

**PLEASE READ THIS MATERIAL CAREFULLY AS YOU ARE REQUIRED TO MAKE A
DECISION PRIOR TO 5:00 P.M. (TORONTO TIME) ON JANUARY 21, 2025.**

This rights offering circular (the “Circular”) is prepared by management. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Circular. Any representation to the contrary is an offence.

This is the Circular we referred to in the December 16, 2024 rights offering notice (the “Notice”), which will be mailed to you if you are a registered shareholder. Your DRS Advice (as defined herein) and relevant forms were enclosed with the Notice. This Circular should be read in conjunction with the Notice and our continuous disclosure prior to making an investment decision.

The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States. This rights offering circular does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States, and the securities offered herein may not be offered or sold in or into the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws, or pursuant to an exemption from such registration requirements as described herein. “United States” and “U.S. person” are as defined in Regulation S under the U.S. Securities Act.

Rights Offering Circular

December 16, 2024



ALUULA COMPOSITES INC.

OFFERING OF RIGHTS TO SUBSCRIBE FOR COMMON SHARES

Price: \$0.01 per Common Share

We have estimated that we currently have sufficient working capital to last 3 months. We require 60% of the Offering to be taken up to continue as a going concern for the ensuing 12 months. The Standby Commitment (as defined herein) under the Offering is equal to more than 60% of the Offering.

References in this Circular to “we”, “our”, “us” and similar terms mean to Aluula Composites Inc. (the “Company”). References in this Circular to “you”, “your” and similar terms mean to holders of the Company’s common shares (the “Common Shares”). Unless otherwise indicated, references herein to “\$” or “dollars” are to Canadian dollars.

SUMMARY OF THE RIGHTS OFFERING

Why are you reading this Circular?

We are issuing to the holders of the Common Shares of record at the close of business on December 30, 2024 (the “**Record Date**”) and who are resident in a province or territory of Canada (the “**Eligible Jurisdictions**”), an aggregate of 250,615,623 rights to subscribe for an aggregate of 250,615,623 Common Shares on the terms described in this Circular (the “**Offering**”). The purpose of this Circular is to provide you with detailed information about your rights and obligations in respect of the Offering. This Circular should be read in conjunction with the Notice which you should have already received by mail.

What is being offered?

Each shareholder on the Record Date who is resident in an Eligible Jurisdiction will receive one (1) right (a “**Right**”) for each one (1) Common Share held.

The rights are offered only to shareholders resident in Eligible Jurisdictions (the “**Eligible Holders**”). Shareholders will be presumed to be resident at their registered address as indicated on the Company’s share register maintained by Odyssey Trust Company (the “**Rights Agent**”), unless the contrary is shown to our satisfaction. Neither the Notice nor this Circular is to be construed as an offering of the Rights, nor are the Common Shares issuable upon exercise of the Rights offered for sale, in any jurisdiction outside of the Eligible Jurisdictions or to shareholders who are residents of any jurisdiction other than the Eligible Jurisdictions (the “**Ineligible Holders**”). Instead, Rights of Ineligible Holders will be held by the Rights Agent, located at 300 5th Avenue SW, Suite 1230, Calgary, Alberta, T2P 3C4, who will hold such rights as agent for the benefit of all such Ineligible Holders. See “*How to exercise the Rights? – Who is eligible to receive the Rights?*”

What does one Right entitle you to receive?

Each Right entitles you to subscribe for one (1) Common Share of the Company at a subscription price of \$0.01 per Common Share (the “**Basic Subscription Privilege**”) until 5:00 p.m. (Toronto time) on January 21, 2025.

If you exercise your Basic Subscription Privilege in full, you will also be entitled to subscribe *pro rata* for Common Shares (the “**Additional Common Shares**”) not otherwise purchased, if any, pursuant to the Basic Subscription Privilege (the “**Additional Subscription Privilege**”).

What is the subscription price?

\$0.01 per Common Share (the “**Subscription Price**”).

When does the offer expire?

5:00 p.m. (Toronto time) on January 21, 2025 (the “**Expiry Time**”).

What are the significant attributes of the Rights issued under the Offering and the securities to be issued upon the exercise of the Rights?

Each one (1) Right entitles you to subscribe for one (1) Common Share upon payment of the Subscription Price. We are authorized to issue an unlimited number of Common Shares, of which, as at the date hereof, 250,615,623 are issued and outstanding.

The holders of the Common Shares are entitled to receive notice of and to attend all meetings of shareholders of the Company and are entitled to one vote in respect of each Common Share held. The holders of the Common Shares are entitled to dividends (if and when declared by the directors of the Company), and to the distribution of the residual assets of the Company in the event of liquidation, dissolution or winding-up of the Company.

What are the minimum and maximum number or amount of Common Shares that may be issued under the Offering?

A maximum of 250,615,623 Common Shares will be issued under the Offering.

Pursuant to the Standby Commitment Agreement (as defined herein) the Standby Purchasers (as defined herein) have agreed to exercise their 58,256,014 Rights under their respective Basic Subscription Privileges and acquire up to 150,000,000 Common Shares not otherwise acquired under the Offering by holders of Rights, including pursuant to the Basic Subscription Privilege and the Additional Subscription Privilege. The Standby Purchasers' commitment is referred to herein as the "**Standby Commitment**". See "*Standby Commitment*" below.

Where will the Rights and the Common Shares issuable upon the exercise of the Rights be listed for trading?

The Common Shares are listed on the TSX Venture Exchange (the "TSXV") under the trading symbol "AUUA".

The Rights will trade on the TSXV under the trading symbol "AUUA.RT" until 12:00 p.m. (Toronto time) on January 21, 2025.

FORWARD-LOOKING STATEMENTS

This Circular contains forward-looking statements. All statements, other than statements of historical fact that address activities, events or developments that we believe, expect or anticipate will or may occur in the future are forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "could", "would", "should", "shall", "will", "expect", "is expected", "anticipate", "intend", "plan", "potential", "continue", "believe(s)", "estimate(s)" or variations (including negative variations) of such words and phrases. These forward-looking statements reflect our current expectations or beliefs based on information currently available to us. Forward-looking statements in this Circular include, without limitation, statements with respect to: our expectations regarding the estimated costs of the Offering and the net proceeds to be available upon completion of the Offering; the use of proceeds from the Offering; the listing of the Common Shares on the TSXV; the potential shareholdings of the Standby Purchasers following closing of the Offering, and our ability to continue as a going concern.

The forward-looking statements are based on a number of key expectations and assumptions made by the Company's management relating to the Company including, but not limited to: the completion of the

Offering; the estimated costs of the Offering; the estimated amount of funds raised under the Offering and/or the Standby Commitment; and the anticipated operating expenses of the Company for the 12 month period following the Expiry Time.

Forward-looking statements are subject to a number of risks and uncertainties that may cause the Company's actual results to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainties related to estimating the operating costs of the Company; uncertainties related to the closing of the Offering; the ability of the Standby Purchasers to terminate the Standby Commitment Agreements in certain circumstances; the uncertainty associated with estimating costs to complete the Offering, including those yet to be incurred; and other risks and uncertainties related to the Company's business and the Offering, including those described in the Company's public disclosure documents on SEDAR+ at www.sedarplus.com.

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although we believe that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to their inherent uncertainty.

USE OF AVAILABLE FUNDS

What will our available funds be upon the closing of the Offering?

The Company estimates that upon closing of the Offering, it will have the following available funds:

		Assuming Standby Commitment Only	Assuming 100% of Offering (through exercise of Rights and/or the Standby Commitment)
A	Amount to be raised by this Offering	\$2,082,560 ⁽¹⁾	\$2,506,156
B	Selling commissions and fees	Nil	Nil
C	Estimated Offering costs (e.g. legal, accounting, audit, filing fees)	\$100,000	\$100,000
D	Available funds: D = A - (B+C)	\$1,982,560	\$2,406,156
E	Additional sources of funding	Nil	Nil
F	Working capital deficit (as at October 31, 2024) ⁽²⁾	Nil	Nil
G	Total: G = (D+E) - F	\$1,982,560	\$2,406,156

Notes:

- (1) Under the Standby Commitment, the Standby Purchasers have agreed to: (i) exercise their 58,256,014 Rights under their respective Basic Subscription Privileges; and (ii) purchase up to an aggregate of 1,500,000 Common Shares under the Offering such that a minimum of \$2,082,560 is raised under the Offering. See “*Standby Commitment*”.
- (2) The Company had positive working capital of approximately \$1,000,000 as at October 31, 2024.

How will we use the available funds?

The proceeds of the Offering will be used in whole or in part to purchase machinery, pay debt when due, and for general working capital and corporate purposes, as further detailed herein. The Company expects that the proceeds of the Offering will be applied to the items set out in the table below.

Description of intended use of available funds listed in order of priority	Assuming Standby Commitment Only	Assuming 100% of Offering (through exercise of Rights and/or the Standby Commitment)
Capital purchases ⁽¹⁾	\$200,000	\$200,000
Investment in alternative manufacturing method ⁽²⁾	\$210,000	\$370,000
Loan repayment ⁽³⁾	\$200,000	\$200,000
Working capital and general corporate purposes ⁽⁴⁾	\$1,372,560	\$1,636,156
Total: (Equal to G above)	\$1,982,560	\$2,406,156

Notes:

- (1) The Company intends to use these funds to: purchase machinery and equipment to support product testing (approximately \$100,000); fund routine replacement of production facility machinery and equipment (approximately \$75,000); and purchase assets to support corporate IT infrastructure (approximately \$25,000).
- (2) The Company intends to use these funds to complete proof of concept regarding alternative methods of manufacturing fabrics at a wider width, which management of the Company anticipates will increase its sales opportunities.
- (3) This loan repayment is pursuant to a loan agreement with a related party lender, 0876991 B.C. Ltd., a company which is controlled by a director of the Company and a spouse of a director of the Company. The loan was for a total of \$1,000,000, \$200,000 of which is due and payable on January 1, 2025. The Company used proceeds of the loan for general corporate purposes.
- (4) The Company intends to use these funds primarily to purchase raw input materials needed to manufacture the Company’s finished goods. The Company also intends to use these proceeds to attract and retain staff, pursue research and development opportunities, and invest in brand development and awareness.

We intend to spend the available funds as stated. However, there may be circumstances where a reallocation of the funds may be necessary. We will reallocate funds only for sound business reasons.

How long will the available funds last?

Management of the Company anticipates that, in the case that only the Standby Commitment is met, the available funds will be sufficient to cover the Company’s anticipated expenses for the next 12 months, and together with ongoing funds flow from operations, to adequately meet planned growth and development activities over the same period.

INSIDER PARTICIPATION

Will insiders be participating?

The Standby Purchasers will participate in the Offering by exercising their Basic Subscription Privilege and fulfilling their obligations under the Standby Commitment Agreement. The Standby Purchasers are, or are entities controlled by, five current directors or officers of the Company who own an aggregate of approximately 58,256,014 of the Company's Common Shares.

Additionally, as of the date hereof, certain officers of the Company who own, directly or indirectly, an aggregate of 1,750,000 Common Shares have indicated their intentions to exercise Rights under their respective Basic Subscription Privileges. However, such insiders may alter their intentions before the Expiry Time, and no assurance can be given that these insiders will exercise their Rights to acquire any Common Shares.

Who are the holders of 10% or more of our securities before and after the Offering?

To the knowledge of the Company, as at the date hereof, the following persons beneficially own, directly or indirectly, or control or direct, 10% or more of the Company's securities.

Name	Holdings before the Offering	Holdings after the Offering if Full Standby Commitment is Exercised
Winston Ventures Inc. ⁽¹⁾	74,899,506 Common Shares (29.89%) ⁽²⁾	74,899,506 Common Shares ⁽³⁾ (16.32%) ⁽⁴⁾
Peter Berrang ⁽⁵⁾	48,203,516 Common Shares (19.23%) ⁽²⁾	106,407,032 Common Shares ⁽⁶⁾ (23.19%) ⁽⁴⁾
Gustavson Capital Corporation ⁽⁷⁾	6,720,498 Common Shares (2.68%) ⁽²⁾	135,940,996 Common Shares ⁽⁸⁾ (29.63%) ⁽⁴⁾

Notes:

- (1) A company controlled by Richard Myerscough, a director of the Company.
- (2) Based on 250,615,623 issued and outstanding Common Shares as of the date hereof.
- (3) Assumes that Winston Ventures Inc. exercises none of its Rights in the Offering. If Winston Ventures Inc. were to exercise all of its Rights, it would hold 149,799,012 Common Shares, or approximately 32.65% of the issued and outstanding Common Shares, after closing of the Offering.
- (4) Based on 458,871,637 issued and outstanding Common Shares, in the case that and no holder exercises Rights under the Offering other than the Standby Purchasers pursuant to the Standby Commitment.
- (5) Mr. Berrang is a director of the Company. Mr. Berrang's Common Shares are held through Epic Ventures Inc. (holds 13,847,423 Common Shares), Neo Ventures Inc. (holds 18,496,046 Common Shares), and Xlynx Materials Inc. (holds 15,860,047 Common Shares), all companies in which Mr. Berrang holds a controlling interest.
- (6) Assumes that Mr. Berrang exercises all of the Basic Subscription Privilege held by Epic Ventures Inc., and his full portion of the Standby Commitment.
- (7) A company controlled by Peter Gustavson, a director of the Company.
- (8) Assumes that Gustavson Capital Corp. exercises all of its Basic Subscription Privilege and its full portion of the Standby Commitment.

DILUTION

If you do not exercise your Rights, by how much will your security holdings be diluted?

If you do not exercise any of your Rights, your percentage ownership of the Common Shares will be diluted by a minimum of approximately 46%, in the event that no Rights are exercised other than pursuant to the Standby Commitment, up to a maximum of 50%, in the event that all 250,615,623 Common Shares are issued under the Offering.

STANDBY COMMITMENT

Who are the Standby Purchasers and what are the fees?

The Company entered into a standby commitment agreement dated December 2, 2024 (the “**Standby Commitment Agreement**”) with entities controlled by five directors and officers of the Company, Peter Gustavson, Peter Berrang, Jeremy South, Hannes Blum, and Tyler Cuthbert (the “**Standby Purchasers**”). The Standby Purchasers are all related parties of the Company. The Standby Purchasers currently own an aggregate of 58,256,014 Common Shares, or approximately 23.25% of the Company’s issued and outstanding Common Shares as of the date of this Circular.

Pursuant to the Standby Commitment Agreement, the Standby Purchasers have agreed to exercise their 58,256,014 Rights under their respective Basic Subscription Privileges, and thereafter, subscribe for up to 150,000,000 Common Shares offered under the Offering that are not otherwise subscribed for and purchased under the Offering, such that 208,256,014 Common Shares will be issued pursuant to the Standby Commitment, for aggregate minimum proceeds of \$2,082,560.

The Standby Commitment Agreement contains certain customary conditions precedent in favour of each of the Company and the Standby Purchasers that must be satisfied by February 2, 2025 (the “**Outside Date**”), and if any such conditions precedent are not satisfied (or waived by the applicable party) on or before the Outside Date, the Standby Purchase Agreement may be terminated by the party for which such unsatisfied (and un-waived) conditions precedent are in favour. Additionally, the Standby Purchase Agreement may be terminated by either the Company or the Standby Purchaser if the closing of the Offering has not occurred on or before the Outside Date. The Standby Purchase Agreement may also be terminated by the Standby Purchaser if a “Material Adverse Change” (as defined in the Standby Purchase Agreement) occurs with respect to the Company.

As consideration for providing the Standby Commitment, the Company will issue the Standby Purchasers non-transferrable bonus warrants (“**Bonus Warrants**”) equal in number to 17.5% of the total number of Common Shares which the Standby Purchasers have agreed to acquire under the Standby Commitment (which does not include the number of Common Shares the Standby Purchasers are entitled to subscribe for under their Basic Subscription Privileges and Additional Subscription Privileges). The Bonus Warrants will entitle the Standby Purchasers to acquire an aggregate of up to 26,250,000 Common Shares at an exercise price per Common Share of \$0.10 for a period of five years from the date of grant. The Standby Commitment Agreement was approved by the Company’s independent directors.

The foregoing is a summary of certain terms of the Standby Commitment Agreement and is qualified in its entirety by reference to the full text of the Standby Commitment Agreement, a copy of which will be filed on SEDAR+ and is available electronically under the Company’s issuer profile at www.sedarplus.ca.

In the event that the conditions precedent to the Standby Commitment Agreement are not satisfied or waived by the Outside Date, or the Standby Agreement is terminated by the Standby Purchasers or the

Company, the Company will not receive any funds from the Standby Purchasers and the Company will cancel the Offering. In such circumstances, or if the Offering is cancelled for any other reason, the Rights Agent will return all funds held to holders of Rights that have subscribed for Common Shares under the Offering without interest or deduction. See “*What happens if we do not proceed with the Offering or if we do not receive funds from the Standby Purchasers?*” for more information.

Have we confirmed that the Standby Purchasers have the financial ability to carry out their Standby Commitment?

The Company has confirmed that the Standby Purchasers have the financial ability to carry out their obligations under the Standby Commitment Agreement.

What are the security holdings of the standby guarantors before and after the Offering?

To the knowledge of the Company’s directors and executive officers, the Standby Purchaser’s holdings of Common Shares, before and after completion of the Offering, are as set out in the following table

Name	Holdings before the Offering	Holdings after the Offering if the Standby Purchasers purchase the entire Standby Commitment
Peter Berrang (directly, indirectly and/or control or direction)	48,203,516 Common Shares (19.23%) ⁽¹⁾	106,407,032 Common Shares (23.19%) ⁽²⁾
Peter Gustavson (directly, indirectly and/or control or direction)	6,720,498 Common Shares (2.68%) ⁽¹⁾	135,940,996 Common Shares (29.63%) ⁽²⁾
Jeremy South (directly, indirectly and/or control or direction)	1,666,000 Common Shares (<1%) ⁽¹⁾	8,332,000 Common Shares (1.82%) ⁽²⁾
Hannes Blum (directly, indirectly and/or control or direction)	1,666,000 Common Shares (<1%) ⁽¹⁾	10,832,000 Common Shares (2.36%) ⁽²⁾
Tyler Cuthbert (directly, indirectly and/or control or direction)	Nil Common Shares (0%) ⁽¹⁾	5,000,000 Common Shares (1.09%) ⁽²⁾

Notes:

- (1) Based on 250,615,623 issued and outstanding Common Shares as of the date hereof.
- (2) Based on 458,871,637 issued and outstanding Common Shares, assuming no Rights under the Offering are exercised other than pursuant to the Standby Commitment, which includes the Standby Purchasers exercising their Rights under the Standby Purchasers’ Basic Subscription Privileges.

MANAGING DEALER, SOLICITING DEALER AND UNDERWRITING CONFLICTS

Who is the managing or soliciting dealer and what are its fees?

The Company has not engaged any party to solicit the exercise of the Rights.

HOW TO EXERCISE THE RIGHTS

Subscriptions for Common Shares made in connection with this Offering, either directly or through a

Participant (as defined herein), will be irrevocable. However, in the event the Offering is terminated prior to the closing date for the Offering, including in the event the Company does not receive funds from the Standby Purchasers or the Standby Commitment Agreement is otherwise terminated, the Rights Agent will return all subscription funds delivered by subscribers without interest or deduction, whether under the Basic Subscription Privilege or Additional Subscription Privilege.

Who is eligible to receive Rights?

The Rights are offered only to Company shareholders resident in Eligible Jurisdictions (“**Eligible Holders**”). Shareholders will be presumed to be resident in the place of their registered address, unless the contrary is shown to our satisfaction. This Circular is not to be construed as an offering of the Rights, or the Common Shares issuable upon exercise of the Rights, for sale in any jurisdiction outside the Eligible Jurisdictions, including the United States (an “**Ineligible Jurisdiction**”), or to shareholders who are residents of an Ineligible Jurisdiction (“**Ineligible Holders**”), or a solicitation therein of an offer to buy any securities therein or thereto.

A DRS Advice (defined herein) will not be delivered to any Ineligible Holder, and Rights may not be exercised by or on behalf of an Ineligible Holder, unless such Ineligible Holder satisfies us that it is an Approved Ineligible Holder, as provided below. Instead, Ineligible Holders will be sent: (1) a letter advising them that their Rights will be held by the Rights Agent, who will hold such Rights as agent for the benefit of all such Ineligible Holders; and (2) an exempt purchaser status certificate (the “**Exempt Purchaser Status Certificate**”), whereby an Ineligible Holder can confirm that the delivery of their DRS Advice, and the exercise of their Rights, is lawful and complies with all applicable securities and other laws in the jurisdiction in which the Ineligible Holder resides. An Ineligible Holder that satisfies us that such offering to and subscription by such holder or transferee is lawful and in compliance with all applicable securities and other laws (including, without limitation, by delivering an Exempt Purchaser Status Certificate) (each an “**Approved Ineligible Holder**”) may have its DRS Advice issued and forwarded by the Rights Agent upon direction from us. The Rights Agent will hold the Rights until January 10, 2025 (11 days prior to the Expiry Time). Following such date, the Rights Agent for the account of Ineligible Holders will, prior to the Expiry Time, attempt to sell the Rights allocable to such Ineligible Holders and evidenced by DRS Advices in the possession of the Rights Agent on such date or dates and at such price or prices as the Rights Agent shall determine in its sole discretion.

No charge will be made for the sale of Rights by the Rights Agent except for a proportionate share of any brokerage commissions and the costs of or incurred by the Rights Agent in connection with the sale of the Rights. Registered Ineligible Holders will not be entitled to instruct the Rights Agent in respect of the price or the time at which the Rights are to be sold. The Rights Agent will endeavor to effect sales of Rights on the open market and any proceeds received by the Rights Agent with respect to the sale of Rights net of brokerage fees and costs incurred and, if applicable, the Canadian tax required to be withheld, will be divided on a *pro rata* basis among such registered Ineligible Holders and delivered by mailing cheques in Canadian funds as soon as practicable to such registered Ineligible Holders at their addresses recorded on the Company’s books. Amounts of less than \$10.00 will not be remitted. The Rights Agent will act in its capacity as agent of the registered Ineligible Holders on a best-efforts basis only and we and the Rights Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any registered Ineligible Holder. Neither we nor the Rights Agent will be subject to any liability for the failure to sell any Rights of registered Ineligible Holders or as a result of the sale of any Rights at a particular price or on a particular day. There is a risk that the proceeds received from the sale of Rights will not exceed the costs of or incurred by the Rights Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be remitted.

Holders of Rights should be aware that the acquisition and disposition of Rights or Common Shares may have tax consequences in Canada as well as the jurisdiction where they reside, which are not described herein. Accordingly, holders should consult their own tax advisors about the specific tax consequences to them of acquiring, holding and disposing of Rights or Common Shares having regard to their particular circumstances.

How does an Eligible Holder or Approved Ineligible Holder that is a registered holder participate in the Offering?

If you are a registered holder of Common Shares in an Eligible Jurisdiction, or an Approved Ineligible Holder, a statement issued by the Rights Agent under the direct registration system (the “**DRS Advice**”) representing the total number of transferable Rights to which you are entitled as at the Record Date will be mailed to you with a copy of the Notice. To exercise the Rights represented by the DRS Advice, you must complete the subscription form attached to the DRS Advice (the “**Subscription Form**”) and deliver the DRS Advice and Subscription Form in accordance with the instructions set out below. Rights not exercised at or prior to the Expiry Time will be void and of no value. The method of delivery is at the discretion and risk of the holder of the DRS Advice, and delivery to the Rights Agent will only be effective when actually received by the Rights Agent at the address set out herein. See “*Appointment of Rights Agent – Who is the Rights Agent?*”. **Subscription Forms and payments received after the Expiry Time will not be accepted.**

In order to exercise your Rights you must:

1. **Basic Subscription Privilege.** Complete Section (a) of Form 1 of the Subscription Form to exercise your Rights under the Basic Subscription Privilege. The maximum number of Rights that you may exercise under the Basic Subscription Privilege is shown on the face of the DRS Advice. If you exercise some but not all of the Rights exercisable under the Basic Subscription Privilege, you will be deemed to have waived the unexercised balance of such Rights, you will be deemed to have waived the unexercised balance of such Rights, unless you otherwise specifically advise the Rights Agent at the time the DRS Advice is surrendered to the Rights Agent.
2. **Additional Subscription Privilege.** Complete Section (b) of Form 1 on the Subscription Form only if you also wish to participate in the Additional Subscription Privilege. See “*How to Exercise the Rights – What is the Additional Subscription Privilege and how can you exercise this privilege?*” below.
3. **Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of “Odyssey Trust Company, as Rights Agent”.** To exercise the Rights, you must pay \$0.01 per Common Share. In addition to the amount payable for any Common Shares you wish to purchase under the Basic Subscription Privilege, you must also pay the amount required for any Common Shares subscribed for under the Additional Subscription Privilege. The Subscription Price may only be deposited with the Rights Agent in the form of a certified cheque, bank draft or money order payable to “*Odyssey Trust Company, as Rights Agent*”.
4. **Delivery.** Deliver the DRS Advice with the completed Subscription Form and payment addressed to the Rights Agent, at the address below, so that it is received by the Rights Agent before the Expiry Time. Please allow sufficient time to avoid late delivery. The address for the Rights Agent is as follows:

Odyssey Trust Company
300 5th Avenue SW
Suite 1230
Calgary AB, T2P 3C4
Attn: Mark Manalo

The method used to deliver a completed Subscription Form and subscription payment is at the option and risk of the subscriber, and delivery will be deemed effective only when such DRS Advice and Subscription Form and payment are actually received by the Rights Agent. Delivery by hand, or registered mail or courier service with return receipt requested and which is properly insured, allowing sufficient time to ensure timely delivery, is recommended. Deposit in the mail does not constitute delivery to the Rights Agent.

Any Eligible Holder, or Approved Ineligible Holder, that fails to complete their subscription in accordance with the foregoing instructions prior to the Expiry Time will forfeit their Rights under their Basic Subscription Privilege and, to the extent it applies, their Additional Subscription Privilege attaching to those Rights.

DRS Advices returned to the Rights Agent as undeliverable will be held by the Rights Agent until the Expiry Time, after which time the rights represented by such DRS Advices will be void and of no value and no longer be exercisable for any Common Shares. As a result, the Rights Agent will not sell or attempt to sell such undelivered Rights and no proceeds of sale will be credited to holders of such rights.

The signature on the Subscription Form must correspond in every particular with the name that appears on the face of the DRS Advice.

Signatures by a trustee, executor, administrator, guardian, attorney, officer of a company or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Rights Agent. We will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription in our sole discretion. **Subscriptions are irrevocable.** We reserve the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be unlawful. We also reserve the right to waive any defect in respect of any particular subscription. Neither we nor the Rights Agent are under any duty to give any notice of any defect or irregularity in any subscription, nor will we be liable for the failure to give any such notice.

How does an Eligible Holder that is not a registered holder participate in the Offering?

You are a beneficial Eligible Holder if: (i) you hold your Common Shares through a securities broker or dealer, bank or trust company or other participant (each, a “**Participant**”) in the book-based system administered by CDS Clearing and Depository Services Inc. (“**CDS**”); and (ii) you are resident in an Eligible Jurisdiction. The total number of Rights to which all beneficial Eligible Holders as at the Record Date are entitled will be issued to CDS and will be deposited with CDS following the Record Date. We expect that each beneficial Eligible Holder will receive a confirmation of the number of rights issued to it from its Participant in accordance with the practices and procedures of that Participant. CDS will be responsible for establishing and maintaining book-entry accounts for Participants holding rights. Beneficial Eligible Holders will not receive physical DRS Advices.

Neither we nor the Rights Agent will have any liability for (i) the records maintained by CDS or Participants relating to the Rights or the book-entry accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such Rights, or (iii) any advice or representations made

or given by CDS or Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or Participants. The ability of a person having an interest in Rights held through a Participant to pledge such interest or otherwise take action with respect to such interest (other than through a Participant) may be limited due to the lack of a physical DRS Advice. Holders of Rights that hold such Rights through a Participant must arrange exercises of Rights through their Participant.

If you are a beneficial Eligible Holder:

1. To exercise your Rights held through a Participant, you must instruct such Participant to exercise all or a specified number of such Rights, and forward to such Participant, the Subscription Price for each Common Share that you wish to subscribe for.
2. You may subscribe for Additional Common Shares pursuant to the Additional Subscription Privilege by instructing such Participant to exercise the Additional Subscription Privilege in respect of the number of Additional Common Shares you wish to subscribe for, and forwarding to such Participant the Subscription Price for such Additional Common Shares requested.

If you are a beneficial Eligible Holder, and you would like to exercise your Rights, you must deliver the instructions and subscription funds to your Participant sufficiently in advance of the Expiry Time to allow the Participant to properly exercise the Rights on your behalf.

How does an Approved Ineligible Holder that is not a registered holder participate in the Offering?

Rights delivered to Participants cannot be delivered by those intermediaries to beneficial Rights holders who are resident in an Ineligible Jurisdiction. Participants may only exercise such Rights on behalf of Rights holders in Ineligible Jurisdictions if the Participant can demonstrate to the Company that such holders are Approved Ineligible Holders, and they have submitted payment in full of the Subscription Price to the Rights Agent at or prior to the Expiry Time. Participants receiving Rights that would otherwise be deliverable to Ineligible Holders may attempt to sell those Rights for the accounts of such Ineligible Holders and should deliver the proceeds of sale to such persons. Participants are responsible for any action pertaining to Rights that may have been received on behalf of beneficial Rights holders who are not eligible to participate in the Offering. We expect that each beneficial Ineligible Holder will receive, in accordance with the practices and procedures of the Participant, a confirmation of the number of Rights issued to it from its Participant and instructions regarding how Ineligible Holders may participate in the Offering.

There is a risk that the proceeds received from the sale of Rights will not exceed the costs of or incurred by the Participant in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld.

What is the Additional Subscription Privilege and how can you exercise this privilege?

Each Rights holder who has exercised all of its Basic Subscription Privilege may exercise additional Rights, if available, at a price equal to the Subscription Price. The number of additional Rights available will be the difference, if any, between the total number of Rights that are issued pursuant to the Offering and the total number of Rights validly exercised and paid for pursuant to the Basic Subscription Privilege at the Expiry Time.

If the aggregate number of Additional Common Shares subscribed for by those who exercise their Additional Subscription Privilege is less than the number of available Additional Common Shares, each

such holder of Rights will be allotted the number of Additional Common Shares subscribed for under the Additional Subscription Privilege.

If the aggregate number of Additional Common Shares subscribed for by those who exercise their Additional Subscription Privilege exceeds the number of available Additional Common Shares, each such holder of Rights will be entitled to receive the number of Additional Common Shares equal to the lesser of:

1. the number of Additional Common Shares subscribed for by the holder under the Additional Subscription Privilege; and
2. the product (disregarding fractions) obtained by multiplying the aggregate number of Additional Common Shares available through unexercised Rights by a fraction, the numerator of which is the number of Rights previously exercised by the holder and the denominator of which is the aggregate number of Rights previously exercised by all holders of Rights who have subscribed for Additional Common Shares under the Additional Subscription Privilege.

Registered holders of Rights

If you exercise all of your Rights under the Basic Subscription Privilege, you may subscribe for Additional Common Shares that have not been subscribed and paid for pursuant to the Basic Subscription Privilege pursuant to the Additional Subscription Privilege.

If you wish to exercise the Additional Subscription Privilege, you must: (i) exercise your Basic Subscription Privilege in full by completing Section (a) of Form 1 on the Subscription Form for the maximum number of Common Shares that you may subscribe for; and (ii) complete Section (b) of Form 1 on the Subscription Form, specifying the number of Additional Common Shares desired.

Send the Subscription Price for Additional Common Shares under the Additional Subscription Privilege (in addition to the Subscription Price payable for the Common Shares purchased under the Basic Subscription Privilege) subscribed for under the Basic Subscription Privilege and the Additional Subscription Privilege together with your DRS Advice and Subscription Form to the Rights Agent. The purchase price is payable in Canadian funds by certified cheque, bank draft or money order payable to the order of “*Odyssey Trust Company, as Rights Agent*”. These funds will be placed in a segregated non-interest-bearing account pending allocation of the Additional Common Shares. If you are allocated less Additional Common Shares than you provided payment for, the excess funds will be returned to you by mail without interest or deduction.

Beneficial holders of Rights

If you are a beneficial holder of Rights through a Participant in CDS and you wish to exercise your Additional Subscription Privilege, you must deliver your payment and instructions to the Participant sufficiently in advance of the Expiry Time to allow the Participant to properly exercise the Additional Subscription Privilege on your behalf. See “*How does an Eligible Holder that is not a registered holder participate in the Offering?*” for more information.

How does a Rights holder sell or transfer Rights?

The Rights will trade on the TSXV under the trading symbol “AUUA.RT” until 12:00 p.m. (Toronto time) on January 21, 2025.

Registered holders of Rights

If you do not wish to exercise your Rights, you may sell or transfer them directly to another party, or through the TSXV through your stockbroker or investment dealer at your expense, subject to any applicable resale restrictions (see “*Are there restrictions on the resale of securities?*” below). You may elect to exercise a part only of your Rights and dispose of the remainder or dispose of all your Rights. Any commission or other fee payable in connection with the exercise or any trade of Rights (other than the fee for services to be performed by the Rights Agent as described herein) will be your responsibility, and depending on the number of Rights you may wish to sell, the commission payable in connection with a sale of Rights could exceed the proceeds received from such sale.

If you wish to transfer your rights directly to another party, not through the facilities of the TSXV, you must: (a) complete Forms 3, 4, and 5 (the “**Transfer Forms**”) on the Subscription Form; (b) have the signature guaranteed by an “eligible institution” to the satisfaction of the Rights Agent; and (c) deliver the DRS Advice and Subscription Form to the transferee. For this purpose, in Canada, *eligible institution* means a Canadian Schedule 1 chartered bank, a major trust company in Canada, a member of the Securities Transfer Agents Medallion Program or a member of the Stock Exchange Medallion Program. Members of these programs are usually members of a recognized stock exchange in Canada or members of the Canadian Investment Regulatory Organization.

It is not necessary for a transferee to obtain a new DRS Advice and Subscription Form to exercise the Rights or the Additional Subscription Privilege, but the signature of the transferee on Form 2 must correspond in every particular with the name of the transferee shown on the Transfer Forms. If the Transfer Forms are properly completed, the Company and the Rights Agent will treat the transferee as the absolute owner of the DRS Advice and Subscription Form for all purposes and will not be affected by notice to the contrary. A DRS Advice and Subscription Form so completed should be delivered to the appropriate person in ample time for the transferee to use it before the Expiry Time.

Beneficial holders of Rights

If you hold Common Shares through a Participant and do not wish to exercise some or all of your Rights, you may arrange for the sale or transfer of Rights through that Participant at your expense, subject to any applicable resale restrictions. See “*Are there restrictions on the resale of securities?*” for more information.

When can you trade securities issuable upon the exercise of your Rights?

The Common Shares issuable upon the exercise of your Rights will be listed on the TSXV under the trading symbol “AUUA” and will be available for trading as soon as practicable following closing of the Offering.

Are there restrictions on the resale of securities?

Rights and the Common Shares issuable upon exercise of such Rights distributed to shareholders in the Eligible Jurisdictions may be resold without hold period restrictions under the applicable securities laws of the Eligible Jurisdictions provided that: (i) the sale is not by a “control person” of the Company; (ii) no unusual effort is made to prepare the market or create a demand for the securities being resold; (iii) no extraordinary commission or consideration is paid to a person or company in respect of the resale; and (iv) if the selling security holder is an insider or officer of the Company, the selling security holder has no reasonable grounds to believe that the Company is in default of applicable securities legislation.

There may be further restrictions on the Rights or Common Shares acquired by Approved Ineligible Holders in Ineligible Jurisdictions, including the United States, subject to the laws of that respective jurisdiction.

The Rights and the Common Shares issuable upon exercise of the Rights have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States. Accordingly, the Rights and Common Shares issuable upon exercise thereof may not be offered, sold, pledged or transferred, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, absent an exemption from United States federal and state registration requirements. “United States” and “U.S. person” are as defined in Regulation S under the U.S. Securities Act.

The foregoing is a summary only and is not intended to be exhaustive. Holders of Rights should consult with their professional advisors concerning restrictions on resale and should not resell any of the Securities until they have determined that any such resale is in compliance with the requirements of applicable legislation.

Will we issue fractional underlying securities upon exercise of the Rights?

No. Where the exercise of Rights would appear to entitle a holder of Rights to receive a fractional Common Share, the holder’s entitlement will be reduced to the next lowest whole number of Common Shares, with no additional compensation.

APPOINTMENT OF RIGHTS AGENT

Who is the Rights Agent and Depository?

Odyssey Trust Company is the rights agent and depository for the Offering. The Rights Agent has been appointed to (i) receive subscriptions and payments for the Common Shares and Additional Common Shares subscribed for under the Basic Subscription Privilege and the Additional Subscription Privilege, respectively; (ii) perform the services relating to the exercise and transfer of the Rights; and (iii) use its commercially reasonable efforts to sell Rights issued to Ineligible Holders and to deliver the proceeds thereof to such Ineligible Holders.

What happens if we do not receive funds from the Standby Purchasers or if the Offering is otherwise terminated?

If the Offering is terminated, including because the Company does not receive funds from the Standby Purchasers or the Standby Commitment Agreement is otherwise terminated, the Rights Agent will return all funds held by it to holders of Rights that have already subscribed for Common Shares in connection with the Offering, without interest or deduction.

ADDITIONAL INFORMATION

Where can you find more information about us?

You can access our continuous disclosure documents filed with Canadian securities regulators under our SEDAR+ issuer profile at www.sedarplus.ca. You can also find more information about us at our website, www.aluula.com.

MATERIAL FACTS AND MATERIAL CHANGES

There is no material fact or material change about the issuer that has not been generally disclosed.