Vitalist Inc.

Management's Discussion and Analysis

For the interim period ended June 30, 2026

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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 three month period ended June 30, 2026 and June 30, 2025. This MD&A should be read in conjunction with the Company's unaudited Condensed Consolidated Interim Financial Statements and accompanying notes for the three month period ended June 30, 2026 and June 30, 2025, (**"Q1 FY27 Financial Statements**") as well as the audited financial statements of the Company for the fiscal years ended March 31, 2026 and March 31, 2025, 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 August 20, 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 impact on the Company of the acquisition of Somatix, Inc. ("**Somatix**");
- 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 is at risk to possible hidden or contingent liabilities, including pending litigation, regulatory non-compliance, or cybersecurity vulnerabilities incurred by its recent acquisition of Somatix;
- in connection with the Somatix acquisition, a substantial amount of goodwill and intangible assets will likely be recognized and is at risk of impairment;
- 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 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

In this MD&A all references to: (a) "**Q1 2027**" is to the three month period ended June 30, 2026; (b) "**Q1 2026**" is to the three month period ended June 30, 2025; (c) "**Fiscal 2026**" is to the fiscal year ended March 31, 2026; (d) "**Fiscal 2025**" is to the fiscal year ended March 31, 2025; and (e) "**Fiscal 2027**" is to the fiscal year ending March 31, 2027. The unaudited Condensed Consolidated Interim Financial Statements and the accompanying notes for the three month period ended June 30, 2026 and June 30, 2025, and this MD&A, were reviewed and approved by the Company's Audit Committee on August 20, 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 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 of the Condensed Consolidated Interim Financial statements for three months ended June 30, 2026). 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 of the Condensed Consolidated Interim Financial statements for three months ended June 30, 2026).

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 of the Condensed Consolidated Interim Financial statements for three months ended June 30, 2026) 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 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.

CORPORATE OVERVIEW

Vitalist 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.

Vitalist is a smartwatch 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.
- **Acquisition of Somatix, Inc:** Strategic expansion into the medical wearables sector, integrating AI-powered remote patient monitoring and passive gesture recognition technology into the VitalOS™ ecosystem.

Vitalist is positioned to establish VitalOS™ as a leading technology platform for branded smartwatch 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.

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 technology platform provider focused on democratising 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 up to 7-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 introduced VitalOS™, a proprietary operating system for wearable devices, 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.

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. VitalOS™ will be commercially available in Reebok products in the fall of the calendar year 2026.

On February 3, 2026, the Company executed an agreement to partner with Pattern Inc., the global standard for e-commerce 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 ("**Licensor**") 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 is anticipated to launch in Fall of 2025. These products are expected to incorporate Vitalist's reimagined Vitalist application for iOS and Android for fitness tracking capabilities.

Following the initial Reebok smartwatch release, Vitalist plans to introduce a new flagship product in the fall of 2026, featuring the VitalOS™ platform.

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.

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. This acquisition marks the Company’s entrance to the high-growth medical wearables sector and will also provide VitalOS™ with key health and wellness features that brands can utilize on their wearable devices. Somatix brings a pipeline of healthcare providers and valuable intellectual property around powerful health and wellness algorithms. By integrating Somatix’s passive gesture detection technology into the VitalOS™ ecosystem, coupled with the Company’s expertise in physical hardware, Vitalist can scale these remote patient monitoring capabilities to a global audience.

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 CAD $0.71 per share. This resulted in total consideration transferred of approximately CAD $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 consolidated financial statements were authorized for issue. A formal purchase price allocation ("PPA") will be finalized within 12 months of the acquisition date.

The preliminary 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**

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 June 30, 2026:

	Three months ended	
	June 30, 2026	June 30, 2025
	$	$
Total revenue	**756,806**	1,479,882
Gross profit	**441,434**	456,847
Net loss	**(101,862)**	(464,528)
Net cash used in operating activities	**(3,105,053)**	(2,563,868)
Basic & diluted loss per share	**(0.00)**	(0.01)

As at	**June 30, 2026**	March 31, 2026
	$	$
Total assets	**11,216,475**	1,039,063
Total non-current financial liabilities	**4,903,668**	6,645,271

The Company's June 30, 2026 and 2025 unaudited Condensed Consolidated Interim Financial Statements reflect the balances of Vitalist and its wholly-owned subsidiaries, CE Brands International Inc, Somatix, Inc. and Somatix Technologies Ltd. Selected financial and operational highlights include the following:

- Revenue decreased by $0.72 million, reflecting a decrease of 49% in the three month period ended June 30, 2026 as compared to the corresponding period of the prior year. This decrease is related to a reduction in sales volumes due to distributors and retailers selling through inventory instead of re-stocking, partially offset by the unwinding of previously estimated B2B refund provisions.
- The gross profit for the three months ended June 30, 2026 was $0.44 million, relatively flat as compared to $0.46 million for the 3 month period ended June 30, 2025. The gross profit margin in Q1 Fiscal 2027 was 58%, as compared to 31% in Q1 Fiscal 2026. The increase is due to improved product margin economics and the unwinding of refund provision on B2B sales, offset by a reduction in sales volumes.
- There was a net loss of approximately $0.10 million for the three month period ended June 30, 2026, which represents a reduction in net loss of 78% compared to the net loss of $0.46 million for the corresponding period in Fiscal 2026. This decrease was primarily driven by a non-recurring debt modification gain of $2.05 million in Q1 Fiscal 2027 following an amendment to the Company's debenture notes. This was offset by an increase in operating expenses related to the acquisition of Somatix, Inc.
- Operating cash outflows were approximately $3.11 million for the period ended June 30, 2026, compared with approximately $2.56 million in the prior period. The increase was attributable to temporary increase to operating expenditures from the newly acquired Somatix entity, one time transaction costs, as well as royalty liability payments.

Results of Operations

The following section provides an overview of our financial performance during Fiscal 2027 as compared to Fiscal 2026.

	For the Three months ended June 30	
	2026	2025
	$	$
Revenue	**756,806**	1,479,882
Cost of products	**315,372**	1,023,035
Gross profit	**441,434**	456,847
Expenses		
Wages and contractors	**1,283,208**	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	**85,919**	107,316
Technology and related	**80,647**	68,347
Depreciation and amortization	**75,473**	-
Selling and distribution	**65,521**	47,872
Gain on foreign exchange	**(92,232)**	(94,739)
Total expenses	**2,142,642**	1,057,890
Loss before other items	**(1,701,208)**	(601,043)
Interest and accretion	**(390,051)**	(425,926)
Other finance charges	**(848)**	(7,390)
Gain on modification of financial instruments	**2,047,270**	585,926
Derecognition of equipment	**(23,795)**	-
Loss on revaluation of royalty and grant liabilities	**(12,388)**	(16,095)
Total other items	**1,620,188**	136,515
Net income (loss) before taxes	**(81,020)**	(464,528)
Deferred tax expense	**(20,842)**	-
Net loss	**(101,862)**	(464,528)
Other comprehensive income (loss)		
Gain on translation of foreign operations	**215,541**	41,113
Comprehensive income (loss)	**113,679**	(423,415)
Net profit (loss) per share – basic and diluted	**(0.00)**	(0.01)
Weighted average shares – basic and diluted	**61,737,448**	47,450,136

- ***Revenues:*** Revenue decreased by $0.72 million, reflecting a decrease of 49% in the three month period ended June 30, 2026 as compared to the corresponding period of the prior year. This decrease can be attributed to a significant reduction in sales volumes due to distributors and retailers selling through previous quarter stock purchases, partially offset by the unwinding of previously estimated B2B sales refund provisions.
- ***Cost of products and services and Gross profit:*** The cost of products and services decreased by $0.71 million, reflecting a decrease of 69% in Q1 2027 compared to the previous period. This decrease was driven by significantly lower sales volumes. There was a large increase in gross profit ratio from 31% in Q1 2026 to 58% in Q1 2027. The increase is due to the unwinding of previously estimated sales refund provisions on B2B sales, offset by the significant reduction in sales volumes.
- ***Wages and contractors:*** Wages and contractor expenses increased by $0.73 million, indicating an increase of 133% in Q1 2027 compared to Q1 2026. This increase can be attributed to new employees and contractors most of whom were acquired via the Somatix, Inc. transaction.
- ***Legal, accounting, and other professional fees:*** Professional fees increased by $0.10 million representing an increase of 99% for Q1 2027 compared to Q1 2026. The increase can primarily be attributed to the professional services incurred for the Somatix acquisition as well as increased investor relations activities.
- ***Marketing:*** Marketing expenses increased by $0.07 million, representing an increase of 60% for Q1 2027 compared to Q1 2026. This increase is due to higher online marketing campaign spending with Amazon and Facebook to enhance consumer engagement.
- ***General and administrative:*** General and administrative expenses have increased by $0.07 million, reflecting an increase of 77% for Q1 2027 compared to Q1 2026. This increase can be attributed to the addition of administrative costs and services relating to the newly acquired wholly-owned subsidiary, Somatix, Inc.
- ***Royalties and license fees:*** Royalties and license fees increased by $0.03 million or 42% in Q1 2027 as compared to Q1 2026. The increase is due to the write-off of minimum guaranteed royalty fees paid to Reebok.
- ***Stock-based compensation:*** Stock-based compensation expense decreased to $0.09 million in Q1 2027 from $0.11 million in Q1 2026 due to a large tranche fully vesting in Q2 2026.
- ***Technology and related:*** Technology and related expenses increased by $0.01 million, indicating an increase of 18% for Q1 2027 compared to Q1 2026. This increase is mainly attributed to the increased development work on the VitalOS™ operating system.
- ***Selling and distribution:*** Selling and distribution expenses increased by $0.02 million, indicating an increase of 37% in Q1 2027 as compared to Q1 2026. This increase is due to sales commissions which were introduced after the Company began selling Reebok SKUs in Q2 2026. These commissions did not apply to Motorola SKUs which made up all of the sales in Q1 2026.
- ***Depreciation and amortization:*** Depreciation and amortization expenses were driven by the acquired intangible assets from the Somatix acquisition.
- ***Gain on foreign exchange:*** Gain on foreign exchange was relatively unchanged in Q1 2027 as compared to Q1 2026. Gains during the period were a result of favorable changes in the exchange rate between recognition and settlement dates.
- ***Interest & accretion:*** Interest & accretion cost decreased by $0.04 million, representing an 8% decrease in Q1 2027 compared to Q1 2026. This decrease can be attributed to the amendment of Debenture notes which resulted in lower overall accretion expense.
- ***Other finance charges:*** Other finance charges negligibly decreased by $0.01 million representing an 89% decrease in Q1 2027 compared to Q1 2026. This decrease can be attributed to financing costs incurred from the private placement in Q1 2026. No such transaction took place in Q1 2027.

- ***Gain on modification of debt:*** Due to an amendment to the Debenture notes, the Company recognized a gain on modification of debt of $2.05 million in Q1 2027. In Q1 2026 there was an amendment relating to the Choco facility which resulted in a gain on modification of $0.59 million.
- ***Derecognition of equipment:*** The Company derecognized the equipment acquired from the Somatix acquisition.
- ***Loss on revaluation of royalty and grant liabilities:*** The Company recognized a loss of $0.01 million in Q1 2027 for the royalty liability and the BIRD liability as compared to loss of $0.02 million in Q1 2026 on account of revaluation of royalty liability.
- ***Deferred tax expense:*** Deferred tax expense increased during the period due to the settlement of an accounting liability in Somatix, Inc., which eliminated the temporary tax difference and resulted in the full reversal of the related deferred tax asset.
- ***Gain on translation of foreign operations:*** There was an increase in the gain recognized on translation of foreign operations of the Company for the three months ended June 30, 2026 of $0.22 million. The increase can be attributed to the strengthening of the US Dollar over the CAD, and the Company's larger US Dollar denominated asset base acquired in the Somatix transaction.

Summary of Quarterly Results

For the period ended:	September 30, 2024	December 31, 2024	March 31, 2025	June 30, 2025	September 30, 2025	December 31, 2025	March 31, 2026	June 30, 2026
Total revenue	1,486,695	1,239,610	687,638	1,479,882	1,937,930	659,535	(15,540)	756,806
Gross profit	493,816	542,435	15,764	456,847	779,905	294,789	(222,838)	441,434
Gross profit percentage	33%	44%	2%	31%	40%	45%	NA	58%
Net (loss) income	(810,413)	(743,246)	(1,484,967)	(464,528)	152,196	(2,196,712)	(2,020,993)	(101,862)
Basic and diluted loss per share	(0.02)	(0.02)	(0.03)	(0.01)	0.00	(0.04)	(0.04)	(0.00)

1) Total revenue and cost of products for the three months ended June 30, 2025, have been revised from previously quarterly 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 consolidated 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 consolidated financial statements for a comprehensive reconciliation of these revisions.

- **Revenue**: Revenue fluctuated significantly across the periods, declining by $0.25 million in Q3 FY25 and $0.55 million in Q4 FY25 as channel partners worked through accumulated inventory. Performance rebounded to $1.48 million in Q1 FY26 following Motorola stock clearance efforts and reached $1.94 million in Q2 FY26, driven by the August 2025 launch of higher-priced Reebok smartwatches. Revenue subsequently contracted to $0.66 million in Q3 FY26 due to inventory absorption, before turning negative in Q4 FY26 as post-holiday seasonality and retailer sell-through were compounded by a change in accounting estimate for sales inducement expenses. top-line results stabilized at $0.76 million in Q1 FY27, supported by the unwinding of a prior B2B refund provision.
- **Gross profit (%):** Gross margins fluctuated in response to promotional activity, write-offs, and product mix shifts. Margins expanded in Q3 FY25 due to a temporary pause on discounting, but compressed in Q4 FY25 from overhead allocations, B2B price concessions, and a Moto 120 tooling write-off. Margins recovered to 31% in Q1 FY26 despite clearance discounts on Motorola stock, then expanded to 40% in Q2 FY26 and 45% in Q3 FY26 as higher-margin Reebok smartwatches entered the mix. Gross margin was rendered not meaningful (N/M) in Q4 FY26 due to negative revenue resulting from sales inducement adjustments, tooling cost recognitions, and product mix shifts, before rebounding to 58% in Q1 FY27 primarily due to the reversal of earlier B2B refund provisions.
- **Net Income**: Net results reflected operational volatility alongside non-operating modifications and non-cash charges. After narrowing slightly in Q3 FY25, net loss expanded in Q4 FY25 driven by lower sales, higher factoring finance costs, and stock-based compensation. Net loss reduced to $0.46 million in Q1 FY26 and turned to net income of $0.15 million in Q2 FY26 due to peak revenue, margin expansion, favorable foreign exchange, and debt restructuring gains. However, net losses widened sharply to $2.19 million in Q3 FY26, impacted by a $0.64 million prepaid royalty write-off, and remained high at $2.02 million in Q4 FY26 due to sales inducement adjustments and higher operating expenses. In Q1 FY27, net loss narrowed substantially to $0.10 million as a $2.05 million debenture modification gain was offset by newly integrated operating expenses from the Somatix, Inc. acquisition.

LIQUIDITY AND CAPITAL RESOURCES

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

Liquidity and Capital Resources	**June 30, 2026**	March 31, 2026
	$	$
Cash	**1,471,901**	193,396
Total current assets	**3,552,845**	1,039,063
Total current liabilities	**10,518,080**	9,835,005
Working capital deficiency	**(6,965,235)**	(8,795,942)

The Company's capital management policy is to maintain a capital base that optimizes its ability to grow, maintain investor and creditor confidence and 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 $22.25 million due in the next four years ("Commitments" section of MD&A).

The Company currently has a working capital deficiency and 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 June 30, 2026 is uncertain. Until the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due, including commitments due in the next 12 months, management may 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 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.

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. 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 $7,977and $8,254respectively.

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	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%).

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**

CASH FLOWS

	June 30, 2026	June 30, 2025
	$	$
Cash (used in) provided by:		
Operating activities	**(3,105,053)**	(2,563,868)
Investing activities	**4,404,415**	-
Financing activities	**(16,086)**	3,218,762
Effect of change in foreign exchange rates on cash	**(4,771)**	(1,636)
Net increase in cash and cash equivalents	**1,278,505**	653,258
Cash, beginning of period	**193,396**	235,232
Cash, end of period	**1,471,901**	888,490

Operating Activities

During the three months ended June 30, 2026, cash used in operating activities was approximately $3.11 million compared to approximately $2.56 million during the three months ended June 30, 2025. The increase was primarily attributable to higher operating expenditures, including wages and contractor costs, minimum guaranteed royalty and license fees, and marketing expenses, reflecting the Company's expansion of operations and the acquisition of a new subsidiary during Q1 FY27.

Investing Activities

During the three months ended June 30, 2026, the cash provided by investing activities was approximately $4.40 million, compared to $nil during the three months ended June 30, 2025. The increase is attributed to the cash acquired from Somatix of $4.69 million, this was partially offset by the purchase of short-term investments of $0.29 million.

Financing Activities

During the three months ended June 30, 2026, cash used in financing activities was approximately $0.02 million, compared to an inflow of approximately $3.22 million for the three months ended June 30, 2025. The cash used in the three months ended June 30, 2026 was driven by the Company incurring share issuance costs related to the Somatix acquisition of $0.05 million and royalty payments to private placement unit holders of $0.01 million. This was partially offset by net proceeds from the factored and unfactored revolving credit facility of $0.02 million and receiving cash of $0.02 million from the issuance of shares upon exercise of stock options. In the prior period the Company raised $2.50 million through a private placement transaction and received net proceeds of $0.72 million from the factoring facility.

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.

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 June 30, 2026	As at August 20, 2026
Common shares	66,763,533	66,763,533
Warrants	6,460,720 warrants to purchase one Common Share each	6,460,720 warrants to purchase one Common Share each
Options	6,025,000 options to purchase one Common Share each	6,025,000 options to purchase one Common Share each

OFF BALANCE SHEET ARRANGEMENTS

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

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 of the Condensed Consolidated Interim Financial statements for three months ended June 30, 2026) 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, CSO (the **"Chief Science Officer**") and CRO (the "**Chief Revenue Officer**") ("**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:

	Period 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

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 and grant liabilities	Fair value through profit and loss

FINANCIAL RISK MANAGEMENT

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 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. 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

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 statement of financial position. The Company will require additional funding to reduce its exposure to liquidity risk (Note 2 of the Condensed Consolidated Interim 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	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 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 any kind of interest rate risk since 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.

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.

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.

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 the 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 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 June 30, 2026. 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. The COVID-19 pandemic has had, and could continue to have, far-reaching impacts on the manufacturing and production of consumer electronics in Asia. Further, increased U.S. and China tensions over Taiwan could materially impact the ability of the Company to manufacture products in China or Taiwan or rely on OEM's located in China or Taiwan for supply chain components. For the Company, this has resulted in lower volumes of inventory being available for sale and associated delays in new product launches. Recently, the Company has also experienced increases in production, labor, and shipping costs. The continuation or worsening of such conditions could adversely impact the revenues, ability to provide products and services, and operating results 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.

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 2026 Financial Statements and Q1 FY27 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.