

**FORM 51-102F3
MATERIAL CHANGE REPORT**

1. NAME AND ADDRESS OF COMPANY

Bastion Square Partners Inc.
Suite 110 – 517 Fort Street
Victoria, BC V8W 1E7

2. DATE OF MATERIAL CHANGE

December 20, 2022

3. NEWS RELEASE

News release dated December 21, 2022 was disseminated via Newsfile.

4. SUMMARY OF MATERIAL CHANGE

Bastion Square Partners Inc. Announces Closing of Initial Public Offering

5. FULL DESCRIPTION OF MATERIAL CHANGE

Bastion Square Partners Inc. (the “Company” or “BSP”), is pleased to announce that it has entered into a definitive agreement with ALUULA Composites Inc. (“ALUULA”), dated December 20, 2022, to acquire 100% of the outstanding shares of ALUULA in exchange for shares of BSP (the “Transaction”) by way of a three-cornered amalgamation.

ALUULA is a Canadian-based manufacturer of innovative soft composite materials that deliver extremely durable, light and strong composites to a wide range of applications across a broad range of industries. ALUULA has customers in wind sports, sailing, outdoor packs and tents, and aerospace, with plans to expand to other market sectors.

About ALUULA

ALUULA is a founder-owned and operated company located in Victoria, British Columbia. ALUULA was created with a vision to find solutions for real world challenges not being met by traditional composite manufacturers. Its goal is to create the next generation of lighter, stronger soft composites for a broad range of large vertical markets. Commercialization within the Wind Sport markets (Kiteboarding, Wing Foiling and Windsurfing) began in 2020, demonstrating clear benefits in performance, durability, and weight reduction. The initial success in this arena has led to rapid market acceptance in a variety of industry segments over the past two years and earned ALUULA composites a reputation as the leader in new material development within the Wind Sport sector. In parallel, the company has been co-developing “application specific” composites with well-known industry leaders in Aerospace, Sailing, Outdoor Packs & Tents, and other industrial applications.

Using a patented and proprietary approach to increase fiber strength at the molecular level, ALUULA core weaves and outer facing films are fused without the use of heavy glues. This remarkable process allows ALUULA to achieve strength to weight ratio materials that have been previously unachievable. The company continues to add patented innovation to its product offerings and specialized core competencies to its growing team.

ALUULA's wholly owned subsidiary, Ocean Rodeo Sports (“Ocean Rodeo”), has been a fixture in the wind sport community for over 20 years. Founded in 2001, Ocean Rodeo holds over 50 patents or patent applications related to the design of watersports equipment, with a well-known history of innovation and market disruption. It was this culture of innovation that led to a partnership with scientist and serial entrepreneur, Peter Berrang, to fundamentally change the way in which material used for kites, wings and sails is manufactured. This partnership flourished and now ALUULA materials are being incorporated by leading wind sport brands around the world. These brands and their customers are benefitting from the lighter, stronger and stiffer qualities of the ALUULA Gold™ material over traditional dacrons used in the industry. Attending its first trade show, out of over 500 entries, ALUULA Composites won the Textrend Best Product, soft equipment category at the 2020 ISPO trade show in Munich, Germany.

ALUULA has now received wind sport industry recognition and acceptance while also seeing significant customer interest across a wide range of markets. The company has aggressive growth plans within its existing segments and promising opportunities for wide scale commercialization across a range of new markets. ALUULA is pursuing growth opportunities across global markets as it seeks to be the composite material of choice for high performance and durability.

Transaction Structure

The Transaction will be structured by way of three-cornered amalgamation, pursuant to which a wholly owned subsidiary of BSP will amalgamate with ALUULA, and the combined company will continue as a wholly-owned subsidiary of BSP. To effect the Transaction, BSP will acquire all of the issued and outstanding shares of ALUULA in exchange for the right for ALUULA shareholders to receive common shares of BSP. BSP will issue such number of BSP common shares to ALUULA shareholders as will equal a share value commensurate with a valuation that is a multiple of ALUULA and Ocean Rodeo’s trailing 12-month revenues for the period ending October 31, 2022 (the “Purchase Price”). BSP may adjust this Purchase Price based on ALUULA’s working capital as at October 31, 2022.

Financing

In connection with Proposed Transaction, BSP proposes to conduct a concurrent private placement offering of subscription receipts to raise proceeds of at least \$1,500,000, at a price per subscription receipt to be determined in the context of the market (the “Concurrent Financing”). The terms of the Concurrent Financing will be announced in a subsequent news release.

Name Change

On closing of the Transaction (“Closing”) BSP is proposing to change its name to “ALUULA Composites Inc.” and it will seek a new ticker symbol to reflect the name change.

Directors and Officers

On Closing, it is anticipated that two senior members of the ALUULA team, Richard Myerscough and Peter Berrang, will join Peter Gustavson, Hannes Blum and Briony Bayer as the board of directors of the Company. A summary of the backgrounds of Mr. Myerscough and Mr. Berrang are provided below.

Richard Myerscough - Founder & CEO. As the founder of three businesses and named in over 20 patents, Richard has been a serial entrepreneur and inventor over the span of his 30-year business career. In 1992, Richard co-founded Whites Manufacturing Ltd., (“Whites”) which became a world leading manufacturer of dry suits. Whites was sold to the Aqualung Group / Aire Liquid in 2010. Ocean Rodeo kiteboarding was launched in 2001 as a sister company to Whites and has become a leading innovator and global brand in kitesurfing ever since. In an effort to further improve the performance of the Ocean Rodeo kites and wings, the opportunity to develop lighter and stronger materials was identified in 2017. From the pioneering efforts of the Ocean Rodeo design team, new technologies to manufacture a new class of ultra-light and strong materials was discovered. With vast opportunities identified beyond just wind sports, ALUULA was created as a standalone business in 2019.

Peter Berrang – Director. Peter Berrang is a scientist and serial entrepreneur who has founded and run multiple successful high technology companies. Peter was a founding member and a shareholder in the Axys Group of companies which had business in chemical analysis, marine instrumentation, and the production of pure acids and inorganics. In 1995 as company President, Peter sold the advanced laser company Seastar Optics Inc. to a public firm in the U.S. Peter holds an undergraduate degree in Chemistry, Physics and Mathematics, and a graduate degree in Chemistry. He holds over 30 patents in a broad array of disciplines including magnetics, fiber optics, semiconductor lasers, neural implants, chemical structures, and high strength fabrics. Peter is a co-founder and President of XlynX Materials and continues to be active in other business and high technology research activities.

The current directors of Bastion Square Partners and summarised biographies are below:

Peter Gustavson, FCPA, FCA, is the founder, CEO of Gustavson Capital Corporation (“GCC”), a private equity, and investment firm with its head office in Victoria, BC. Peter is also the founder, former President and CEO of Custom House Ltd., a company that was purchased in September 2009 by Western Union. At the time of its sale, Custom House was one of the world’s largest non-bank foreign exchange companies with more than \$35 billion in transactions annually. Under Peter’s leadership Custom House was named one of the 50 Best Managed Companies in Canada eight years in a row by Deloitte. Peter was a recipient of an Ernst & Young Distinguished Entrepreneur of the Year Award in 2002 and a Lifetime Achievement Award from the Vancouver Island Business Excellence Society in 2005.

Mr. Gustavson’s past board membership and community service include Member of the Board of the Canadian Chamber of Commerce, President of the Canadian Foreign Exchange Dealers’

Association, Member of the University of Victoria School of Business International Advisory Board, Director and Chair of the Finance and Audit Committee Member of the Royal BC Museum, Chair of the Gustavson School of Business Distinguished Entrepreneur of the Year Awards Committee and Governor on the University of Victoria Board of Governors. In 2010 the University of Victoria recognized Mr. Gustavson's contributions to the University by renaming the Faculty of Business to the Peter B. Gustavson School of Business. In 2023, Peter will be inducted into Business Laureates of British Columbia Hall of Fame.

Briony Bayer is a CPA, CA with over 15 years' experience in senior finance roles. Briony is currently CFO of GCC where she has oversight responsibility for GCC's assets, including securities portfolios, alternative investments, real estate assets, and subsidiaries. She is also responsible for due diligence and investment recommendation on the various private equity opportunities presented to GCC. Prior to joining GCC, Briony held senior finance roles at Custom House Ltd. (2005 - 2010) and ACD Systems International Inc., a publicly traded company listed on the TSX (2003 - 2005). Briony has also held board positions with privately held companies and not-for-profit organizations.

Tim McElvaine, CPA, CA, CFA, is the founder and President of McElvaine Investment Management Ltd., investment advisor to McElvaine Value Fund. Tim has a Bachelor of Commerce degree from Queen's University in 1986, qualified as a Chartered Accountant in 1988 and as a Chartered Financial Analyst in 1992. Tim is currently a director of WeCommerce Holdings Ltd. and has served on the boards of Glacier Media Inc (2014-2019), Wow Unlimited Media Inc. (formerly Rainmaker Entertainment Inc.) (2007-2016), Humpty Dumpty Snack Foods (2005-2006) and Sun-Rype Products (2001-2005).

Jeremy South, CA, ICD.D, is a senior finance and M&A professional with over 35 years of experience with leading global organizations including Deutsche Bank and Deloitte. He has held senior positions with leading private equity and investment banking firms in North America, Europe, Asia and Australia. Jeremy is a qualified chartered accountant. From 2006 to 2016 Jeremy was an M&A partner at Deloitte where he founded the British Columbia mid-market M&A practice. In 2017, Jeremy co-founded SouthPac Partners Inc., a private investment group focused on operating businesses and real estate assets. He is an experienced corporate director and board Chair, with public and private companies, and he holds the ICD.D designation.

Mark Longo, LL.B, MBA, is Co-Chair of the Emerging and High Growth Companies Group at the full-service, national law firm Osler, Hoskin & Harcourt LLP. Mark founded the Osler Vancouver office in 2015 and has been the Vancouver office Managing Partner from inception and is a member of Osler's national Operations Committee. Mark has over 25 years of experience in corporate finance, mergers & acquisitions and technology law focused on the technology sector. Previous to his return to private practice, Mark spent 15 years as General Counsel, Corporate Secretary and in senior executive positions for private and publicly traded multinational technology companies, including Intrinsyc Technologies Corp., Datawire Communication Networks Inc., and Star Data Systems Inc.

Dr. Hannes Blum, PhD, is a seasoned executive with a broad know-how in the digital world from start-ups to large scale operations. He started his career with The Boston Consulting Group working with multinationals in the Financial and Industrial Goods sector. In 1999, Hannes founded his first internet company in Europe and merged it with Canada based AbeBooks Inc. in 2001. Hannes then took over as CEO of AbeBooks in 2003, scaled the

business and acquired five companies before selling AbeBooks to Amazon.com in 2008. Hannes continued to serve as a VP for Amazon.com for seven years before joining Munich based Growth Venture Fund Acton Capital Partners as a Venture Partner for North America in 2015. Hannes has served on the board of directors of a number of private companies, including Codename Entertainment, Maple Telehealth, Mobify, Chef's Plate and Knix Wear.

Insider

In addition to the board of the Company, it is anticipated that on the completion of the Transaction, Laurie Clarke will be considered an Insider under applicable securities laws as she will hold more than 10% of the issued and outstanding shares of the resulting issuer corporation.

Sponsorship

The Company will seek a waiver from the TSX Venture Exchange (the "Exchange") on the requirement to engage a sponsor in connection with the Transaction. If a sponsor is required, the Company will identify a sponsor and pay the sponsorship fee in cash or common shares or a combination of cash and common shares. An agreement with a sponsor should not be construed as any assurance with respect to the merits of the Transaction or the likelihood of completion.

Trading Halt

In accordance with Exchange policies, the common shares of BSP are currently halted from trading and will remain so until certain documentation required by the Exchange for the Transaction can be provided to the Exchange. The common shares of BSP may resume trading following the Exchange's review of the required documentation or the common shares of BSP may remain halted until completion of the Transaction. The Transaction is intended to constitute BSP's Qualifying Transaction. The Transaction is an Arm's Length Qualifying Transaction, as defined in the policies of the Exchange, and is therefore not subject to shareholder approval by BSP's shareholders.

Loan

Subject to approval by the Exchange, Gustavson Capital Corp. ("GCC"), a company owned by Peter Gustavson intends to loan \$750K to Aluula on signing of the Agreement. The loan will accrue interest at the rate of 7% per annum, with repayment on the earlier of March 31, 2023 or Closing. Peter Berrang and Richard Myerscough will be personally guaranteeing the repayment of \$375K each in connection with the loan. The loan transaction is a connected transaction under MI-61-101 Protection of Minority Security Holders in Special Transactions, but not a related party transaction and therefore does not trigger a valuation or disinterested shareholder approval for BSP.

Conditions to Closing the Transaction

Closing is conditional upon, among other things, receipt of all required regulatory, corporate, and third-party approvals, including Exchange approval, completion of the Concurrent Financing, and, if required by the Exchange, filing of a sponsorship report with the Exchange.

6. **RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102**

Not applicable.

7. **OMITTED INFORMATION**

Not applicable.

8. **EXECUTIVE OFFICER**

Briony Bayer, CFO
Tel: 250-412-1292

9. **DATE OF REPORT**

December 21, 2022