

Interim Condensed Consolidated Financial Statements of
(Expressed in Canadian dollars, unless otherwise noted)

ALUULA COMPOSITES INC.

For the three months ended January 31, 2025 and 2024
(Unaudited)

Notice of No Auditor Review of the Interim Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

ALUULA COMPOSITES INC.

Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian dollars, unless otherwise noted)
(Unaudited)

	Note	January 31 2025	October 31 2024
Assets			
Current assets:			
Cash and cash equivalents		\$ 2,918,878	\$ 857,011
Trade and other receivables	4	789,983	1,032,754
Inventory	5	1,481,036	1,098,320
Prepaid expenses and other current assets		97,788	71,109
Assets related to discontinued operations	17	382,722	672,808
		<u>5,670,407</u>	<u>3,732,002</u>
Property and equipment	6	634,000	697,291
Intangible assets	7	3,552,000	3,618,375
Other long-term assets		22,693	22,693
Investments		-	187,500
Goodwill		4,037,139	4,037,139
		<u>\$ 13,916,239</u>	<u>\$ 12,295,000</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	8	\$ 1,193,398	\$ 981,067
Customer deposits		53,425	44,251
Current portion of long-term debt	9	121,131	114,522
Current portion of loan from related party	10	800,000	200,000
Current portion of lease obligations		140,595	139,346
Deferred tax liability		946,800	964,442
Liabilities related to discontinued operations	17	50,106	420,826
		<u>3,305,455</u>	<u>2,864,454</u>
Long-term debt	9	407,378	442,153
Long-term loan from related party	10	-	800,000
Lease obligations		96,557	132,177
		<u>3,809,390</u>	<u>4,238,784</u>
Shareholders' equity:			
Share capital	14	18,307,490	16,466,950
Contributed surplus		2,373,356	1,788,547
Deficit		(10,573,997)	(10,199,281)
		<u>10,106,849</u>	<u>8,056,216</u>
Subsequent Events	18		
		<u>\$ 13,916,239</u>	<u>\$ 12,295,000</u>

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

Approved on behalf of the Board:

"Peter Gustavson" Director

"Jeremy South" Director

ALUULA COMPOSITES INC.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, unless otherwise noted)
(Unaudited)

For the three months ended	Note	January 31 2025	January 31 2024 <i>(Restated Note 17)</i>
Sales		\$ 1,261,529	\$ 1,997,279
Cost of sales		693,782	1,095,652
Gross profit		567,747	901,627
Operating expenses:			
Salaries and benefits		552,840	376,270
General and administrative		170,655	171,637
Marketing		12,117	77,522
Research and development		36,173	26,765
Share-based compensation	15	47,745	30,838
		819,530	683,032
Income (loss) before interest, tax and amortization		(251,783)	218,595
Other income	11	7,772	7,797
Interest expense		(38,151)	(21,792)
Depreciation of property and equipment	6	(38,426)	(46,574)
Amortization of intangible assets	7	(66,375)	(66,300)
Income (loss) from continued operations before tax		(386,963)	91,726
Deferred tax recovery		17,642	25,859
Net and comprehensive income (loss) from continued operations		(369,321)	117,585
Net loss and comprehensive loss from discontinued operations	17	(5,395)	(346,557)
Net loss and comprehensive loss		\$ (374,716)	\$ (228,972)
Loss per share:			
Basic and diluted net loss per share - continued operations		\$ (0.00)	\$ 0.00
Basic and diluted net loss per share - discontinued operations		\$ (0.00)	\$ (0.00)
Weighted average number of common shares			
Basic and diluted		278,155,801	250,565,623

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

ALUULA COMPOSITES INC.

Interim Condensed Consolidated Statements of Changes in Equity
 (Expressed in Canadian dollars, unless otherwise noted)
 (Unaudited)

	Shares outstanding	Share capital	Contributed Surplus	Deficit	Total shareholders' equity
Balance, October 31, 2023	250,565,623	\$ 16,460,950	\$ 1,674,620	\$ (6,263,086)	\$ 11,872,484
Share-based compensation (Note 15)	-	-	30,838	-	30,838
Net loss	-	-	-	(228,972)	(228,972)
Balance, January 31, 2024	250,565,623	\$ 16,460,950	\$ 1,705,458	\$ (6,492,058)	\$ 11,674,350
Balance, October 31, 2024	250,615,623	\$ 16,466,950	\$ 1,788,547	\$ (10,199,281)	\$ 8,056,216
Share-based compensation (Note 15)	-	-	47,745	-	47,745
Rights Offering (Note 14)	250,615,617	1,840,540	537,064	-	2,377,604
Net loss	-	-	-	(374,716)	(374,716)
Balance, January 31, 2025	501,231,240	\$ 18,307,490	\$ 2,373,356	\$ (10,573,997)	\$ 10,106,849

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

ALUULA COMPOSITES INC.

Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian dollars, unless otherwise noted)
(Unaudited)

For the three months ended	Note	January 31 2025	January 31 2024
Cash flows used in operating activities:			
Net and comprehensive income (loss) - continued operations		\$ (369,321)	\$ 117,585
Items not involving cash:			
Depreciation of property and equipment	6	38,426	46,574
Depreciation of property and equipment included in inventory	6	29,633	17,740
Amortization of intangible assets	7	66,375	66,300
Share-based compensation	15	47,745	30,838
Accretion of and accrued interest on loans and leases		10,506	11,390
Changes in non-cash working capital items:			
Trade and other receivables	4	242,771	(411,679)
Inventory	5	(382,716)	(16,772)
Deferred taxes receivable		(17,642)	(25,859)
Prepaid expenses		(26,679)	(1,263)
Trade and other payables	8	212,331	92,171
Customer deposits		9,174	(9,566)
Cash flows used in operating activities - continued operations		(139,397)	(82,887)
Cash flows used in operating activities - discontinued operations		(13,509)	(419,653)
Total cash flows used in operating activities		(152,906)	(502,540)
Cash flows from investing activities:			
Acquisition of property and equipment	6	(4,768)	(21,465)
Proceeds from sale of investments		187,500	-
Acquisition of intangible assets	7	-	(2,669)
Cash flows from (used in) investing activities - continued operations		182,732	(24,134)
Cash flows from investing activities - discontinued operations		-	30,084
Total cash flows from investing activities		182,732	5,950
Cash flows from financing activities:			
Issuance of share capital	14	2,506,156	-
Transaction costs from share issuance	14	(128,553)	-
Repayment of loan from related party	10	(200,000)	-
Repayment of long-term debt	9	(36,456)	-
Payments for principal portion of lease obligations		(36,587)	(35,162)
Proceeds of loan from related party	10	-	1,000,000
Cash flows from financing activities - continued operations		2,104,560	964,838
Cash flows used in financing activities - discontinued operations		(72,519)	(55,791)
Total cash flows from financing activities		2,032,041	909,047
Increase in cash and cash equivalents		2,061,867	412,457
Cash and cash equivalents, beginning of period		857,011	773,368
Cash and cash equivalents, end of period		\$ 2,918,878	\$ 1,185,825

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

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

1. Nature of operations:

Aluula Composites Inc. (“Aluula” or the “Company”) is domiciled in Victoria, BC Canada, with a registered office at 300-4240 Glanford Avenue. The Company’s subsidiary Aluula Composites Canada Inc. (“ACI”) has developed and patented an innovative process for manufacturing ultra-strong, lightweight and recyclable composite materials for use across various industries. ACI’s subsidiary, Ocean Rodeo Sports Inc. (“Ocean Rodeo”), purchases finished products containing these ALUULA composite materials from its manufacturer and sells them within the windsport sector.

On April 29, 2024, the Company’s Board of Directors approved a mandate to sell specific assets used in Ocean Rodeo’s business and discontinue its operations. Accordingly, Ocean Rodeo meets the criteria of a discontinued operation under IFRS 5 – *Non current assets held for sale and discontinued operations*.

In order to simplify its organizational structure, on August 1, 2024, Aluula was amalgamated with its wholly owned subsidiary ACI. The newly amalgamated entity will carry on business under the legal name Aluula Composites Inc.

2. Basis of preparation:

(a) Statement of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These interim condensed consolidated financial statements were approved by the Board of Directors for issue on March 26, 2025.

(b) Basis of measurement:

These interim condensed consolidated financial statements have been prepared on a going concern basis, under the historical cost basis except for certain financial instruments that are measured at fair value as detailed in the Company’s material accounting policy information.

(c) Basis of consolidation:

These interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Ocean Rodeo. A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and deconsolidated from the date that control ceases. All significant intercompany transactions are eliminated on consolidation.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

2. Basis of preparation (continued):

(d) Functional and presentation currency:

These interim condensed consolidated financial statements are presented in Canadian Dollars, which is the Company and its subsidiary's functional currency. Each entity in the Company maintains its accounting records in its functional currency. An entity's functional currency is the currency of the principal economic environment in which it operates.

Transactions in currencies other than the functional currency are recorded at the rates of exchange at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the period end date. Non-monetary items that are measured in terms of historical cost are translated using historical rates. All gains and losses on translation of those foreign currency transactions are recorded in the consolidated statement of comprehensive income (loss).

(e) Discontinued operations:

Discontinued operations are reported when a component of the Company, representing a separate major line of business or area of operations with clearly distinguishable cash flows, has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Discontinued operations are reported as a separate element of net income or loss on the consolidated statements of income (loss) for both the current and comparative periods. When a disposal group is classified as held for sale, assets and liabilities are aggregated and presented as separate line items, respectively, on the consolidated statement of financial position. Comparative periods are not restated on the consolidated statement of financial position. Assets held for sale are not depreciated and are measured at the lower of carrying value and fair value less costs to sell.

(f) Estimates and judgements:

The preparation of these interim condensed consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgements and assumptions that affect the application of accounting methods and the amounts recognized in the interim condensed consolidated financial statements. These estimates and the underlying assumptions are established and reviewed continuously on the basis of past experience and other factors considered reasonable in the circumstances. Actual results may differ from the estimates.

Significant judgements and estimates relate to:

(i) Allowance for credit losses:

Credit losses are measured using the Expected Credit Loss ("ECL") methodology which requires the recognition of credit losses based on up to 12 months of expected losses for financial assets and the recognition of lifetime losses for those financial assets that have experienced a significant increase in credit risk since origination.

The determination of a significant increase in credit risk takes into account many different factors including relative changes in probability of default since origination. In determining whether there has been a significant increase in credit risk and in calculating the amount of ECL, the Company must rely on estimates and exercise judgement regarding matters for which the ultimate outcome is unknown. These judgements include changes in circumstances that may cause future assessments of credit risk to be materially different from current

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

2. Basis of preparation (continued):

(f) Estimates and judgements (continued):

(i) Allowance for credit losses (continued):

assessments, which could require an increase or decrease in the allowance for credit losses.

To calculate ECL, the Company analyzes receivable balances by age, geography and customer-type and applies a historical default percentage. Amounts that are known to be uncollectible are written off when identified.

(ii) Valuation of inventory:

Valuing inventory requires the Company to estimate future retail sales prices and reductions, future customer product demand, inventory losses or shrinkage, vendor rebates based on volume purchases and the probability that funds will be collected from vendors. If actual losses on inventory differ from those estimated, inventory and consolidated comprehensive income (loss) will be affected in future periods.

(iii) Internally generated assets:

The Company undertakes many research and development projects as part of its regular operations. Significant judgement is required to distinguish between the research and development phases of these projects. Development costs are only recognized as an asset when the relevant capitalization criteria under IAS 16 or IAS 38 are met.

(iv) Long-lived assets valuation:

Aluula determines the estimated useful lives and residual values of long-lived assets to calculate amortization and depreciation. This estimate is determined by considering a typical life cycle for the asset, expected usage levels, and expected maintenance levels. Useful lives and residual values are reviewed annually, and future depreciation charges are adjusted where management believes the outcomes differ from previous estimates.

Goodwill and indefinite life intangible assets are tested for impairment annually. Goodwill, indefinite life intangibles, property and equipment, and definite life intangibles are also tested for impairment when circumstances indicate that impairment may exist. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying Cash Generating Units ("CGUs") for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of:

- (i) value in use; or
- (ii) fair value less selling costs.

Determination of the recoverable amount involves significant assumptions, including those with respect to future cash inflows and outflows, discount rates, terminal growth rates, royalty rates, and useful lives of assets. These assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life assets recognized in future periods.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

2. Basis of preparation (continued):

(f) Estimates and judgements (continued):

(v) *Provision for warranty returns:*

Aluula provides customers with a general warranty that composite materials shipped will materially conform to product specifications, as agreed to in advance with the customer. This general warranty does not apply to samples or development material which are provided on an “as is” basis without warranty. Non-conformance with product specifications must be identified prior to the composite materials being cut or incorporated into the customer’s product. The Company, at its sole discretion, will accept the return of non-conforming materials and replace with conforming materials or provide a refund (or credit) to the customer for the price paid for the non-conforming materials. Aluula has made certain assumptions to estimate future expected warranty claims. The Company’s historical experience with warranties across product lines as well as industry averages have been used to estimate the warranty provision.

Ocean Rodeo provides its customers with a limited warranty of up to twenty-four months depending on the consumers’ geographic location. Inventory sold since operations were discontinued do not carry a warranty as sales are on an “as is” basis. The Company has made certain assumptions to estimate the warranty provision.

(vi) *Share-based compensation:*

Share-based compensation is measured at fair value using the Black-Scholes option pricing model. Aluula uses judgement when determining inputs for the model, including expected lives, underlying share price volatility and forfeiture rates. Changes to the assumptions used in determining inputs will impact the calculation of fair value and the amount of compensation expense recognized in earnings. Any impact due to a change in estimate is recognized in earnings in the year that it occurs.

(vii) *Leases:*

The Company applies judgement in assessing whether a contract is or contains a lease. Such judgements include the determination of whether an asset is specifically or implicitly identified in the contract, whether the Company has the right to obtain substantially all the economic benefits from use of the asset and whether the Company has the right to direct the use of the asset. These judgements are made at the inception of a contract and may change if there are material changes to the agreement.

Estimates are used to determine the incremental borrowing rate of a lease when the interest rate implicit to the lease is not readily available. The Company’s incremental borrowing rate is determined using a model which incorporates the Company’s creditworthiness, the nature and quality of the underlying asset, and the duration of the lease. The inputs used in determining the incremental borrowing rate are reviewed and updated periodically. Changes to these estimates may affect the value of assets, liabilities and net earnings in the future.

The Company also applies judgement in determining whether it is reasonably certain to exercise lease extensions options or purchase options in a contract by considering all relevant factors and circumstances that may create an economic incentive for the Company to exercise the option considering such factors as past experience, contract terms and conditions and the importance of the underlying assets to the Company’s operations.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

2. Basis of preparation (continued):

(f) Estimates and judgements (continued):

(viii) *Deferred income tax assets and liabilities:*

Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carryforwards also comprise a portion of the temporary differences and result in a deferred income tax asset. Deferred income tax assets are only recognized to the extent that management considers it probable that a deferred income tax asset will be realized. The assessment for the recognition of a deferred tax asset requires significant judgement. The factors used to assess the likelihood of realization are the Company's forecasts of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next.

(ix) *Measurement of fair values:*

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company uses observable market data to the extent possible. Where fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are required to establish fair values. Changes in assumptions about the inputs of these models could affect the reported fair value of the Company's financial and non-financial assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in the associated notes to the interim condensed consolidated financial statements.

(x) *Revenue recognition:*

Revenue is recognized when the criteria in IFRS 15 are met, the timing of which requires judgement by management. This judgement includes whether collection of receivables is reasonably assured, and whether control has passed from the Company to the customer. The timing of change of control is estimated based on historical results using assumptions for the time of delivery based on shipping terms, date, and destination. Actual timing of the change of control could vary from the estimates made.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended January 31, 2025 and 2024
(Unaudited)

2. Basis of preparation (continued):

(f) Estimates and judgements (continued):

(xi) *Valuation of assets and liabilities acquired in a business combination:*

In a business combination, the Company may acquire the assets and assume certain liabilities of an acquired entity. Estimates of fair values of these assets and liabilities involves judgement and a variety of assumptions to be made, including analysis of relevant market expectations, estimates surrounding the costs to acquire or create a similar asset, expected net future cash flows, and appropriate discount rates. Intangible assets acquired in a business combination are measured using a discounted cash flow approach. The discounted cash flow approach is a valuation technique that calculates the fair value of an intangible asset based on the present value of future cash flows that the asset can be expected to generate in the future.

(xii) *Assets held for sale:*

The determination as to whether a disposal group meets the requirements to be classified as held for sale, and the assets and liabilities to be included within that disposal group, requires management to exercise judgment. Aluula must also exercise judgement when determining at what date all of the criteria are satisfied for assets to be classified as held for sale. The Company must also use estimates when determining the fair value less costs to sell of the disposal group to assess if the carrying value of the disposal group is greater than its recoverable amount.

3. Summary of material accounting policy information:

The significant accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with the accounting policies disclosed in Note 3 to the audited consolidated financial statements for the years ended October 31, 2024 and 2023.

4. Trade and other receivables:

Trade and other receivables are comprised of the following:

	January 31 2025	October 31 2024
Trade receivables	\$ 832,193	\$ 927,492
Government receivables	38,726	93,815
Other receivables	-	63,983
Sales return allowance	(26,086)	(26,086)
Expected credit losses	(54,850)	(26,450)
	<u>\$ 789,983</u>	<u>\$ 1,032,754</u>

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

4. Trade and other receivables (continued):

Trade receivables net of expected credit losses outstanding at January 31, 2025 and October 31, 2024 were aged as follows:

	January 31 2025	October 31 2024
Current	\$ 438,546	\$ 811,469
30 - 60 days	232,241	25,844
60 - 90 days	75,022	47,043
Over 90 days	31,534	16,686
	<u>\$ 777,343</u>	<u>\$ 901,042</u>

The following table summarizes the change in sales return allowances for the period:

	January 31 2025	October 31 2024
Opening balance	26,086	\$ -
Additional provisions during the period	-	62,092
Amounts used during the period	-	-
Reversal of previous allowance	-	(36,006)
	<u>\$ 26,086</u>	<u>\$ 26,086</u>

The following table summarizes the change in expected credit losses for the period:

	January 31 2025	October 31 2024
Opening balance	\$ 26,450	\$ 3,478
Additional provisions during the period	31,494	641,737
Amounts used during the period	-	(615,245)
Unused amounts reversed	(3,094)	(3,520)
	<u>\$ 54,850</u>	<u>\$ 26,450</u>

Amounts used during the fiscal 2024 period relate to one customer receivable aged past 90 days that was deemed uncollectible as a result of the decision to discontinue Ocean Rodeo's operations.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

5. Inventory:

Inventory is comprised of the following:

	January 31 2025	October 31 2024
Raw materials	\$ 1,078,222	\$ 844,736
Finished goods - composite materials	211,989	253,584
	<u>\$ 1,481,036</u>	<u>\$ 1,098,320</u>

During the three months ended January 31, 2025, inventories totalling \$630,827 (October 31, 2024 - \$3,418,614) and inventory write-downs totalling \$nil (October 31, 2024 - \$77,839) were expensed in cost of sales. There were no reversals of write-downs from previous periods.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

6. Property and equipment:

	Furniture and equipment	Computer equipment	Leasehold improvements	Machinery and equipment	Right-of-use buildings	Total
Cost						
Balance, October 31, 2023	\$ 18,669	\$ 20,338	\$ 7,304	\$ 682,693	\$ 646,453	\$ 1,375,457
Additions	21,960	12,987	-	67,610	-	102,557
Disposals	-	-	-	(42,521)	-	(42,521)
Balance, October 31, 2024	40,629	33,325	7,304	707,782	646,453	1,435,493
Additions	-	4,624	-	144	-	4,768
Disposals	-	-	-	-	-	-
Balance, January 31, 2025	\$ 40,629	\$ 37,949	\$ 7,304	\$ 707,926	\$ 646,453	\$ 1,440,261
Accumulated depreciation						
Balance, October 31, 2023	\$ 3,044	\$ 10,948	\$ 2,131	\$ 193,519	\$ 275,538	\$ 485,180
Depreciation	1,909	8,282	1,458	123,301	127,169	262,119
Disposals	-	-	-	(9,097)	-	(9,097)
Balance, October 31, 2024	4,953	19,230	3,589	307,723	402,707	738,202
Depreciation	1,268	2,637	365	31,996	31,793	68,059
Disposals	-	-	-	-	-	-
Balance, January 31, 2025	\$ 6,221	\$ 21,867	\$ 3,954	\$ 339,719	\$ 434,500	\$ 806,261
Carrying amounts:						
Balance, October 31, 2024	\$ 35,676	\$ 14,095	\$ 3,715	\$ 400,059	\$ 243,746	\$ 697,291
Balance, January 31, 2025	\$ 34,408	\$ 16,082	\$ 3,350	\$ 368,207	\$ 211,953	\$ 634,000

During the three months ended January 31, 2025, \$29,633 (October 31, 2024, – \$89,747) of depreciation was included in the cost of finished goods inventory.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended January 31, 2025 and 2024
(Unaudited)

7. Intangible assets:

		Patents and Licenses	Trademarks	Total
Cost				
Balance, October 31, 2023	\$	4,174,340	\$ 15,851	\$ 4,190,191
Additions		17,796	3,002	20,798
Disposals		(61,625)	(3,287)	(64,912)
Balance, October 31, 2024		4,130,512	15,565	4,146,077
Additions		-	-	-
Disposals		-	-	-
Balance, January 31, 2025	\$	4,130,512	\$ 15,565	\$ 4,146,077
Accumulated amortization				
Balance, October 31, 2023	\$	264,453	\$ 149	\$ 264,602
Amortization		265,978	38	266,016
Disposals		(2,916)	-	(2,916)
Balance, October 31, 2024		527,515	187	527,702
Amortization		66,366	9	66,375
Disposals		-	-	-
Balance, January 31, 2025	\$	593,881	\$ 196	\$ 594,077
Carrying amounts:				
Balance, October 31, 2024	\$	3,602,997	\$ 15,378	\$ 3,618,375
Balance, January 31, 2025	\$	3,536,631	\$ 15,369	\$ 3,552,000

As at January 31, 2025, intangible assets with a cost of \$9,973 (October 31, 2024 - \$9,973) were recorded for patents, licenses or trademarks management expects to be granted but were still pending approval.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended January 31, 2025 and 2024
(Unaudited)

8. Trade and other payables:

Trade and other payables are comprised of the following:

	January 31, 2025	October 31, 2024
Trade payables	\$ 507,087	\$ 175,296
Accrued liabilities	459,694	579,158
Warranty provision	112,010	142,240
Payroll liabilities	72,483	24,787
Royalties payable	42,124	59,319
Government payables	-	267
	<u>\$ 1,193,398</u>	<u>\$ 981,067</u>

The following table summarizes the change in warranty provisions for the period:

	January 31, 2025	October 31, 2024
Opening balance	\$ 142,240	\$ 210,557
Additional provisions during the period	14,660	143,084
Amounts used during the period	-	(138,477)
Unused amounts reversed	(44,890)	(72,924)
	<u>\$ 112,010</u>	<u>\$ 142,240</u>

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended January 31, 2025 and 2024
(Unaudited)

9. Long-term debt:

(a) Western Economic Diversification Canada:

On March 23, 2022, the Company signed an agreement to receive funding up to \$737,500 through the Western Economic Diversification Canada (“WD Canada”) Business Scale-up and Productivity program to offset costs of business expansion as prescribed in the funding agreement. This funding is in the form of an interest free loan, repayable in monthly instalments of \$12,459. Monthly installments commenced April 1, 2024 and will continue until the loan is repaid on March 1, 2029. As of January 31, 2025, \$729,114 (October 31, 2024 - \$729,114) of the available funding had been received, and the loan had a discounted balance of \$528,509 (October 31, 2024 - \$556,676).

(b) Western Economic Diversification Canada:

On August 24, 2020, Ocean Rodeo signed an agreement to receive up to \$190,000 through WD Canada’s Regional Relief and Recovery Fund (“RRRF”) to offset costs of business expansion as prescribed in the funding agreement. This funding is in the form of an interest free loan, repayable in monthly instalments of \$5,275 beginning January 31, 2023. On December 6, 2024, the Company repaid the remaining \$68,675 balance of this loan therefore as at January 31, 2025, the discounted balance was \$nil (October 31, 2024 - \$72,307).

The following table summarizes the changes in financing activities due to long-term debt:

	January 31 2025	October 31 2024
Opening balance	\$ 556,675	\$ 646,497
Cash movement:		
Debt repayments	(36,456)	(125,064)
Non-cash movement:		
Amortization of non-cash interest	8,290	35,242
Ending balance	528,509	556,675
Less: current portion	121,131	114,522
Long-term portion	\$ 407,378	\$ 442,153

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

10. Related parties:

(a) Director related transactions:

The Company has a royalty agreement with Epic Ventures Inc. ("Epic"), which is controlled by a director of the Company, pursuant to which royalties are paid on each square meter of certain patented materials, in exchange for Epic's assignment of the applicable patents to the Company. The Company has recorded royalties of \$31,276 for the three months ended January 31, 2025 (January 31, 2024 - \$36,351).

(b) Loan from related parties:

On December 29, 2023, the Company entered into a \$1,000,000 loan agreement (the "Loan Agreement") with 0876991 B.C. Ltd., a related party. The loan is guaranteed by the Company and secured against all present and after acquired personal property pursuant to a general security agreement. The loan bears interest at a rate of 12% per annum. Total interest paid for the three months ended January 31, 2025 was \$28,208 (January 31, 2024 - \$9,863) and is recorded in interest expense on the consolidated statement of loss and comprehensive loss.

In June 2024, the parties agreed to amend the Loan Agreement and extend the repayment date from July 1, 2024 to January 1, 2025. On October 16, 2024, the parties entered into a second amendment to the Loan Agreement pursuant to which: (i) \$200,000 of the loan remains payable on January 1, 2025 and the due date for repayment of the balance of \$800,000 of the loan was extended to January 1, 2026; and (ii) the Company was affirmed as the debtor due to the corporate amalgamation with its wholly-owned subsidiary on August 1, 2024. All other terms of the Loan Agreement remain unchanged. In accordance with the terms of the second amended Loan Agreement, the Company repaid \$200,000 on January 1, 2025 resulting in a balance owing of \$800,000 on January 31, 2025.

(c) Key management compensation:

The Company's key management personnel include the Executive Leadership Team, which is comprised of the Chief Executive Officer, Chief Financial Officer, and Chief Scientific Officer. The Executive Leadership Team has the authority and responsibility for overseeing, planning, directing and controlling the Company's activities.

Total compensation expense relating to the Executive Leadership Team for the three months ended January 31, 2025 was \$207,471 (January 31, 2024 - \$170,648), which includes \$40,287 (January 31, 2024 - \$nil) in share-based compensation. Employment agreements with the members of the Executive Leadership Team provide for severance payments if the executive is terminated without cause totaling \$nil (January 31, 2024 - \$280,000). At January 31, 2025, the remaining balance of accrued restructuring liabilities recorded during the fiscal 2024 year was \$112,818 (October 31, 2024 - \$189,318).

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended January 31, 2025 and 2024
(Unaudited)

11. Other income:

Other income is comprised of the following:

	January 31 2025	January 31 2024
Interest and other	\$ 7,772	\$ 3,149
Licenses	-	4,648
	\$ 7,772	\$ 7,797

12. Financial instruments:

(a) Fair Value:

The following fair value measurement hierarchy is used for financial instruments that are measured in the consolidated statement of financial position at fair value using:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: techniques (other than quoted prices included in Level 1) that are observable for the asset or liability either directly (as prices) or indirectly (as derived from prices); and

Level 3: techniques which use inputs that are both significant to the overall fair value measurement of the asset or liability and are not based on observable market data (unobservable inputs).

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair value due to the relatively short-term maturity of these financial instruments. The carrying value of long-term debt, related party debt, and lease obligations are initially recognized at fair value and subsequently measured at amortized cost, which approximate fair value, using the effective interest rate method.

There were no transfers between levels of the fair value hierarchy during the three months ended January 31, 2025 or the year ended October 31, 2024.

The following table summarizes the fair value hierarchy of assets and liabilities recorded at FVTPL:

	January 31, 2025		October 31, 2024	
	Level 2	Level 3	Level 2	Level 3
Investments	\$ -	\$ -	\$ -	\$ 187,500

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

13. Financial risk and capital management:

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk, interest rate risk, foreign exchange risk.

(a) Credit risk:

Credit risk is the risk that a counterparty will not meet its obligations under a customer contract or financial instrument, leading to a financial loss. The Company transacts only with recognized, creditworthy third parties and requires payment for goods prior to shipment unless the customer has been granted credit terms. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Company's top two customers account for 63.8% (October 31, 2024 – 69.0%) of trade receivables at January 31, 2025, with the largest customer accounting for 42.0% (October 31, 2024 – 55.8%).

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by monitoring forecasted and actual cash flows, minimizing reliance on any single source of credit, managing the maturity profiles of financial assets and liabilities, negotiating credit terms with vendors. To the extent the Company does not believe it has sufficient liquidity to meet its obligations, it will consider securing additional equity or debt funding.

The table below details the maturities of the contractual undiscounted cash flows of the Company's financial liabilities and as such these balances may not agree with the amounts disclosed on the consolidated financial statements.

As at January 31, 2025 and October 31, 2024, the contractual maturities of financial liabilities were as follows:

January 31, 2025				
		Contractual cash flow	Up to 1 year	Greater than 1 year
Financial liabilities				
Long-term loan from related party	\$	800,000	\$ 800,000	\$ -
Trade and other payables		1,193,398	1,193,398	-
Long-term debt		607,596	145,824	461,772
Lease obligations		244,913	146,348	98,565
Total financial liabilities	\$	2,845,907	\$ 2,285,570	\$ 560,337
October 31, 2024				
		Contractual cash flow	Up to 1 year	Greater than 1 year
Financial liabilities				
Long-term loan from related party	\$	1,000,000	\$ 200,000	\$ 800,000
Trade and other payables		981,067	981,067	-
Lease obligations		718,002	219,774	498,228
Long-term debt		280,500	146,348	134,152
Total financial liabilities	\$	2,979,569	\$ 1,547,189	\$ 1,432,380

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended January 31, 2025 and 2024
(Unaudited)

13. Financial risk and capital management (continued):

(c) Interest rate risk:

Interest rate risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market rates. The Company monitors interest rates and economic conditions. At January 31, 2025, the Company did not have any variable interest bearing credit facilities outstanding (January 31, 2024 - \$nil). As the Company's loans are either at fixed or no interest rate, a 1% change in the interest rate on these credit facilities would not have an impact on the consolidated statement of loss and comprehensive loss.

(d) Foreign exchange risk:

Foreign exchange risk is the risk that the value of financial instruments or cash flows will fluctuate due to changes in foreign exchange rates. While the Company has a significant amount of foreign currency revenues and associated receivables, natural hedges are in place through the purchase of input materials in foreign currencies. A 1% change in foreign exchange rates would have impacted the consolidated statement of loss and comprehensive loss by approximately \$5,635 (January 31, 2024 - \$11,400).

(e) Capital management:

The Company's objective when managing its capital structure is to support its financial obligations and execute its operating and strategic plans. The Company's capital is defined as the aggregate of its share capital, short and long-term debt.

	January 31 2025	October 31 2024
Share capital	\$ 18,307,490	\$ 16,466,950
Debt	1,328,509	1,556,675
	<u>\$ 19,635,999</u>	<u>\$ 18,023,625</u>

14. Share capital:

(a) Common shares:

	January 31 2025	October 31 2024
Authorized:		
Unlimited voting common shares		
Unlimited preferred shares		
Issued:		
501,231,240 voting common shares (October 31, 2024 - 250,615,623)	\$ 18,307,490	\$ 16,466,950

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended January 31, 2025 and 2024
(Unaudited)

14. Share capital (continued):

(a) Common shares (continued):

Common shares	Number	Amount
Opening balance, October 31, 2023	250,565,623	\$ 16,460,950
Option Exercise	50,000	6,000
Total share capital at October 31, 2024	250,615,623	\$ 16,466,950
Rights Offering	250,615,617	1,840,540
Total share capital at January 31, 2025	501,231,240	\$ 18,307,490

On April 14, 2024, an employee exercised stock options issued under the Company's stock option plan with an exercise price of \$0.12 per share. The Company issued 50,000 common shares in exchange for \$6,000 consideration.

On January 21, 2025, the Company completed a offering of rights (the "Rights Offering") which resulted in the issuance of 250,615,617 common shares at a price of \$0.01 per share for gross proceeds of \$2,506,156. In connection with the Rights Offering, the Company has entered into a \$1,500,000 standby purchase agreement with certain directors and officers of the Company (the "Standby Purchasers"), who agreed to: (i) fully exercise their Basic Subscription Privilege to purchase 58,256,014 Shares; and (ii) to purchase up to an additional 150,000,000 Shares not otherwise subscribed for under the Rights Offering (the "Standby Commitment"). As consideration for the Standby Commitment, the Company issued 26,250,000 bonus warrants to the Standby Purchasers. Each bonus warrant is exercisable into one Share at a price of \$0.10 per Share for a period of five years. Because the Company raised the maximum amount permitted under the Rights Offering, the Standby Purchasers were not required to purchase additional Shares under the terms of the Standby Commitment. Share issuance costs for the Rights Offering were \$665,617 including \$537,064 representing the estimated fair value of the warrants. Net proceeds of \$2,337,588 were apportioned between share capital (\$1,840,540) and contributed surplus (\$537,064) based on the relative fair value of the shares and warrants issued in the Rights Offering.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

14. Share capital (continued):

(b) Warrants:

Warrants outstanding as of October 31, 2023 are comprised of warrants issued in conjunction with the Company's July 12, 2023 private placement offering (the "July 2023 Private Placement") which was led by Haywood Securities Inc. ("Haywood"). Under the terms of the July 2023 Private Placement, the Company issued 24,489,953 Units (the "Units") at a price of \$0.15 for gross proceeds of \$3,673,493. Each Unit comprised one common share of the Company and one common share purchase warrant, which entitles the holder to purchase one common share of the Company at a price of \$0.25 per share for a period of 24 months from closing. In addition to cash commission paid to Haywood, the Company issued 918,375 Units as partial consideration for their corporate finance fees and issued 1,469,397 broker warrants with an exercise price of \$0.15.

On January 24, 2025, the Company issued 26,250,000 warrants to Standby Purchasers as compensation for entering into the Standby Commitment as outlined in Note 14 (a). The warrants have an exercise price of \$0.10 and an expiry date of January 24, 2030.

The weighted average remaining life of the warrants outstanding is 2.69 years.

The fair value of warrants has been measured using the Black-Scholes model using the following inputs:

	2025
Risk free interest rate	2.91%
Stock price volatility	83.6%
Expected life of warrants	4 years

No warrants were issued during the fiscal year ended October 31, 2024.

The number and weighted average exercise price of warrants issued are as follows:

	Number	Weighted average exercise price
Balance, October 31, 2023	27,104,795	\$ 0.25
Balance, January 31, 2024	27,104,795	\$ 0.25
Balance, October 31, 2024	26,877,725	\$ 0.25
Granted during the period	26,250,000	0.10
Balance, January 31, 2025	53,127,725	\$ 0.17
Exercisable, January 31, 2025	53,127,725	\$ 0.17

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended January 31, 2025 and 2024
(Unaudited)

15. Share-based compensation:

(a) Stock options:

During the Company's Annual General Meeting on April 26, 2024, shareholders approved the Company's plan to adapt a 10% rolling stock option plan (the "2024 Plan"). The Company's stock option plan must be approved by the shareholders annually.

The fair value of employee share options has been measured using the Black-Scholes model using the following inputs:

	2024
Risk free interest rate	0.95% - 3.34%
Expected dividend yield	0.00%
Forfeiture rate	0.00% - 30.0%
Stock price volatility	81.1%
Expected life of option	3 - 5 years

No stock options were granted during the three months ended January 31, 2025.

Expected volatility was based on an evaluation of the historical volatility of publicly traded companies operating in a similar industry.

The number and weighted average exercise price of share options issued are as follows:

	Number	Weighted average exercise price
Balance, October 31, 2023	12,966,905	\$ 0.12
Forfeited during the year	(2,525,000)	0.12
Balance, January 31, 2024	10,441,905	\$ 0.12
Balance, October 31, 2024	20,823,155	\$ 0.13
Balance, January 31, 2025	20,823,155	\$ 0.13
Exercisable, January 31, 2025	9,198,234	\$ 0.12

For the three months ended January 31, 2025, compensation expense related to share options was \$47,745 (January 31, 2024 - \$30,838)

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements
For the three months ended January 31, 2025 and 2024
(Unaudited)

16. Segment information:

(a) Reportable segments:

The Company has aggregated certain operating segments on the basis of the product they sold and the fact that they share similar economic characteristics and are influenced by similar market factors. Each segment has regularly reviewed internal reports and a separate brand.

The Company has the following reportable segments:

- The Aluula segment relates to the assembly and sale of composite materials for use in various applications and industries. Aluula sells its materials to manufacturers and brand partners.
- The Ocean Rodeo segment relates to the purchase and resale of inventory in the windsport market, and the associated research and development projects that differentiates the company in the windsport market. Ocean Rodeo sells its products to dealers, distributors, and end users. On April 29, 2024 the Company's Board of Directors approved a mandate to sell specific assets used in the Ocean Rodeo business and discontinue its operations. As a result, Ocean Rodeo segment has been reclassified as Discontinued Operations. Note 17 includes additional information on assets held for sale and discontinued operations.

Management evaluates the performance of each segment based on its individual profitability. All expenditures are allocated to segments.

Total assets and liabilities for each segment are as follows:

January 31, 2025	Aluula	Discontinued Operations	Total
Total assets	\$ 13,533,517	\$ 382,722	\$ 13,916,239
Total liabilities	3,759,284	50,106	3,809,390

October 31, 2024	Aluula	Discontinued Operations	Total
Total assets	\$ 11,622,192	\$ 672,808	\$ 12,295,000
Total liabilities	3,817,958	420,826	4,238,784

The interim condensed consolidated statements of loss and comprehensive loss for the three months ended January 31, 2025 and 2024 exclude Ocean Rodeo's results, which have been reported in these periods as discontinued operations in Note 17.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

16. Segment information (continued):

(b) Geographic information:

For geographic reporting, sales are attributed to the geographic location in which the customer is located. The following table summarizes sales from continued operations by region.

	January 31 2025	January 31 2024
Sri Lanka	\$ 664,911	\$ 1,239,380
Hong Kong	309,624	438,499
Rest of World	202,836	109,491
Europe	76,879	21,179
United States	6,969	11,612
Canada	310	177,119
Sales	\$ 1,261,529	\$ 1,997,279

All of the Company's non-current assets are located in Canada.

The following table summarizes sales from discontinued operations by region.

	January 31 2025	January 31 2024
Canada	\$ 68,596	\$ 59,047
Rest of World	55,217	63,016
United States	52,770	162,816
Europe	7,506	52,096
Sales	\$ 184,089	\$ 336,976

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

17. Assets held for sale and discontinued operations:

On April 29, 2024, the Company's Board of Directors approved a mandate to sell specific assets used in the Ocean Rodeo business and discontinue its operations. Accordingly, Ocean Rodeo meets the criteria of a discontinued operation under IFRS 5 – *Non current assets held for sale and discontinued operations*.

This reporting segment was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of loss and comprehensive loss has been restated to show the discontinued operations separately from continuing operations.

On October 3, 2024, the Company entered into a definitive purchase and sale agreement (the "Agreement") to sell certain operating assets of Ocean Rodeo (the "Business Assets"), to Bainbridge International Ltd ("Bainbridge").

Under the terms of the Agreement, Bainbridge acquired the following Business Assets: Ocean Rodeo brand and trade name, marketing collateral, website, design files for Ocean Rodeo products, and specific intellectual property. Consideration paid for the Business Assets consists of an upfront cash payment due upon closing and a three-year revenue sharing arrangement with fixed minimum monthly payments commencing March 1, 2025. Under the terms of the Agreement, Ocean Rodeo will cease selling inventory on March 31, 2025.

Based on the terms of the Agreement, Ocean Rodeo recognized a net gain of \$173,108 on disposal of the Business Assets which is included in Other income from discontinued operations for the year ended October 31, 2024. Additionally, in accordance with IFRS 15, Ocean Rodeo has recognized a long-term asset \$136,732 related to the deferred consideration receivable outlined in the terms of the Agreement.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

17. Assets held for sale and discontinued operations (continued):

The following assets and liabilities were excluded from the sale of Business Assets to Bainbridge and represent the “assets and liabilities related to discontinued operations” as reported on the interim condensed consolidated statement of financial position at January 31, 2025:

	January 31 2025	October 31 2024
Assets related to discontinued operations		
Trade and other receivables	\$ 2,425	\$ 121,135
Inventory	178,447	330,043
Prepaid expenses and other current assets	49,336	65,297
Intangible assets	5,505	5,505
Other long-term assets	132,913	136,732
Investments	14,096	14,096
Total assets related to discontinued operations	\$ 382,722	\$ 672,808
Liabilities related to discontinued operations		
Trade and other payables	\$ 50,106	\$ 286,124
Customer deposits	-	62,395
Short-term debt	-	72,307
Total liabilities related to discontinued operations	\$ 50,106	\$ 420,826
Net assets related to discontinued operations	\$ 332,616	\$ 251,982

Ocean Rodeo will continue to sell remaining inventory in accordance with terms of the Agreement, collect trade receivables and discharge liabilities as it discontinues operations.

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

17. Assets held for sale and discontinued operations (continued):

Net and comprehensive loss from discontinued operations for the three months ended January 31, 2025 and 2024 are as follows:

For the three months ended	January 31 2025	January 31 2024
Sales	\$ 184,089	\$ 336,976
Cost of sales	152,049	222,253
Gross profit	32,040	114,723
Operating expenses:		
Salaries and benefits	438	131,085
General and administrative	54,377	204,007
Marketing	(19,056)	88,830
Research and development	1,486	20,445
	37,245	444,367
Loss before interest, tax and amortization	(5,205)	(329,644)
Other income	22	22
Interest expense	(212)	(1,144)
Depreciation of property and equipment	-	(11,572)
Amortization of intangible assets	-	(4,219)
Loss before tax	(5,395)	(346,557)
Net loss and comprehensive loss	\$ (5,395)	\$ (346,557)

ALUULA COMPOSITES INC.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended January 31, 2025 and 2024

(Unaudited)

18. Subsequent events:

(a) Share Consolidation:

On February 18, 2025, the TSX Venture Exchange (“TSXV”) approved the consolidation of the Company’s common shares (the “Shares”) on the basis of one (1) post-consolidation Share outstanding for every twenty (20) pre-consolidation Shares (the “Consolidation”). On March 12, 2025 (the “Effective Date”) the Company’s Shares commenced trading on the TSXV on a consolidated basis. As a result of the Consolidation, on the Effective Date, a total of approximately 25,061,562 Shares will be issued and outstanding, subject to adjustments for rounding.

(b) Production Temperature Variance:

Subsequent to January 31, 2025, the Company identified a production variance that occurred as a result of rapid and unforeseen changes in ambient conditions. It was concerned that this variance, which occurred between January 20, 2025 and February 5, 2025, could have led to certain materials with variable mechanical performance. The Company is in the process of testing materials that may have been impacted based on manufacturing timeline, testing and data analysis. Materials tested to-date have demonstrated mechanical performance consistent with the required product specification and customers with orders that may be impacted have been notified. To mitigate any risk of reoccurrence, the Company is conducting a full review and implementing additional quality assurance mitigation.