS in such cases even if such a transaction occurred after the reporting period. Hence, the number of common shares, warrants, options and earnings per share presented in these interim financial statements have been restated retrospectively for all the periods to reflect this consolidation transaction.

Deconsolidation

During the first quarter of Fiscal 2024, the Company announced an internal reorganization, whereby its wholly owned subsidiary, EBN, made a voluntary assignment into bankruptcy under the Bankruptcy and Insolvency Act (the "Act"). Harris & Partners Inc. (the "Trustee") was appointed as EBN's trustee in bankruptcy. Effective June 27, 2023, EBN made an assignment of all its property for the general benefit of its creditors. On June 27, 2023 VITA lost decision-making power over the relevant activities of EBN and its subsidiaries to the Trustee. The Company derecognized the assets and liabilities of EBN and its subsidiaries as of that date, resulting in a gain. After the deconsolidation of EBN, the Company's investment in the shares of EBN were recorded at fair value through profit or loss in accordance with IFRS 9. The fair value of the investment in EBN at December 31, 2025 is nil.

OUTLOOK

This section contains certain forward-looking statements. Please refer to the disclosure in the "Forward-Looking Information" section of this MD&A, above, for a discussion of risks and uncertainties related to such statements.

General

The Company is a wearable platform provider focused on democratizing the smart device market through its proprietary operating system, VitalOS™. The Company is currently executing the initial phase of its strategy by designing, manufacturing, and distributing smartwatches under a five-year global license agreement with Reebok. This deployment serves as a commercial proof-of-concept for the VitalOS™ platform, demonstrating its ability to deliver premium user experiences and 10-day battery life on cost-effective hardware. While the Company's primary near-term focus is establishing market share through these direct hardware sales, successful validation of the platform is intended to pave the way for a broader software licensing model and future recurring revenue streams.

Rebranding to Vitalist Inc. and Vitalist™ Products

On January 7, 2025 the Company announced that it will be rebranding itself to Vitalist, a company dedicated to empowering individuals to take control of their health through innovative technology. This rebranding reflects the Company's evolution and commitment to delivering cutting-edge connected health solutions.

The Company announced the change of its name from CE Brands Inc. to Vitalist Inc. via a press release dated April 4, 2025. The Company legally changed its name to Vitalist Inc. effective March 28, 2025. The Company's common shares began trading on the TSX Venture Exchange under the new ticker symbol "VITA" (TSXV: VITA) on April 4, 2025. Shareholders approved the name change on June 28, 2023.

The Company will introduce VitalOS™, a proprietary operating system designed to seamlessly integrate various health and wellness devices and applications. This innovative platform is expected to enable brands to deliver customized experiences through broad hardware compatibility, more efficient software architecture for better battery life, and by providing users with comprehensive health insights via an improved user interface.

We aim to make VitalOS™ available in the first half of the calendar year 2026. The Company is currently working with leading hardware and software partners to ensure a seamless integration of VitalOS™ with a range of devices and services.

On February 3, 2026, the Company executed an agreement to partner with Pattern Inc., the global standard for ecommerce acceleration, to expand its digital reach and help drive higher sales volumes online.

Reebok Brand Licensing Agreement

On May 29, 2025, Vitalist announced a landmark 5-year exclusive brand licensing agreement with Authentic Brands Group (“**Licensors**”) for the rights to use the Reebok brand, empowering Vitalist to create, produce, and deliver Reebok branded smartwatches throughout the Americas, specifically the United States, Canada, and Latin America (excluding Mexico).

This collaboration aims to merge Reebok's established presence in fitness with Vitalist's advancements in wearable technology. The initial collection of Reebok-branded smartwatches launched in Fall of 2025. These products incorporated Vitalist's reimagined Vitalist application for iOS and Android for fitness tracking capabilities.

Following the initial Reebok Pulse and Reebok Icon smartwatch release, Vitalist plans to introduce a new flagship product in the first quarter of 2026. This device will feature the VitalOS™ platform, designed to offer comprehensive health and fitness monitoring through data integration.

Under the terms of the licensing agreement, Vitalist holds the rights to use "Reebok trademarks" for the manufacture, sale, and marketing of digital watches until May 31, 2030. Vitalist is authorized to sell and distribute these products through various channels, including authorized retailers, distributors, and directly to consumers within the defined territories, with royalty payments made based on net sales.

Motorola Products

On November 17, 2023, the Company signed a 12-month brand licensing agreement with Motorola Mobility LLC, allowing it to source, manufacture, and sell Moto Products globally through authorized channels. In return, the Company paid Motorola a royalty based on net sales.

Upon signing, the Company continued selling the Moto Watch 70 and launched the Moto Watch 40 smartwatch. In July 2024, the Moto Watch 120 was introduced, featuring a 10-day battery life, AMOLED display, and health monitoring tools (heart rate, SpO2, stress tracking). This device was compatible with both iPhone and Android.

Motorola products were sold via Amazon in the USA and Canada, and through retail partners including Best Buy Canada, Costco Canada, Alkosto Colombia, and Motorola channels in Brazil.

The licensing agreement with Motorola expired on April 30, 2025, and the Company did not renew it, ceasing production and sales of Motorola-licensed products.

CONSOLIDATED RESULTS

Selected Financial Information

The following tables summarize certain financial data derived from the financial statements of the Company for the interim period ended December 31, 2025:

	Three months ended		Nine months ended	
	December 31		December 31	
	2025	2024	2025	2024
			(revised) ¹	
	\$	\$	\$	\$
Total revenue	659,535	1,239,610	4,077,347	4,064,164
Gross profit	294,789	542,435	1,531,541	1,550,504
Net loss	(2,196,712)	(743,246)	(2,509,044)	(2,097,476)
Net cash provided (used) in operating activities	833,171	(858,396)	(1,610,968)	(1,086,226)
Basic & diluted loss per share	(0.04)	(0.02)	(0.05)	(0.05)

(1) This year-to-date total reflects a cumulative downward revision of \$369,156 to previously reported revenue and a cumulative downward revision of \$387,614 to previously reported cost of products for the first half of Fiscal 2026. This revision resulted from a reclassification between revenue, cost of products, and selling and distribution expenses, and had no impact on previously reported net loss, earnings per share, or cash flows. Readers should refer to Note 2 of the Q3 FY26 Financial Statements for a comprehensive reconciliation of these revisions.

As at	December 31, 2025	March 31, 2025
	\$	\$
Total assets	1,355,957	1,127,789
Total non-current financial liabilities	6,439,647	-

The Company's December 31, 2025 and 2024 unaudited Condensed Consolidated Interim Financial Statements reflect the balances of Vitalist and its wholly-owned subsidiary, CE Brands International Inc. Selected financial and operational highlights include the following:

- Revenue in the three month period ended December 31, 2025 decreased by \$0.58 million reflecting a decrease of 47% compared to the corresponding period of the prior year. Revenue increased by \$0.01 million reflecting a negligible increase of less than 1% in the nine month period ended December 31, 2025 as compared to the corresponding prior period. The reason for the slight increase is due to the launch of Reebok Smart watches in August 2025 which are sold at a higher net prices per unit as compared to the Motorola smart watches sold in the previous periods, offset by slightly lower volumes. While the nine-month revenue is similar to the prior year shipments were lumpier with a large volume sold at launch in August and September, followed by smaller repurchase volumes that in the prior year.
- The gross profit margin in the three month period ended December 31, 2025 was 45%, similar to 44% in the corresponding period of the prior year. The gross profit margin for the nine month period ended December 31, 2025 was 38% which is again almost similar to the corresponding period of the prior year.
- The Company recorded a net loss of \$2.20 million for the three months ended December 31, 2025 and a net loss of \$2.51 million for the nine months ended December 31, 2025. In the prior year the Company had incurred a net loss of \$0.74 million and \$2.10 million for the three and nine months ended December 31, 2024, respectively. The main reason for the increase in net loss in the current year is the write off of prepaid royalty expenses worth \$0.64 million, increased sale and marketing expenditures, as well as unfavorable foreign exchange swings.
- Operating cash outflows were \$1.61 million for the nine month period ended December 31, 2025 (\$1.08 million December 31, 2024). The increased outflow can mostly be attributed to unfavorable changes to working capital as a result of a prepayment of the royalty licensing fees for the Reebok Brand Licensing

Agreement and higher sales and marketing expenditures.

Results of Operations

The following section provides an overview of our financial performance during Fiscal 2026 as compared to Fiscal 2025.

	For the three months ended		For the nine months ended	
	December 31		December 31	
	2025	2024	2025	2024
			(revised) ¹	
	\$	\$	\$	\$
Revenue	659,535	1,239,610	4,077,347	4,064,164
Cost of products	364,746	697,175	2,545,806	2,513,660
Gross profit	294,789	542,435	1,531,541	1,550,504
Expenses				
Wages and contractors	624,081	602,535	1,796,742	1,562,183
Royalties and license fees	715,513	63,125	941,689	204,092
Marketing	149,068	73,485	373,279	156,301
Selling and distribution	115,611	11,773	358,889	65,562
General and administrative	141,997	115,065	313,494	254,666
Stock-based compensation	33,282	107,316	187,465	178,860
Loss (gain) on foreign exchange	91,536	(148,225)	181,943	(137,496)
Legal, accounting and other professional fees	42,124	21,747	168,438	140,959
Technology and related	36,811	67,441	140,903	134,410
Total expenses	1,950,023	914,262	4,462,842	2,559,537
Loss before other items	(1,655,234)	(371,827)	(2,931,301)	(1,009,033)
Interest and accretion	(465,170)	(356,071)	(1,370,643)	(1,024,638)
Loss on revaluation of royalty liability	(71,215)	-	(353,071)	-
Other finance charges	(5,093)	(15,348)	(17,298)	(63,805)
Gain on modification of financial instruments	-	-	2,163,269	-
Total other items	(541,478)	(371,419)	422,257	(1,088,443)
Net loss	(2,196,712)	(743,246)	(2,509,044)	(2,097,476)
Other comprehensive income (loss)				
Gain (loss) on translation of foreign operations	119,744	(300,237)	310,119	-
Comprehensive loss	(2,076,968)	(1,043,483)	(2,198,925)	(2,397,713)
Net loss per share – basic & diluted	(0.04)	(0.02)	(0.05)	(0.05)
Weighted average shares – basic & diluted	51,081,679	44,726,479	49,879,969	44,726,479

(1) This year-to-date total reflects a cumulative downward revision of \$369,156 to previously reported revenue and a cumulative downward revision of \$387,614 to previously reported cost of products for the first half of Fiscal 2026. This revision resulted from a reclassification between revenue, cost of products, and selling and distribution expenses, and had no impact on previously reported net loss, earnings per share, or cash flows. Readers should refer to Note 2 of the Q3 FY26 Financial Statements for a comprehensive reconciliation of these revisions.

- **Revenues:** Revenue in the three month period ended December 31, 2025 decreased by \$0.58 million reflecting a decrease of 47% compared to the corresponding period of the prior year. Revenue increased by \$0.01 million reflecting a negligible increase of less than 1% in the nine month period ended December 31, 2025 as compared to the corresponding period of the prior year. The reason for the overall increase is due to the launch of Reebok Smart watches in August 2025 which are sold at a higher price per unit as compared to the Motorola smart watches sold in the previous periods, offset by higher direct selling costs than in the prior period. The revenue decreased in the three months period ending December 31, 2025 due to lower sell through rate and repurchases by retailers from the sales already made to them in the previous quarter.
- **Cost of products and services and Gross profit:** The cost of products decreased by \$0.33 million, reflecting a decrease of 48% in Q3 2026 compared to Q3 2025 while it negligibly increased by \$0.03 million or 1% for the nine month period ended December 31, 2025 as compared to the corresponding period in prior year. The changes in cost of products in the current year has a direct correlation with the changes in revenue in the current year for both the periods. The gross profit margin for Q3 2026 was 45%, as compared to 44% in the corresponding period of the prior year. The gross profit margin for the nine months ended December 31, 2025 was 38% which is the same as the corresponding period in the prior year.
- **Wages and contractors:** Wages and contractor expenses increased by \$0.02 million, indicating an increase of 4% in Q3 2026, compared to Q3 2025. The total wages and contractors expense has increased by \$0.23 million or 15% for the nine months ended December 31, 2025. The increase can be attributed to hiring of new employees and contractors to accommodate the increased operational activity of the Company.
- **Royalties and license fees:** Royalties and license fees increased by \$0.65 million, a significant increase of 1033% in Q3 2026 as compared to Q3 2025. For the nine month period ended December 31, 2025 it has increased by \$0.74 million or 361% as compared to the corresponding period in the prior year. Out of \$0.74 million, \$0.64 million dollars of the first year prepaid minimum guaranteed royalty was written off in the three-months ended based on estimated future sales for the first contract year.
- **Marketing:** Marketing expenses increased by \$0.08 million, representing an increase of 103% for Q3 2026 compared to Q3 2025. For the nine month period ended December 31, 2025, it increased by \$0.22 million or 139% as compared to corresponding period in the prior year. This increase is primarily due to the increased attendance at trade fairs in Fiscal 2026 to improve the Company's relationship with retailers in comparison to the nominal spending in Fiscal 2025. The Company has also increased spending on general brand marketing activities in the current year.
- **Selling and distribution:** Selling and distribution expenses increased by \$0.10 million, indicating an increase of 882% in Q3 2026 as compared to Q3 2025. For the nine month period ended December 31, 2025, it has increased by \$0.29 million or 447%. This increase is in line with the Company adopting delivery duty paid shipping terms for many of its customers in Fiscal 2026 as opposed to free on board (Hong Kong) shipping terms for all customers in Fiscal 2025.
- **General and administrative:** General and administrative expenses have nominally increased by \$0.03 million, reflecting an increase of 23% for Q3 2026 compared to Q3 2025. Total general and administrative expenses for the nine months ended December 31, 2025 increased by \$0.06 million or 23% as compared to the prior year. This increase can be attributed to the general increase in operations of the Company.
- **Stock-based compensation:** Stock-based compensation expense decreased by \$0.07 million or 69% in Q3 2026 as compared to Q3 2025. The total stock-based compensation expense for the nine months ended December 31, 2025 increased by \$0.01 million or 5% as compared to the nine months ended December 31, 2024. The reason for the increase during the nine month period is due to the issuance of stock options in August 2024 and issuance in September 2025, whereas the Company only realized the impact of the August 2024 issuance for 5 months in the prior year. The three month period was slightly lower as the August 2024 grant finished vesting during the Q2 2026, and the September 2025 grant only offset a portion of that expense decrease.

- **Loss (gain) on foreign exchange:** For the three and nine months ended December 31, 2025, the Company incurred an exchange loss of \$0.09 million and \$0.18 million, respectively as compared to a gain of \$0.15 million and that of \$0.14 million in the respective corresponding periods of previous year, respectively. The change to a loss can primarily be attributed to strengthening of USD as compared to CAD during the first six months of Fiscal 2026 as compared to Fiscal 2025 together with the Company's considerable debt being denominated in US dollars.
- **Legal, accounting, and other professional fees:** Professional fees increased by \$0.02 million representing an increase of 94% for Q3 2026 compared to Q3 2025. The total professional fees for the nine months ended December 31, 2025 have increased by \$0.03 million or 19% as compared to the corresponding period of the previous year. This slight increase can be attributed to the cost incurred with relation to investor's relationship management incurred in the current year as opposed to the previous year.
- **Technology and related:** Technology and related expenses decreased by \$0.03 million representing a decrease of 45% for Q3 2026 compared to Q3 2025. The total technology and related expenses for the nine months ended December 31, 2025 was relatively consistent in absolute terms as compared to the corresponding period in the prior year.
- **Interest and accretion:** Interest and accretion expenses increased by \$0.11 million, representing a 31% increase in Q3 2026 compared to Q3 2025. For the nine months ended December 31, 2025, it increased by \$0.35 million or 34% as compared to the nine months ended December 31, 2024. This increase can be attributed to the increased usage of the factoring and revolver credit facilities during the Fiscal 2026.
- **Loss on revaluation of royalty liability:** The Company recognized a loss of \$0.07 million and that of \$0.35 million in the three and nine months ended December 31, 2025, respectively on account of revaluation of royalty liability, which did not exist in Fiscal 2025.
- **Other finance charges:** Other finance charges have decreased by \$0.01 million or 67% in Q3 2026 compared to Q3 2025. For the nine month period ended December 31, 2025, it decreased by \$0.05 million or 73% as compared to the corresponding period in the previous year. The decrease can be primarily attributed to service and transaction fees incurred on a specific factoring facility in the previous fiscal year, which was not used in the current year.
- **Gain on modification of financial instruments:** the Company recognized a gain on modification of the Choco facility of \$0.59 million in Q1 2026, and recognized a gain on modification of Debenture note of \$1.19 million in Q2 2026. The Company also entered into arrangements with certain vendors to settle outstanding balances of accounts payable which resulted in a gain on the extinguishment of liabilities of \$0.38 million. No such transactions took place in the corresponding period of Fiscal 2025.
- **Gain on translation of foreign operations:** There was a gain recognized on translation of foreign operations of the Company for the three and nine months ended December 31, 2025 of \$0.12 million and \$0.31 million, respectively. This was the result of the change in functional currency of the Company's wholly owned subsidiary CE Brands International Inc. effective October 1, 2024.

Summary of Quarterly Results

For the period ended:	March 31, 2024	June 30, 2024	September 30, 2024	December 31, 2024	March 31, 2025	June 30, 2025 ¹	September 30, 2025 ²	December 31, 2025
Total revenue	514,262	1,337,859	1,486,695	1,239,610	687,638	1,479,882	1,937,930	659,535
Gross profit	128,619	514,253	493,816	542,435	15,764	456,847	779,905	294,789
Gross profit percentage	25%	38%	33%	44%	2%	31%	40%	45%
Net (loss) income	(1,306,107)	(543,820)	(810,413)	(743,246)	(1,484,967)	(464,528)	152,196	(2,196,712)
Basic and diluted loss per share	(0.03)	(0.01)	(0.02)	(0.02)	(0.03)	(0.01)	0.00	(0.04)

(1) Total revenue and cost of products for the three months ended June 30, 2025, have been revised from previously reported amounts of \$1,669,805 and \$1,222,454, respectively. These adjustments reflect a decrease of \$189,923 in revenue and a decrease of \$199,419 in cost of products. These revisions resulted in a \$9,496 increase to gross profit with a corresponding increase to selling and distribution expenses, resulting in no impact to net loss. Readers should refer to Note 2 of the Q3 FY26 Financial Statements for a comprehensive reconciliation of these revisions.

(2) Total revenue and cost of products for the three months ended September 30, 2025, have been revised from previously reported amounts of \$2,117,163 and \$1,346,220, respectively. These adjustments reflect a decrease of \$179,233 in revenue and a decrease of \$188,195 in cost of products for the three-month period. On a cumulative six-month basis, revenue and cost of products were reduced by \$369,156 and \$387,614, respectively, from amounts previously reported. These corrections had no impact on previously reported net income or cash flows. Readers should refer to Note 2 of the Q3 FY26 Financial Statements for a comprehensive reconciliation of these revisions.

- Revenue:** The revenue shows an increasing trend from the quarter ended March 31, 2024 up to the quarter ended December 31, 2024 as the Company re-established its sales channels post EBN bankruptcy. Sales decreased by \$0.25 million in Q3 2025 and by \$0.55 million in Q4 2025 as customers sold through inventory built up in the previous quarters and were not re-ordering. For the quarter ended June 30, 2025, the revenue rebounded to \$1.48 million due to stock clearance of Motorola products and further increased to \$1.94 million in the quarter ended September 30, 2025 as the Company began sales of the Reebok smartwatch line, which came with a higher selling price and higher sales volume starting in August 2025. The revenue again dipped to \$0.66 million in the quarter ended December 31, 2025 as customers sold through Reebok inventory built up in the previous quarter.
- Gross profit (%):** The gross margin increased in the quarter ended June 30, 2024 as compared to the quarter ended March 31, 2024. The reduction in Q2 2025 as compared to Q1 2025 was due to higher discounts provided to certain vendors during Q2 2025. Margins increased during Q3 2025 as no such discounts were provided during this period. Margins again decreased in Q4 2025 due to a higher allocation of overhead to cost of products and services, higher discounts given to B2B customers and the write off of Moto 120 tooling fees. In Q1 2026 the margins again rose to 31%, however, the margins were lower in comparison to Q1 2025 to Q3 2025 as there were higher discounts given to B2B customers during Q1 2026 for the clearance of Motorola stock. The gross margins reached 40% in Q2 2026 and 45% in Q3 2026 due to the sale of Reebok smartwatches which have a higher gross margin per unit as compared to the Motorola products.
- Net (loss)/income:** The Company incurred a net loss in the quarter ended March 31, 2024 as sales were just re-established post EBN's bankruptcy. In Q1 2025 the Company adopted certain spending restrictions which decreased the net loss. There was an increase in net loss for Q2 2025 and Q3 2025 due to increased contractor expenses on account of new hires, increased insurance expenses, increased stock based compensation expense as a result of the issuance of stock options during Q2 2025, and increased software development costs incurred during Q2 and Q3 of 2025. The increase in net loss in Q4 2025 is due to lower sales as well as an increase in factoring finance costs and stock based compensation. The net loss decreased to \$0.46 million in Q1 2026 from improved sales, favorable foreign exchange, and a gain from the restructuring of debt. The Company earned a net income of \$0.15 million in the three month period ended September 30, 2025 because of increased revenue and gross margin as well as a gain on modification of its financial instruments. In the three month period December 31, 2025 the Company realized a large net loss of \$2.19 million which was driven by a sharp reduction in revenue and write off of prepaid royalty expenses worth \$0.64 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity and capital resource are as follows:

Liquidity and Capital Resources	December 31, 2025	March 31, 2025
	\$	\$
Cash	127,776	235,232
Total current assets	1,355,957	1,127,789
Total current liabilities	8,242,240	14,544,129
Working capital deficiency	(6,886,283)	(13,416,340)

The Company's capital management policy is to maintain a capital base that optimizes its ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Company's early stage of development and the requirement to sustain future development of the business.

The Company will manage its capital structure and make changes to it in light of changes to economic conditions and the risks associated with the nature of the business. In order to maintain or adjust the capital structure, the Company may from time-to-time issue shares, seek debt financing and adjust its spending to manage its current and projected capital structure.

The Company does not expect significant trends or fluctuations in liquidity as a result of seasonality. Fluctuations in liquidity and the Company's working capital requirements are primarily related to the capital needs required to purchase inventory to meet demand for sales. The Company has future minimum payments committed under non-cancellable agreements and towards debt balances of \$21.02 million due in the next four years ("Commitments" section of MD&A).

The Company currently has a working capital deficiency, whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to December 31, 2025 is uncertain. Until the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations, including commitments due in the next 12 months, as they fall due, management will have to attempt to raise funds by way of debt or equity issuances. These issuances may not be possible on acceptable terms, in a timely manner or at all. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Refer to "Going Concern".

Debenture notes (formerly "Convertible debenture notes")

On November 12, 2021 and May 26, 2022 the Company entered into convertible debenture notes with an aggregate principal amount of \$4,000,000 and \$1,000,000 respectively subject to delayed draws to address the Company's working capital needs. The convertible notes bore an interest rate of 15.0% per annum on outstanding principal amounts, payable on the first and second anniversary of the issue date, unless redeemed or converted early. The convertible notes were senior secured obligations of the Company and matured on the second anniversary of the issue date. The notes are collateralized under a general securities agreement, which includes all assets of the business except certain factoring assets, such as future receivables, and certain foreign movable and intangible assets. The convertible debentures were issued in tranches as follows:

Tranche	Issue date	Maturity date	Amount drawn	Liability	Equity
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			\$	value \$	value \$
Tranche 1	Nov. 12, 2021	Nov. 30, 2023	1,000,000	964,454	35,545
Tranche 2	Dec. 14, 2021	Nov. 30, 2023	1,000,000	966,933	33,067
Tranche 3	Jan. 25, 2022	Nov. 30, 2023	1,000,000	964,150	35,851
Tranche 4	Feb. 22, 2022	Nov. 30, 2023	1,000,000	961,561	38,439
Tranche 5	May 26, 2022	May 26, 2024	1,000,000	938,664	61,336
Total			5,000,000	4,795,762	204,238

Prior to maturity, the Convertible debenture notes were convertible into common shares of the Company, at the option of the holders, at a conversion price per share of \$15.00. The Convertible debenture notes were not redeemable by the Company prior to the first anniversary of the issue date. The Company issued 200,000 and 50,000 warrants as part of the financing. Each warrant is exercisable at \$10.00 per common share for a period of 24 months from the issuance dates of November 12, 2021, and May 26, 2022, respectively. The fair value of each issuance of warrants were \$355,760 and \$21,206 respectively, determined using a Black-Scholes-Merton model. Further, \$243,528 and \$19,905 of transaction costs were recorded at the funding date respectively. The fair value of the warrants and the transaction costs were recorded pro-rata on a net basis to the liability and equity components of the Convertible debenture notes.

On January 13, 2023, the Company and the holders of the Convertible debenture notes amended the terms of the instruments to remove the holders' right to convert into shares, to remove the option of the holders to request that interest be payable in common shares, and to extend the maturity date of all tranches to April 30, 2024 (collectively, the "Debenture notes"). The amended terms represented a substantial modification and the Convertible debenture notes were extinguished resulting in a loss of \$34,266. The Debenture notes, with a principal value of \$5,000,000, were initially recorded at fair value of \$4,565,673 on the date of the amended agreement and were thereafter measured at amortized cost.

On October 12, 2023, the Company entered into definitive agreements to issue shares to settle its accrued interest balance on the Debenture notes. Under this agreement, interest of \$1,270,685 was settled with the issuance of 6,353,425 common shares to the Debenture note holders at a price of \$0.20.

On January 29, 2024, the Company amended the agreement with the Debenture notes holders. The revisions consisted of extending the maturity date from April 30, 2024 to October 1, 2025, waiving the pre-existing rights associated with a contractual breach in relation to the bankruptcy of EBN, waiving any pre-existing rights associated to a contractual breach in relation to any event prior to the date the amendment, including any failure to pay interest or principal during such period and amending the interest payment frequency to a quarterly basis commencing on April 1 2024 (the "Debenture Amendment"). The Debenture Amendment was not substantial as it did not change the future cash flows of the Debenture notes by more than 10%, and the Company applied modification accounting, recognizing a \$376,824 gain in relation to the change in carrying value on the amendment date.

Effective July 1, 2025, the Company amended the agreement with the Debenture notes holders to crystalize all of the outstanding accrued interest as at June 30, 2025 into the principal balance, extend the maturity date until June 30, 2027, adjust the interest rate to zero, and add a premium adjustment, which will add 20% of any unpaid balance outstanding at June 30, 2026 to the principal. The Second Debenture Amendment was considered to be substantial, as the change in fair value of the modified debt was greater than 10% of the fair value of the original debt, and the Company applied extinguishment accounting, recognizing a gain of \$1,193,240.

As at December 31, 2025, the fair value of the Debenture notes was \$5,657,283.

Choco Facility

On May 24, 2022, the Company entered an agreement for the sale of US\$2,475,000 (\$3,174,435) of future receivables for net proceeds of up to US\$2,250,000 (\$2,885,850) (the “Choco Facility”). This is a financing agreement based on future receivables where the retrieval percentage represents the deferred financing cost.

The funds committed under the Choco Facility were drawn in three tranches with an initial tranche of US\$1,250,000 (\$1,693,162) of proceeds available to the Company on close for future receivables of US\$1,375,000 on June 22, 2022. The initial tranche was to be repaid over eight months with a retrieval percentage of 15.6%, subject to maximum payments of US\$154,688 per month for the first four months and US\$252,083 per month for the remaining four months.

On August 26, 2022, the second tranche of US\$500,000 (\$677,265) was funded. The second tranche provided proceeds of US\$500,000 for future receivables of US\$550,000. This tranche was to be repaid over eight months with a retrieval percentage of 6.3% and maximum payments of US\$61,875 per month for the first four months and US\$100,833 per month for the remaining four months.

On October 31, 2022, the third tranche of US\$500,000 (\$677,265) was funded. The third tranche provided proceeds of US\$500,000 for future receivables of US\$550,000. The third tranche was to be repaid over eight months with a retrieval percentage of 6.3% and maximum payments of US\$61,875 per month for the first four months and US\$100,833 per month for the remaining four months.

On November 15, 2023, the Company signed an amendment agreement with Choco (the “**Choco Amendment**”), which was subject to the closing of the prospectus financing. The Choco Amendment affirmed Choco’s waiver of past non-compliance with minimum repayment requirements and revised the repayment schedule of the Choco Facility. The prospectus financing did not close and the Choco Amendment was never made effective.

The Company signed a second amendment agreement with Choco on May 20, 2025 (the “**Second Choco Amendment**”) which was subject to the Company closing a private placement and securing the Reebok brand licensing agreement, both of which were completed on May 29, 2025. The Second Choco Amendment cancelled the Choco Amendment, and amended the Choco Facility to affirm the lenders (i) waive any pre-existing rights associated with a contractual breach in relation to the bankruptcy of EBN, (ii) waive any pre-existing rights associated with a contractual breach in relation to any failure to pay interest or principal during such period, and (iii) revised the repayment schedule to quarterly payments, which will be made over a period of up to 36 months. The Second Choco Amendment was substantial as it changed the present value of the future cash flows of the Choco Facility by more than 10%. The Company applied extinguishment accounting, recognizing a gain of \$585,926 in relation to the change in carrying value on the amendment date.

As at December 31, 2025, management determined the fair value of the Choco Facility closely approximates the book value on December 31, 2025.

Revolving Credit Facility

On December 13, 2022, the Company entered into a revolving credit facility agreement of \$12,000,000 to be advanced in stages based on eligible customer purchase orders (the “Revolving Credit Facility”). The contract has an interest rate of 1.0% of all outstanding amounts per month. The closing fee was \$10,000 and servicing fees are \$1,000 per month. The Revolving Credit Facility has an initial term of two (2) years and is advanceable in either USD or CAD.

On October 12, 2023, VITA entered into definitive agreements with the Revolving Credit Facility holders to settle \$3,580,793 of principal and \$288,178 of accrued interest with the issuance of 19,344,855 common shares at a price of \$0.20.

On December 13, 2024, the initial term of the Revolving Credit Facility expired. The Company signed a term sheet on July 16, 2025 to add an extension period of two (2) years to the initial agreement, amending the expiry date to December 13, 2026.

The outstanding principal balance of the Revolving Credit Facility at December 31, 2025 was \$3,234,853 (CAD\$2,513,286 and US\$525,723).

Considering the short term nature of this debt, management has determined that the fair value of the debt approximates its book value on December 31, 2025.

Royalty Liability

On May 23, 2025, the Company completed a financing (the “**Closing**”) of 6,355,200 units at a price of \$0.40 per unit for gross proceeds of \$2,542,080 by way of a non-brokered private placement (the “**Royalty Unit Offering**”). The Company incurred \$46,209 in financing costs associated with the Royalty Units Offering for net cash proceeds of \$2,495,871. Additionally, the Company issued 105,520 warrants to finders as consideration for completing the offering transaction. The financing costs related to finder’s warrants were valued at \$26,211 (Note 12 of the Q3 FY26 Financial Statements). Each unit consists of one common share of the Company, one common share purchase warrant of the Company, and one fractional royalty interest of the Company. Each warrant entitles the holder to purchase one additional common share of the Company for a period of 24 months after Closing at a strike price of \$0.50. Each royalty interest entitles the holder, for a period of 24 months following the Closing, to its proportionate share of 3.85% of the aggregate gross receipts (excluding taxes and other governmental charges) from the sale of smartwatches on the VitalOS ecosystem, less sales expenses, refunds and credits (the “**Royalty Liability**”).

The Royalty Liability component is classified as a financial liability measured at fair value through profit or loss. The Royalty liability was valued at \$0.064 per unit on May 23, 2025 by using a discounted cash flow (“DCF”) model based on 3.85% of the projected smartwatch revenues over the subsequent 24 months, and applying a risk adjusted discount rate. The net Royalty Liability was recorded at \$398,183, after allocating transaction costs of \$11,553 to the DCF value of \$405,555 on May 23, 2025.

The Royalty Liability is classified as Level 3 in the fair value hierarchy because its valuation is based on significant unobservable inputs. The significant unobservable inputs used in the valuation of the royalty liability are:

- Projected net sales: As on December 31, 2025 projected net sales for the subsequent 18-month period were \$19,139,970 (as at May 23, 2025 - \$14,301,550).
- Discount rate: A risk adjusted discount rate of 22.5% was used to determine the present value of the projected royalty cash flows (as at May 23, 2025 - 22.7%).

A change in either of these inputs would significantly impact the fair value of the liability. For example, a 10% change in projected net sales would result in a fair value difference of \$63,552. A 10% increase or decrease in the discount rate used would result in a fair value decrease or increase of \$10,689 and \$11,107 respectively.

The following table reconciles the carrying amount of the Royalty Liability for the period:

	\$
Fair value of royalty liability as on May 23, 2025	398,183
Loss on revaluation of royalty liability	353,071
Payments made	(115,742)
Fair value of royalty liability as on December 31, 2025	635,512
Less: current portion	455,651
Non-current portion of royalty liability as on December 31, 2025	179,861

CASH FLOWS

	December 31, 2025	December 31, 2024
	\$	\$
Cash provided by (used in):		
Operating activities	(1,610,968)	(1,086,226)
Financing activities	1,507,903	638,603
Effect of change in foreign exchange rates on cash	(4,391)	(4,599)
Net increase (decrease) in cash	(107,456)	(452,222)
Cash, beginning of period	235,232	543,068
Cash, end of period	127,776	90,846

Operating Activities

During the nine months ended December 31, 2025, the cash used in operating activities was approximately \$1.61 million compared to \$1.09 million used during the nine months ended December 31, 2024. The increase can mostly be attributed to unfavorable changes to working capital in Fiscal 2026 as compared to Fiscal 2025 as a result of a prepayment of the Fiscal 2026 royalty licensing fees for the Reebok Brand Licensing Agreement and increased accounts receivables from higher sales.

Financing Activities

During the nine months ended December 31, 2025, cash provided by financing activities was \$1.51 million, compared to an inflow of approximately \$0.64 million for the nine months ended December 31, 2024. The Company raised net proceeds of \$2.50 million through a private placement transaction, which was the primary reason for the increase in cash provided by (used in) financing. The Company also realized net outflow of \$0.82 million from the factoring facility during the nine months ended December 31, 2025 (net inflow of \$0.72 million - nine months ended December 31, 2024) and made repayments of \$0.55 million (\$0.83 million - nine months ended December 31, 2024) against the Choco facility.

COMMITMENTS

As at December 31, 2025, future minimum payments committed under purchase orders, indebtedness, and non-cancellable agreements are as follows:

	Less Than 1 Year	1-3 Years	After 3 years	Total
	\$	\$	\$	\$
Committed purchase orders	1,086,991	-	-	1,086,991
Debenture notes ⁽¹⁾	-	7,548,559	-	7,548,559
Choco facility	384,306	1,233,072	-	1,617,379
Revolving credit facility ⁽²⁾	3,951,854	-	-	3,951,854
License fees ⁽³⁾⁽⁴⁾	1,409,409	3,686,079	1,715,653	6,811,140
As at December 31, 2025	6,832,560	12,467,711	1,715,653	21,015,923

(1) Balance includes \$1,290,466 of crystallised interest added to the outstanding principal balance of the Debenture notes.

(2) Balance includes interest of \$717,002 on the Revolving credit facility held in accounts payable and accrued liabilities.

(3) The non-cancellable amount of guaranteed minimum royalties for the brand licenses as on December 31, 2025 is US\$3,625,000.

(4) The non-cancellable portion of software license fees as on December 31, 2025 is US\$1,287,500. If the Company continues the license agreement beyond March 2028 (Notice required December 2027), it would have to pay additional license fees of US\$2,415,000 if beyond March 2030 (Notice required December 2029), then the Company would need to pay additional license fees worth US\$2,375,000 through March 15, 2032.

OUTSTANDING SHARE DATA

The following equity or voting securities, and securities are convertible into, or exercisable or exchangeable for, voting or equity securities, of Vitalist Inc are outstanding as follows:

	As at December 31, 2025	As at February 12, 2026
Common shares	51,081,679	51,081,679
Warrants	6,460,720 warrants to purchase one Common Share each	6,460,720 warrants to purchase one Common Share each
Options	4,785,000 options to purchase one Common Share each	4,785,000 options to purchase one Common Share each

OFF BALANCE SHEET ARRANGEMENTS

As of this reporting period, the Company has not entered any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

On December 31, 2025, Accounts payable and accrued liabilities included \$581,922 of amounts owed to directors and officers of the Company (March 31, 2025 - \$597,805). The amounts due to related parties are unsecured, do not bear interest and have no stated terms of repayment

In addition, the Debenture notes and Revolving Credit Facility (Note 9 of the Q3 FY26 Financial Statements) constitute related party transactions as they involve the Company borrowing money from an entity, over which Vesta Wealth Partners Ltd., a “related party” of the Company, exercises certain discretionary control.

Key management personnel include directors, CEO, CFO, CPO, CMO and general manager (“Key Personnel”) of the Company. In addition to their salaries, Key Personnel participate in the Company’s share option program. Key Personnel compensation is comprised of the following:

	Nine months ended	
	December 31, 2025	December 31, 2024
	\$	\$
Wages and contractors	926,670	929,533
Stock-based compensation	104,288	148,550
Total	1,030,958	1,078,083

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management’s intent. The following table indicates the method of measurement of various financial assets and liabilities of the Company:

Financial instrument name	Subsequent measurement
Cash	Amortized Cost
Trade accounts receivable	Amortized Cost
Due to related parties	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Long term debt	Amortized cost
Royalty liability	Fair value through profit and loss

FINANCIAL RISK MANAGEMENT

The Company’s operations expose it to credit, liquidity, interest rate and foreign exchange rate risks which are all financial risks that arise as a result of its operating and financing activities. The Company employs risk management strategies and policies to ensure that any exposure to risk complies with the Company’s business objectives and risk tolerance levels. While the directors have the overall responsibility for the establishment and oversight of the Company’s risk management framework, management has the responsibility to administer and monitor these risks.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum exposure to credit risk is as follows:

	December 31, 2025	March 31, 2025
	\$	\$
Cash	109,051	215,838
Guaranteed investment certificates	18,725	19,394
Trade accounts receivable	417,268	597,880
Total	545,044	833,112

The Company manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations. The Company entered into an accounts receivable factoring arrangement with a financial services firm (the "Factor"). Under this agreement, the Company transfers eligible trade receivables to the Factor, with recourse, in exchange for cash. These trade receivables have not been derecognized from the consolidated statement of financial position as the Company retains late payment and credit risk. The Company therefore continues to recognize the transferred receivables in their entirety on the consolidated statement of financial position. All of the trade accounts receivable are factored under the Revolving credit facility with Vesta, as at December 31, 2025.

The aging of the Company's receivables is as follows:

	December 31, 2025	March 31, 2025
	\$	\$
Not past due	321,313	403,713
1-30 days past due	8,353	194,167
31-60 days past due	87,602	-
Total trade receivables	417,268	597,880
GST and other receivables	14,951	9,869
Total trade and other accounts receivables	432,219	607,749

Liquidity risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements: (a) the Company will not have sufficient funds to settle a transaction on the due date; (b) the Company will be forced to sell financial assets at a value which is less than the fair value; or, (c) the Company may be unable to settle or recover a financial asset at all. As discussed in the Basis of Presentation – Going concern note above, certain debt obligations of the Company have been classified as current on the statements of financial position. The Company will require additional funding to reduce its exposure to liquidity risk (Note 2 of the Q3 FY26 Financial Statements).

The Company continuously monitors its actual and forecasted cash flows to review whether there are adequate reserves to meet the maturing profiles of its liabilities. The Company closely monitors its cash and manages liquidity risk by reducing spending, and raising funds as required via equity or debt financing. It can not be said with certainty whether the Company will be able to manage its liquidity requirements successfully in the near future.

The following table outlines the maturities of the Company's liabilities:

	Less Than 1 Year	1-3 Years	Total
	\$	\$	\$
Accounts payable and accrued liabilities	3,369,960	-	3,369,960
Interest payable on outstanding debt ⁽¹⁾	717,002	-	717,002
Long-term debt ⁽²⁾	3,619,158	8,781,631	12,400,789
As at December 31, 2025	7,706,120	8,781,631	16,487,751

(1) This amount is included in "Accounts payable and accrued liabilities" in the consolidated statement of financial position.

(2) Balances represent the undiscounted contractual amounts payable.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates, will affect the fair value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

Interest rate risk: Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk as all debt instruments are carried at fixed interest rates.

Foreign exchange risk: The Company's financial performance is closely linked to foreign exchange rates. The Company has significant debt balances, accounts receivables and accounts payables in foreign currencies (mainly in USD) exposing the Company to foreign exchange risk. While the Company may employ the use of various financial instruments in the future to manage these price exposures, the Company is not currently using any such instruments.

A 1% change in the exchange rate would have a \$39,835 impact on the net loss in terms of gain or loss on foreign exchange and accumulated deficit of the Company for the nine months ending December 31, 2025 (December 31, 2024 - \$82,129).

SUBSEQUENT EVENTS

Approval of Revision Restatement

On February 3, 2026, the Board of Directors approved a "Revision Restatement" to correct accounting misstatements identified in the Company's previously issued Q1 and Q2 2025 financial statements. These misstatements resulted in an overstatement of revenue and cost of products sold in the Company's previously filed statements, with a net-zero impact on net income.

The independent, disinterested members of the Board of Directors reviewed management's materiality assessment and in consultation with the Company's advisors concluded that a Revision Restatement in the Q3 2025 filings was the appropriate corrective action to provide full and plain disclosure while minimizing market disruption.

OTHER RISK FACTORS

Planned operations will expose the Company to a variety of financial risks that arise as a result of its operating and financing activities:

- **Requirement for Additional Financing:** The Company may require additional funds by way of debt or equity financings to continue to fund its operating, investing, and financing activities in the foreseeable future. There can be no assurance as to whether the Company will be able to achieve profitable operations, that debt or equity financing will be available or sufficient to meet the requirements of the Company or, if debt or equity financing is available, that it will be available on terms acceptable to the Company or at all. The inability of the Company to achieve profitable operations or to access debt or equity financing for its operations could have a material adverse effect on the financial condition, results of operations, or prospects of the Company. These conditions create a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern.
- **Additional financing needs:** The Company will require additional funds to continue operations. The Company has limited financial resources, and there is no assurance that additional funding will be available to the Company to carry out the completion of all proposed activities. Although the Company has been successful in the past in obtaining financing through the sale of equity and debt securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable if available at all or, if available, that any such financing will be on acceptable terms. Failure to obtain such additional financing could result in the curtailment of operations, liquidation of assets, seeking additional capital on less favorable terms, the Company having to file for bankruptcy, or undertaking remedial measures such as a restructuring or insolvency proceeding. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern. Failure by the Company to raise additional financing could have a materially adverse effect on the business, operations, and financial condition and prospects of the Company. Refer to “Going Concern”.
- **Indebtedness:** The Company is at risk of not being able to settle its debt obligations and the Company may not be able to extend, replace or refinance its existing debt obligations on terms reasonably acceptable to the Company, or at all. If liquidity is needed, the Company may not be able to access other external financial resources sufficient to enable it to repay its debt obligations when due. Failure to pay debt obligations when due may cause the lenders of the Company to take certain actions and the Company may be required to cease operations, close down, sell or otherwise dispose of all or part of the business including the subsidiaries of the Company, any of which would have a material adverse impact on the business and financial condition of the Company.
- **Internal Control Deficiencies and Financial Statement Revisions:** The Company identified a design deficiency in its internal controls over financial reporting (“ICFR”) in January 2026 during the preparation of its Q3 2026 interim filings. This deficiency related specifically to the accounting for complex distribution arrangements, including product repurchase and resale, return provisions, and sales inducement recognition, which resulted in the overstatement of revenue and cost of products in previously issued interim financial statements. To address these misstatements, the Company performed a revision restatement of its Q1 2026 and Q2 2026 results within these Q3 2026 filings.

While the Company has implemented remediation measures, including the formalization of accounting policies and enhanced process-level controls, there can be no assurance that these steps will be fully effective or that additional significant deficiencies will not be identified in the future. Any failure to maintain effective ICFR could result in additional material misstatements, a loss of investor confidence, or regulatory scrutiny. Furthermore, if regulators disagree with the Company’s assessment that a revision restatement was the appropriate corrective action, the Company could be required to formally refile its prior period financial statements, leading to increased costs and market disruption.

- **Economic conditions:** The Company has global operations and sales and, as such, has exposure to global credit and financial factors on consumers in its areas of operations. General economic conditions,

including the possibility of a recession, may result in reduced consumer and government spending and may have an impact on the financial results of the Company.

- **History of operating losses:** The Company had an accumulated deficit through December 31, 2025. The deficit may increase in the near term, as the Company continues its product development, and establishes sales channels for its new products and business expansion.
- **History of negative cash flow:** The Company has a history of negative cash flow, including negative cash flow from operating activities. The Company cannot guarantee that it will become cash-flow positive or profitable. Negative cash flow or the failure to become profitable in any future fiscal period could result in an adverse material change to the Company.
- **Product defects:** The Company relies on third party manufacturing and from time to time there may be product defects caused by the manufacturing process, assembly, or engineering. Product defects can cause customer dissatisfaction and lead to the risk of decreased sales.
- **Tariffs:** The Company relies heavily on manufacturing in China but at times may use factories in Vietnam, Taiwan, or Malaysia, and such products may be subject to changing tariffs applied by selling countries to the countries of origin with little or no warning. This can affect product margins and competitiveness of sales with local manufacturers.
- **Seasonality:** The Company believes its transaction-based revenues will begin to represent an increasing proportion of its overall revenue mix over time and expects seasonality of its quarterly results to vary. The Company may experience seasonal fluctuations for a variety of reasons, many of which are outside the control of the Company. The earnings volatility associated with seasonality may affect the ability of the Company to access capital and could have a material adverse impact on the liquidity of the Company.
- **Supply chain:** The Company relies on major components to be manufactured on an original equipment manufacturer (“OEM”) basis. Reliance on OEMs, as well as industry supply conditions generally involves several risks, including the possibility of defective products, a shortage of components and delays in delivery schedules, and increases in component costs. The Company has single-sourced manufacturer relationships, if these sources are unable or unwilling to manufacture its products in a timely and reliable manner, the Company could experience temporary distribution interruptions, delays, or inefficiencies, adversely affecting its results of operations. Even where alternative OEMs are available, qualification of the alternative manufacturers and establishment of reliable suppliers could result in delays affecting operating results adversely. Supply shortages and inventory constraints can occur at times because of production difficulties, unanticipated demand or delivery delays and may have a short-term adverse material effect on the results of operations and subsequent financial condition of the Company.
- **International sales:** There can be no assurances that the Company will be able to grow its international business in markets such as Asia, South America, and Eastern Europe. Demand for international sales in Asia, South America, and Eastern Europe may not grow as expected or at all, and there is no assurance that the Company will succeed in expanding into new markets.
- **New market risk:** The ability of the Company to successfully enter new markets is subject to uncertainties, there are no guarantees that it can establish new distribution channels or continue to develop new strategic partnerships.
- **Profitability and growth:** There can be no assurance that the business and growth strategy of the Company will enable the Company to be profitable. The future operating results of the Company will depend on a number of factors, including marketing, product development, customer service and response to changing markets. There can be no assurance that the Company will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on the business, operations, and financial condition of the Company.
- **Third party licenses:** The Company relies on licenses from third parties. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses, may result in delays or reductions in

products, which could have a materially adverse effect on the business, operations, and financial condition of the Company.

- **Sales and marketing expenditures:** The future growth and profitability of the Company will be dependent in part on the effectiveness and efficiency of the sales and marketing expenditures of the Company. There can be no assurance that the Company will experience benefits from sales and marketing expenditure in the future. In addition, no assurance can be given that the planned sales and marketing expenditures of the Company will result in increased sales, will generate sufficient levels of product and service awareness or that the Company will be able to manage such sales and marketing expenditures on a cost-effective basis.
- **Product liability:** The Company may be exposed to product liability claims in the use of its products. Although it takes precautions, there can be no assurance that the Company will avoid significant product liability exposure.
- **Product development:** The market for the products of the Company is characterized by rapidly changing technology, evolving industry standards, and customer requirements. The introduction of products embodying new technology and the emergence of new industry standards can render the existing technological solutions of the Company obsolete or unmarketable and can exert price pressures on existing solutions. It is critical to the success of the Company to be able to anticipate and react quickly to changes in technology or in industry standards and continue to be able to successfully develop and introduce new, enhanced, and competitive products on a timely basis. Any new products or solutions could require long technical development and testing periods. This process can be unpredictable, meaning products and solutions may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenues.
- **Rapid technological developments:** The precise segment of the market that is targeted by the Company is characterized by rapid technological change, evolving industry standards, frequent new product introductions, and short product life cycles. To keep pace with the technological developments, achieve product acceptance and remain relevant to users, the Company will need to continue developing new and upgraded functionality of its products and services. The Company will need to adapt to new business environments, competing technologies and products developed by its competitors. The process of developing new technology is complex and uncertain. To the extent the Company is not able to adapt to new technologies or standards, or both, experiences delays in implementing adaptive measures or fails to accurately predict emerging technological trends and the changing needs of end-users, the Company may lose clients or fail to secure new clients. There can be no assurances that the Company will continue to develop products and services incorporating advanced technologies and there can be no assurances that the products and services that the Company develops will experience market success considering changing consumer expectations and future market demand. The development and application of new technologies involves time, substantial costs, and risks. There can be no certainty that the Company will be able to develop new products, services, and technologies to keep up to date with developments and to launch such products, services, or technologies in a timely manner or at all. There can be no certainty that such products will be popular with users or that such products or new technologies will be reliable, robust, and not susceptible to failure. Any of these factors could result in an adverse material change to the Company.
- **Scaling the sales and marketing team:** The ability of the Company to achieve significant growth in future revenue will largely depend upon the effectiveness of its sales and marketing efforts, both domestically and internationally. The Company has invested and intends to continue to invest in expanding its sales force but there is no assurance that the intended expansion will occur or will be successful.
- **Key employees:** The success of the Company is largely dependent on the performance of its key directors, officers, and employees. The failure to retain key directors, officers, and employees and to attract and retain additional key employees with the necessary skills could have a material adverse impact upon the growth and profitability of the Company. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the departure of any of its directors or executive officers could have a material adverse effect on the business, operations, and financial

condition of the Company.

- **IP rights:** The commercial success of the Company is reliant on the ability to develop new or improved technologies, manufacture products, and to successfully obtain patents or other proprietary or statutory protection for these technologies and products in Canada and other jurisdictions. There can be no assurances that the Company will be able to seek patents for concepts, components, protocols, and other inventions that the Company considers having commercial value and there can be no assurances that such patents will give the Company a technological advantage. The Company may not be able to devote significant resources necessary to protect its proprietary technology and the Company may not be able to develop technology that is patentable, patents may not be issued, and the patented claims allowed may not be sufficient to provide the Company with exclusive protection for its technology. Furthermore, any patents or licenses to patents issued to the Company could be challenged, invalidated, or circumvented and may not provide proprietary protection or a competitive advantage to the Company. Prosecution and protection of the intellectual property rights sought can be costly and uncertain, often involve complex legal and factual issues and consume significant time and resources. The laws of certain countries may not protect intellectual property rights to the same extent as the laws of Canada or the United States.
- **Cybersecurity:** Increasingly, companies are subject to a wide variety of attacks on their networks and systems on an ongoing basis. In addition to traditional computer “hackers”, malicious code (such as viruses and worms), employee theft or misuse, and denial-of-service attacks, sophisticated nation-state and nation-state supported actors now engage in cybersecurity attacks (including advanced persistent threat intrusions). Despite significant efforts to create security barriers to such threats, it is virtually impossible for the Company to entirely mitigate these risks. The security measures the Company has integrated into its internal network and platform, which are designed to detect unauthorized activity and prevent or minimize security breaches, may not function as expected or may not be sufficient to protect its internal networks and platform against certain attacks. In addition, techniques used to sabotage or to obtain unauthorized access to networks in which data is stored or through which data is transmitted change frequently and generally are not recognized until launched against a target. As a result, the Company may be unable to anticipate these techniques or implement adequate preventative measures to prevent an electronic intrusion into its networks. If a breach of customer data security were to occur, as a result of third-party action, employee error, malfeasance or others, and the confidentiality, integrity or availability of the customers’ data was disrupted, the Company could incur significant liability to its customers and to individuals or business whose information was being stored by its customers, and its products may be perceived as less desirable, which could negatively affect the business of the Company and damage its reputation. Security breaches impacting the products of the Company could result in a risk of loss or unauthorized disclosure of customers’ information, which, in turn, could lead to litigation, governmental audits and investigations, and possible liability. In addition, a network or security breach could damage the relationships of the Company with its existing customers, resulting in the loss of customers, and have a negative impact on its ability to attract and retain new customers. These breaches, or any perceived breach, of the network of the Company, its customers’ networks, or other networks, whether or not any such breach is due to a vulnerability in the products of the Company, may also undermine confidence in its products and result in damage to its reputation, negative publicity, loss of customers and sales, increased costs to remedy any problem, and costly litigation. Third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information, or otherwise compromise one or more of the security of the network, electronic systems, and physical facilities of the Company in order to gain access to its data or its customers’ data, which could result in significant legal and financial exposure, loss of confidence in the security of its products, interruptions or malfunctions in its operations, and, ultimately, harm to its future business prospects and revenue. The Company may be required to expend significant capital and financial resources to protect against such threats or to alleviate problems caused by breaches in security.
- **Competition:** The Company is engaged in an industry that is highly competitive and rapidly evolving. In order to retain and attract new customers and brand partnerships, the Company will need to continue to

execute its orders at competitive prices. The competitors of the Company will range from small venture backed enterprises with limited resources to multinational technology companies with large customer bases. The multi-national technology companies will have more established name recognition and substantially greater financial, marketing, technological and personnel resources than the Company will have. These larger and better capitalized competitors may have access to capital in greater amounts and at lower costs than the Company will have access to, and thus, may be better able to respond to changes in the technology, consumer, and household goods markets. The competitors of the Company may be able to acquire skilled professionals, fund internal growth, and offer products and services at lower prices than the Company. As a result, the competitors of the Company may deliver new products and solutions earlier, or provide more attractively priced, enhanced, or better-quality products than the Company. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, and client support. If the Company cannot compete against existing and future competitors, its business, results of operations and financial condition could be materially and adversely affected. The Company cannot assure us that it will be able to compete effectively against existing and future competitors. In addition, competition or other competitive pressures may result in price reductions, reduced margins, or loss of market share, any of which could have a material adverse effect on the business, operations, or financial condition of the Company.

- **Inability to respond to customer demands:** The new products provided by the competitors of the Company may render the existing products of the Company less competitive. The success of the Company will depend, in part, on the ability of the Company to respond to demands of customers for new products on a timely and cost-effective basis and to address the increasingly sophisticated requirements and varied needs of its customers and prospective customers. Further, the Company may not be successful in marketing and introducing new products to its customers and brand partners. New product enhancements may not achieve market acceptance. Any failure on the part of the Company to anticipate or respond adequately to customer requirements or changing industry practices, or any significant delays in the development, introduction or availability of new products or product enhancements could result in an adverse material change to the Company.
- **Reliance on contract manufacturers:** The Company uses contract manufacturers to manufacture its products and products under development and its reliance on contract manufacturers subjects it to significant operational risks, many of which would impair its ability to deliver products to its customers should they occur. Each of the contract manufacturers of the Company supplies a higher volume of products to the larger competitors of the Company. The Company cannot provide assurances that its contract manufacturers will continue to work with the Company, that they will continue to be able to operate profitably, that they will be able to meet the manufacturing needs of the Company in a satisfactory and timely manner or that it can obtain additional or alternative manufacturers when and if needed. The availability of the contract manufacturers of the Company and the amount and timing of resources to be devoted by them to the Company is not within the control of the Company, and the Company cannot provide assurances that it will not encounter manufacturing problems that would materially harm its business. Furthermore, the arrangements of the Company with contract manufacturers are subject to re-negotiation.
- **Litigation risk:** The Company may become party to one or more litigation, mediation, and arbitration from time to time in the ordinary course of business which could adversely affect its business. Many aspects of the business of the Company will require the Company to accept certain risks, including risks that expose the Company to liability under the Law. These risks can include, among others, disputes over trade terms with customers and other market participants, customer losses resulting from product failure and poor customer service. Even if the Company prevails in any proceedings, the Company could still incur significant legal expenses defending against the claims, even those without merit. Meritless claims can cause damage to the reputation of the Company or raise concerns among its customers and existing partnerships. As a result, the Company may feel compelled to settle claims, including those without merit, at a significant cost. The initiation of any proceedings against the Company could result in an adverse material change to the Company.

- **Transaction risk:** Any future acquisitions may result in significant transaction expenses and may present additional risks associated with entering new markets, offering new products, and integrating the acquired companies. Historically, acquisitions have not been a core part of the growth strategy of the Company; therefore, management does not have significant experience in successfully completing acquisitions. The Company may not have sufficient management, financial and other resources to integrate businesses that the Company acquires or to successfully operate new businesses. Therefore, the Company may be unable to profitably operate an expanded business. Additionally, any new business that the Company may acquire, once integrated with the existing operations of the Company, may not produce expected or intended results.
- **Management of rapid growth:** The business plan of the Company anticipates rapid growth, and the Company will need to continue to attract, hire and retain highly skilled and motivated officers and employees. It is possible that the Company may not be able to attract or retain the officers and employees necessary to manage its growth effectively. Further, the growth of the Company depends in part on the success of the strategic relationships of the Company with third parties, including relationships with suppliers, developers, designers, referral sources, resellers, payment processors, programmers, and other partners. The Company intends to pursue additional relationships with other third parties such as shipping partners and technology providers. If there are any disagreements that cause the Company to lose access to products or services from a particular supplier or lead the Company to experience a significant disruption in the supply of products or services from a current supplier, especially a single-source supplier, it could have an adverse effect on business and operating results.
- **Security breaches:** The computer infrastructure of the Company may potentially be vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems and security breaches. Any such problems or security breaches could give rise to liabilities to one or more third parties, including the customers of the Company, and disrupt its operations. A party may be able to circumvent the security measures of the Company and could misappropriate proprietary information or customer information. A security breach or hack can jeopardize the confidential nature of information the Company transmits over the internet, and it can cause interruptions in the operations of the Company. To the extent that the activities of the Company involve the storage and transmission of proprietary information and personal financial information, security breaches or other hackings could expose the Company to a risk of financial loss, litigation, and other liabilities. The current insurance policies of the Company may not protect the Company against such losses and liabilities. Any of these events, particularly if they result in a loss of confidence in the products of the Company, could result in an adverse material change to the Company. The Company stores personal and other information of their partners, customers, and employees. If the security of this information is compromised or is otherwise accessed without authorization, the reputation of the Company may be harmed and exposed to liability and loss of business.
- **Introduction of products in a timely manner:** The Company cannot provide assurance that it will be able to enhance its current products or develop new products at competitive prices or in a timely manner. The development and application of new technologies involves time, substantial costs, and risks. The inability of the Company, for technological or other reasons, to enhance, develop and introduce products in a timely manner, or at all, in response to changing market conditions or customer requirements could result in an adverse material change to the Company. As well, it could also result in products becoming obsolete. Further, the ability of the Company to compete successfully will depend in large measure on the ability to continue to conduct research and maintain a staff to adapt to technological changes and advances in the industry. This will also include providing for the continued compatibility of the products of the Company with evolving industry standards, protocols, and competitive network environments.
- **Tax implications:** The Company is subject to income taxes in both Canada and numerous foreign jurisdictions. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although the Company believes their tax estimates are reasonable, the final determination of any tax audits and litigation may be materially different from that which is reflected in the historical income tax provisions and accruals. Further, if additional taxes are

assessed as a result of an audit or proceeding, such taxes could result in an adverse material change to the Company. This will also have an impact on the overall financial condition of the Company.

- **Credit risk:** Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the receivables of the Company from customers. The exposure of the Company to credit risk is influenced by the individual characteristics of each customer. Although the Company establishes an allowance for expected credit losses that represents its estimate of potential credit losses in respect of accounts receivables and historically has not experienced any significant losses related to individual customers or groups of customers in any particular geographical area, there is no assurance that the allowance for expected credit losses will be sufficient to cover credit losses in the future which could result in an adverse material change to the Company .
- **Foreign operations:** The Company relies on international sales of its products in Asia and expects to do so to a greater extent in the future as it continues to expand its business. There are a number of risks inherent in the international activities of the Company, including unexpected changes in governmental policies or project locations concerning the import and export of goods, services, and technology. Further, there could be other regulatory requirements, tariffs and other trade barriers, costs, and risks of localizing products for foreign languages, longer accounts receivable payment cycles, limits on repatriation of earnings, the burdens of complying with a wide variety of foreign laws, and difficulties supervising and managing local personnel. As such, the operations of the Company may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of the Company , including, but not limited to, changes in regulatory requirements, economic sanctions, spread of infectious diseases, pandemics, risk of terrorist activities, revolution, border disputes, implementation of tariffs and other trade barriers and protectionist practices, volatility of financial markets, labor disputes, and other risks arising out of foreign governmental sovereignty over the areas in which the operations of the Company are conducted. The law of foreign jurisdictions will affect foreign trade, taxation and investments which may result in an adverse material change to the Company. If the operations of the Company are disrupted or the economic integrity of its contracts is threatened for unexpected reasons, business may be harmed. In the event of a dispute arising in connection with the operations of the Company in a foreign jurisdiction where the Company does conduct or will conduct its business, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to a government instrument because of the doctrine of sovereign immunity. Accordingly, the activities of the Company in foreign jurisdictions could be substantially affected by factors beyond their control, any of which could result in an adverse material change for the Company. The Company believes that its management and the proposed management of the Company are sufficiently experienced to reduce these risks.
- **Operational and financial infrastructure:** The Company is subject to growth-related risks, capacity constraints and pressure on its internal systems and controls. Also, control and monitoring of marketing activities of the sales agents of the Company in other jurisdictions. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems, and to successfully implement the continued expansion, training, and management of its employee base. The Company intends to expand its employee base. This expansion may require the Company to commit financial, operational, and technical resources in advance of an increase in the size of the business, with no assurance that the volume of business will increase or that such initiatives to improve and upgrade its systems and infrastructure will be successful. The inability to deal with this growth or any failure in these initiatives could result in an adverse material change to the Company.
- **Forecasts and Models:** The Company relies upon forecasts and models because the approach to customer forecasts requires data-intensive modeling used in conjunction with certain assumptions when independently verifiable information is not available. Should underlying assumptions prove incorrect or an embedded modeling error go undetected, it could result in incorrect estimates and thereby have a

material adverse impact on the business, operations, and financial condition of the Company.

- **Estimates and Judgements:** The Company makes accounting estimates and judgments in the ordinary course of business. Such accounting estimates and judgments will affect the reported amounts of the assets and liabilities of the Company as of the date of its financial statements and the reported amounts of its operating results during the periods presented. Additionally, the Company interprets the accounting rules in existence as at the date of its financial statements when the accounting rules are not specific to a particular event or transaction. If the underlying estimates are ultimately proven to be incorrect, or if the auditor of the Company or regulators subsequently interpret the application of accounting rules by the Company differently, subsequent adjustments could have a material adverse effect on the operations of the Company for the period or periods in which the change is identified. Additionally, subsequent adjustments could require the Company to restate its historical financial statements. The occurrence of any of the foregoing could result in a material adverse impact on the business, operations, and financial condition of the Company.
- **Internal controls:** Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, recorded and reported and assets are safeguarded against unauthorized or improper use. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation could harm the operations of the Company or cause the Company to fail to meet its reporting obligations and may result in a restatement of its financial statements for prior periods. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in the financial statements and other information of the Company, which would likely have a negative effect on the trading price of the Common Shares.
- **Insurance risks:** The Company expects to maintain property and casualty insurance on certain assets. However, not all risks are covered by insurance and there is no assurance that insurance will be consistently available on an economically feasible basis or at all. The Company may also elect not to insure against certain liabilities due to high premium costs or for other reasons. Furthermore, although the Company expects to maintain insurance against such claims and in such amounts it considers adequate, there is no assurance that such insurance policies will be sufficient to cover each and every claim or loss involving the Company. If the Company were to suffer an uninsured loss, its business, financial condition, and results of operations could result in an adverse material change to the Company.
- **Negative Operating Cash Flow:** The Company had negative operating cash flow in its most recent financial period. The Company's ability to generate positive operating cash flow will depend on the Company's ability to deliver new products to market. To the extent the Company has negative cash flows in future periods, the Company may use a portion of its general working capital or seek additional equity financing to fund such negative cash flows. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favorable to the Company as those previously obtained, or at all.
- **Global data privacy laws:** The Company's ability to identify market trends depends on internal market research technology which could become subject to global data privacy laws. While the Company takes steps to ensure strict compliance with these legal requirements, changes to the applicability of such laws may impact the Company's ability to effectively conduct an integral aspect of its operations.
- **Changes to availability of transportation:** The Company depends on distribution agreements with third-party partners, both domestically and internationally, to transport raw materials and consumer ready products. Any increase in the cost of the transportation of the Company's raw materials or products, as a result of increases in fuel or labour costs, higher demand for logistics services, consolidation in the transportation industry or otherwise, may adversely affect the Company's financial performance as the Company may not be able to pass such cost increases on to its customers. In addition, the failure of a third-party transportation provider or distributor could harm the Company's reputation, negatively affect the Company's customer relationships and have a material adverse effect

on the Company's financial position and financial performance.

- **Third-party insolvency risks:** The Company is party to numerous business relationships, transactions and contracts with various third parties, pursuant to which such third parties have performance, payment or other obligations to the Company. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, the Company's rights and benefits in relation to the Company's relationships, transactions and contracts with such third parties could be terminated, modified in a manner adverse to the Company, or otherwise impaired. The Company cannot make any assurance that it would be able to arrange for alternate or replacement relationships, transactions and contracts, if at all. Any inability on the Company's part to do so could have a material adverse effect on the Company's business and financial performance.
- **Foreign Exchange:** As the Company continues to expand its international sales and foreign operations, the Company becomes more exposed to the effects of fluctuations in currency exchange rates.
- **Conflicts of Interest:** Certain of the directors and officers of the Company are, or may become, directors and officers of other companies, and conflicts of interest may arise between their duties as directors and officers of the Company and as directors and officers of such other companies.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's DC&P, as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("**NI 52-109**") are designed to provide reasonable assurance that information required to be disclosed in the Company's filings under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They are also designed to provide reasonable assurance that all information required to be disclosed in these filings is accounted for, accumulated and communicated to the Company's senior management team including the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") as appropriate. This is meant to allow for timely decisions regarding public disclosure.

Management, including the CEO and CFO, is responsible for establishing and maintaining the Company's DC&P and ICFR. In connection with the restatement described in the Q3 FY26 Financial Statements, Management identified a **deficiency in the design** of internal controls related to inventory buy-back transactions and sales inducement estimation. Management concluded that existing analytical reviews lacked sufficient precision, representing a **significant deficiency** in ICFR.

Remediation: To address this deficiency, Management has:

- Formally memorialized accounting policies for inventory buy-backs and sales inducements;
- Implemented enhanced process-level controls to ensure the proper netting of repurchase transactions; and
- Provided targeted training to finance personnel.

Management believes these steps strengthen the control environment. These controls will be subject to further evaluation during the March 31, 2026, annual audit.

The Company cannot provide absolute assurance that all information required to be disclosed in its filings is reported within the time periods specified in securities legislation because of the limitations in control systems to prevent or detect all misstatements due to error or fraud.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Financial Statements and application of IFRS require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where

assumptions and estimates are significant to the audited financial statements, are disclosed in the Fiscal 2025 Financial Statements.

ADDITIONAL INFORMATION

Additional information and documents relating to the Company and its operations are available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.vitalist.co.