



# **BUILDDIRECT.COM TECHNOLOGIES INC**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the nine months ended September 30, 2025 and 2024

### **GENERAL INFORMATION AND CAUTIONARY STATEMENTS**

The following management's discussion and analysis ("MD&A") dated November 26, 2025, provides information concerning the financial condition and results of operations of BuildDirect.com Technologies Inc. ("BuildDirect" or the "Company") for the three months ended September 30, 2025 ("Q3/25") and September 30, 2024 ("Q3/24") and nine months ended September 30, 2025 ("YTD Q3/25") and September 30, 2024 ("YTD Q3/24") This report intends to complement and supplement the Company's unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2025 and 2024, and should be read in conjunction. In addition, readers are also advised to read the Company's audited consolidated financial statements and accompanying notes for the years ended December 31, 2024 ("FY 2024") and 2023 ("FY 2023"), which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Additional information relating to the Company is available on the Company's website at [www.builddirect.com](http://www.builddirect.com).

Actual results may differ materially from BuildDirect's financial outlook as a result of, among other things, the factors described under "Forward-Looking Information" below. As at the date of this MD&A, the Company has 48,191,297 shares outstanding.

#### **Basis of presentation**

In this MD&A, unless otherwise indicated, all dollar amounts are expressed in US dollars. The MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") for the Canadian Securities Administrators.

#### **Forward looking Information**

This MD&A contains "forward-looking information" within the meaning of applicable securities laws in Canada. These statements are based on current expectations and estimates about our business and include information regarding our financial position, business strategy, growth strategies, operations, financial results and objectives. Particularly, information regarding our expectations of future results, growth of our operations and performance opportunities in the market in which we operate is forward-looking information.

## **Forward looking Information (continued)**

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “anticipate”, “believe”, “expects” or “does not expect”, “estimates”, “outlook”, “prospects”; “projection”, “intends”, “believes”, “should”, “will”, “would” or the negative of these terms, and similar expressions intended to identify forward-looking statements. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The forward-looking information contained in this MD&A represents our expectations as of the date of the MD&A (or as of the date they are otherwise stated to be made) and are subject to changes after such date. We disclaim any intention or obligation or undertaking to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

## **Non-IFRS financial measures**

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS Accounting Standards, and do not have a standardized meaning prescribed by IFRS Accounting Standards and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS Accounting Standards measures by providing further understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS Accounting Standards. We use non-IFRS measures including “EBITDA” and “Adjusted EBITDA”. Management uses these non-IFRS measures to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to determine components of management compensation. As required by Canadian securities laws, we reconcile these non-IFRS measures to the most comparable IFRS Accounting Standards measures in this MD&A. For definitions and reconciliation of these non-IFRS measures to the relevant reported measures, see “Non-IFRS measures”.

## **COMPANY OVERVIEW**

### **Mission and Vision**

Our mission is to become the leading provider of products and services for flooring professionals throughout North America. By leveraging global sourcing capabilities and strategically expanding the number of Pro Centers, we aim to redefine industry standards and enhance customer satisfaction. BuildDirect envisions becoming the foremost omni-channel B2B retailer in North America, specializing in serving professional flooring customers.

Our vision includes:

- Expanding our footprint of strategically located Pro Centers across the continent.
- Setting new industry standards and enhancing the efficiency of the professional flooring supply chain.
- Leveraging global sourcing capabilities and embracing technological advancements to deliver exceptional value and seamless experiences to our customers and partners.

## COMPANY OVERVIEW and OUTLOOK (continued)

### Strategic Objectives

At BuildDirect, our strategy is to drive sustainable growth by expanding our e-commerce presence and Pro Centers. We aim to enhance profitability while optimizing operations and customer value. This includes refining e-commerce, expanding physical locations, and integrating acquired centers for consistency. Through these efforts, we will accelerate growth and solidify our leadership in the North American flooring market.

**E-commerce Expansion:** Focus on growth while maintaining strong profitability.

- Efficiently fulfill orders through BuildDirect branded Pro-Centers.
- Achieve and maintain high in-stock inventory levels.
- Enhance the website to improve the overall user experience for customers.
- Develop an expert flooring sales team with specialized training and industry knowledge.
- Amplify digital marketing strategies for greater reach and engagement.

**Increase Physical Locations:** Continue expanding with a focus on sustainable growth and profitability.

- Increase Pro Center locations incrementally each year (through acquisition and/or building).
- Expand into additional flooring product categories.

**Integrate and Improve Acquired Pro Centers:**

- Standardize operating procedures for consistency and efficiency.
- Upgrade technology and infrastructure to enhance operations.
- Provide management training programs for leadership to ensure continuity.
- Implement a unified inventory system for optimal stock levels.

By focusing on these strategic objectives, BuildDirect aims to drive substantial growth through e-commerce and the expansion of Pro Centers across North America.

## RECENT DEVELOPMENTS

### Equity Offering and DSU Grants

- **August 1, 2025:** the Company closed a non-brokered private placement (the “Private Placement”). The Company issued 6,087,173 common shares at a price of C\$1.15 per share, for gross proceeds of C\$7,000,250 (U\$5,193,044). The Company incurred approximately U\$66,000 of share issue costs for legal fees, transfer agent and exchange fees. No finder’s fee, or commissions are payable in connection with the Private Placement. The shares issued are subject to a four-month hold period ending December 2, 2025.
- **August 11, 2025:** the common shares of BuildDirect commenced trading on the OTCQB Venture Market in the United States under the ticker symbol “BDCTF” with electronic settlement on DTC. BuildDirect’s shares continue to trade on the TSX Venture Exchange under the symbol “BILD”.
- **September 23, 2025:** the Company granted an aggregate of 45,000 deferred share units (“DSUs”) to two directors of the Company in accordance with the Company’s Omnibus Equity Incentive Plan.

## RECENT DEVELOPMENTS (continued)

### Leased Premises

- **July 1, 2025:** the Company finalized new 5-year warehouse leases for a 19,832 sq ft premises in Richmond, British Columbia.
- **July 15, 2025:** the Company entered into a new 5-year lease for a 24,496 sq ft warehouse in Orlando, Florida.
- **September 15, 2025:** the Company moved its corporate headquarters to 1600-675 West Hastings St. Vancouver, BC. The new premises is 4,441 sq ft with a fixed term of 6 years.

### Management Loans

- **May 9, 2025:** the Company advanced C\$775,000 to senior management (the “Management Loans”) to facilitate the purchase of previously issued common shares of the Company. Funding for this advance was provided by a secured loan from its insider lender, Lyra Growth Partners Inc. The interest rates on the loans receivable and payable are similar in nature and will fully offset on the Company’s condensed consolidated interim statement of operations.

### Supply Contract

- **April 23, 2025:** the Company entered into a supply agreement valued at up to \$2 million with a North American customer in the sports, entertainment and recreation sector to provide high-performance flooring products for use in their active-use facilities.

### Acquisitions and Expansion

- **March 26, 2025:** BuildDirect announced the acquisition of Anchor & Yorkshire flooring assets, for \$593,000 aiming to accelerate its expansion in the Florida market. Anchor and Yorkshire, reported combined unaudited revenue of \$5.8 million and EBITDA of \$661,000 for the year ended December 31, 2024.
- **March 10, 2025:** The Company opened a new Pro Center in California to serve as a regional hub, providing quality building materials and efficient logistics services. This initiative is expected to reduce 3PL costs and enhance service levels for contractors and builders in the region.

### New Credit Facility

- **December 20, 2024:** On December 20, 2024, the Company entered into a C\$9.47 million revolving credit facility with a Tier 1 Canadian bank. The facility includes C\$1.13 million in Letters of Guarantee and an C\$8.34 million Revolving Demand Loan, with interest at prime plus 1.50% (CAD) or prime plus 1.00% (USD).

### Tariff Dispute and Litigation

On September 21, 2020, the Company filed an action in the U.S. Court of International Trade against U.S. Customs and Border Protection and the U.S. Trade Representative challenging the imposition and collection of certain tariffs on goods imported into the U.S. This action is ongoing and is substantially similar to lawsuits filed by approximately 3,500 other importers similarly affected by the above noted tariffs.

Management of the Company is not aware of any material pending or threatened proceedings as at the date of this MD&A.

## SELECTED FINANCIAL INFORMATION

### Financial Results

The following tables summarize the Company's selected financial results for the three and nine months ended September 30, 2025, and 2024.

	<b>Three months ended September 30, 2025</b>	Three months ended September 30, 2024		Change
Revenue	\$ 18,066,352	\$ 16,968,564		\$ 1,097,788
Income (loss) from operations	(40,586)	(11,147)		(29,439)
Comprehensive income (loss)	(946,437)	(384,414)		(562,023)
Adjusted EBITDA <sup>(1)</sup>	969,105	786,410		182,695
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)		\$ (0.01)

	<b>Nine months ended September 30, 2025</b>	Nine months ended September 30, 2024		Change
Revenue	\$ 50,015,557	\$ 48,741,262		\$ 1,274,295
Income (loss) from operations	(369,426)	(555,754)		186,328
Comprehensive income (loss)	(1,693,884)	(1,490,767)		(203,117)
Adjusted EBITDA <sup>(1)</sup>	2,221,681	1,868,977		352,704
Basic and diluted loss per share	\$ (0.04)	\$ (0.04)		\$ (0.00)

<sup>1</sup>A non-IFRS measure. See "Non-IFRS measures" for definitions and reconciliation of non-IFRS measures to the relevant IFRS Accounting Standards.

### Financial Position

The following table summarizes the Company's financial position on September 30, 2025 and December 31, 2024.

	<b>As at September 30, 2025</b>	As at December 31, 2024		Change
Cash and cash equivalents	\$ 8,822,151	\$ 2,347,491		\$ 6,474,660
Working capital <sup>(1)</sup>	8,591,318	2,712,617		5,878,701
Total assets	36,831,232	27,752,963		9,078,269
Total liabilities	30,086,089	24,597,974		5,488,115
Total shareholders' equity	6,745,143	3,154,989		3,590,154
Common shares outstanding	48,161,797	42,032,706		6,129,091

<sup>1</sup>A non-IFRS measure. See "Non-IFRS measures" for definitions and reconciliation of non-IFRS measures to the relevant IFRS Accounting Standards.

**Financial Results (continued)**

**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**

**For the three months ended September 30, 2025, and 2024**

	<b>Three months ended September 30, 2025</b>	Three months ended September 30, 2024		Change
Revenue	\$ 18,066,352	\$ 16,968,564	\$ 1,097,788	
Cost of goods sold	11,030,019	10,465,160	(564,859)	
Gross profit	7,036,333	6,503,404	532,929	
Operating expenses:				
Fulfillment costs	941,622	916,051	25,571	
Selling and marketing	1,483,825	1,425,072	58,753	
Administration	3,756,782	3,470,983	285,799	
Depreciation and amortization	894,690	702,445	192,245	
Total operating expenses	7,076,919	6,514,551	562,368	
Loss from operations	(40,586)	(11,147)	(29,439)	
Other income (expense):				
Interest income	2,168	5,771	(3,603)	
Interest expense	(494,169)	(332,015)	(162,154)	
Rental income	4,189	37,461	(33,272)	
Fair value adjustment of warrants	(158,372)	12,734	(171,106)	
Government grant	0	-	-	
Restructuring costs	(49,368)	-	(49,368)	
Finance fee	-	-	-	
Foreign exchange gain (loss)	(66,299)	(29,718)	(36,581)	
Gain on disposal of assets	3,000	-	3,000	
Total other income (expense)	(758,851)	(305,767)	(453,084)	
Loss before income tax	(799,437)	(316,914)	(482,523)	
Income tax expense <sup>(1)</sup>	(147,000)	(67,500)	(79,500)	
Total comprehensive income (loss)	\$ (946,437)	\$ (384,414)	\$ (562,023)	

<sup>1</sup>Income tax expense relates to the operations of Charter Distributing Company ("FloorSource"), which was acquired on December 31, 2020 and Superb Floor Covering LLC ("Superb"), which was acquired on November 17, 2021. Superb and FloorSource have one and four locations, respectively, in the state of Michigan and are subject to US federal and state taxes.

## Financial Results (continued)

### Condensed Consolidated Interim Statements of Operations and Comprehensive Loss For the nine months ended September 30, 2025, and 2024

	Nine months ended September 30, 2025	Nine months ended September 30, 2024	Change
Revenue	\$ 50,015,557	\$ 48,741,262	\$ 1,274,295
Cost of goods sold	30,031,539	29,962,151	(69,388)
Gross profit	19,984,018	18,779,111	1,204,907
Operating expenses:			
Fulfillment costs	2,742,600	2,921,603	(179,003)
Selling and marketing	4,365,102	4,172,207	192,895
Administration	10,839,366	10,138,215	701,151
Depreciation and amortization	2,406,376	2,102,840	303,536
Total operating expenses	20,353,444	19,334,865	1,018,579
Loss from operations	(369,426)	(555,754)	186,328
Other income (expense):			
Interest income	18,496	43,147	(24,651)
Interest expense	(1,250,106)	(983,622)	(266,484)
Rental income	4,188	148,937	(144,749)
Fair value adjustment of warrants	(405,993)	40,048	(446,041)
Government grant	1,170,137	-	1,170,137
Restructuring costs	(206,253)	-	(206,253)
Finance fee	-	(20,000)	20,000
Foreign exchange gain (loss)	(211,399)	55,852	(267,251)
Gain on disposal of assets	11,471	-	11,471
Total other income (expense)	(869,458)	(715,638)	(153,821)
Loss before income tax	(1,238,884)	(1,271,392)	32,507
Income tax expense <sup>(1)</sup>	(455,000)	(219,375)	(235,625)
Total comprehensive income (loss)	\$ (1,693,884)	\$ (1,490,767)	\$ (203,118)

<sup>1</sup>Income tax expense relates to the operations of Charter Distributing Company ("FloorSource"), which was acquired on December 31, 2020 and Superb Floor Covering LLC ("Superb"), which was acquired on November 17, 2021. Superb and FloorSource have one and four locations, respectively, in the state of Michigan and are subject to US federal and state taxes.

## Segments

We report our results in two segments: (1) E-Commerce and (2) Pro Centers. We measure each reportable operating segment's performance based on revenue. The E-commerce segment relates to our online platform while the Pro Center segment includes sales and installation revenue from bricks and mortar locations.

### Revenue and Gross Profit per Segment

The E-Commerce and Pro Center segments contributed 20% and 80% of our sales respectively in Q3/25 compared to 23% and 77% of our sales, respectively, in Q3/24.

The following tables summarize revenue and gross profit per segment for the three months ended September 30, 2025, and 2024.

<b>Three months ended September 30, 2025</b>			
	<b>E-Commerce</b>	<b>Pro Centers</b>	<b>Total</b>
Revenue	\$ 3,655,611	\$ 14,410,741	\$ 18,066,352
Cost of goods sold	1,673,323	9,356,696	11,030,019
Gross profit	1,982,288	5,054,046	7,036,333
Gross profit %	54.2%	35.1%	38.9%

<b>Three months ended September 30, 2024</b>			
	<b>E-Commerce</b>	<b>Pro Centers</b>	<b>Total</b>
Revenue	\$ 3,892,902	\$ 13,075,662	\$ 16,968,564
Cost of goods sold	1,950,712	8,514,448	10,465,160
Gross profit	1,942,190	4,561,214	6,503,404
Gross profit %	49.9%	34.9%	38.3%

Consolidated revenue in Q3/25 was \$18,066,352 compared to \$16,968,564 in Q3/24, an increase of \$1,097,788 or 6.5%.

Revenue in Q3/25 for E-Commerce was \$3,655,611 compared to \$3,892,902 for the same period in the prior year, a decrease of \$237,291 or 6.1%. Q3/25 revenue for Pro Centers was \$14,410,741 compared to \$13,075,662 for the same period in the prior year, an increase of \$1,335,079 or 10.2%. E-Commerce lowered marketing spend and increased product pricing; this contributed to lower sales but improved gross margin. Pro Center sales increased with the addition of new revenue streams and the opening of the Orlando location. Q3/25 Pro Center revenue, excluding Orlando is \$13,366,513 an increase of \$290,851 or 2% from Q3/24.

Consolidated gross profit in Q3/25 was \$7,036,333 compared to \$6,503,404 in the same period in the prior year, an increase of 532,929 or 8.2%. This is attributed to increased pricing however it is offset by lower overall volume as U.S. market conditions softened. As such, gross profit % increased 0.6% to 38.9% in Q3/25 versus Q3/24.

## Segments (continued)

The E-Commerce and Pro Center segments contributed 23% and 77% of our sales respectively in both YTD Q3/25 and in YTD Q3/24.

The following tables summarize revenue and gross profit per segment for the nine months ended September 30, 2025, and 2024.

<b>Nine months ended September 30, 2025</b>			
	<b>E-Commerce</b>	<b>Pro Centers</b>	<b>Total</b>
Revenue	\$ 11,308,723	\$ 38,706,834	\$ 50,015,557
Cost of goods sold	5,179,671	24,851,868	30,031,539
Gross profit	6,129,052	13,854,967	19,984,018
Gross profit %	54.2%	35.8%	40.0%

<b>Nine months ended September 30, 2024</b>			
	<b>E-Commerce</b>	<b>Pro Centers</b>	<b>Total</b>
Revenue	\$ 10,996,087	\$ 37,745,175	\$ 48,741,262
Cost of goods sold	5,398,441	24,563,710	29,962,151
Gross profit	5,597,646	13,181,465	18,779,111
Gross profit %	50.9%	34.9%	38.5%

Consolidated revenue in YTD Q3/25 was \$50,015,557 compared to \$48,741,262 in YTD Q3/24 an increase of \$1,274,295 or 2.6%.

Revenue in YTD Q3/25 for E-Commerce was \$11,308,723 compared to \$10,996,087 for the same period in the prior year, an increase of \$312,636 or 2.8%. YTD Q3/25 revenue for Pro Centers was \$38,706,834 compared to \$37,745,175 for the same period in the prior year, an increase of \$961,659 or 2.5%.

Slower sales in the E-Commerce and Pro Center segments are attributed to tariff pressures and lower consumer spending in the home renovation market. Pro Center sales increased with the addition of the Orlando location. YTD Q3/25 Pro Center revenue, excluding Orlando is \$37,038,526 compared to \$37,745,175 in YTD Q3/24, a decrease of \$706,649 or 2%.

Consolidated gross profit in YTD Q3/25 was \$19,984,018 compared to \$18,779,111 in the same period in the prior year, an increase of \$1,204,907 or 6.4%. The increase is attributed to higher margins in the E-Commerce segment and the incremental margins from the Orlando location. As such, gross profit % increased 1.4% to 40.0% in YTD Q3/25 versus YTD Q3/24.

## Segments (continued)

### EBITDA Reconciliation per Segment

Including the Company's corporate operations, the following table reconciles EBITDA by segment to the consolidated total:

<b>Three months ended September 30, 2025</b>				
	<b>Corporate</b>	<b>E-Commerce</b>	<b>Pro Centers</b>	<b>Total</b>
Revenue	\$ -	\$ 3,655,611	\$ 14,410,741	\$ 18,066,352
Cost of goods sold	-	1,673,323	9,356,696	11,030,019
Gross profit	-	1,982,288	5,054,046	7,036,333
Net income (loss) for the period	(1,500,833)	303,429	812,990	(384,414)
Adjusted EBITDA	(784,798)	351,899	1,402,004	969,105

  

<b>Three months ended September 30, 2024</b>				
	<b>Corporate</b>	<b>E-Commerce</b>	<b>Pro Centers</b>	<b>Total</b>
Revenue	\$ -	\$ 3,892,902	\$ 13,075,662	\$ 16,968,564
Cost of goods sold	-	1,950,712	8,514,448	\$ 10,465,160
Gross profit	-	1,942,190	4,561,214	6,503,404
Net income (loss) for the period	(1,451,840)	(148,344)	1,215,770	(384,414)
Adjusted EBITDA	(1,008,315)	(111,154)	1,905,878	786,410

  

<b>Nine months ended September 30, 2025</b>				
	<b>Corporate</b>	<b>E-Commerce</b>	<b>Pro Centers</b>	<b>Total</b>
Revenue	\$ -	\$ 11,308,723	\$ 38,706,834	\$ 50,015,557
Cost of goods sold	-	5,179,671	24,851,868	30,031,539
Gross profit	-	6,129,052	13,854,967	19,984,019
Net income (loss) for the period	(4,151,405)	697,138	1,760,383	(1,693,884)
Adjusted EBITDA	(2,402,474)	1,066,519	3,557,636	2,221,681

  

<b>Nine months ended September 30, 2024</b>				
	<b>Corporate</b>	<b>E-Commerce</b>	<b>Pro Centers</b>	<b>Total</b>
Revenue	\$ -	\$ 10,996,087	\$ 37,745,175	\$ 48,741,262
Cost of goods sold	-	5,398,441	24,563,710	29,962,151
Gross profit	-	5,597,646	13,181,465	18,779,111
Net income (loss) for the period	(4,087,527)	(509,810)	6,088,105	(1,490,767)
Adjusted EBITDA	(2,770,419)	(544,928)	5,184,324	1,868,977

## Operating Expenses

The following table summarizes operating expenses for the three months ended September 30, 2025, and 2024:

	<b>Three months ended September 30, 2025</b>	Three months ended September 30, 2024		Change
Fulfillment costs	\$ 941,622	\$ 916,051	\$	25,571
Selling and marketing	1,483,825	1,425,072		58,753
Administration	3,756,782	3,470,983		285,799
Depreciation and amortization	894,690	702,445		192,245
	<b>\$ 7,076,919</b>	<b>\$ 6,514,551</b>	<b>\$</b>	<b>562,368</b>

Operating expenses in Q3/25 increased \$562,368 to \$7,076,919 compared to \$6,514,551 in Q3/24 primarily due to the commencement of operations at the Company's Pro Center in Orlando, Florida (note 3). Excluding the new Pro Center, total operating expenses would have been \$6,447,682 a decrease of \$66,869 compared to Q3/24.

Selling and marketing costs in Q3/25 increased \$58,753 or 4.1% to \$1,483,825 from \$1,425,072 in Q3/24.

Administration costs in Q3/25 increased by \$285,799 or 8.2% to \$3,756,782 from \$3,470,983 in Q3/24. Excluding the Orlando Pro Center, administration expenses were \$3,284,101 or 5.4% lower compared to Q3/24.

Depreciation and amortization increased by \$192,245 to \$894,690 in Q3/25 from \$702,445 in Q3/24 primarily related to amortization on right-of-use assets and acquired property and equipment.

The following table summarizes operating expenses for the nine months ended September 30, 2025, and 2024:

	<b>Nine months ended September 30, 2025</b>	Nine months ended September 30, 2024		Change
Fulfillment costs	\$ 2,742,600	\$ 2,921,603	\$	(179,003)
Selling and marketing	4,365,102	4,172,207		192,895
Administration	10,839,366	10,138,215		701,151
Depreciation and amortization	2,406,376	2,102,840		303,536
	<b>\$ 20,353,444</b>	<b>\$ 19,334,865</b>	<b>\$</b>	<b>1,018,579</b>

Operating expenses in YTD Q3/25 increased \$1,018,579 to \$20,353,444 compared to \$19,334,865 in YTD Q3/24 primarily due to the commencement of operations at the Company's new Pro Center in Orlando, Florida (note 3). Excluding the Pro Center, total operating expenses would have been \$19,217,854, a net decrease of \$117,011 or 1% compared to YTD Q3/24.

Fulfillment costs in YTD Q3/25 decreased \$179,003 or 6.1% to \$2,742,600 from \$2,921,603 in YTD Q3/24. The decrease is primarily attributable to lower cost, in-house fulfillment in since Q2/25.

Selling and marketing costs in YTD Q3/25 increased \$192,895 or 4.6% to \$4,365,102 from \$4,172,207 in YTD Q3/24.

### Operating Expenses (continued)

Administration costs in YTD Q3/25 increased by 6.9% to \$10,839,366 from \$10,138,215 in YTD Q3/24. Excluding the Orlando Pro Center, administration expenses were \$9,993,142 or 1.4% lower compared to YTD Q3/24.

Depreciation and amortization increased by \$303,536 to \$2,406,376 in YTD Q3/25 from \$2,102,840 in YTD Q3/24 due to higher amortization on right-of-use assets and acquired property and equipment.

### Other Income (Expense):

The following table summarizes other income (expense) for the three months ended September 30, 2025 and 2024:

	Three months ended September 30, 2025	Three months ended September 30, 2024	Change
Interest income	\$ 2,168	\$ 5,771	\$ (3,603)
Interest expense	(494,169)	(332,015)	(162,154)
Rental income	4,189	37,461	(33,272)
Change in fair value of warrants	(158,372)	12,734	(171,106)
Government grant	0	-	0
Restructuring costs	(49,368)	-	(49,368)
Finance fee	-	-	-
Foreign exchange gain (loss)	(66,299)	(29,718)	(36,581)
Gain on disposal of assets	3,000	-	3,000
	<b>\$ (758,850)</b>	<b>\$ (305,767)</b>	<b>\$ (453,083)</b>

Interest income decreased by \$3,603 to \$2,168 in Q3/25 as compared to \$5,771 in Q3/24. The decrease primarily relates to a reduction in the amount of term deposits required to guarantee vendor deposits.

In Q3/25, interest expense increased by \$162,154 to \$494,169 compared to \$332,015 in Q3/24. The increase relates to a higher balance on the insider loan, the interest on the revolving credit facility, and amortization of deferred financing costs.

The fair value of the warrant liability on the Company's balance sheet increased to \$469,961 as at September 30, 2025. This resulted in a (non-cash) fair value loss of \$158,372 in Q3/25 as compared to a (non-cash) fair value gain of \$12,734 in the same period, prior year. The fair value is determined using the Black Scholes pricing model. For details of assumptions and inputs used, refer to Note 14 of the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2025 and 2024.

The E-Commerce segment incurred restructuring costs of \$49,368 in Q3/25 compared to \$nil in the same period of the prior quarter. Restructuring costs relate primarily to severance and other headcount reduction costs.

In Q3/25, the Company incurred a (non-cash) foreign exchange loss of \$66,299 compared to a (non-cash) loss of \$29,718 in Q3/24. Foreign exchange gains or losses relate to cash, working capital, debt balances or expenditures in Canadian dollars and translated to USD each reporting period.

## Other Income (Expense) (continued)

The following table summarizes other income (expense) for the nine months ended September 30, 2025 and 2024:

	Nine months ended September 30, 2025	Nine months ended September 30, 2024		
Interest income	\$ 18,496	\$ 43,147	\$	(24,651)
Interest expense	(1,250,106)	(983,622)		(266,484)
Rental income	4,188	148,937		(144,749)
Change in fair value of warrants	(405,993)	40,048		(446,041)
Government grant	1,170,137	-		1,170,137
Restructuring costs	(206,253)	-		(206,253)
Finance fee	-	(20,000)		20,000
Foreign exchange gain (loss)	(211,399)	55,852		(267,251)
Gain on disposal of assets	11,471	-		11,471
	\$ (869,458)	\$ (715,638)	\$	(153,820)

Interest income decreased by \$24,651 to \$18,496 in YTD Q3/25 as compared to \$43,147 in YTD Q3/24. The decrease primarily relates to a reduction in the amount of term deposits required to guarantee vendor deposits.

In YTD Q3/25, interest expense increased by \$266,484 to \$1,250,106 compared to \$983,622 in YTD Q3/24. The increase relates to a higher balance on the insider loan, the interest on the revolving credit facility, and amortization of deferred financing costs.

The fair value of the warrant liability on the Company's balance sheet increased to \$469,961 as at September 30, 2025. This resulted a (non-cash) fair value loss of \$405,993 in YTD Q3/25 as compared to a (non-cash) fair value gain of \$40,048 in the same period, prior year. The fair value is determined using the Black Scholes pricing model. For details of assumptions and inputs used, refer to Note 14 of the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2025 and 2024.

In YTD Q3/25, the Company received \$1,170,137 (YTD Q3/24 - \$nil) from the U.S. Internal Revenue Service for COVID benefits applied for in 2023 under the Employee Retention Tax Credit ("ERTC") by the Company's subsidiary, Chartered Distributing Company. As at September 30, 2025, there are no unfulfilled conditions or other contingencies attached to the government assistance, the amounts received have been reported in other income, \$985,100 for benefits and \$185,037 for interest. The Company incurred \$40,000 in professional service fees payable to a third-party consultant under a contingency arrangement related to the preparation and filing of the claims.

The E-Commerce segment incurred restructuring costs of \$206,253 in YTD Q3/25 compared to \$nil in the same period of the prior quarter. Restructuring costs relate primarily to severance and other headcount reduction costs.

In YTD Q3/25, the Company incurred a (non-cash) foreign exchange loss of \$211,399 compared to a (non-cash) gain of \$55,852 in YTD Q3/24. Foreign exchange gains or losses relate to cash, working capital, debt balances or expenditures in Canadian dollars and translated to USD each reporting period.

## Quarterly Financial Information

The below table summarizes the results of operations for the eight most recently completed fiscal quarters. The information has been prepared in accordance with IFRS Accounting Standards and is unaudited quarterly information.

<i>(Unaudited)</i>	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Revenue	<b>18,066,352</b>	16,860,359	15,088,846	16,723,578	16,968,564	16,182,846	15,589,852	16,916,952
Gross Profit	<b>7,036,333</b>	6,723,013	6,224,672	6,562,882	6,503,404	6,184,756	6,090,951	5,957,814
Gross Margin %	<b>38.9%</b>	39.9%	41.3%	39.2%	38.3%	38.2%	39.1%	35.2%
Net Loss	<b>(946,437)</b>	138,458	(885,905)	243,237	(384,414)	(517,029)	(589,324)	(1,971,942)
<b>Net Earnings (loss) p/s:</b>								
Basic and diluted EPS	<b>(0.02)</b>	0.01	(0.02)	0.01	(0.01)	(0.01)	(0.01)	(0.05)
EBITDA <sup>(1)</sup>	<b>587,253</b>	1,466,045	345,803	396,232	711,775	573,376	486,772	(757,295)
Adjusted EBITDA <sup>(1)</sup>	<b>969,105</b>	602,472	650,104	376,331	786,410	578,326	504,230	73,069

<sup>1</sup>A non-IFRS measure. See "Non-IFRS measures" for definitions and reconciliation of non-IFRS measures to the relevant IFRS measures.

The preceding table provides selected quarterly financial information that is unaudited, but reflects all adjustments of a normal, recurring nature which are, in our opinion, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to quarter comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. The Company has maintained positive Adjusted EBITDA through changing its strategy to focus on the more profitable Pro Customer base, scale down E-commerce operations and reduce operating expenses.

## NON-IFRS MEASURES

We define EBITDA as net income or loss before interest, income taxes, depreciation and amortization. Adjusted EBITDA removes fair value adjustments to warrants or inventory and share-based compensation determined by option pricing models. Non-recurring items, such as restructuring costs, bad debt expense, consultant/finance fees or government grants are removed. Similarly, foreign exchange gains/losses and gains/losses on disposal of assets are excluded.

Working capital is defined as current assets less current liabilities and is used by management as a measure of liquidity.

Cash flow from operations before working capital adjustments reflects operating performance before the impact of any swings in working capital which can be volatile and not reflect underlying trends in operating performance.

We are presenting these measures because we believe that our current and potential investors, and many analysts, use them to assess our current and future operating results and to make investment decisions. Management uses these measures in managing the business and making decisions. EBITDA and adjusted EBITDA are not intended as substitutes for IFRS measures.

## NON-IFRS MEASURES (continued)

### EBITDA and Adjusted EBITDA for the three months ended September 30, 2025, and 2024

	Three months ended September 30, 2025	Three months ended September 30, 2024
Total loss and comprehensive loss	\$ (946,437)	\$ (384,414)
Add:		
Interest expense, net	492,000	326,244
Income tax expense	147,000	67,500
Depreciation and amortization	894,690	702,445
<b>EBITDA</b>	<b>587,253</b>	711,775
EBITDA - % <sup>(1)</sup>	<b>3.3%</b>	4.2%
Add (deduct):		
Stock-based compensation	70,813	57,651
Change in fair value of warrants	158,372	(12,734)
Restructuring costs	49,368	-
Consultant fee	40,000	-
Gain on disposal of assets	(3,000)	-
Foreign exchange (gain) loss	66,299	29,718
<b>Adjusted EBITDA</b>	<b>\$ 969,105</b>	\$ 786,410
Adjusted EBITDA - % <sup>(2)</sup>	<b>5.4%</b>	4.6%

<sup>1</sup> EBITDA % is a ratio of EBITDA divided by Total Revenue

<sup>2</sup> Adjusted EBITDA % is a ratio of Adjusted EBITDA divided by Total Revenue

### EBITDA and Adjusted EBITDA for the nine months ended September 30, 2025, and 2024

	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Total loss and comprehensive loss	\$ (1,693,884)	\$ (1,490,767)
Add:		
Interest expense, net	1,231,609	940,475
Income tax expense	455,000	219,375
Depreciation and amortization	2,406,376	2,102,840
<b>EBITDA</b>	<b>2,399,101</b>	1,771,923
EBITDA - % <sup>(1)</sup>	<b>4.8%</b>	<b>3.6%</b>
Add (deduct):		
Stock-based compensation	140,543	172,954
Change in fair value of warrants	405,993	(40,048)
Restructuring costs	206,253	-
Government grant	(1,170,137)	-
Gain on disposal of assets	(11,471)	-
Consultant fee/finance fee	40,000	20,000
Foreign exchange (gain) loss	211,399	(55,852)
<b>Adjusted EBITDA</b>	<b>\$ 2,221,681</b>	\$ 1,868,977
Adjusted EBITDA - % <sup>(2)</sup>	<b>4.4%</b>	3.8%

## NON-IFRS MEASURES (continued)

### Working Capital on September 30, 2025, and December 31, 2024

	September 30, 2025	December 31, 2024	Change
Total current assets	\$ 24,558,664	\$ 16,910,668	\$ 7,647,996
Total current liabilities	15,967,346	14,198,051	1,769,295
Working capital	\$ 8,591,318	\$ 2,712,617	\$ 5,878,701

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow for the three months ended September 30, 2025, and 2024

For the three months ended September 30, 2025, cash and cash equivalents increased \$6,184,401 to \$8,822,151 compared to \$2,637,750 in the comparative period ended September 30, 2024.

	Three months ended September 30, 2025	Three months ended September 30, 2024	Change
Cash provided by (used in):			
Operating activities <sup>(1)</sup>	\$ 671,097	\$ 788,313	\$ (117,216)
Changes in non-cash operating working capital	(842,788)	264,163	(1,106,951)
Total operating activities	(171,691)	1,052,476	(1,224,167)
Total investing activities	(76,287)	(211)	(76,076)
Total financing activities	4,999,166	(738,030)	5,737,196
Increase (decrease) in cash and cash equivalents	4,751,188	314,235	4,436,953
Cash and cash equivalents, beginning	4,070,963	2,323,515	1,747,448
Cash and cash equivalents, end	\$ 8,822,151	\$ 2,637,750	\$ 6,184,401

<sup>1</sup>A non-IFRS measure. See "Non-IFRS measures" for definitions and reconciliation of non-IFRS measures to the relevant IFRS measures.

### Operating activities

For the three months ended September 30, 2025, cash provided by operating activities before changes in non-cash working capital was \$671,097 compared to \$788,313 provided for in the prior period. The decrease of \$117,216 relates primarily to higher cash interest expense and incremental administrative costs from the Orlando Pro Center.

Total operating cash flow after non-cash working capital changes used \$171,691 compared to \$1,052,476 provided for in the prior period, a decrease of \$1,224,167. The decrease can be attributed to:

- Non-cash working capital decreased by \$1,106,951 from \$264,163 in the prior period to negative \$171,691 in the current period. The change in non-cash working capital relates to a net increase in inventory of \$641,176 and a decrease in accounts payable of \$222,678. The decrease in deferred revenue of \$379,209 is recognized in revenue.
- These changes are offset by reductions in accounts receivable of \$94,525, prepaid materials and deposits of \$105,750 and the maturity of short-term investments of \$200,000.

## LIQUIDITY AND CAPITAL RESOURCES (continued)

### Investing activities

For the three months ended September 30, 2025, cash from investing activities used \$76,287 compared to \$211 in the prior period, a decrease of \$76,076. The decrease is attributed to:

- Purchases of equipment of \$79,287 compared to \$49,218 in the prior period,
- Proceeds on disposal of equipment of \$3,000 compared to \$nil in the prior period,
- Payments on capital lease receivables of \$nil in the current period and \$49,007 in the prior period.

### Financing activities

For the three months ended September 30, 2025, cash provided by financing activities was \$4,999,166 compared to \$738,030 used in the prior period. The \$5,737,196 difference is primarily attributed to:

- Net proceeds of \$5,126,960 from the issuance of 6,087,173 common shares in a private placement.
- Net advances on the Company's credit facility were \$707,631 while related financing costs were \$21,257, compared to \$nil in the prior period.
- Principal repayments on the Company's promissory note payable were \$311,250, and capital lease payments were \$493,296 compared to \$311,250 and \$322,097 respectively in the prior period.
- Interest paid was \$79,195 compared to \$63,576 to the prior period while repayment of loans payable was \$59,769 compared to \$75,133 in the prior period.

### Cash Flow for the nine months ended September 30, 2025, and 2024

For the nine months ended September 30, 2025, cash and cash equivalents increased \$6,184,401 to \$8,822,151 compared to \$2,637,750 in the comparative period ended September 30, 2024.

	Nine months ended September 30, 2025	Nine months ended September 30, 2024	Change
Cash provided by (used in):			
Operating activities <sup>(1)</sup>	\$ 2,795,129	\$ 1,875,171	\$ 919,958
Income taxes paid	(19,696)	(1,000)	(18,696)
Changes in non-cash operating working capital	(1,123,621)	439,150	(1,562,771)
Total operating activities	1,651,813	2,313,321	(661,508)
Total investing activities	(736,461)	93,562	(830,023)
Total financing activities	5,559,308	(2,371,026)	7,930,334
Increase (decrease) in cash and cash equivalents	6,474,660	35,857	6,438,803
Cash and cash equivalents, beginning	2,347,491	2,601,893	(254,402)
Cash and cash equivalents, end	\$ 8,822,151	\$ 2,637,750	\$ 6,184,401

<sup>1</sup>A non-IFRS measure. See "Non-IFRS measures" for definitions and reconciliation of non-IFRS measures to the relevant IFRS measures.

### Operating activities

For the nine months ended September 30, 2025, cash provided by operating activities before working capital changes provided \$2,795,129 compared to \$1,875,171 in the prior period. The increase of \$919,958 relates primarily to higher operating margins, government grant received; offset by higher cash interest expense and incremental administrative costs from the Orlando Pro Center.

## **LIQUIDITY AND CAPITAL RESOURCES (continued)**

Total operating cash flow after non-cash working capital changes provided \$1,651,813 compared to \$2,313,321 provided for in the prior period, a decrease of \$661,508. The decrease can be attributed to:

- Income taxes paid was \$19,696 compared to \$1,000 in the prior period,
- The change in non-cash working capital decreased by \$1,562,711 from \$439,150 in the prior period to negative \$1,123,621 in the current period. The change in non-cash working capital relates to increases in accounts receivable of \$446,480, inventory of \$534,169, and prepaids of \$86,446, and a decrease in accounts payable of \$363,030. The decrease in deferred revenue of \$138,911 is reflected in revenue.
- These changes are offset by the maturity of short-term investments of \$445,415.

### **Investing activities**

For the nine months ended September 30, 2025, cash from investing activities used \$736,461 compared to \$93,562 provided for in the prior period, for a net decrease of \$830,023. The decrease is attributed to:

- Purchases of equipment of \$168,565 compared to \$98,147 in the prior period,
- Acquisition of assets of \$593,396 compared to \$nil in the prior period,
- Proceeds on disposal of equipment of \$25,500 compared to \$nil in the prior period,
- Payments on capital lease receivables of \$nil in the current period and \$191,709 in the prior period.

### **Financing activities**

For the nine months ended September 30, 2025, cash provided by financing activities was \$5,559,308 compared to \$2,371,026 used in the prior period. The \$7,930,334 difference is primarily attributed to:

- Net proceeds of \$5,126,960 from the issuance of 6,087,173 common shares in a private placement compared to \$nil in the prior period.
- Net advances on the Company's credit facility were \$2,865,342 less \$71,827 of financing costs and foreign exchange compared to \$nil in the prior period.
- Principal repayments on the Company's promissory note payable were \$933,750, and capital lease payments were \$1,165,924 compared to \$933,750 and \$1,020,304 respectively in the prior period.
- Interest paid was \$199,326 compared to \$250,334 to the prior period while repayment of loans payable was \$62,477 compared to \$553,036 in the prior period.

## **WORKING CAPITAL**

On September 30, 2025, the Company had positive working capital of \$8,591,318 (\$2,712,617 – December 31, 2024).

Current assets consist of cash and cash equivalents, receivables, inventory and prepaid expenses and deposits: \$24,558,664 (\$16,910,668 – December 31, 2024). Current liabilities consist of accounts payable and accrued liabilities, income taxes payable, deferred revenue and the current portion of lease liabilities and debt payable: \$15,967,346 (\$14,198,051 – December 31, 2024).

## WORKING CAPITAL (continued)

Inventory, the largest component of working capital, consists of owned inventory received and owned inventory in transit, as title has passed to the Company. The costs of any consigned inventory are excluded and recognized at the time of sale.

	September 30, 2025	December 31, 2024	Change
Gross	\$ 10,209,504	\$ 9,470,321	\$ 739,183
Less: consignment	(196,425)	(1,573,327)	1,376,902
Net building materials	10,013,079	7,896,994	2,116,085
Building materials in transit	667,600	1,722,969	(1,055,369)
Total	\$ 10,680,679	\$ 9,619,963	\$ 1,060,716

Compared to December 31, 2024, gross inventory increased by \$739,183 consignment inventory decreased by \$1,376,902 for a net increase in owned inventory of \$2,116,085. In-transit inventory decreased by \$1,055,369 to \$667,600 at September 30, 2025 in the normal course of operations. In addition, \$526,547 of inventory and flooring supplies was acquired as part of an asset acquisition further described in note 3 to the Company's Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2025.

Prepaid expenses include \$307,152 of freight, duty and other costs related to in-transit inventory (Dec. 31, 2024 – 320,244). Accounts payable and accrued liabilities include \$142,577 related to in-transit inventory (Dec. 31, 2024 - \$1,285,687).

## FINANCIAL RISK FACTORS

The Company's operations expose it to a variety of financial risks including liquidity risk, market risk and credit risk.

### (a) Liquidity risk:

The Company manages liquidity risk through ongoing review of working capital balances and management of cash and the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. There can be no assurance that the Company will be able to obtain adequate financing in the future or if available that such financing will be on acceptable terms. If adequate financing is not available when required, the Company may be required to delay, scale back on growth plans and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements and through ongoing review of working capital balances and management of cash. The Company prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The ability to fund operating requirements depends on future operating performance and cash flows, which are subject to economic, financial, competitive, and other factors.

The Company incurred net loss of (\$946,437) and (\$1,693,884) in the three and nine months ended September 30, 2025 respectively. For the same period, cash flow from operations after working capital changes is (\$171,691) and \$1,651,813 respectively.

## FINANCIAL RISK FACTORS (continued)

Working capital increased by \$5,878,701 to \$8,591,318 at September 30, 2025 from \$2,712,617 at December 31, 2024 while cash increased by \$6,474,660 to \$8,822,151 at September 30, 2025 compared to \$2,347,491 at December 31, 2024. As such, the Company believes that it will be able to meet its financial obligations.

The following table summarizes the amount of contractual undiscounted future cash flows for the Company's financial liabilities, including interest as at September 30, 2025:

	2025	2026	2027	2028	2029	Total
Accounts payable and accrued liabilities	\$ 7,938,418	\$ -	\$ -	\$ -	\$ -	\$ 7,938,418
Revolving credit facility <sup>(1)</sup>	4,025,918	-	-	-	-	4,025,918
Promissory note	609,137	-	-	-	-	609,137
Loans payable	2,088	8,351	8,351	12,287,267	5,567	12,311,624
	\$ 12,575,561	\$ 8,351	\$ 8,351	\$ 12,287,267	\$ 5,567	\$ 24,885,097

<sup>(1)</sup> Management has assessed that while the facility is classified as current, it is unlikely that the balance will have to be repaid in the next twelve months.

(b) Market risk:

(i) Currency risk:

Currency risk reflects the risk that the Company's earnings will decline due to fluctuations in exchange rates.

At September 30, 2025, the Company has cash and cash equivalents of C\$4,079,555 (2024 – C\$8,794).

At September 30, 2025, the Company has accounts payable and accrued liabilities of C\$1,005,891 (2024 - C\$1,131,716).

The drawn balance on the Company's Credit Facility of U\$4,435,668 (note 13) includes C\$4,024,098 (2024 - C\$1,764,318).

The secured debt payable to Lyra Growth Partners Inc. is C\$695,577 (2024 - C\$nil), this is offset by the C\$695,577 (2024 C\$nil) loan receivable from senior management. As such, there is no net foreign exchange impact on the Company's earnings.

If the period-end foreign exchange rate of Canadian dollar had been 10% higher, or 10% lower, with all other variables held constant, the effect on the Company's foreign exchange for the nine-months ended September 30, 2025 would have been \$406,507 (2024 - \$566,098) higher or lower.

(ii) Interest risk:

Interest risk is the risk that the fair value or cash flows from a financial instrument will fluctuate due to a change in market interest rates. The Company bears interest rate risk to the extent of its drawings on the revolving credit facility (note 13). All other debt is at fixed rates. The interest rate risk on cash and short-term investments is considered insignificant due to the low interest rates in the current economic environment and short-term nature of its holdings and as such the Company does not take any actions to manage interest rate risk.

## FINANCIAL RISK FACTORS (continued)

### (c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Company, in its normal course of business, evaluates the financial condition of its customers on a regular basis and requires the majority of its customers to prepay for orders before shipment can be made. Therefore, the Company has determined there is no significant exposure to customer credit risk.

### (d) Capital management:

The Company's objective when managing its capital structure is to maintain a strong financial position and to provide returns with sufficient liquidity to undertake further growth for the benefit of its shareholders. The Company's capital is comprised of long-term obligations and equity as outlined below:

	<b>September 30, 2025</b>	December 31, 2024
External debt	\$ 14,271,595	\$ 11,090,111
Less cash	(8,822,151)	(2,347,491)
Net external debt	5,449,444	8,742,620
Total shareholders' equity	6,745,143	3,154,989
Total capitalization	\$ 12,194,587	\$ 11,897,609

There were no changes to the Company's approach to capital management during the period. The Company's strategy is to ensure it remains in compliance with all its debt covenants to ensure continuous access to the required capital to fund growth. Management reviews results and forecasts to monitor the Company's compliance.

### (e) Fair value hierarchy:

- Level 1: The fair value of financial instruments traded in active markets and based on quoted market prices at the end of the reporting period.
- Level 2: The fair value of financial instruments that are not traded in an active market and determined by using valuation techniques using observable market data and rely little on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3 (i.e. unlisted equity securities).

The carrying value of the Company's cash, trade and other receivables, short-term investments, accounts payable and accrued liabilities approximate fair value due to their short-term nature. The carrying value of the revolving credit facility approximates fair value as it is prime-based and resets based on current market conditions.

The terms of the Company's promissory notes and loans payable were previously modified, as such, the carrying amounts approximate fair value.

Warrants have key observable Level 1 inputs of exercise price and time to maturity, a Level 2 input of risk-free rate and a Level 3 input of volatility.

## WARRANTS

On September 30, 2025, 753,725 warrants were outstanding (December 31, 2024 - 753,725).

## OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company has not entered any off-balance sheet arrangements.

## PROPOSED TRANSACTIONS

Management has regular and ongoing discussions with various third parties regarding potential corporate transactions ("Transaction"). As of the date of this MD&A, the Company has not entered into any Transaction agreement or binding letter of intent and there is no assurance that any Transaction agreement will be entered into in the future or that any Transaction agreement will be considered or completed.

## TRANSACTIONS WITH RELATED PARTIES

(a) Transactions with key management personnel:

Key management personnel include the CEO, CFO, and COO.

Compensation is comprised of:

	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Salaries and short-term employee benefits	\$ 746,962	\$ 377,951
Share-based compensation	140,543	69,181
Board compensation	49,971	33,075
	\$ 937,476	\$ 480,207

(b) Pursuant to the advances on the 2022 Notes announced on November 4, 2024, Pelecanus, Lyra and Beedie are insiders by virtue of holding 37.7%, 14.4% and 13.4% respectively of the issued and outstanding common shares of the Company on a partially diluted basis as at this date and therefore constitute a related party transaction as defined under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). The Company has relied upon the exemptions from the formal valuation and minority shareholder approval requirements in sections 5.5(b) – *Issuer not Listed on Specified Markets* and 5.7(1)(a) – *Fair Market Value Not More Than 25 Per Cent of Market Capitalization*, respectively of MI 61-101.

(c) On January 31, 2025, the Insiders purchased a total of 6,906,796 from Kinderhook 2 L.P. The following table illustrates the previous Insider ownership and the ownership after the purchase from the Kinderhook 2L.P.:

Name of shareholder	Common shares held	Ownership %	Purchase (sale)	Common shares held	Ownership %	Change %
Lyra Growth Partners Inc.	6,004,043	14%	2,682,514	8,686,557	21%	7%
Pelecanus Investments Inc.	15,713,367	37%	2,190,000	17,903,367	43%	6%
Beedie Investments Ltd.	5,565,605	13%	783,000	6,348,605	15%	2%
Kinderhook 2 LP	6,906,796	16%	(6,906,796)	-	0%	-16%

## TRANSACTIONS WITH RELATED PARTIES (continued):

- (d) On May 9, 2025, the Company loaned C\$775,000 to senior management to purchase existing common shares in a private transaction with Lyra Growth Partners Inc., with no new shares issued from treasury:

Name of shareholder	Common shares held	Ownership %	Purchase (sale)	Common shares held	Ownership %	Change %
Lyra Growth Partners Inc.	8,686,557	21%	(1,798,000)	6,888,557	16%	-5%
Pelecanus Investments Inc.	17,903,367	43%	-	17,903,367	43%	0%
Beedie Investments Ltd.	6,348,605	15%	-	6,348,605	15%	0%

- (e) Lastly, the Insiders participated in the August 1, 2025 private placement as follows:

Name of shareholder	Common shares held	Ownership %	Purchase (sale)	Common shares held	Ownership %	Change %
Lyra Growth Partners Inc.	6,888,557	16%	328,858	7,217,415	15%	-1%
Pelecanus Investments Inc.	17,903,367	43%	855,625	18,758,992	39%	-4%
Beedie Investments Ltd.	6,348,605	15%	303,561	6,652,166	14%	-1%

## CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Use of Judgements, Estimates and Assumptions:

The preparation of consolidated financial statements in accordance with IFRS Accounting Standards requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management's estimates, assumptions and judgements are based on historical experience and other reasonable factors, including the expectation of future events.

Estimates that could affect the carrying amount of the assets and liabilities in the next financial year, in a material way are outlined below:

- (i) Estimating the useful lives of non-financial assets:

Management is required to estimate the useful life of both property and equipment, as well as intangible assets, and analyze them based on factors including, but not limited to, the expected use of the asset. A change in the useful life of either property, plant and equipment or an intangible asset can result in an increase or decrease in the annual depreciation or amortization of the asset.

- (ii) Fair value of identifiable assets and acquired liabilities in business combinations:

The measurement of the fair value of the identifiable assets acquired, and liabilities assumed on the date of acquisition in a business combination is subject to management estimation and judgement. The assumptions and estimates with respect to determining the fair value of the acquired intangible assets and property and equipment generally require the most judgment. Changes in any of these assumptions or estimates used in determining the fair values of these acquired assets could impact the amounts recorded at the date of the business combination.

## CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (con't)

(iii) Fair value of derivative financial instruments and warrants:

The estimated fair value of derivative financial instruments and warrants is determined based on an appropriate valuation model. Fair values are calculated using assumptions including, timing of future cash flows, discount rates, market price of the Company's shares and future events that may be out of the Company's control.

(iv) Stock-based compensation:

Share-based compensation provided to employees of the Company requires management to estimate and make assumptions about the most appropriate inputs into the Black-Scholes model, including expected term, volatility and forfeiture rate. The expected term is determined based on management's estimate of the period of time between grant date and exercise date. Volatility is determined using a comparable peer group until such time as sufficient trading history is available for the Company's own shares.

(v) Leases:

Judgement is required by management when the Company is required to classify its subleases, between operating and finance, the certainty around extensions and terminations included in lease contracts, as well as the discount rate applied to the lease portfolio.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

(vi) Going concern

Management has applied judgment in the assessment of the Company's ability to continue as a going concern when preparing its interim and consolidated financial statements. Management prepares the interim and consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability and potential sources of replacement financing.

The Company has generated positive cash flow from operating activities during the year, and accordingly, reduced operating expenses, and paid down debt. The Company projects continuous improvements throughout future years due to the strategic initiatives and synergies put in place during the year. In management's judgment, this alleviates significant doubt about the Company's ability to continue as a going concern.

## **CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (con't)**

*(vii)* Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions that determined the primary economic environment.

*(viii)* Impairment of non-financial assets and goodwill

In assessing impairment of non-financial assets and goodwill management estimates the recoverable amount of cash generating units based on expected cash flows and uses an interest rate to discount. Estimation uncertainty relates to assumptions about future operating results and determination of a suitable discount rate.

*(ix)* Deferred tax asset

Recognition of deferred tax assets depends on management's assessment of the probability future taxable income will be available against the deductible temporary differences and tax loss carry-forwards can be utilized. Judgement is required around the impact of uncertainties in tax jurisdictions as well as the impact of any legal or economic limits.

## **CHANGES IN ACCOUNTING POLICIES**

The significant accounting policies are disclosed in Note 2 of the Company's audited consolidated statements and accompanying notes for the years ended December 31, 2024 and 2023.

### **Disclosure of Accounting Policies**

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies.

The amendments explain that accounting policy information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. This amendment is effective for annual periods beginning on or after January 1, 2024. The adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

## **CHANGES IN ACCOUNTING POLICIES (continued)**

### **Definition of Accounting Estimates (Amendments to IAS 8)**

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”.

The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction. This amendment is effective for annual periods beginning on or after January 1, 2024. The adoption of these amendments did not have a significant impact on the Company’s consolidated financial statements.

### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 1 and IAS 12)**

The IASB has issued amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 12 Income Taxes which clarify that the initial recognition exemption set out in IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. This amendment is effective for annual periods beginning on or after January 1, 2024. The adoption of these amendments did not have a significant impact on the Company’s consolidated financial statements.

### **New Standards Not Yet Adopted**

In April 2024, The International Accounting Standards Board issued IFRS 18 – Presentation and Disclosure in the Financial Statements (“IFRS 18”) which is effective for annual reporting periods beginning on or after January 1, 2027. IFRS 18 requires significant changes to income statement presentation and requires additional disclosures around operating, investing and financing activities. Management is currently assessing the future impact to the Company’s interim and annual reporting.

## **RISK FACTORS**

### **(a) *The Flooring Industry:***

The flooring industry is highly dependent on the remodeling of existing homes and commercial space and new home and commercial space construction. Remodeling and new home and commercial space construction depend on a number of factors, which are beyond the Company’s (hereafter referred to as “BuildDirect”) control, including, without limitation, interest rates, tax policy, employment levels, consumer confidence, credit availability, real estate prices, demographic trends, weather conditions, natural disasters and general economic conditions. Risk therefore includes, without limitation, rise in interest rates, decrease in the availability of credit, increase in costs of fuel and changes in real estate markets or unemployment levels, which could limit discretionary consumer spending, reduce the purchase or remodelling of home and have a materially adverse effect on the BuildDirect’s business, operating results and financial condition.

## **RISK FACTORS (continued)**

### **(b) *Reliance on Management and Key Employees***

BuildDirect's success is highly dependent on the retention of key personnel both at the parent company level and within its subsidiaries. If BuildDirect or its subsidiaries should lose the services of one or more key members of its executive or key employees, its ability to implement its business plan could be severely impaired. As BuildDirect's business activity grows, additional key financial and administrative personnel, as well as additional staff, may be required. If BuildDirect and/or its subsidiaries are not successful in attracting, training and retaining qualified personnel, the efficiency of their operations may be affected.

### **(c) *Reliance on Third-Party Service Providers***

BuildDirect relies heavily on third party vendors, suppliers and partners to provide some of its products and services. If these third parties were unable or unwilling to provide these products and services in the future, BuildDirect would need to obtain such products or services from other providers if they are available. This could cause BuildDirect to incur additional costs or cause material interruptions to its business until these products and services are replaced if possible and all of which could adversely affect BuildDirect's business, results of operations and financial condition.

### **(d) *Product Suppliers***

BuildDirect relies on a concentrated group of suppliers for a significant portion of the products it sells including a select group of foreign suppliers of products that meet BuildDirect's expectations. BuildDirect does not have long-term agreements with suppliers, and we usually obtain supplies on a container-by-container basis. BuildDirect's suppliers may be unable to supply it in the future, including but not limited to as a result of a supplier's financial instability, inability or refusal to comply with applicable laws, trade restrictions or tariffs, insufficient transport capacity and other factors, which are beyond the control of BuildDirect. There are also certain risks to BuildDirect associated with obtaining products from foreign suppliers, which are beyond BuildDirect's control including terrorism, political unrest, and economic instability resulting in the disruption of trade from foreign countries where BuildDirect's products originate, currency fluctuations, the development of new laws and regulations (including, without limitation, in relation to imports, exports, duties, tariffs, taxes, trade restrictions, quality and safety standards, and shipping delays and disruptions.) If BuildDirect can no longer obtain products from its key suppliers, or such suppliers refuse to continue to supply BuildDirect on commercially reasonable terms or at all, and BuildDirect cannot find replacement suppliers, this would have a materially adverse effect on its business, operating results and financial condition.

### **(e) *Third-Party Supply Chain Network***

BuildDirect sources product from around the world and sells to customers throughout North America and relies on third party ocean, freight, trucking and warehouse service providers to transport and store its products and deliver products to its customers. BuildDirect is therefore subject to various risks including, without limitation, increased fuel costs, security concerns, rise in import tariffs, labour disputes, union organizing activity, and inclement weather, associated with service providers' ability to provide product fulfillment and delivery services to meet BuildDirect's distribution and shipping needs.

## **RISK FACTORS (continued)**

### ***Third-Party Supply Chain Network*** (continued)

Failure to procure and deliver products and services, either to BuildDirect or its customers in a timely and accurate manner, will harm BuildDirect's reputation, business, and results of operations. In addition, any increase in fulfillment costs and expenses could adversely affect business and operating results.

#### **(f) *Third Party Real Estate***

BuildDirect acts both as a tenant and a sub-landlord within the context of the commercial spaces that it operates in. BuildDirect does not own real property. There is a risk that these leases may not be renewed at the end of term, and a risk that an alternative location cannot be found. Moreover, these leased properties are managed by third parties and as such there is no assurance that they will be managed and maintained to meet any required legal standards (including, but not limited to, environmental and safety standards).

#### **(g) *Call Centre and Website***

BuildDirect's website and call center are material elements of BuildDirect's business. Customers use BuildDirect's website to source and purchase products and services. BuildDirect's website in particular is vulnerable to certain risks and uncertainties associated with the Internet, including, without limitation, website downtime and other technical failures, security breaches and consumer privacy concerns. If BuildDirect cannot successfully keep its website and call center operational, this would have a materially adverse effect on BuildDirect's business, operating results and financial condition.

#### **(h) *Product Recalls***

Manufacturers and distributors of products are sometimes required to recall or request the return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of BuildDirect's products are recalled due to an alleged product defect or for any other reason, BuildDirect could be required to incur the unexpected expense of the recall and any legal proceedings that may arise in connection with the recall. BuildDirect may lose a significant amount of sales and not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although BuildDirect has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of BuildDirect's significant brands were subject to recall, the image of that brand and BuildDirect could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for BuildDirect's products and could have a material adverse effect on the results of operations and financial condition of BuildDirect.

#### **(i) *Licenses***

BuildDirect's licenses are subject to ongoing compliance and reporting requirements. Failure by BuildDirect to comply with the requirements of licenses or any failure to maintain licenses would have a material adverse impact on the business, financial condition and operating results of BuildDirect.

## **RISK FACTORS (continued)**

### **(j) Insurance and Uninsured Risks**

BuildDirect's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, damage, delays in operations, monetary losses and possible legal liability. Although BuildDirect intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. BuildDirect may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. BuildDirect might also become subject to liability hazards, which may not be insured against or which BuildDirect may elect not to insure against because of premium costs or other reasons. Losses from these events may cause BuildDirect to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### **(k) Failure to Comply with Anti-Bribery Laws**

BuildDirect is subject to the *Corruption of Foreign Public Officials Act* (Canada) ("**CFPOA**") and the *United States Foreign Corrupt Practices Act* ("**FCPA**"), which generally prohibit companies and company employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. The CFPOA and the FCPA also require companies to maintain accurate books and records and internal controls, including at foreign controlled subsidiaries. In addition, BuildDirect may become subject to other anti-bribery laws of any nations in which it conducts business that apply similar prohibitions as the CFPOA and FCPA (e.g. the Organization for Economic Co-operation and Development Anti-Bribery Convention). BuildDirect's employees or other agents may, without BuildDirect's knowledge and despite BuildDirect's efforts, engage in prohibited conduct under BuildDirect's policies and procedures and the CFPOA, the FCPA or other anti-bribery laws, which BuildDirect may be subject to, and BuildDirect may be held responsible. If BuildDirect's employees or other agents are found to have engaged in such practices, BuildDirect could suffer severe penalties and other consequences that may have a material adverse effect on BuildDirect's business, financial condition and results of operations.

### **(l) Litigation**

BuildDirect may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause BuildDirect to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and BuildDirect could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. Substantial litigation costs, even if BuildDirect wins, or an adverse result in any litigation may adversely affect BuildDirect's ability to continue operating and the market price for BuildDirect Common Shares and could use significant resources.

## **RISK FACTORS (continued)**

### **(m) The Requirements of Being a Public Company May Strain the Company's Resources**

As a reporting issuer, the Company is subject to the reporting requirements of applicable securities legislation of the jurisdictions in which it is a reporting issuer, the listing requirements of the Exchange and other applicable securities rules and regulations. Compliance with those rules and regulations have increased the Company's legal and financial costs making some activities more difficult, time consuming or costly and increased the demand on its systems and resources.

### **(n) *Product Liability***

BuildDirect faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. BuildDirect may be subject to various product liability claims, including, among others, that BuildDirect's products caused injury or illness or death. A product liability claim or regulatory action against BuildDirect could result in increased costs, could adversely affect BuildDirect's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations and financial condition of BuildDirect. There can be no assurances that BuildDirect will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of BuildDirect's potential products.

### **(o) *Environmental Laws and Employee Health and Safety Regulations***

BuildDirect's operations are subject to environmental and safety laws and regulations concerning, among other things, employee health and safety. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on BuildDirect's operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to BuildDirect's operations or give rise to material liabilities, which could have a material adverse effect on BuildDirect's business, results of operations and financial condition.

### **(p) *Conflicts of Interest***

Certain of the directors and/or officers of BuildDirect may be engaged in a range of business activities, (including certain officers, directors and consultants that provide services to other companies involved in e-commerce) and may also serve as directors and/or officers of other companies. BuildDirect's executive officers, directors and consultants may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to BuildDirect. In some cases, BuildDirect's executive officers, directors and consultants may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to BuildDirect's business and affairs and that could adversely affect BuildDirect's operations.

## **RISK FACTORS (continued)**

### ***Conflicts of Interest (continued)***

These business interests could require significant time and attention of BuildDirect's executive officers, directors and consultants. In addition, BuildDirect may also become involved in other transactions, which conflict with the interests of its directors, officers and consultants who may from time-to-time deal with persons, firms, institutions or corporations with which BuildDirect may be dealing, or which may be seeking investments similar to those desired by it. Consequently, the interests of these persons could conflict with those of BuildDirect, and such interests could interfere with these persons' ability to devote time to BuildDirect's business and affairs and that could adversely affect BuildDirect's operations. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws and any decision made by any of such directors and officers involving BuildDirect are subject to their duties and obligations to act honestly, in good faith and in the best interests of BuildDirect.

### **(q) *Additional Financing***

BuildDirect may require additional equity and/or debt financing in the future and no assurance can be given that such capital will be available on terms commercially acceptable to BuildDirect or at all. Accordingly, depending on its ability to achieve the goals set out in its business plan, BuildDirect may need to raise further equity and/or debt financing to fund its operations and execute on its business plan. BuildDirect's inability to raise financing to support on-going operations or acquisitions could limit its growth, result in the delay or indefinite postponement of current business objectives and may have a material adverse effect upon future profitability. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of BuildDirect's shareholders. Further, due to regulatory impediments and lack of investor appetite, the ability of BuildDirect to issue additional securities to finance acquisitions may be restricted. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for BuildDirect to obtain additional capital and to pursue business opportunities, including potential acquisitions. If BuildDirect requires additional financing and is unable to obtain it, there may be a possibility that it will not be able to fund its operations and execute on its business plan, which would have a materially adverse effect on its business, operating results and financial condition.

### **(r) *Resale of Shares***

There can be no assurance that the publicly-traded market price of BuildDirect Common Shares will be high enough to create a positive return for the existing investors. Further, there can be no assurance that BuildDirect Common Shares will be sufficiently liquid so as to permit investors to sell their position in BuildDirect without adversely affecting the stock price. In such event, the probability of resale of BuildDirect Common Shares would be diminished.

## **RISK FACTORS (continued)**

### **(s) *Market for Securities***

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for BuildDirect Common Shares will be subject to market trends generally, notwithstanding any potential success of BuildDirect in creating revenues, cash flows or earnings. The value of BuildDirect Common Shares will be affected by such volatility. An active public market for BuildDirect Common Shares might not develop or be sustained. If an active public market for BuildDirect Common Shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

### **(t) *Global Financial Conditions***

Current global financial conditions have been subject to increased volatility and access to financial markets has been severely restricted. These factors may impact the ability of BuildDirect to obtain equity or debt financing in the future and, if obtained, on terms favourable to BuildDirect. If these increased levels of volatility and market turmoil continue, BuildDirect's operations could be adversely impacted and the value and the price of BuildDirect Common Shares could continue to be adversely affected.

### **(u) *Management of Growth***

The growth of BuildDirect's operations has placed significant demands on managerial, financial and human resources. BuildDirect's ability to continue its rate of growth will depend on a number of factors, including the availability of capital, existing and emerging competition and the ability to recruit and train additional qualified personnel. Moreover, as BuildDirect's business grows, BuildDirect will need to devote additional resources to improve its operational infrastructure and to maintain the performance of its business.

### **(v) *Risks Associated with Acquisitions***

BuildDirect may acquire additional businesses. Acquisitions involve a number of known and unknown risks, including diversion of management's attention, failure to retain key acquired personnel, legal liabilities, risk associated with the realization of synergies and overall integration of BuildDirect's operations with the acquired business and unanticipated events or circumstances, some or all of which could have a material adverse effect on the business, results of operations and financial condition of BuildDirect. In addition, there can be no assurance that BuildDirect can complete any acquisition it pursues on favorable terms, that any acquired businesses, products or technologies will achieve anticipated revenues and income, or that any acquisitions completed will ultimately benefit the business. An acquisition could also result in a potentially dilutive issuance of equity securities. The failure of BuildDirect to successfully manage its strategy of growth through acquisitions could have a material adverse effect on BuildDirect's business, results of operations and financial condition.

## **RISK FACTORS (continued)**

### **(w) Tax Risk**

BuildDirect will be considered to have been carrying on business in Canada for purposes of the Tax Act. However, BuildDirect will be operating in a new and developing industry that has had historically low regulations and tax compliance. There is risk that foreign governments may look to increase their tax revenues or levy additional taxes. While BuildDirect does not foresee any adverse tax affects, there is no guarantee that governments will not impose such additional adverse taxes in the future.

### **(x) Currency Fluctuations**

Due to BuildDirect's present operations, and intention is to have future operations in jurisdictions outside Canada, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the US dollar and other currencies may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, expand operations globally so it may be subject to additional gains and losses against additional currencies. BuildDirect does not currently have a foreign exchange hedging program in place. In the future, the Company may establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if BuildDirect develops a hedging program, it may not hedge its entire exposure to any one foreign currency and it may not hedge its exposure at all with respect to certain foreign currencies.

### **(y) Competitive Markets**

BuildDirect will face competition and new competitors will continue to emerge throughout the world. Products and services to be offered by competitors of BuildDirect may take a larger market share than anticipated, which could cause BuildDirect's performance to fall below expectations. It is expected that competition in the e-commerce environment will intensify. If competitors of BuildDirect develop and market more successful products or services, offer competitive products or services at lower price points, have a higher capitalization, more experienced management, or more mature as a business or if BuildDirect does not produce consistently high-quality and well-received products and services, revenues, margins and profitability of BuildDirect will decline.

In addition, the success of BuildDirect is subject to its ability to anticipate and forecast changes in trends and consumer preferences and continuously manage its products and services offerings. There can be no assurance that BuildDirect will be able to maintain its inventory strategies and stock of the appropriate assortment of products. To the extent BuildDirect's predictions differ from its customers' purchasing preferences, BuildDirect may be faced with excess inventory for some products and/or shortages of other products. Low inventory levels can adversely affect BuildDirect's ability to meet customer demand, which may lead to lost revenue and diminished brand loyalty. Any sustained failure to anticipate, identify and respond to emerging trends in consumer preferences could have a material adverse effect on BuildDirect's business, operating results and financial condition.

## **RISK FACTORS (continued)**

### **(z) *Uncertainty and Adverse Changes in the Economy***

Adverse changes in the economy or a decline in the price of BuildDirect's Common Shares could negatively impact the business of BuildDirect. Future economic distress may result in a decrease in demand for the products and services of BuildDirect, which could have a material adverse impact on BuildDirect's operating results and financial condition. Uncertainty and adverse changes in the economy or a prolonged decline in the price of BuildDirect's Common Shares could also increase costs associated with the sourcing of products, increase the cost and decrease the availability of sources of financing, and increase BuildDirect's exposure to material losses from bad debts, any of which could have a material adverse impact on the financial condition and operating results of BuildDirect. Because a significant portion of BuildDirect's operations have been and are expected in future to be financed through the sale of equity securities, a decline in the price of BuildDirect's Common Shares could be especially detrimental to BuildDirect's liquidity and its operations. Such reductions may force BuildDirect to reallocate funds from other planned uses and may have a significant negative effect on BuildDirect's business plan and operations, including its ability to repay outstanding obligations, to develop new products and continue its current operations.

The Company is subject to risks arising from macroeconomic uncertainty and potential adverse changes in global economic conditions, including those related to international trade policies and geopolitical developments. A substantial portion of the Company's products are sourced from suppliers based in Asia, and most sales are made to customers located in the United States. Accordingly, the Company is exposed to risks associated with changes in trade policy, including but not limited to the imposition of new tariffs, duties, import restrictions, or other trade barriers by the United States or other jurisdictions. Such measures may increase the cost of goods sold, disrupt established supply chains, and negatively impact gross margins and overall financial performance. In addition, fluctuations in exchange rates, inflation, changes in interest rates, or broader economic downturns may adversely affect consumer demand and the Company's operating results. While the Company endeavors to mitigate these risks through diversification of its supplier base and continuous monitoring of relevant regulatory developments, there can be no assurance that such efforts will be effective in preventing a material adverse impact on the Company's business, financial condition, or results of operations.

### **(aa) *If BuildDirect is unable to attract new customers or sell additional products to existing customers, BuildDirect's revenue growth and profitability will be adversely affected***

To increase revenue and achieve and maintain profitability, BuildDirect must regularly add new customers and sell additional products and services to existing customers. Various factors may prevent BuildDirect's ability to add such new customers and retaining existing customers, including, without limitation BuildDirect's failure to attract, retain and effectively train new sales and marketing personnel, to develop and maintain relationships with professional contractors, partners and suppliers, to ensure the effectiveness of BuildDirect's marketing programs, to secure high quality products and services at competitive prices and to convert customers referred to BuildDirect by its existing network into paying customers. In addition, if prospective customers do not perceive that BuildDirect's products and services are of sufficiently high value and quality, BuildDirect may not be able to attract the number and types of new customers that BuildDirect is seeking. The failure of BuildDirect to attract new customers or to obtain new business from existing clients may mean that BuildDirect will not increase its revenues as quickly as is anticipated, if at all.

## **RISK FACTORS (continued)**

### **(bb) *Cybersecurity***

BuildDirect relies on digital and internet technologies to conduct and expand its operations, including reliance on information technology to process, transmit and store sensitive and confidential data, including personally identifiable information, and proprietary and confidential business performance data. As a result, BuildDirect and/or its customers will be exposed to risks related to cybersecurity. Such risks may include unauthorized access, use, or disclosure of sensitive information (including corruption or destruction of data, or operational disruption resulting from system impairment (e.g., malware). Third parties to whom BuildDirect outsources certain functions, or with whom their systems interface, are also subject to the risks outlined above and may not have or use appropriate controls to protect confidential information. A breach or attack affecting a third-party service provider or partner could harm BuildDirect's business even if the Company does not control the service that is attacked. BuildDirect's operations depend, in part, on how well it protects networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to damage to hardware, computer viruses, hacking and theft. BuildDirect's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures. A compromise of BuildDirect's information technology or confidential information, or that of BuildDirect's third parties with whom BuildDirect interacts, may result in negative consequences, including reputational harm affecting investor and customer confidence, potential liability under privacy, security, consumer protection or other applicable laws, regulatory penalties and additional regulatory scrutiny, any of which could have a material adverse effect on BuildDirect's business, financial position, results of operations or cash flows. As BuildDirect has access to sensitive and confidential information, including personal information, and since BuildDirect may be vulnerable to material security breaches, theft, misplaced, lost or corrupted data, programming errors, employee errors and/or malfeasance (including misappropriation by departing employees), there is a risk that sensitive and confidential information, including personal information, may be disclosed through improper use of BuildDirect's systems, software solutions or networks or that there may be unauthorized access, use, disclosure, modification or destruction of such information. BuildDirect's on-going risk and exposure to these matters is partially attributable to, among other things, the evolving nature of these threats. As a result, cybersecurity and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage, malfunction, human error, technological error or unauthorized access is a priority. As cyber threats continue to evolve, BuildDirect may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

## **RISK FACTORS (continued)**

### **(cc) *Intellectual Property***

From time to time, BuildDirect may receive notices from third parties alleging that it has infringed their intellectual property rights or may need to pursue claims against third parties to defend its intellectual property rights. Responding and/or pursuing any such claim, regardless of its merit in the event of a defense of such claim, may be time-consuming, result in costly litigation, divert management's attention and resources and cause BuildDirect to incur significant expenses. Any meritorious claim of intellectual property infringement against BuildDirect may potentially result in a temporary or permanent injunction, prohibiting it from marketing or selling certain products or requiring it to pay royalties to a third party. In the event of a meritorious claim or the inability of BuildDirect to develop or license substitute technology, its business and results of operations may be materially adversely affected. The laws of certain countries do not protect proprietary rights to intellectual property to extent as do the laws of the United States and Canada, and therefore there can be no assurance that BuildDirect will be able to adequately protect its intellectual property against unauthorized third party copying or use. Such unauthorized copying or use may adversely affect BuildDirect's competitive position and operations. In addition, there can be no assurance that BuildDirect will successfully obtain licenses to any technology that it may require to conduct its business or that, if obtainable, such technology can be licensed at a reasonable cost. BuildDirect's operations depend, in part, on how it makes use of certain open-source software products. These open-source software products are developed by third parties over whom BuildDirect has no control. BuildDirect could be exposed to infringement claims and liability in connection with the use of these open-source software components, and BuildDirect may be forced to replace these components with internally developed software or software obtained from another supplier, which may increase its expenses. BuildDirect has conducted no independent investigation to determine whether the sources of the open-source software have the rights necessary to permit BuildDirect to use this software free of claims of infringement by third parties. The developers of open-source software may be under no obligation to maintain or update that software, and BuildDirect may be forced to maintain or update such software itself or replace such software with internally developed software or software obtained from another supplier, which may increase its expenses and delay enhancements to BuildDirect's services. Certain open-source software licenses provide that the licensed software may be freely used, modified and distributed to others provided that any modifications made to such software, including the source code to such modifications, are also made available under the same terms and conditions. As a result, any modifications BuildDirect makes to such software may be made available to all downstream users of the software, including its competitors. Open-source software licenses may require BuildDirect to make source code for the derivative works available to the public. In the event that BuildDirect inadvertently use open-source software without the correct license form, or a copyright holder of any open source software were to successfully establish in court that BuildDirect had not complied with the terms of a license for a particular work, we could be required to release the source code of that work to the public. BuildDirect could also incur costs associated with litigation or other regulatory penalties as a result.

### **(dd) *Difficulty to Forecast***

BuildDirect must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of BuildDirect.

## **RISK FACTORS (continued)**

### **(ee) *Voting Control***

Certain shareholders of BuildDirect will exercise a significant portion of the voting power in respect of the outstanding BuildDirect Common Shares. As a result, they are expected to have the ability to influence the outcome of all matters submitted to BuildDirect's shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of BuildDirect.

This concentrated control could delay, defer, or prevent a change of control of BuildDirect, arrangement or amalgamation involving BuildDirect or sale of all or substantially all of the assets of BuildDirect that its other shareholders support. Conversely, this concentrated control could allow the holders of Common Shares to consummate such a transaction that BuildDirect's other shareholders do not support.

### **(ff) *Risks Associated with Internal Controls over Financial Reporting***

Effective internal controls are necessary for BuildDirect to provide reliable financial reports and to help prevent fraud. Although BuildDirect has undertaken a number of procedures and implemented a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on BuildDirect under Canadian securities law, BuildDirect cannot be certain that such measures will ensure that BuildDirect will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm BuildDirect's results of operations, or cause it to fail to meet its reporting obligations. If BuildDirect or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in BuildDirect's consolidated financial statements and materially adversely affect the trading price of BuildDirect's Common Shares.