Vitalist Inc.

Condensed Consolidated Interim Financial Statements (Unaudited)
For the three months ended June 30, 2026 and 2025

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Vitalist Inc. (the "Company") have been prepared by and are the responsibility of management. These condensed interim financial statements for the three months ended June 30, 2026 have not been reviewed or audited by the Company's independent auditor.

Vitalist Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

Expressed in Canadian Dollars

	Notes	June 30, 2026	March 31, 2026
		$	$
ASSETS			
Current			
Cash and cash equivalents	6	**1,471,901**	193,396
Short-term investments	6 & 7	**289,142**	-
Trade and other accounts receivable	6	**689,149**	217,214
Inventory	8	**3,650**	48,921
Prepaid expenses and deposits	9	**1,095,015**	579,532
Deferred income tax asset	5	**3,988**	-
		3,552,845	**1,039,063**
Non Current			
Intangible assets	5 & 10	**3,705,928**	-
Goodwill	5 & 10	**3,957,702**	-
Total assets		**11,216,475**	**1,039,063**
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current			
Accounts payable and accrued liabilities	11	**5,151,295**	4,790,111
Debt	12	**4,766,505**	4,610,140
Royalty and grant liabilities	13	**600,280**	434,754
		10,518,080	9,835,005
Non Current			
Debt	12	**4,555,122**	6,492,230
Royalty and grant liabilities	13	**348,546**	153,041
Total liabilities		**15,421,748**	16,480,276
Shareholders’ deficit			
Share capital	5 & 14	**54,114,209**	43,066,453
Reserves	15	**12,066,844**	11,992,339
Accumulated other comprehensive income		**282,675**	67,133
Deficit		**(70,669,001)**	(70,567,138)
Total shareholders' deficit		**(4,205,273)**	(15,441,213)
Total liabilities and shareholders’ deficit		**11,216,475**	1,039,063

See accompanying notes to the condensed consolidated interim financial statements including Going concern (Note 2), Debt (Note 12), Commitments (Note 19) and Subsequent Events (Note 20).

Approved on behalf of the Board of Directors:

s/ Jared Wolk
Director

s/ Tyler Rice
Director

Vitalist Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)
Expressed in Canadian Dollars

	Notes	For the three months ended June 30, 2026	June 30, 2025 (revised - Note 2)
		$	$
Revenue	16	**756,806**	1,479,882
Cost of products		**315,372**	1,023,035
Gross profit		**441,434**	456,847
Expenses			
Wages and contractors	18	**1,283,209**	551,613
Legal, accounting and other professional fees		**198,474**	99,670
Marketing		**178,750**	111,845
General and administrative		**158,785**	89,858
Royalties and license fees		**108,097**	76,108
Stock-based compensation	15 & 18	**85,919**	107,316
Technology and related		**80,647**	68,347
Depreciation and amortization	5 & 10	**75,473**	-
Selling and distribution		**65,521**	47,872
Gain on foreign exchange		**(92,232)**	(94,739)
Total expenses		**2,142,643**	1,057,890
Loss before other items		**(1,701,209)**	(601,043)
Interest & accretion	12	**(390,051)**	(425,926)
Other finance charges		**(848)**	(7,390)
Gain on modification of financial instruments	12	**2,047,270**	585,926
Derecognition of equipment	5	**(23,795)**	-
Loss on revaluation of royalty and grant liabilities	13	**(12,388)**	(16,095)
Total other items		**1,620,188**	136,515
Net loss before taxes		**(81,021)**	(464,528)
Deferred tax expense		**(20,842)**	-
Net loss		**(101,863)**	(464,528)
Other comprehensive income (loss)			
Items that may be reclassified subsequently			
Gain on translation of foreign operations		**215,542**	41,113
Comprehensive Income (Loss)		**113,679**	(423,415)
Net loss per share- basic & diluted		**(0.00)**	(0.01)
Weighted average shares – basic & diluted	14	**61,737,448**	47,450,136

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

Vitalist Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT (UNAUDITED)
Expressed in Canadian Dollars

	Notes	Number of shares #	Share capital $	Equity component of debt $	Warrants reserve $	Contributed surplus $	Reserves $	Deficit $	Accumulated other comprehensive income $	Total $
Balance at March 31, 2025		44,726,479	40,990,794	1,429,773	8,058,153	2,257,464	11,745,390	(66,037,101)	(115,423)	(13,416,340)
Private placement	13 & 14	6,355,200	1,636,670	-	499,855	-	499,855	-	-	2,136,525
Private placement issuance costs		-	(29,750)	-	(9,086)	-	(9,086)	-	-	(38,836)
Stock-based compensation	14	-	-	-	-	107,317	107,317	-	-	107,317
Net loss		-	-	-	-	-	-	(464,528)	-	(464,528)
Gain on translation of foreign operations		-	-	-	-	-	-	-	41,113	41,113
Balance at June 30, 2025		51,081,679	42,597,714	1,429,773	8,548,922	2,364,781	12,343,476	(66,501,629)	(74,310)	(11,634,749)
Balance at March 31, 2026		51,081,679	43,066,453	1,429,773	8,084,364	2,478,202	11,992,339	(70,567,138)	67,133	(15,441,213)
Shares issued for Somatix acquisition	5 & 14	15,581,854	11,063,116	-	-	-	-	-	-	11,063,116
Share issuance costs		-	(46,773)	-	-	-	-	-	-	(46,773)
Shares issued upon exercise of stock options	14	100,000	31,413	-	-	(11,414)	(11,414)	-	-	19,999
Stock-based compensation	15	-	-	-	-	85,919	85,919	-	-	85,919
Net loss		-	-	-	-	-	-	(101,863)	-	(101,863)
Gain on translation of foreign operations		-	-	-	-	-	-	-	215,542	215,542
Balance at June 30, 2026		**66,763,533**	**54,114,209**	**1,429,773**	**8,084,364**	**2,552,707**	**12,066,844**	**(70,669,001)**	**282,675**	**(4,205,273)**

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

Vitalist Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
Expressed in Canadian Dollars

	Notes	For the three months ended June 30, 2026	June 30, 2025
		$	$
Cash provided by (used in):			
Cash flows from operating activities			
Net loss		**(101,863)**	(464,528)
Items not affecting cash:			
Interest & accretion	12	**390,051**	425,926
Deferred tax		**20,842**	-
Depreciation & Amortization	5 & 10	**75,473**	-
Derecognition of equipment	5	**23,795**	-
Stock based compensation	15	**85,919**	107,317
Gain on modification of financial instruments	12	**(2,047,270)**	(585,926)
Loss on revaluation of royalty liability	13	**12,388**	16,095
Unrealized gain on foreign exchange		**(21,174)**	(175,183)
Changes in non-cash working capital	17	**(1,543,214)**	(1,887,569)
Net cash used in operating activities		**(3,105,053)**	(2,563,868)
Cash flows from investing activities			
Cash acquired from Somatix transaction	5	**4,693,557**	**-**
Purchase of short-term Investments	7	**(289,142)**	-
Net cash provided by investing activities		**4,404,415**	-
Cash flows from financing activities			
Proceeds from revolving credit facility (factored)	12	**454,795**	1,710,270
Repayment of revolving credit facility (factored)	12	**(336,068)**	(987,380)
Proceeds from revolving credit facility	12	**172,169**	-
Repayment of revolving credit facility	12	**(268,047)**	-
Proceeds from private placement (net)	13 & 14	**-**	2,495,872
Royalty payment to private placement unit holders	13	**(12,162)**	**-**
Shares issued upon exercise of stock options	14	**20,000**	-
Share issuance costs		**(46,773)**	-
Net cash (used in) provided by financing activities		**(16,086)**	3,218,762
Effect of change in foreign exchange rates on cash		**(4,771)**	(1,636)
Increase in cash and cash equivalents		**1,278,505**	653,258
Cash and cash equivalents, beginning of period		**193,396**	235,232
Cash and cash equivalents, end of the period		**1,471,901**	888,490

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

1. OVERVIEW AND NATURE OF OPERATIONS

Vitalist Inc. (the "**Company**" or **"Vitalist"**) formerly known as CE Brands Inc. is a public company traded on the TSX Venture Exchange under the symbol VITA and on the 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. The Company focuses on partnering with premium brands and supply chain providers to create and deliver smart wearable products globally in multiple sales channels, leveraging its proprietary VitalOS platform to deliver premium user experiences at mass-market prices.

Vitalist was incorporated in the Province of Alberta on October 15, 2018 under the Business Corporations Act (Alberta).

OTCQB Venture Market Listing

On October 9, 2025 the Company expanded its presence into the United States capital markets and began trading its common shares on the OTCQB Venture Market under the symbol VTLSF. The Company's shares continue to trade on its primary Canadian exchange, the TSX Venture Exchange, under its existing symbol VITA.

2. BASIS OF PRESENTATION, CONSOLIDATION, GOING CONCERN

Basis of presentation

These financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. These financial statements are condensed as they do not include all the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited annual financial statements for the year ended March 31, 2026.

These financial statements have been prepared on a historical cost basis in Canadian dollars. All accounting policies, methods of computation, estimates and assumptions used in the preparation of these financial statements are consistent with those described in notes accompanying the Company's annual consolidated financial statements for the year ended March 31, 2026. These financial statements have not been reviewed by the auditors of the Company. These condensed consolidated interim financial statements were authorized for issue by the audit committee of the Company, on behalf of the board of directors, on August 20, 2026.

Basis of consolidation

The Company, as the controlling company, consolidates its wholly-owned subsidiary. All intercompany balances and transactions have been eliminated on consolidation. Subsidiaries are those entities the Company controls by having the power to govern the financial and operating policies of the entity. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date the Company acquires control of them and are deconsolidated from the date control ceases.

The following entities' financial statements are consolidated to prepare the consolidated financial statements of Vitalist:

Expressed in Canadian Dollars

Entity Name	Functional Currency	Description	Ownership (%)
Vitalist Inc.	Canadian Dollar	Publicly listed holding company.	Parent
CE Brands International Inc.	United States Dollar	Wholly owned subsidiary of Vitalist Inc.	100%
Somatix, Inc.	United States Dollar	Wholly owned subsidiary of Vitalist Inc.	100%
Somatix Technologies Ltd.	Israeli New Shekel	Wholly owned subsidiary of Somatix, Inc.	100%

Correction of prior period misstatements

During the preparation of the condensed interim financial statements for the three and nine months ended December 31, 2025, management identified an error in the recognition of revenue and cost of products in the previously issued condensed interim financial statements for the three months ended June 30, 2025.

The misstatement resulted from a design deficiency in internal controls related to newly established accounting policies for product repurchase and resale, as well as return provisions and sales inducement cost recognition, whereby revenue and cost of products were over-stated. The correction required a reclassification between revenue and cost of products with a small portion representing a repurchase premium being allocated to selling and distribution expenses. The corrections had no impact on previously reported net loss, earnings per share, cash flows, or the statement of financial position for any period.

The Company has corrected these errors by revising the comparative figures presented in these condensed interim financial statements.

The following table summarizes the adjustments for the three months ended June 30, 2025:

	As Previously Reported $	Adjustment $	As Revised $
Revenue	1,669,805	(189,923)	**1,479,882**
Cost of products	1,222,454	(199,419)	**1,023,035**
Gross profit	447,351	9,496	**456,847**
Expenses			
Selling and distribution	38,376	9,496	**47,872**
Net loss	(464,528)	-	**(464,528)**

Going Concern

The condensed consolidated interim 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 continuous profitable operations and had a deficit of $70.67 million as at June 30, 2026 (March 31, 2026 - $70.57 million) and incurred a net loss of $0.10 million for the three months ended June 30, 2026 (June 30, 2025 - $0.46 million net loss) and used cash flow in operating activities for the three months ended June 30, 2026 of $3.11 million (June 30, 2025 - $2.56 million). At June 30, 2026, the Company had a working capital deficiency of $6.97 million (March 31, 2026 – $8.80 million) which includes the current portion of long-term debt of $4.77 million (Note 12). In addition, the Company has future minimum payments committed under non-cancellable agreements and towards debt balances of $22.25 million due in the next four years (Note 19).

On June 27, 2023, the Company's wholly owned subsidiary eBuyNow eCommerce Ltd. ("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 August 20, 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.

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 12) 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

Effective July 1, 2025, the Company amended the agreement with the Debenture notes holders to crystallise 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**").

Effective April 1, 2026, the Company entered another amendment (the "**April 2026 Amendment**") with the Debenture notes holders. Pursuant to the amendment, the maturity date of the debenture notes was extended from July 1, 2027 to July 1, 2028, the interest-free provision on the outstanding unpaid principal balance was extended through the revised maturity date, and the application of the 20% Principal Penalty Premium was deferred such that the premium will apply only to any unpaid principal balance outstanding on or after July 1, 2027. All other terms and conditions of the previously amended and restated secured debenture agreements remain unchanged.

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 realise its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in these condensed consolidated interim financial statements. Such adjustments could be material.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's Annual Financial Statements.

The material accounting policies adopted in the preparation of these condensed consolidated interim financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Business combinations

Business combinations are accounted for using the acquisition method of accounting when the acquired set of activities and assets meet the definition of a business and control is transferred to the Company. This involves recognizing identifiable assets (including intangible assets not previously recognized by the acquiree) and liabilities of acquired business at fair value at the acquisition date. The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill. Transaction costs are expensed as incurred.

(b) Short-term investments

Short-term investments are deposits with original terms to maturity of more than three months but not exceeding twelve months from the reporting date. They are classified within current assets and carried at face value, plus interest accrued to the reporting date.

(c) Intangible assets and goodwill

i Intangible assets

Intangible assets acquired as part of a business combination are recognised separately from goodwill where they are identifiable and their fair value can be measured reliably, and are initially recognised at fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with a finite useful life, such as customer relationships and patents, are amortized on a straight-line basis over their estimated useful lives, commencing from the date the asset is available for use. Useful lives and amortization methods are reviewed at least annually, with any change accounted for prospectively as a change in accounting estimate. Finite-life intangible assets are tested for impairment whenever indicators of impairment exist.

Intangible assets with an indefinite useful life, such as trade names and trademarks, are not amortized. They are tested for impairment annually and whenever indicators of impairment exist. The indefinite life assessment is reviewed each reporting period to determine whether events or circumstances continue to support that assessment; where they no longer do, the asset is reclassified as finite-life and amortized prospectively over its remaining useful life. In-process research and development acquired in a business combination is capitalized at fair value at the acquisition date and treated as an indefinite-life intangible asset until the underlying project reaches commercialization, during which it is not amortized but tested annually for impairment. Upon commercialization, the asset is reclassified as a finite-life intangible and amortized prospectively over its estimated useful life from that date.

Intangible assets consist of acquired customer relationships, trademarks and patents and are amortized on a straight-line basis over their estimated useful lives as follows:

Customer relationships	–	5 years
Trademarks	–	10 years
Patents	–	10 years

ii Goodwill

Goodwill arising on business combinations represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill is not amortised, it is tested for impairment at least annually, or more frequently if indicators of impairment exist. Impairment losses on goodwill are not subsequently reversed.

(d) Equipment

Equipment is presented at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to expense the net cost of each item of equipment over their expected useful lives as follows:

Computer Equipment	–	3 years
Furniture and equipment	–	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. An item of equipment is derecognized upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are recognized in profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical estimates and judgements made in the preparation of these condensed consolidated interim financial statements are the same as those used in preparing the Company's Annual Financial Statements.

5. ACQUISITION OF SOMATIX, INC.

On April 30, 2026, the Company acquired 100% of the issued and outstanding equity securities of Somatix, Inc. ("**Somatix**"), a medical technology company focused on AI-powered remote patient monitoring and gesture recognition. The transaction was structured as a reverse triangular merger under the Delaware General Corporation Law, with Somatix continuing as a wholly-owned subsidiary of the Company.

As consideration for the acquisition, the Company issued 15,581,854 common shares to the former stockholders of Somatix. The shares were measured at their acquisition-date fair value, determined by reference to the closing price of the Company's common shares on the TSX Venture Exchange on April 30, 2026 of $0.71 per share. This resulted in total consideration transferred of approximately $11.06 million.

The transaction constitutes a business combination. Due to the timing of the acquisition, the initial accounting for the business combination was incomplete at the time these financial statements were authorized for issue. A formal purchase price allocation ("**PPA**") will be finalized within 12 months of the acquisition date.

Expressed in Canadian Dollars

The provisional PPA, based on management's best estimates of the fair values of assets acquired and liabilities assumed on the acquisition date, is summarized as follows:

	Total
	$
ASSETS	
Current	
Cash and cash equivalents	4,693,557
Prepaid expenses and deposits	41,327
Deferred income tax asset	24,087
	4,758,971
Non Current	
Equipment, net	34,722
Intangible assets	3,615,182
Total assets	**8,408,875**
LIABILITIES	
Current	
Accounts payable and accrued liabilities	795,030
Current portion of Grant liability	13,624
	808,654
Non Current	
Grant liability	332,371
Total liabilities	**1,141,025**
Net identifiable assets acquired	**7,267,850**
Goodwill	3,795,266
Total net assets acquired	**11,063,116**
Total share consideration	**11,063,116**

The results of the operations of the acquired entity are included in the condensed consolidated interim statements of loss and comprehensive loss from the date of acquisition. Such results of operations and the related assets and liabilities at the statement of financial position date are included in the condensed consolidated interim statements of financial position.

Expressed in Canadian Dollars

6. FINANCIAL RISK MANAGEMENT

Overview

The Company's operations expose it to credit risk, liquidity risk and market risk, 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 is in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has 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:

	June 30, 2026	March 31, 2026
	$	$
Cash	**1,450,590**	174,492
Guaranteed investment certificates (Cash equivalent)	**21,311**	18,904
Guaranteed investment certificates (Short-term investments)	**289,142**	-
Trade accounts receivable	**652,934**	202,578
Total	**2,413,977**	395,974

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 condensed consolidated interim 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 condensed consolidated interim statement of financial position. Trade accounts receivable worth $585,340 (90%) are factored under the Revolving credit facility with Vesta, as at June 30, 2026.

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

	June 30, 2026	March 31, 2026
	$	$
Not past due	**107,303**	64,579
1-30 days past due	**336,466**	68,409
31-60 days past due	**209,165**	69,590
Total trade receivables	**652,934**	202,578
GST and other receivables	**36,215**	14,636
Total trade and other accounts receivables	**689,149**	217,214

Expressed in Canadian Dollars

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 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).

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 cannot 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	4,216,575	-	4,216,575
Interest payable on outstanding debt [(1)]	934,720	-	934,720
Debt [(2)]	4,828,476	8,526,575	13,355,051
As at June 30, 2026	**9,979,771**	**8,526,575**	**18,506,346**

(1) This amount is included in "Accounts payable and accrued liabilities" in the condensed consolidated interim 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 any interest rate risk as all the debt instruments of the Company carry 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 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.

Expressed in Canadian Dollars

A 1% change in the exchange rate would have a $25,464 impact on the net (loss) income in terms of gain or loss on foreign exchange and accumulated deficit of the Company for the three months ending June 30, 2026 (June 30, 2025 - $60,044).

Capital management

The Company's capital management policy is to maintain a capital base that optimizes the Company's 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 risk characteristics of the nature of the business. The Company considers its capital structure to include shareholders' deficit and working capital deficit. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage its current and projected capital structure. The Company is not subject to externally restricted capital requirements.

7. SHORT-TERM INVESTMENTS

The Company holds two Guaranteed Investment Certificates ("**GIC**") with the Royal Bank of Canada ("**RBC**"). This consists of a US$200,000 GIC, bearing interest at 3.60% per annum, maturing May 21, 2027 and a $5,000 GIC, bearing interest at 2.00% per annum, maturing May 27, 2027. The GICs are non-redeemable prior to maturity. The US$200,000 GIC has been pledged as cash collateral securing a letter of credit issued by RBC.

8. INVENTORY

As at June 30, 2026, the Company had $3,650 (March 31, 2026 - $48,921) in finished goods inventory. The Company did not recognise any provision for non-moving, slow-moving, or damaged goods inventory during the three months ended June 30, 2026.

9. PREPAID EXPENSES AND DEPOSITS

	June 30, 2026	March 31, 2026
	$	$
Prepaid expenses	**603,567**	331,360
Vendor prepayments	**458,377**	243,972
Deposits	**4,200**	4,200
Prepaid income tax instalments	**28,871**	-
Total	**1,095,015**	579,532

Expressed in Canadian Dollars

10. INTANGIBLE ASSETS AND GOODWILL

	Customer relationships	Trademarks	In Process R&D and Patents	Total Intangible Assets	Goodwill
Balance as at March 31, 2026	-	-	-	-	-
Acquisition of Somatix (Note 5)	66,127	121,872	3,427,183	3,615,182	3,795,266
Amortization	(2,247)	(2,070)	(58,219)	(62,536)	-
Effects of movement in exchange rate	2,778	5,168	145,336	153,282	162,436
Balance as at June 30, 2026	**66,658**	**124,970**	**3,514,300**	**3,705,928**	**3,957,702**

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2026	March 31, 2026
	$	$
Accounts payable	**1,388,048**	980,601
Interest payable	**934,720**	815,449
Amount due to tax authorities	**102,562**	-
Accrued liabilities	**2,725,965**	2,994,061
Total	**5,151,295**	4,790,111

Accounts payable are unsecured and are usually paid within 30 days of recognition. The interest payable balance is the amount payable on various debt balances outstanding as at June 30, 2026. Accrued liabilities include payroll costs, employee reimbursements, and other accrued expenses.

Expressed in Canadian Dollars

12. DEBT

The changes in the carrying value of current and non-current notes and debt facilities are as follows:

				Non-cash items			
Instrument	**Opening March 31, 2026 $**	**Additions $**	**Paid/Payable/ Accrued[1] $**	**Accretion $**	**Foreign exchange $**	**Gain $**	**Closing June 30, 2026 $**
Debenture notes	**5,846,512**	-	-	200,092	-	(2,047,270)	**3,999,334**
Choco facility	**1,126,366**	-	(77,260)	58,672	25,358	-	**1,133,136**
Revolving credit facility	**4,129,492**	626,964	(735,402)	131,287	36,816	**-**	**4,189,157**
Total long-term debt	**11,102,370**	**626,964**	**(812,662)**	**390,051**	**62,174**	**(2,047,270)**	**9,321,627**
Less: current portion	**4,610,140**						**4,766,505**
Non-current portion of debt	**6,492,230**						**4,555,122**

(1) $604,115 of principal and $16,779 of interest were repaid during the period, while $114,508 of unpaid interest and $77,260 of unpaid principal were transferred to Accounts payable and accrued liabilities. The $16,779 of interest paid during the period was recognized as a change in non-cash working capital.

				Non-cash items			
Instrument	**Opening March 31, 2025 $**	**Additions $**	**Paid/Payable/ Accrued[1] $**	**Accretion $**	**Foreign exchange $**	**Gain $**	**Closing June 30, 2025 $**
Debenture notes	**4,840,840**	-	(187,500)	264,960	-	**-**	**4,918,300**
Choco facility	**1,753,703**	-	(13,677)	18,630	(86,228)	(585,926)	**1,086,502**
Revolving credit facility	**4,138,792**	1,710,270	(1,129,716)	142,336	(114,129)	**-**	**4,747,553**
Total long-term debt	**10,733,335**	**1,710,270**	**(1,330,893)**	**425,926**	**(200,357)**	**(585,926)**	**10,752,355**
Less: current portion	**10,733,335**						**9,897,168**
Non-current portion of debt	**-**						**855,187**

(1) $987,380 of principal and $26,704 of interest was repaid during the period, while $316,809 of unpaid interest was transferred to Accounts payable and accrued liabilities.

Expressed in Canadian Dollars

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 value $	Equity value $
Tranche 1	Nov. 12, 2021	Nov. 30, 2023	1,000,000	964,454	35,546
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	35,850
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 crystallise 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.

Effective April 1, 2026, the Company amended the agreement with the Debenture notes holders to extend the maturity date by twelve months to July 1, 2028; extend the 20% principal penalty premium timeline by twelve months, now applicable only to the unpaid principal balance as of July 1, 2027, and maintain the interest-free provision on the outstanding principal through the revised term. The April 2026 Amendment was considered to be substantial, as the change in the 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 on extinguishment of debt of $2,047,270.

As of June 30, 2026, the fair value of Debenture notes was $4,067,154.

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 of June 30, 2026, management determined the fair value of the Choco Facility closely approximates the book value.

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.

Effective August 21, 2025, the lender and Vitalist formalized the terms of the Revolving Credit Facility. Under the amended terms, the revolving credit facility permits maximum borrowings up to $12,000,000, with advances granted at the lender's sole discretion. Borrowing availability for eligible customer purchase orders is restricted to 90% of the value of eligible customer accounts receivable. Additionally, the lender may advance up to 15% of the value of eligible accounts receivable prior to product or service delivery, and up to 75% of the value following delivery. Advances accrue interest at 1.0% per month, calculated daily, and are payable upon the earlier of the collateral due date or 120 days after the advance. Any past-due interest is subject to a default interest rate of 2.0% per month, calculated daily.

The outstanding principal balance of the Revolving Credit Facility at June 30, 2026 was $4,189,157 (CAD$2,513,286 and US$1,179,460).

Considering the short term nature of this debt, management has determined that the fair value of the debt approximates its book value on June 30, 2026.

13. ROYALTY AND GRANT LIABILITIES

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 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 15). 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 $7,372 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 of June 30, 2026 projected net sales for the subsequent 12-month period were $17,666,450 (as at May 23, 2025 - $14,301,550).
- Discount rate: A risk-adjusted discount rate of 22.74% 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 $60,919. A 10% increase or decrease in the discount rate used would result in a fair value decrease or increase of $7,977 and $8,254 respectively. The following table reconciles the carrying amount of the Royalty Liability for the period:

Expressed in Canadian Dollars

	$
Fair value of royalty liability as on May 23, 2025	398,183
Loss on revaluation of royalty liability	337,332
Payments made	(147,720)
Fair value of royalty liability as at March 31, 2026	**587,795**
Loss on revaluation of royalty liability	10,440
Payments made	(12,162)
Fair value of royalty liability as on June 30, 2026	**586,073**
Less: current portion	**586,073**
Non-current portion of royalty liability as on June 30, 2026	**-**

BIRD Liability

On May 15, 2019, Somatix Technologies Ltd., a subsidiary of the Company (the "**Subsidiary**") entered into an agreement with the Israel-United States Binational Industrial Research and Development Foundation ("**BIRD**") to receive up to develop a wearable technology focused on AI-powered remote patient monitoring and gesture recognition. The Subsidiary received US$891,486 for funding the Project and is required to repay BIRD 150% of the funding as a percentage of earnings from the technology, outright sale, or licensing created by the technology (the "**BIRD liability**"). Repayments are to be completed at a rate of 5% of gross sales incurred by the Project with minimum annual repayments of US$10,000. Due to the Project's long-term nature, repayments are to be indexed to the United States Consumer Price Index at the time of payment. Since inception, the Subsidiary has made US$8,307 in repayments toward the BIRD Liability.

On March 15, 2026 the Subsidiary signed an agreement with BIRD in relation to the Subsidiary's acquisition by the Company (Note 5). According to the agreement, BIRD waived the requirement for full repayment otherwise triggered by the acquisition and agreed that future repayments would be made according to the original terms in addition to an advance payment of US$10,000 due 90 days after the acquisition closing date of April 30, 2026.

The BIRD 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 BIRD liability are:

- Projected net sales: As of June 30, 2026 the probability weighted projected net sales of the management scenarios for the subsequent periods up to December 2033 were $48,979,901 (as at April 30, 2026 - $46,665,279).
- Discount rate: A risk-adjusted discount rate of 22.74% was used to determine the present value of the projected royalty cash flows (as at April 30, 2026 – 21.76%).

Expressed in Canadian Dollars

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

	$
Fair value of BIRD liability as on April 30, 2026	345,995
Loss on revaluation of royalty liability	1,948
Effect of movement in exchange rate	14,810
Fair value of BIRD liability as at June 30, 2026	**362,753**
Less: current portion	**14,207**
Non-current portion of royalty liability as on June 30, 2026	**348,546**

14. SHARE CAPITAL AND LOSS PER SHARE

Share capital

	Shares #	Amount $
Balance at March 31, 2025	**44,726,479**	**40,990,794**
Private placement of shares	6,355,200	2,136,525
Less: Share issuance cost	-	(60,866)
Balance at March 31, 2026	**51,081,679**	**43,066,453**
Issuance of common share	15,681,854	11,094,529
Less: Share issuance cost	-	(46,773)
Balance at June 30, 2026	**66,763,533**	**54,114,209**

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

The holders of common shares are entitled to dividends, if, and when declared by the board of directors, to one vote per share at meetings of the shareholders of the Company and, upon dissolution, to share equally in such assets of the Company as are distributable to the holders of common shares.

On May 23, 2025 the Company completed the Royalty Unit Offering (Note 13) and, after deducting the Royalty Liability value, allocated the residual value of the net proceeds ($2,136,525 or $0.336 per unit) to the equity components. As the common shares are publicly traded, the fair value input for the common shares represents an unadjusted quoted price in an active market, qualifying it as a Level 1 input in the fair value hierarchy. Due to the certainty and reliability of the Level 1 input, the fair value of the common shares at Closing ($0.45 per share), which exceeded the residual value ($0.336 per unit), was fully allocated from the residual equity proceeds first. No residual proceeds remained to be allocated to the share purchase warrants. The net share capital addition was $2,075,659, after netting transaction costs of $60,866.

On April 30, 2026, 15,581,854 common shares were issued as consideration for the acquisition of Somatix (Note 5). The Company incurred total share issuance costs of $46,773.

Expressed in Canadian Dollars

On May 26, 2026, 100,000 common shares were issued upon the exercise of stock options.

Loss per share

The weighted average number of common shares used to calculate basic and diluted net loss per share was 61,737,448 for the three months ended June 30, 2026 (47,450,136 - June 30, 2025). The Company excluded warrants and stock options from the calculation of diluted net loss per share as they would be anti-dilutive.

15. RESERVES

Warrants

On May 23, 2025, the Company issued 6,460,720 warrants in association with the Royalty Unit Offering (Note 13). No value was left to allocate to the 6,355,200 share purchase warrants issued to investors after the proceeds were allocated to the Royalty Liability (Note 13) and common shares (Note 14). The 105,520 finder's warrants issued as compensation were valued using the Black-Scholes-Merton model, using the following key assumptions:

	May 23, 2025
Current share price	$0.45
Strike price	$0.50
Time to expiry (years)	2
Volatility	110%
Risk-free rate	2.7%
Dividend yield	0.0%
Fair value per option	**$0.2484**

The fair value of the finder's warrants ($26,211) was considered a financing cost and was apportioned to each component of the Royalty Unit Offering on May 23, 2025.

The changes in share purchase warrants are summarized as follows:

	Warrants **#**	**Weighted average exercise price** **$**
Balance at March 31, 2025	**-**	**-**
Warrants issued	6,460,720	0.50
Balance at March 31, 2026 & June 30, 2026	**6,460,720**	**0.50**

Expressed in Canadian Dollars

The Company's outstanding warrants consist of the following:

Issue date	Expiry date	Exercise price	June 30, 2026	March 31, 2026
		$	#	#
May 23, 2025	May 23, 2027	0.50	6,460,720	6,460,720
Total Outstanding Warrants			**6,460,720**	**6,460,720**

Contributed surplus and stock-based compensation

Under the Company's Amended and Restated 2024 Omnibus Equity Incentive Plan (the "**Omnibus Plan**"), the Board of Directors may grant stock options, restricted share awards, restricted share units, deferred share units, and other share based awards ("**Share Based Awards**") to eligible directors, officers, employees, and consultants of the Company and its subsidiaries. On September 30, 2025, the shareholders approved the Company's Omnibus Plan. The Omnibus Plan is a 10% fixed plus rolling 10% plan, and allows the Company to issue Share Based Awards, including stock options to purchase common shares, provided that the number of common shares reserved for issuance do not exceed 5,108,168 plus 10% of the Company's issued and outstanding common shares. The total number of options issued may not exceed 10% of the Company's issued and outstanding common shares.

The exercise price of stock options issued pursuant to the Omnibus Plan is determined by the Board of Directors. The options vest and become exercisable as determined by the Board of Directors at the time of the grant, but such expiry shall not exceed 10 years.

The Company has granted options to purchase common shares under the Omnibus Plan as follows:

	Options	Weighted average exercise price
	#	$
Balance at March 31, 2025	**4,443,675**	**0.22**
Granted	360,000	1.04
Expired	(18,675)	5.32
Balance at March 31, 2026	**4,785,000**	**0.26**
Granted	1,590,000	0.79
Exercised	(100,000)	0.20
Forfeited	(250,000)	0.79
Balance at June 30, 2026	**6,025,000**	**0.38**

The Company granted 360,000 common share purchase options to its employees and contractors on September 8, 2025. These options were granted with an exercise price of $1.04, vest on September 8, 2027, and expire 36 months after the options vest.

The Company granted 1,590,000 common share purchase options to its employees and officers on April 30, 2026.

Expressed in Canadian Dollars

These options were granted with an exercise price of $0.79, vest on April 30, 2028, and expire 36 months after the options vest.

The key assumptions underlying the valuation of options issued were as follows:

	April 30, 2026	September 8, 2025
Exercise price	$0.79	$1.04
Annualized volatility(1)	117.64%	109.02%
Expected life	5 Years	5 Years
Estimated forfeiture rate(2)	10.26%	10.26%
Risk-free rate(3)	3.20%	2.77%
Dividend yield	0%	0%
Fair value per option	**$0.525**	**$0.824**

(1) The annualized volatility to determine fair value per option was calculated by taking an average of the annualized volatility of peer companies.
(2) The estimated forfeiture rate is based on expected future employee turn-over.
(3) The risk free rate is taken based on 5 year Government of Canada benchmark bond yields.

The following table provides information on stock options outstanding and exercisable as at June 30, 2026:

	Options outstanding			Options exercisable		
Expiry date	Options	Exercise price	Weighted average life	Options	Exercise price	Weighted average life
	#	$	Years	#	$	Years
August 1, 2029	4,325,000	0.20	3.09	4,325,000	0.20	3.09
September 8, 2030	360,000	1.04	4.19	-	1.04	4.19
April 30, 2031	1,340,000	0.79	4.83	-	0.79	4.83
	6,025,000	**0.38**	**3.54**	**4,325,000**	**0.20**	**3.09**

Expressed in Canadian Dollars

16. REVENUE

The top two customers of the Company accounted for $0.75 million (99%) of the Company's total revenue for three months ended June 30, 2026. The top customer $0.69 million (91%) of the total revenue for the three months ended June 30, 2026. During the three months ended June 30, 2025, the top two customers of the Company accounted for $1.11 million (75%) and the top customer $0.65 million (44%) of the total revenue. The Company's revenues from the transfer of goods and services are recognized at a point in time and derived from the following geographical regions by the location of the customer purchasing the goods.

	Three months ended	
Region	**June 30, 2026**	June 30, 2025
	$	$
North America	**738,072**	837,198
South and Central America	**18,734**	148,317
Europe	**-**	41,196
Asia	**-**	453,171
Total	**756,806**	1,479,882

17. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital for the three months ended consists of the following:

	June 30, 2026	June 30, 2025
	$	$
Trade and other accounts receivable	**(471,935)**	(825,934)
Inventory	**45,270**	(3,232)
Asset for right of return	**-**	(264,590)
Prepaid expenses and deposits	**(474,156)**	(1,153,525)
Accounts payable and accrued liabilities	**(642,393)**	359,712
Change in non-cash working capital	**(1,543,214)**	(1,887,569)

During the three months ended June 30, 2026, the Company acquired 100% of the issued and outstanding equity securities of Somatix in exchange for $11,063,116 of newly issued common shares

18. RELATED PARTY TRANSACTIONS

On June 30, 2026, Accounts payable and accrued liabilities included $591,649 of amounts owed to directors and officers of the Company (March 31, 2026 - $640,500). 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 12) 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.

Expressed in Canadian Dollars

Key management personnel include directors, CEO, CFO, CPO, CMO, CSO, and CRO ("**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:

	Three months ended	
	June 30, 2026	June 30, 2025
	$	$
Wages and contractors	**359,986**	294,420
Stock-based compensation	**19,646**	78,216
Total	**379,632**	372,636

19. COMMITMENTS

Commitments

As at June 30, 2026, 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	1,260,772	-	-	1,260,772
Debenture notes (1)	-	7,548,559	-	7,548,559
Choco facility	639,320	978,015	-	1,617,335
Revolving credit facility (2)	5,123,876	-	-	5,123,876
License fees (3)(4)	2,129,290	3,507,378	1,065,533	6,702,201
As at June 30, 2026	**9,153,258**	**12,033,952**	**1,065,533**	**22,252,743**

(1) Balance includes interest of $1,290,466 on the Debenture notes held in accounts payable and accrued liabilities.
(2) Balance includes interest of $934,720 on the Revolving credit facility held in accounts payable and accrued liabilities.
(3) The non-cancellable amount of guaranteed minimum royalties for the brand license as on June 30, 2026 is US$3,450,000.
(4) The non-cancellable amount of software license fees as on June 30, 2026 is US$1,267,500. 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 2032.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date on which these financial statements were issued and determined that there are no material subsequent events requiring adjustment or disclosure in these financial statements