

ROOTS CORPORATION

Interim Condensed Consolidated Financial Statements

For the 13 and 26 week periods ended August 1, 2026 and August 2, 2025
In Canadian dollars
(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice to this effect. The accompanying unaudited interim condensed consolidated financial statements of Roots Corporation have been prepared by and are the responsibility of management of Roots Corporation.

Roots Corporation's independent auditor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the accompanying interim condensed consolidated financial statements. Readers are cautioned that these financial statements may not be appropriate for their intended purposes.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	Note	August 1, 2026	August 2, 2025	January 31, 2026
Assets				
Current assets				
Cash		$ 3,935	$ 1,928	$ 28,633
Accounts receivable	11	10,643	11,289	10,066
Inventories	4	57,807	49,901	45,052
Prepaid expenses		3,416	5,448	3,072
Income tax recoverable		2,011	1,071	–
Derivative assets	5, 11	646	–	–
Total current assets		78,458	69,637	86,823
Non-current assets:				
Fixed assets		27,063	31,272	30,448
Right-of-use assets		56,841	59,887	60,786
Intangible assets		128,671	130,458	129,441
Goodwill		7,906	7,906	7,906
Other assets	10	300	300	300
Total non-current assets		220,781	229,823	228,881
Total assets		**$ 299,239**	**$ 299,460**	**$ 315,704**
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	11	$ 32,281	$ 30,400	$ 29,348
Deferred revenue		5,111	4,737	5,357
Income taxes payable		–	–	3,645
Derivative liability	5,11	–	271	1,458
Current portion of lease liabilities	11	20,272	19,846	21,809
Current portion of long-term debt	6, 11	3,340	3,535	5,338
Total current liabilities		61,004	58,789	66,955
Non-current liabilities:				
Bank indebtedness	6, 11	–	3,107	–
Deferred tax liabilities		11,499	10,751	11,284
Long-term portion of lease liabilities	11	48,906	51,797	51,999
Long-term debt	6, 11	34,222	33,417	27,546
Total non-current liabilities		94,627	99,072	90,829
Total liabilities		**155,631**	**157,861**	**157,784**
Shareholders' equity:				
Share capital	7	182,096	183,201	182,093
Contributed surplus	9	5,514	4,926	5,276
Retained earnings (deficit)		(44,476)	(46,329)	(28,377)
Accumulated other comprehensive income (loss)	5	474	(199)	(1,072)
Total shareholders' equity		**143,608**	**141,599**	**157,920**
Total liabilities and shareholders' equity		$ **299,239**	**$ 299,460**	**$ 315,704**

On behalf of the Board of Directors:

"Erol Uzumeri" Director

"Mary Ann Curran" Director

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Net Loss
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

For the 13 and 26 week periods ended August 1, 2026 and August 2, 2025

	Note	August 1, 2026 (13 weeks)	August 2, 2025 (13 weeks)	August 1, 2026 (26 weeks)	August 2, 2025 (26 weeks)
Sales		$ 49,544	$ 50,769	$ 92,111	$ 90,749
Cost of goods sold		20,682	19,941	37,742	35,349
Gross profit		28,862	30,828	54,369	55,400
Selling, general and administrative expenses	9,11	35,211	34,732	72,507	68,021
Loss before interest expense and income taxes recovery		(6,349)	(3,904)	(18,138)	(12,621)
Interest expense		1,829	1,993	3,572	4,008
Loss before income taxes		(8,178)	(5,897)	(21,710)	(16,629)
Income taxes recovery	12	(2,140)	(1,503)	(5,611)	(4,324)
Net loss		**$ (6,038)**	**$ (4,394)**	**$ (16,099)**	**$ (12,305)**
Basic and diluted loss per share	8	$ (0.15)	$ (0.11)	$ (0.41)	$ (0.31)

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Comprehensive Loss
(In thousands of Canadian dollars)
(Unaudited)

For the 13 and 26 week periods ended August 1, 2026 and August 2, 2025

	Note	August 1, 2026 (13 weeks)	August 2, 2025 (13 weeks)	August 1, 2026 (26 weeks)	August 2, 2025 (26 weeks)
Net loss		$ (6,038)	$ (4,394)	$ (16,099)	$ (12,305)
Other comprehensive income (loss):					
Items that may be subsequently reclassified to profit or loss:					
Effective portion of changes in fair value of cash flow hedges	5,11	1,548	(133)	1,592	(2,627)
Gain (cost) of hedging excluded from cash flow hedges	5,11	115	225	290	397
Tax impact of cash flow hedges	5,11	(441)	(24)	(499)	591
Total other comprehensive income (loss)		1,222	68	1,383	(1,639)
Total comprehensive loss		$ (4,816)	$ (4,326)	$ (14,716)	$ (13,944)

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
(In thousands of Canadian dollars)
(Unaudited)

For the 26 week periods ended August 1, 2026 and August 2, 2025

August 1, 2026 (26 weeks)	Note	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance, January 31, 2026		**$ 182,093**	**$ 5,276**	**$ (28,377)**	**$ (1,072)**	**$ 157,920**
Net loss		–	–	(16,099)	–	(16,099)
Net gain from change in fair value of cash flow hedges, net of income taxes	5,11	–	–	–	1,383	1,383
Transfer of net realized loss on cash flow hedges to inventories, net of income taxes		–	–	–	163	163
Share-based compensation	9	–	239	–	–	239
Issuance of Shares	7	3	(1)	–	–	2
Balance, August 1, 2026		**$ 182,096**	**$ 5,514**	**$ (44,476)**	**$ 474**	**$ 143,608**

August 2, 2025 (26 weeks)	Note	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance, February 1, 2025		**$ 187,934**	**$ 4,748**	**$ (35,027)**	**$ 1,873**	**$ 159,528**
Net loss		–	–	(12,305)	–	(12,305)
Net loss from change in fair value of cash flow hedges, net of income taxes	5,11	–	–	–	(1,639)	(1,639)
Transfer of net realized gain on cash flow hedges to inventories, net of income taxes		–	–	–	(433)	(433)
Share-based compensation	9	–	278	–	–	278
Issuance of Shares	7	100	(100)	–	–	–
Purchase of Shares	7	(4,833)	–	1,003	–	(3,830)
Balance, August 2, 2025		**$ 183,201**	**$ 4,926**	**$ (46,329)**	**$ (199)**	**$ 141,599**

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

For the 26 week periods ended August 1, 2026 and August 2, 2025

	Note	August 1, 2026 (26 weeks)	August 2, 2025 (26 weeks)
Cash provided by (used in):			
Operating activities:			
Net loss		$ (16,099)	$ (12,305)
Items not involving cash:			
Depreciation and amortization		16,659	13,897
Share-based compensation expense	9	239	278
Gain on disposal of fixed assets		(60)	–
Interest expense		3,572	4,008
Income taxes recovery	12	(5,611)	(4,324)
Interest paid		(1,073)	(1,380)
Interest received		91	157
Payment of interest on lease liabilities		(2,391)	(2,539)
Income taxes paid		(389)	(190)
Change in non-cash working capital:			
Accounts receivable		(277)	554
Inventories		(12,755)	(8,907)
Prepaid expenses		(344)	(2,081)
Accounts payable and accrued liabilities		2,940	(1,045)
Deferred revenue		(246)	(486)
		(15,744)	(14,363)
Financing activities			
Proceeds from Revolving Credit Facility	6	8,000	2,500
Long-term debt financing costs	6	–	(274)
Repayment of Term Credit Facility	6	(3,522)	(6,890)
Proceeds from issuance of Shares	7,9	2	–
Purchase of Shares	7	–	(1,830)
Payment of principal on lease liabilities, net of tenant allowance		(9,344)	(10,786)
		(4,864)	(17,280)
Investing activities			
Additions to fixed assets		(4,124)	(3,535)
Proceeds from disposal of fixed assets		60	–
Additions to right-of-use assets		(26)	–
Additions to intangible assets		–	(22)
		(4,090)	(3,557)
Decrease in cash		(24,698)	(35,200)
Cash, beginning of period		28,633	34,021
Cash net of bank indebtedness, end of period		**$ 3,935**	**$ (1,179)**

See accompanying notes to unaudited interim condensed consolidated financial statements.

1. Nature of operations and basis of presentation

Nature of operations

Established in 1973, Roots is a global lifestyle brand. Starting from a small cabin in northern Canada, Roots has become a global brand which, as at August 1, 2026, operated 97 corporate retail stores and 10 temporary pop-up locations in Canada, two corporate retail stores in the United States, and an eCommerce platform, roots.com. We have more than 100 partner-operated stores in Asia, and we also operate a dedicated Roots-branded storefront on Tmall.com in China. We design, market, and sell a broad selection of products in different departments, including women's, men's, children's, and gender-free apparel, leather goods, footwear, and accessories. Our products are built with uncompromising comfort, quality, and style that allows you to feel At Home With NatureTM. We offer products designed to meet life's everyday adventures and provide you with the versatility to live your life to the fullest. We also wholesale through business-to-business channels and license the brand to a select group of licensees selling products to major retailers.

Roots Corporation is a Canadian corporation doing business as "Roots" and "Roots Canada", incorporated under the *Canada Business Corporations Act* on October 14, 2015. Its head office and registered office is located at 1400 Castlefield Avenue, Toronto, Ontario M6B 4C4. Roots Corporation and its subsidiaries are collectively referred to in these interim condensed consolidated financial statements as the "Company" or "Roots Corporation". The Company's common shares ("Shares") are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "ROOT".

The Company experiences seasonal fluctuations in the financial results of its retail business, as a meaningful portion of its sales and earnings occur in the third and fourth fiscal quarters. The Company's working capital requirements generally increase in the periods preceding these peak periods, and it is not uncommon for net income (loss) before interest expense, income taxes expense (recovery) and depreciation and amortization ("EBITDA") to be negative in the first two fiscal quarters.

Basis of presentation

(a) Statement of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and the accounting policies described in the Company's audited consolidated financial statements as at and for the 52 week period ended January 31, 2026 (the "annual financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards ("IFRS"). However, select explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the annual financial statements. These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors ("Board") on September 10, 2026.

(b) Basis of measurement:

These interim condensed consolidated financial statements were prepared on a historical cost basis, except for derivative financial instruments consisting of forward hedging contracts, cash-settled deferred share units ("DSU") and other assets consisting of non-derivative equity securities, which are measured at fair value.

(c) Use of estimates and judgements:

In preparing these interim condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements.

2. Material accounting policies

The accounting policies as disclosed in the annual financial statements for the year ended January 31, 2026 have been applied consistently in the preparation of these interim condensed consolidated financial statements.

New standard not yet adopted:

IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18")

In April 2024, the IASB issued *IFRS 18*, which replaces IAS 1, *Presentation of Financial Statements*, to achieve comparability of the financial performance of similar entities. The standard impacts the presentation of the primary financial statements and notes, including the required classification of income and expenses into three categories: operating, investing and financing, with defined subtotals, including "operating profit". IFRS 18 will also require management-defined performance measures to be disclosed in a separate note to the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027.

The Company is assessing the impact of this new standard on the consolidated financial statements.

3. Operating segments

The Company has two reportable operating segments:

(a) The "Direct-to-Consumer" segment comprises sales through corporate retail stores and the Company's eCommerce website roots.com; and

(b) The "Partners and Other" segment consists primarily of the wholesale of Roots-branded products to our international operating partner. The Partners and Other segment also includes the Company's sales from its Roots-branded storefront on business-to-consumer marketplace website Tmall.com in China, royalties earned through the licensing of our brand to select manufacturing partners, the wholesale of Roots-branded products to select retail partners, and the sale of custom Roots-branded products to select business clients.

The Company defines an operating segment on the same basis that the Chief Operating Decision Maker (the "CODM") uses to evaluate performance internally and to allocate resources. The Company has determined that the President and Chief Executive Officer is its CODM. The accounting policies of the reportable segments are the same as those described in the Company's material accounting policies (see Note 2). The Company measures each reportable operating segment's performance based on sales and gross profit, which is the profit metric used by the CODM for assessing performance of each segment. The Company does not report total assets or total liabilities based on its operating segments.

Information for each reportable operating segment, as presented to the CODM, is included below:

			August 1, 2026 (13 weeks)			August 2, 2025 (13 weeks)
	Direct-to-Consumer	Partners and Other	Total	Direct-to-Consumer	Partners and Other	Total
Sales	$ 40,533	$ 9,011	$ 49,544	$ 41,049	$ 9,720	$ 50,769
Cost of goods sold	15,959	4,723	20,682	15,121	4,820	19,941
Gross profit	24,574	4,288	28,862	25,928	4,900	30,828
Selling, general and administrative expenses[(1)]			35,211			34,732
Loss before interest expense and income taxes recovery			(6,349)			(3,904)
Interest expense[(1)]			1,829			1,993
Loss before income taxes recovery			$ (8,178)			$ (5,897)

			August 1, 2026 (26 weeks)			August 2, 2025 (26 weeks)
	Direct-to-Consumer	Partners and Other	Total	Direct-to-Consumer	Partners and Other	Total
Sales	$ 76,298	$ 15,813	$ 92,111	$ 75,657	$ 15,092	$ 90,749
Cost of goods sold	29,806	7,936	37,742	27,944	7,405	35,349
Gross profit	46,492	7,877	54,369	47,713	7,687	55,400
Selling, general and administrative expenses[(1)]			72,507			68,021
Loss before interest expense and income taxes recovery			(18,138)			(12,621)
Interest expense[(1)]			3,572			4,008
Loss before income taxes recovery			$ (21,710)			$ (16,629)

(1) These unallocated items represent income and expenses which management does not report when analyzing segment underlying performance.

4. Inventories

	Aug 1, 2026	Aug 2, 2025
Raw materials	$ 3,131	$ 3,402
Apparel - Blanks	3,665	2,917
Work in progress	442	461
Finished goods – On hand	36,318	37,205
Finished goods – In-transit	14,251	5,916
	$ 57,807	$ 49,901

5. Financial instruments

The Company's financial instruments consist of cash, accounts receivable, other assets, accounts payable and accrued liabilities, long-term debt, derivative assets and derivative liabilities.

The Company has determined that the carrying amount of its short-term financial assets and financial liabilities approximates its fair value due to the short-term maturity of these financial instruments.

The fair value of long-term debt approximates its carrying value, as determined based on Level 2 of the fair value hierarchy.

The fair value of other assets, which consist of common shares of Saturday Industries Limited ("Mr. Saturday"), are determined using valuation techniques based on unobservable inputs. This has been determined using Level 3 of the fair value hierarchy.

The fair values of derivative assets and derivative liabilities resulting from foreign currency forward contracts ("forward contracts") are determined using a valuation technique that employs the use of market observable inputs and are based on the differences between the contract rates and the market rates as at the period-end date, taking into consideration discounting to reflect the time value of money. This has been determined using Level 2 of the fair value hierarchy.

There were no transfers between levels of the fair value hierarchy for the 13 and 26 week periods ended August 1, 2026 and August 2, 2025.

The Company enters into forward contracts to hedge its exposure for a portion of purchases denominated in U.S. dollars. As at August 1, 2026, the Company had outstanding forward contracts to buy US$35,950 (August 2, 2025 – US$36,230, January 31, 2026 – US$41,100) of U.S. dollars at an average forward rate of 1.38 (August 2, 2025 – 1.38, January 31, 2026 – 1.38). As at August 1, 2026, the forward contracts have maturity dates between August 4, 2026 and July 6, 2027.

For the 13 week periods ended August 1, 2026 and August 2, 2025, the effective portion of changes in the fair value of all matured forward contracts and outstanding forward contracts resulted in a gain of $1,548 (net of tax – $1,138) and a loss of $133 (net of tax – $98), respectively, which were recorded in other comprehensive income (loss).

For the 26 week periods ended August 1, 2026 and August 2, 2025, the effective portion of changes in the fair value of all matured forward contracts and outstanding forward contracts resulted in a gain of $1,592 (net of tax – $1,170) and a loss of $2,627 (net of tax – $1,931), respectively, which were recorded in other comprehensive income (loss).

6. Long-term debt

The Company has a secured credit agreement ("Credit Agreement") with a syndicate of lenders consisting of a term loan ("Term Credit Facility") and a revolving credit loan ("Revolving Credit Facility") (together with the Term Credit Facility, the "Credit Facilities").

On May 22, 2025, the Company amended its Credit Agreement to extend the current maturity date of September 6, 2026 to September 6, 2027. In addition, the amendment reduced the $60,000 Revolver Credit Facility, which includes a swing loan of $10,000, down to $45,000, and increased the maximum annual excess cash flow sweep, as defined in the Credit Agreement, from $5,000 to $7,500. The Company incurred $274 of costs associated with the amendment, which were recorded as debt financing costs within long-term debt and will be recognized as interest expense over the remaining term of the loan.

The following table reconciles the changes in cash flows from financing activities for long-term debt for the 26 week periods ended August 1, 2026 and August 2, 2025:

	August 1, 2026 (26 weeks)	August 2, 2025 (26 weeks)
Long-term debt, beginning of period	$ 32,884	$ 41,370
Drawings on swing loan (bank indebtedness)	–	3,107
Proceeds from Revolving Credit Facility	8,000	2,500
Long-term debt repayments of Term Credit Facility	(3,522)	(6,890)
Long-term debt financing costs	–	(274)
Total changes to long-term debt financing activities	4,478	(1,557)
Amortization of long-term debt financing costs	200	246
Total non-cash long-term debt activity	200	246
Total long-term debt & bank indebtedness, end of period [(1)]	**$ 37,562**	**$ 40,059**

(1) Total long-term debt of $37,562 at August 1, 2026 is net of $439 unamortized long-term debt financing costs. As at August 2, 2025, total long-term debt of $36,952 is net of $839 unamortized long-term debt financing costs.

The long-term debt was recorded in the interim condensed consolidated statement of financial position as follows:

	August 1, 2026 (26 weeks)	August 2, 2025 (26 weeks)
Current portion of long-term debt	3,340	3,535
Non-current portion of long-term debt	34,222	33,417
Non-current bank indebtedness	–	3,107
	$ 37,562	**$ 40,059**

7. Share capital

The Company's authorized share capital consists of an unlimited number of Shares and an unlimited number of preferred shares, issuable in series. The holders of Shares are entitled to receive distributions as declared from time to time by the Board. Shareholders are entitled to one vote per share at shareholder meetings of the Company.

Preferred shares of each series, if and when issued, will, with respect to the payment of dividends, be entitled to preference over Shares. Except as provided in any special rights or restrictions attaching to any series of preferred shares issued from time to time, the holders of preferred shares will not be entitled to vote at any shareholder meetings of the Company.

There were no dividends or distributions declared during the 13 and 26 week periods ended August 1, 2026 and August 2, 2025.

The following table provides a summary of changes to the Company's share capital for the 26 week periods ended August 1, 2026 and August 2, 2025:

	26 week period ended August 1, 2026		26 week period ended August 2, 2025	
	Number of Shares	Share capital	Number of Shares	Share capital
Outstanding Shares, beginning of period	39,196,165	$ 182,093	40,450,213	$ 187,934
Issuance of Shares	1,000	3	15,985	100
Purchase of Shares[1]	–	–	(606,800)	(4,833)
Outstanding Shares, end of period	39,197,165	$ 182,096	39,859,398	$ 183,201

(1) For the 26 week period ending August 2, 2025, the reduction to share capital includes a $2,000 obligation to repurchase shares under the Automatic Shares Purchase Plan ("ASPP") plus $2,833 for the purchase of 606,800 shares for cancellation. There was no ASPP in place for the 26 week period ending August 1, 2026.

During the 26 week period ended August 1, 2026, 1,000 Shares were issued from treasury as a result of the exercise of 1,000 stock options (26 week period ended August 2, 2025 – nil). During the 26 week period ended August 2, 2025, 15,985 Shares were issued from treasury as a result of the exercise of 15,985 restricted share units ("RSUs") granted under the Company's Omnibus Equity Incentive Plan (the "Omnibus Plan"), see Note 9. No RSUs were exercised during the 26 week period ended August 1, 2026.

As at August 1, 2026, there were nil preferred shares (August 2, 2025 and January 31, 2026 – nil preferred shares). All issued Shares are fully paid.

Share Purchase

On April 9, 2025, the TSX accepted the Company's notice of intention to commence a normal course issuer bid ("NCIB"), allowing the Company to purchase, at its discretion, up to 1,347,118 Shares. The program commenced on April 11, 2025 and terminated on April 10, 2026.

From time to time, the Company participates in an ASPP that allows the purchase of Shares for cancellation under the NCIB at any time during predetermined trading blackout periods. On April 9, 2025, the Company entered into an ASPP. Purchasing parameters under the ASPP are established prior to the commencement of each trading blackout period. As at August 2, 2025, an obligation of $2,000 was recognized in accounts payable and accrued liabilities, and recorded against share capital, for the potential purchase of Shares under the ASPP.

During the 26 week period ended August 1, 2026, no shares were purchased for cancellation. During the 26 week period ended August 2, 2025, 606,800 were purchased for cancellation for $1,830, resulting in a decrease to share capital of $2,833 and an increase to retained earnings (deficit) of $1,003.

8. Earnings (loss) per share

The Company presents basic and diluted loss per share ("EPS") data. Basic EPS is calculated by dividing net loss by the weighted average number of Shares outstanding during the period. Diluted EPS is determined by adjusting net loss and the weighted average number of Shares outstanding, for the effects of all dilutive potential shares, which comprise share-based compensation granted to employees.

	August 1, 2026 (13 weeks)	August 2, 2025 (13 weeks)	August 1, 2026 (26 weeks)	August 2, 2025 (26 weeks)
Weighted average Shares outstanding	39,196,594	40,020,311	39,196,594	40,068,308
Dilutive share-based compensation	–	–	–	–
Dilutive weighted average Shares outstanding	39,196,594	40,020,311	39,196,594	40,068,308

	August 1, 2026 (13 weeks)	August 2, 2025 (13 weeks)	August 1, 2026 (26 weeks)	August 2, 2025 (26 weeks)
Net loss	$ (6,038)	$ (4,394)	$ (16,099)	$ (12,305)
Basic and diluted loss per share	$ (0.15)	$ (0.11)	$ (0.41)	$ (0.31)

For the 13 and 26 week periods ended August 1, 2026 and August 2, 2025, 1,723,366 and 1,891,453 stock options, respectively, were not included in the calculation of diluted weighted average Shares outstanding, as they were anti-dilutive.

For the 13 and 26 week periods ended August 1, 2026 and August 2, 2025, 477,917 and 494,583 restricted share units ("RSUs"), respectively, were excluded in the calculation of diluted weighted average Shares outstanding, as they were anti-dilutive.

For both the 13 and 26 week periods ended August 1, 2026 and August 2, 2025, 100,000 common share purchase warrants ("Warrants") were not included in the calculation of diluted weighted average Shares outstanding, as they were anti-dilutive.

9. Share-based compensation

Under the various share-based compensation plans, the Company may grant stock options or other security-based instruments to buy up to 3,574,740 Shares. As at August 1, 2026, 1,723,366 stock options, 100,000 Warrants and 477,917 RSUs were granted and outstanding.

The following is a summary of the Company's stock option and Warrants activity for the 13 and 26 week periods ended August 1, 2026 and August 2, 2025:

August 1, 2026 (13 weeks)	Legacy Employee Option Plan		Omnibus Plan				Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of Warrants	Weighted average exercise price	Number of options & Warrants	Weighted average exercise price
Outstanding options, beginning of period[1]	112,448	$ 6.26	1,615,918	$ 2.85	100,000	$ 2.98	1,828,366	$ 3.07
Exercised	–	–	(1,000)	2.22	–	–	(1,000)	2.22
Forfeited	–	–	(4,000)	2.22	–	–	(4,000)	2.22
Outstanding options, end of period	112,448	$ 6.26	1,610,918	$ 2.85	100,000	$ 2.98	1,823,366	$ 3.07
Exercisable options, end of period	112,448	$ 6.26	1,535,251	$ 2.89	100,000	$ 2.98	1,747,699	$ 3.11

(1) The outstanding Warrants were issued against the Omnibus plan, reducing the available shares to issue.

August 2, 2025 (13 weeks)	Legacy Employee Option Plan		Omnibus Plan				Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of Warrants	Weighted average exercise price	Number of options & Warrants	Weighted average exercise price
Outstanding options, beginning of period[1]	144,575	$ 6.26	1,746,878	$ 2.92	100,000	$ 2.98	1,991,453	$ 3.17
Outstanding options, end of period	144,575	$ 6.26	1,746,878	$ 2.92	100,000	$ 2.98	1,991,453	$ 3.17
Exercisable options, end of period	144,575	$ 6.26	1,473,963	$ 3.00	66,667	$ 2.98	1,685,205	$ 3.28

(1) The outstanding Warrants were issued against the Omnibus plan, reducing the available shares to issue.

August 1, 2026 (26 weeks)	Legacy Employee Option Plan		Omnibus Plan		Omnibus Plan		Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of Warrants	Weighted average exercise price	Number of options & Warrants	Weighted average exercise price
Outstanding options, beginning of period[1]	112,448	$ 6.26	1,615,918	$ 2.85	100,000	$ 2.98	1,828,366	$ 3.07
Exercised	–	–	(1,000)	2.22	–	–	(1,000)	2.22
Forfeited	–	–	(4,000)	2.22	–	–	(4,000)	2.22
Outstanding options, end of period	112,448	$ 6.26	1,610,918	$ 2.85	100,000	$ 2.98	1,823,366	$ 3.07
Exercisable options, end of period	112,448	$ 6.26	1,535,251	$ 2.89	100,000	$ 2.98	1,747,699	$ 3.11

August 2, 2025 (26 weeks)	Legacy Employee Option Plan		Omnibus Plan		Omnibus Plan		Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of Warrants	Weighted average exercise price	Number of options & Warrants	Weighted average exercise price
Outstanding options, beginning of period	144,575	$ 6.26	1,597,294	$ 2.99	100,000	$ 2.98	1,841,869	$ 3.25
Granted[1]	–	–	149,584	2.22	–	–	149,584	2.22
Forfeited	–	–	–	–	–	–	–	–
Outstanding options, end of period	144,575	$ 6.26	1,746,878	$ 2.92	100,000	$ 2.98	1,991,453	$ 3.17
Exercisable options, end of period	144,575	$ 6.26	1,473,963	$ 3.00	66,667	$ 2.98	1,685,205	$ 3.28

(1) The granted Warrants were issued against the Omnibus plan, reducing the available shares to issue.

During the 13 week and 26 week periods ended August 1, 2026, no stock options were granted. During the 13 week period ended August 2, 2025, no stock options were granted. During the 26 week period ended August 2, 2025, 149,584 stock options were granted with a fair value of $126.

The fair value of the stock options and Warrants issued in the period were estimated at the date of grant using the Black Scholes model and used the following assumptions:

	August 1, 2026 (26 weeks)	August 2, 2025 (26 weeks)
Expected volatility	N/A – no grants	33.0% - 33.6%
Share price at grant date	N/A – no grants	$2.22
Exercise price	N/A – no grants	$2.22
Risk-free interest rate	N/A – no grants	2.92% - 3.10%
Expected term	N/A – no grants	5.5 years - 7.5 years
Fair value per option	N/A – no grants	$0.81 - $0.95

The computation of expected volatility was based on the historical volatility of comparable companies from a representative peer group selected based on industry. The risk-free interest rate is based on Government of Canada bond yields with maturities that coincide with the exercise period and terms of the grant. The expected life estimate was determined by management based on a number of factors including vesting terms, exercise behaviour and the contractual term of the options.

The following is a summary of the Company's RSU and deferred share unit ("DSU") activity for the 13 and 26 week periods ended August 1, 2026 and August 2, 2025:

August 1, 2026 (13 weeks)	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	–	481,250	801,158	481,250	801,158
Granted	–	–	16,560	–	16,560
Forfeited	–	(3,333)	–	(3,333)	–
Units, end of period	–	477,917	817,718	477,917	817,718

August 2, 2025 (13 weeks)	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	–	494,583	1,116,281	494,583	1,116,281
Granted	–	–	28,171	–	28,171
	–				
Units, end of period	–	494,583	1,144,452	494,583	1,144,452

August 1, 2026 (26 weeks)	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	–	481,250	786,316	481,250	786,316
Granted	–	–	31,402	–	31,402
Forfeited	–	(3,333)	–	(3,333)	–
Units, end of period	–	477,917	817,718	477,917	817,718

August 2, 2025 (26 weeks)	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	15,985	–	1,077,123	15,985	1,077,123
Granted	–	494,583	67,329	494,583	67,329
Exercised	(15,985)	–	–	(15,985)	–
Units, end of period	–	494,583	1,144,452	494,583	1,144,452

There were no RSUs granted during the 13 week and 26 week periods ended August 1, 2026. There were no RSUs granted during the 13 week period ended August 2, 2025, and the fair value of the RSUs granted during the 26 week period ended August 2, 2025 was $1,098.

There were 167,084 RSUs vested as at August 1, 2026 (August 2, 2025 – nil).

The fair value of DSUs granted during the 13 and 26 week periods ended August 1, 2026 were $59 and $118, respectively (13 and 26 week periods ended August 2, 2025 - $86 and $176, respectively).

The fair values of the DSUs granted were calculated based on the closing price of a Share on the TSX on the last trading date immediately prior to the date of grant.

The grant date fair value of share-based compensation awards granted to employees is recognized as share-based compensation expense, recorded in selling, general and administrative expenses with a corresponding increase to contributed surplus, over the period that the employees unconditionally become entitled to the awards. For the 13 and 26 week periods ended August 1, 2026, the Company recorded share-based compensation expense of $75 and $239, respectively (13 and 26 week periods ended August 2, 2025 - $203 and $278, respectively).

The fair value of cash-settled DSUs on the grant date is recorded in selling, general and administrative expenses with a corresponding increase to accounts payable and accrued liabilities. The DSUs are recorded at fair value based on the Company’s closing share price on the last trading day of the period, which determines the cash payment required to settle each DSU. Changes in the fair value are recorded in selling, general, and administrative expenses with a corresponding adjustment to accounts payable and accrued liabilities. As at August 1, 2026, the fair market value of future DSU cash-settlement obligations was $2,772 (August 2, 2025 – $2,824). For the 13 and 26 week periods ended August 1, 2026, the Company recorded ($435) and $225, respectively, as increases (decreases) to selling, general, and administrative expenses as a result of the changes in the fair market value of DSU cash-settlement obligations (13 and 26 week periods ended August 2, 2025 - $351 and $858 as increases to selling, general, and administrative expenses, respectively).

10. Other assets

Other assets include a minority equity investment in Mr. Saturday by acquiring common shares in Mr. Saturday (“Mr. Saturday Shares"), as part of the Company’s appointment of Mr. Saturday and its principal Joey Gollish as Creative Director in Residence.

The Company elected, upon initial recognition, to present changes in the fair value of the Mr. Saturday Shares in other comprehensive income (loss) as the Company determined they are not held-for-trading. As at August 1, 2026, the Mr. Saturday Shares had a fair value of $300 (August 2, 2025 - $300, January 31, 2026 - $300), resulting in no gain or loss for the 13 and 26 week periods ended August 1, 2026 (13 and 26 week periods ended August 2, 2025 - $nil).

11. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

(a) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company prepares cash flow forecasts to ensure it has sufficient funds through operations and access to debt facilities to meet its financial obligations. The Company maintains the Credit Facilities, as described in Note 6, allowing it to access funds for operations. Continued compliance with the covenants under the Credit Facilities is dependent on the Company achieving financial forecasts. Market conditions are difficult to predict and there is no assurance that the Company will achieve its forecasts. In the event of non-compliance, the Company’s lenders have the right to demand repayment of the amounts outstanding under the current lending agreements or pursue other remedies including provision of waivers for financial covenants.

The contractual maturities of the Company’s current and long-term financial liabilities as at August 1, 2026, excluding interest payments, are as follows:

			Remaining to maturity			
	Carrying amount	Contractual cash flows	Under 1 year	1 – 3 years	3 – 5 years	More than 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	$ 32,281	$ 32,281	$ 32,281	–	–	–
Long-term debt	37,562	38,001	3,340	34,661	–	–
Lease liabilities	69,178	84,531	21,122	28,319	13,924	21,166
	$ 139,021	$ 154,813	$ 56,743	$ 62,980	$ 13,924	$ 21,166

(b) Currency risk:

The Company is exposed to foreign exchange risk on foreign currency denominated financial assets and liabilities. A five percent change in the Canadian dollar against the U.S. dollar, assuming that all other variables are constant, would have changed pre-tax net loss for the 13 and 26 week periods ended August 1, 2026 by $514 (13 and 26 week periods ended August 2, 2025 – $511), as a result of the period-end revaluation of these financial assets and liabilities. For the 13 and 26 week periods ended August 1, 2026, the Company recorded $(191) and $(231), respectively, as an increase (decrease) to selling, general, and administrative expenses as a result of the revaluation of these foreign currency denominated financial assets and liabilities (13 and 26 week periods ended August 2, 2025 - $(26) and $462, respectively).

The Company purchases a significant amount of its merchandise in U.S. dollars and enters into forward contracts to reduce the foreign exchange risk with respect to these U.S. dollar denominated purchases. A five percent change in the Canadian dollar against the U.S. dollar, assuming that all other variables remain constant, would have changed other comprehensive income (loss) for the 13 and 26 week periods ended August 1, 2026 by $2,493 (13 and 26 week periods ended August 2, 2025 – $2,469), as a result of the revaluation of the Company's forward contracts.

(c) Interest rate risk:

Market fluctuations in interest rates impact the Company's earnings with respect to cash borrowings under the Credit Facilities. A one percentage point change in the applicable interest rate would have changed pre-tax net loss for the 13 and 26 week periods ended August 1, 2026 by $85 and $169, respectively (13 and 26 week periods ended August 2, 2025 – $93 and $198, respectively).

(d) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash, accounts receivable and derivative contracts used to hedge market risks. The Company limits its exposure to credit risk with respect to cash and derivative contracts by dealing primarily with large Canadian and U.S. financial institutions. The Company's accounts receivable consists primarily of receivables from business partners in the Partners and Other segment, which are generally settled in the following fiscal quarter.

As at August 1, 2026, the Company's maximum exposure to credit risk for accounts receivable was $10,643 (August 2, 2025 – $11,289, January 31, 2026 – $10,066).

(e) Capital management:

The Company manages its capital and capital structure with the objective of ensuring that sufficient liquidity is available to support its financial obligations and to execute its strategic plans. The Company considers EBITDA as a measure of its ability to service its debt and meet other financial obligations as they become due.

12. Income taxes recovery

Income taxes recovery for the 13 week period ended August 1, 2026 was $2,140 (13 week period ended August 2, 2025 – $1,503), resulting in an effective income taxes recovery rate for the 13 week period ended August 1, 2026 of 26.2% (13 week period ended August 2, 2025 – 25.5%). The increase in the effective income tax recovery rate was attributable to lower non-deductible share-based compensation expenses.

Income taxes recovery for the 26 week period ended August 1, 2026 was $5,611 (26 week period ended August 2, 2025 – $4,324), resulting in an effective income taxes recovery rate for the 26 week period ended August 1, 2026 of 25.8% (26 week period ended August 2, 2025 – 26.0%). The decrease in the effective income tax recovery rate was attributable to taxes on share repurchases, partially offset by lower non-deductible share-based compensation expenses.

13. Related party transactions

The Company's related parties include key management personnel and key shareholders of the Company, including other entities under common control. Investment funds managed by Searchlight Capital Partners, L.P. ("Searchlight") beneficially own approximately 52.4% of the total issued and outstanding Shares. Shareholders of a company formerly known as Roots Canada Ltd., through their wholly-owned entities (the "Founders"), continue to own a minority interest of the total issued and outstanding Shares.

The Company leases a building for its leather factory from a company that is under common control of the Founders. For the 13 and 26 week periods ended August 1, 2026, the rent expense amounts that relate to the lease of this property were $206 and $394, respectively (13 and 26 week periods ended August 2, 2025 - $188 and $376, respectively). This transaction was conducted in the normal course of business and has been accounted for at its exchange value under selling, general, and administrative expenses.

14. Subsequent events

On August 20, 2026, the Company entered into an arrangement agreement whereby Marquee Brands, through its operating partner JM&A Design and Development Inc., would acquire all of the Company's issued and outstanding Shares at a price of $4.10 per share in cash (the "Arrangement"), implying an equity value of approximately $161 million. The Arrangement is expected to close in the fourth quarter of fiscal 2026, subject to shareholder, court and regulatory approvals. In connection with completion of the Arrangement, it is expected that the Shares will be delisted from the TSX and the Company will cease to be a reporting issuer in all applicable Canadian jurisdictions shortly thereafter. As this is a non-adjusting subsequent event, no adjustment has been made to these interim condensed consolidated financial statements.