

Management's Discussion and Analysis of

ALUULA COMPOSITES INC.

For the fiscal years ended October 31, 2025 and 2024

NOTICE

The following Management Discussion and Analysis ("MD&A") provides information concerning Aluula Composites Inc.'s (the "Company") financial condition for the three months and fiscal years ended October 31, 2025 and 2024. This MD&A should be read in conjunction with the Company's audited Consolidated Financial Statements and notes thereto for the years ended October 31, 2025 and 2024 (the "Consolidated Financial Statements"). Additional information related to the Company is available on the Company's website www.aluula.com and on sedarplus.ca.

This MD&A was prepared by the Company's management and was approved by the Board of Directors on February 9, 2026. All amounts are in Canadian dollars unless otherwise stated.

DEFINITIONS

In this document, the terms "we", "us", "our", and "Company" refer to ALUULA Composites Inc. on a consolidated basis. "ALUULA" refers to the standalone entity ALUULA Composites Inc., and "Ocean Rodeo" refers to the standalone entity Ocean Rodeo Sports Inc.

"2023" and future years refer to our fiscal years, which run from November 1 to October 31. Any references to a calendar year or other period will be noted as such.

The term "Consolidated Financial Statements" refers to the Company's audited consolidated financial statements for the years ended October 31, 2025 and 2024, unless indicated otherwise.

The term "brand partners" does not refer to formal partnerships with our customers. The term refers to marketing relationships with our customers who use ALUULA's technology as a brand ingredient in their products.

Other capitalized terms in this document are defined at the time of their first use.

This document contains trademarks and trade names associated with the Company that are referred to without the TM symbol. However, these trademarks and trade names are the property of their respective owners.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A are forward-looking and may constitute "forward-looking information" within the meaning of applicable securities legislation. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "expect" or "believe" used by any of the Company's management are intended to identify forward-looking statements. Such statements reflect the Company's forecasts, estimates and expectations as they relate to the management's current views based on their experience and expertise with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Company's actual results, performance, or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. There can be no assurance that it will be completed as proposed or completed at all. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments unless required by law.

COMPARATIVE INFORMATION

Unless indicated otherwise, all comparative figures for the three months and fiscal year ended October 31, 2025 are referring to the results for the three months and fiscal year ending October 31, 2024.

ACCOUNTING FRAMEWORK

The Company's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described in Note 3 of those Consolidated Financial Statements.

This MD&A may make reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Management is required to make estimates, judgements and assumptions in preparation of the Consolidated Financial Statements in accordance with IFRS. These estimates affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the amounts of reported revenue and expenses during the reporting period.

ROUNDING AND PERCENTAGES

Rounded numbers are used throughout this MD&A, with all year-over-year percentage changes calculated in whole dollar amounts.

SHARE CONSOLIDATION

On February 18, 2025, the TSX Venture Exchange (the "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. All shares and per share amounts referenced in this MD&A have been adjusted to reflect post Consolidation numbers and values.

COMPANY AND INDUSTRY OVERVIEW

COMPANY STRUCTURE

ALUULA was incorporated on July 18, 2019 under the British Columbia Business Corporations Act. On October 31, 2022, ALUULA acquired all the outstanding shares of Ocean Rodeo, a company incorporated on January 12, 2001 under the British Columbia Business Corporations Act. Both legal entities are domiciled in Victoria, BC Canada with registered offices at 300 - 4240 Glanford Avenue where most management and staff are located.

On April 14, 2023, Bastion Square Partners Inc. ("BSP"), a Canadian company previously listed on the TSXV under the symbol BASQ.P, acquired all the outstanding shares of ALUULA by way of a three-cornered amalgamation with BSP changing its name to Aluula Composites Inc. and ALUULA changing its name to Aluula Composites Canada Inc. The transaction was accounted for as a Reverse Takeover ("RTO") and the resulting financial statements are presented as a continuance of ALUULA (accounting acquirer), and comparative figures presented in the consolidated financial statements are those of ALUULA.

In 2019, Ocean Rodeo's founders invented the ALUULA process to gain a competitive advantage in the windsport industry. At the time, all market competitors used the same input materials to manufacture kites and wings and leveraged marketing budgets to differentiate their brands. Ocean Rodeo was first to field test products manufactured with ALUULA materials and successfully demonstrated their superior performance resulting in an increase in demand across windsport brands for ALUULA materials.

ALUULA has undergone significant evolution since 2019, broadening its product range from one to approximately fifty SKUs. Additionally, ALUULA expanded the number of commercialized windsport brands featuring ALUULA materials from one to sixteen, with current and ongoing growth expected.

During this evolution, ALUULA identified that its materials' unique properties benefit products in markets beyond windsport, creating an opportunity to expand its strategy to the broader performance outdoor market.

To successfully execute this updated strategy and eliminate a perceived conflict of interest with its growing list of windsport brands, the Company's Board of Directors approved a mandate to sell specific assets used in the Ocean Rodeo business and discontinue its operations on April 29, 2024. Accordingly, Ocean Rodeo's operations have been accounted for under "IFRS 5 - *Non-current assets held for sale and discontinued operations*" in these Consolidated Financial Statements.

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

CORE BUSINESS

ALUULA's core business is the development, assembly, and sale of a broad range of composite materials to globally recognized industry brand partners within a variety of markets. ALUULA's primary sales channels are "Performance Outdoor" and "Commercial Industrial".

The performance outdoor channel encompasses a number of vertical markets including but not limited to windsport, sailing, pack and bag, tents, bike accessories, and outdoor safety and survival. The commercial industrial channel encompasses the sale of materials to corporate customers for industrial use in large scale structures and applications.

ALUULA leverages a patented process to fuse high-tech fibers and technical coatings together at a molecular level without the use of heavy glues. Compared to conventional coated and laminated woven fabrics, ALUULA's products are lighter, stronger, more durable, more UV resistant than incumbent materials.

ALUULA's most mature market is the windsport vertical market, within the performance outdoor channel, where its ALUULA Gold™ ("Gold") product has successfully displaced Dacron as the leading material used in manufacturing premium priced kites and wings. With Gold materials demonstrating clear competitive advantages on weight and durability compared to incumbent materials, ALUULA realized that its process supports the production of a variety of soft composite materials capable of disrupting markets beyond windsport. While the windsport market has generated the majority of ALUULA's sales to date, successful commercialization across new vertical markets including pack and bags are validating the Company's growth potential in significantly larger markets than windsport.

In 2023, ALUULA expanded its sales pipeline and onboarded additional customers in the performance outdoor and commercial industrial channels. Working in partnership with these customers to successfully replace incumbent materials, ALUULA developed additional composite materials with a range of key performance attributes.

- Composites starting at 24 grams per square meter ("gsm") feature the highest strength-to-weight ratio across all ALUULA materials and support unique construction capabilities such as heat welding and thermoforming. Materials that prioritize stiffness and strength have been developed for the wind powered vertical markets such as windsport and sailing.
- X-products have all the strength-to-weight and construction benefits, but are reinforced with an x-weave, making the material more durable, decreasing stretch, improving tear resistance, and

providing stiffness in the bias of the material. These materials are well suited to sailing, ultralight tents, and aerospace applications, where strength is required in all directions.

- On the heavier end of the spectrum, ALUULA materials weighing between 115 and 220 gsm are ideal for use in applications where abrasion resistance and extreme toughness are critical, for example in inflatable rafts and inflatable shelters.
- Pack-specific products (coming in weights of 52, 78, 98, and 125 gsm) are waterproof and UV resistant, with high tear and puncture resistance. These fabrics are ideal for use in applications where lightness and strength are important, for example with ultralight packs.

Each of the above composite materials is recycle-ready at the end of useful life.

ALUULA's commercialization process involves multiple steps in partnership with its brand partners, and progression from initial contact through to final product launch can be time consuming to ensure the launch is successful. After the market demand and potential brand partner is validated, the process starts with a needs analysis where ALUULA gathers information on which product characteristics are important to the brand partner. This is followed by collaboration on product development, advising on ideal manufacturing techniques and field testing. Once field testing has successfully concluded, the ALUULA team works with the brand partner and/or their manufacturer to launch full scale commercialization. Upon the completion of commercialization, brand partners then launch their products in-market. Although this long sales cycle results in slower revenue recognition, it is essential for ALUULA to help ensure successful long-term customer and brand partner relationships where the unique ALUULA materials are constructed into high value products.

FOURTH QUARTER IN REVIEW

During the fourth quarter ended October 31, 2025, ALUULA continued to make progress against its fiscal year strategic objectives which include:

- Continued sales growth and customer diversification across the performance outdoor and commercial industrial sales channels.
- Manufacture specific ALUULA materials at a wider width to support increased sales to existing customers and expansion into new vertical markets.
- Engage with existing customers to ensure they are benefiting from innovative construction techniques unique to the ALUULA materials.
- Increase brand awareness within the performance outdoor channel to highlight the performance advantages and eventual circularity of ALUULA's materials.
- Focus on operational efficiencies to ensure gross margins align with expectation as the Company continues to advance against key financial milestones.

During the three months ended October 31, 2025, the Company:

- Recognized \$2.9 million in quarterly sales, which was a 37% increase from Q3 2025. Q3 2025 was the first quarter since incorporation that exceeded \$2 million in quarterly sales.
- Achieved a 75% increase in quarterly sales compared to Q4 2024, largely driven by a 92% increase in sales from Performance Outdoor compared to the same period last fiscal year.
- Reported gross margins of 43%, which is within the target range of 40-45% for the fourth consecutive quarter in a row while maintaining relatively stable operating expenses. This resulted in a quarterly profit from continued operations of \$77,742.
- Ended the period with a sales order book pending production at over \$3 million, even after record sales in the quarter.
- Entered into a supply agreement with Aqua Dynamics (Pvt) Limited, one of the Company's largest customers in Performance Outdoor, enhancing supply chain coordination and ensuring consistent, timely delivery of ALUULA materials throughout the coming fiscal year.
- Successfully produced and shipped the first samples at 1.5 meter width to customers using the newly validated method of manufacturing.

- Reached capacity limits with Q4 2025 sales volume, triggering management to pursue operational and capacity initiatives to address these limits, resulting in higher operational spends.

LEGAL AND REGULATORY ENVIRONMENT

The Company is subject to the general business requirements of operating within Canada, particularly within British Columbia. This includes following applicable Employment Standards guidelines, employment tax rules, Workers Compensation regulations, Goods and Services Tax and Provincial Sales Tax requirements, and business licensing requirements.

Outside of Canada, the Company may be subject to import duties, tariffs, value-added taxes, and applicable Consumer Guarantee Law. The Company has no employees outside of Canada.

FINANCIAL PERFORMANCE

The following table is a management level summary of the Company's financial results for the three months and fiscal years ended October 31, 2025 and 2024, with relevant variance analysis below.

	For the three months ended		For the fiscal year ended	
	October 31 2025	October 31 2024	October 31 2025	October 31 2024
Sales	\$ 2,916,427	\$ 1,666,861	\$ 7,873,221	\$ 6,359,229
Cost of sales	1,671,980	1,015,256	4,527,891	3,756,656
Gross profit	1,244,447	651,605	3,345,330	2,602,573
Gross profit %	43%	39%	42%	41%
Operating expenses:				
Salaries and benefits	661,564	638,459	2,246,081	2,503,084
General and administrative	206,023	82,901	968,596	1,627,168
Research and development	101,393	78,470	265,587	213,867
Marketing	68,274	26,562	141,826	210,222
Share-based compensation	41,872	27,108	708,742	113,927
	1,079,126	853,500	4,330,832	4,668,268
Income (loss) before interest, tax and amortization	165,321	(201,895)	(985,502)	(2,065,695)
Other income	28,483	7,501	85,181	771,313
Interest expense	(32,637)	(40,690)	(136,519)	(144,944)
Depreciation and amortization	(101,067)	(103,986)	(414,570)	(438,388)
Income (loss) before tax	60,100	(339,070)	(1,451,410)	(1,877,714)
Deferred tax recovery (expense)	17,642	(827,301)	70,569	(755,891)
Net comprehensive income (loss) from continued operations	77,742	(1,166,371)	(1,380,841)	(2,633,605)
Net comprehensive loss from discontinued operations	(128,899)	(653,283)	(229,850)	(1,302,590)
Net loss and comprehensive loss	\$ (51,157)	\$ (1,819,654)	\$ (1,610,691)	\$ (3,936,195)

For the three month periods ended October 31, 2025 ("Q4 2025"), and October 31, 2024 ("Q4 2024"):

Sales

Q4 2025 sales were \$2,916,427 compared to \$1,666,861 during Q4 2024, which represents a 75% quarter over quarter increase.

This \$1,249,566 increase was primarily driven by a 92% increase in the Performance Outdoor channel sales volume compared to Q4 2024. Of this increase in Performance Outdoor, windsport was the main contributor.

The windsport vertical market is the Company's most mature market and ALUULA has successfully onboarded the majority of targeted customers. ALUULA materials have been featured in high-end kites and wings for multiple seasons, delivering on superior performance and creating a new premium price category in this industry. As a result, brand partners are experiencing increased customer driven demand, which is leading to follow on purchases of ALUULA material to support ongoing product launches. This demand contributed to the 109% increase in Q4 2025 windsport sales compared to Q4 2024. Additionally, in the pursuit of production efficiencies, management prioritized a strategically lower number of SKUs to achieve capacity benefits in the quarter. As a result, a significant amount of Q4 2025 sales were derived from a small number of SKUs that are predominantly sold into the windsport vertical market.

The Commercial Industrial channel reported a 29% decrease in sales in Q4 2025 compared to Q4 2024 due to the timing of an order from one customer in the wind power vertical market that contributed to the sales figures in Q4 2024.

Cost of sales and gross margin

Q4 2025 cost of sales increased to \$1,671,980 compared to \$1,015,256 in Q4 2024, while gross margins increased to 43% in Q4 2025 from 39% in Q4 2024.

The Q4 2025 gross margin of 43% was in line with the Company's expected range of 40-45%. The Q4 2024 gross margin of 39% was slightly below the Company's expected range of 40-45%. The shortfall from expectation was primarily due to an inventory adjustment that arose as a result of the year-end inventory count. If this inventory count adjustment was excluded, gross margins for Q4 2024 would have been 42%.

Salaries and benefits

Salaries and benefits expense was \$661,564 in Q4 2025 which was consistent with the Q4 2024 expense of \$638,459. Similar to Q4 2024, Q4 2025 salaries and benefits include an accrual for annual variable compensation for staff.

General and administrative ("G&A")

G&A expenses were \$206,023 in Q4 2025 compared to \$82,901 in Q4 2024, representing an increase of \$123,122. G&A expenses are comprised primarily of professional fees, rent, commercial insurance, bad debt provision, warranty costs, freight, bank charges and license fees paid for the Company's ERP system.

The increase in G&A expense was primarily due to a Q4 2024 reversal of bad debt expense, which caused the Q4 2024 G&A to fall below anticipated levels.

Research and development ("R&D")

R&D expense was \$101,393 in Q4 2025 compared to \$78,470 in Q4 2024, representing a quarter over quarter increase of \$22,293. R&D expense for Q4 2025 was higher than Q4 2024 due to an increase in third party testing and the associated travel for the R&D team.

Marketing

Marketing expense was \$68,274 in Q4 2025 compared to \$26,562 in Q4 2024 representing a quarter over quarter increase of \$41,712. This increase was primarily driven by higher costs associated with engaging third-party content creators and increased travel to events to support investor outreach initiatives.

Share based compensation

Share based compensation was \$41,872 in Q4 2025 compared to \$27,108 in Q4 2024 representing an increase of \$14,764. Share-based compensation expense was lower in Q4 2024 due to the reversal of previously recognized expenses associated with forfeited options that had not vested on the date of employee departures.

Other income

Other income was \$28,483 in Q4 2025 compared to \$7,501 in Q3 2024 representing a quarter over quarter increase of \$20,982. The increase is due to higher interest income from cash balances held and interest charged on outstanding customer accounts receivable balances.

Interest expense

Interest expense for Q4 2025 was \$32,637 compared to \$40,690 for Q4 2024, representing a decrease of \$8,053. Interest expense is primarily due to interest paid on the Company's related party loan from 0876991 B.C. Ltd. ALUULA repaid \$200,000 of this related party loan in January 2025, which contributed to the decrease in interest expense incurred in Q4 2025 compared to Q4 2024.

Depreciation and Amortization

Depreciation and amortization expense for Q4 2025 was \$101,067 which is consistent with the Q4 2024 expense of \$103,986.

Deferred taxes

Deferred tax recovery for Q4 2025 was \$17,642 compared to a deferred tax expense of \$827,301 in Q4 2024. The Q4 2025 deferred tax recovery recognized relates to the reduction of the deferred tax liability that occurs as intangible assets are amortized. The Q4 2024 deferred tax expense is due to the recording of a full allowance for tax loss carryforwards under IFRS, as the Company does not currently meet the required probability threshold for recognizing the tax loss carryforwards as deferred tax assets. As the Company meets its profitability milestones it will revisit whether these deferred tax assets can be recognized in accordance with IFRS.

Net and comprehensive loss from discontinued operations

Net and comprehensive loss from Ocean Rodeo's discontinued operations was \$128,899 in Q4 2025 compared to \$653,283 in Q4 2024, representing a quarter over quarter decrease of \$524,384. Additional information on discontinued operations is included in Note 22 of the Consolidated Financial Statements.

Ocean Rodeo's Q4 2025 sales decreased to \$20,000 compared to \$54,959 in Q4 2024. Under the terms of the agreement discussed in Note 22 of the Consolidated Financial Statements, Ocean Rodeo agreed to cease selling inventory on March 31, 2025. Ocean Rodeo and Bainbridge had an agreement in principle for Ocean Rodeo to sell its remaining inventory to Bainbridge, but that portion of the sale fell through resulting in the write off the remaining inventory in Q3 2025. This was subsequently recovered when Ocean Rodeo was able to find buyers for the final pieces of inventory, resulting in the Q4 2025 sales of \$20,000.

Gross margins from discontinued operations were 100% in Q4 2025 compared to negative in Q4 2024. As noted above, the Q3 2025 inventory write down was subsequently reversed to cost of sales in Q4 2025 when that material was sold, resulting in a net impact on cost of sales of \$nil and a 100% margin on inventory sold.

Q4 2024 gross margin was negative due to a \$90,000 stock provision recorded to write remaining inventory down to the lower of cost and net realizable value. If the stock provision were excluded, gross margins for Q4 2024 would have been 16%.

Ocean Rodeo's operating expenses were \$153,131 in Q4 2025, wholly comprised of G&A expenses and primarily as a result of the write off of the consideration receivable associated with the Bainbridge agreement in the amount of \$137,586. Despite management's repeated efforts to identify and implement

alternative solutions, it was determined the terms of the agreement would not be satisfied and in accordance with IFRS, was written off. Although the write off occurred, management continues to engage with Bainbridge on a resolution. Additional information on this write off is included in Note 22 of the Consolidated Financial Statements. The remainder of the G&A expense includes additional administrative costs such as other bad debt expenses, legal and banking costs, and the drawdown of prepaid expenses associated with licenses and association fees. Q4 2024 operating costs consisted of expenses associated with discontinuing the operations such as employee termination costs and other legal and admin costs.

Ocean Rodeo recognized a \$591,592 deferred income tax expense in Q4 2024. This deferred tax expense was due to the recording of a full allowance for those tax loss carryforwards under IFRS as the Company did not meet the required probability threshold for recognizing the tax loss carryforwards as deferred tax assets. No deferred income tax expense or recovery was recognized in Q4 2025.

For the fiscal year ended October 31, 2025 ("FY 2025") and October 31, 2024 ("FY 2024"):

Sales

FY 2025 sales were \$7,873,221 compared to \$6,359,229 during FY 2024, which represents a 24% year over year increase.

The Company increased its sales in FY 2025 across both channels compared to FY 2024. Performance Outdoor saw a 23% increase in FY 2025 compared to FY 2024. Within the Performance Outdoor, windsport had an increase of 16%, while pack and bags increased by 33%. The increase in packs and bags was largely driven by 8 additional brands moving through the pipeline to the commercialized stage during FY 2025. Of the brands that commercialized in FY 2024, 85% of them made follow-on orders in FY 2025 after successful product launches. Sailing saw an almost 300% increase in sales in FY 2025 compared to FY 2024, with leading brands continuing to purchase materials for high-performance sail prototyping.

The commercial, industrial channel increased by 34% in FY 2025 compared to FY 2024, primarily due to the continued demand of a key customer in the wind power vertical market.

Cost of sales and gross margin

FY 2025 cost of sales increased to \$4,527,891 compared to \$3,756,656 in FY 2024, and gross margin increased to 42% in FY 2025 from 41% in FY 2024.

Both FY 2025 and FY 2024 gross margins were within the Company's expected range of 40-45%.

Salaries and benefits

Salaries and benefits expense was \$2,246,081 in FY 2025 compared to \$2,503,084 in FY 2024, representing a decrease of \$257,003. FY 2024 salaries and benefits included approximately \$410,000 of accrued severance payments associated with the organization restructuring implemented at the end of Q2 2024. If those FY 2024 restructuring costs were excluded, FY 2025 would have increased compared to FY 2024 due to additions to the R&D and production departments as well as to the senior leadership team.

General and administrative ("G&A")

G&A expense was \$968,596 in FY 2025 compared to \$1,627,168 in FY 2024, representing a decrease of \$658,572. G&A expenses are comprised primarily of professional fees, rent, commercial insurance, bad debt provisions, warranty costs, freight, bank charges, and license fees paid for the Company's ERP system.

The decrease is primarily due to higher bad debt provisions recognized as well as a higher-than-average warranty reserve associated with older Gold materials recognized in FY 2024 that did not reoccur in FY 2025.

Research and development ("R&D")

R&D expense was \$265,587 in FY 2025 compared to \$213,867 in FY 2024 representing an increase of \$51,720. R&D expense was higher for FY 2025 than FY 2024 due to an increase in third party testing and the associated travel for the R&D team, as well as an increase in materials constructed to further validate the alternative method of manufacturing at a wider width.

Marketing

Marketing expense was \$141,826 in FY 2025 compared to \$210,222 in FY 2024 representing a decrease of \$68,396. Marketing expenses were higher in FY 2024 compared to FY 2025 primarily due to the reliance on a public relations firm that was not engaged in FY 2025 and the cost to exhibit at the November 2023 ISPO trade show and April 2024 Tech Textil trade show, both held in Germany.

Share-based compensation

Share-based compensation was \$708,742 in FY 2025 compared to \$113,927 in FY 2024 representing an increase of \$594,815. The increase was primarily due to the grant and repricing of options outlined in Note 17 of the Consolidated Financial Statements.

Other income

Other income was \$85,181 in FY 2025 compared to \$771,313 in FY 2024. FY 2024 Other income included a fair value adjustment and realized gain totaling \$749,391 associated with the Company's investment in Xlynx Materials Inc. common shares (the "Xlynx Shares"). The fair value adjustment was based on the sale price negotiated for the Xlynx Shares in a May 2024 purchase and sale agreement. Other income in FY 2025 is primarily made up of interest income earned on cash balances and overdue accounts receivable.

Interest expense

Interest expense for FY 2025 was \$136,519 compared to \$144,944 for FY 2024. Interest expense is primarily due to interest paid on the Company's related party loan from 0876991 B.C. Ltd. ALUULA repaid \$200,000 of this related party loan in January 2025, which contributed to the decrease in interest expense incurred in FY 2025 compared to FY 2024.

Depreciation and Amortization

Depreciation and amortization expense for FY 2025 was \$414,570 which was consistent with the FY 2024 expense of \$438,388.

Deferred taxes

Deferred tax recovery for FY 2025 was \$70,569 compared to a deferred tax expense of \$755,891 in FY 2024. The FY 2025 deferred tax recovery was primarily due to the amortization of fair value adjustments on the acquisition of Ocean Rodeo by ALUULA, while the FY 2024 deferred tax expense was primarily due to the recording of a full allowance for tax loss carryforwards under IFRS as the Company does not currently meet the required probability threshold for recognizing the tax loss carryforwards as deferred tax assets. As the Company meets its profitability milestones, it will revisit whether these deferred tax assets can be recognized in accordance with IFRS.

Net and comprehensive loss from discontinued operations

Net and comprehensive loss from Ocean Rodeo's discontinued operations was \$229,850 in FY 2025 compared to \$1,302,590 in FY 2024 representing a decrease of \$1,072,740.

Ocean Rodeo's FY 2025 sales decreased by \$538,039 from \$878,919 in FY 2024 to \$340,880 in FY 2025 due to the timing of the Company's decision at the end of Q2 2024 to discontinue Ocean Rodeo's operations as outlined earlier in this MD&A. Sales subsequent to this decision were generated by the inventory already existing in stock, with the volume progressively declining until ceasing in the second quarter of 2025. Minor sales were made after this quarter as discussed previously in this MD&A.

Ocean Rodeo's FY 2025 gross margins were 2% while FY 2024 gross margins were 12%. Gross margins for FY 2025 were low primarily due to the Company selling the remaining inventory on an "as is" basis and at discounted prices to accelerate inventory clearance. Gross margins for FY 2024 were lower than normalized gross margins due to the write down of inventory to net realizable value (approximate 12% impact on gross margins) and the discounting of inventory sold on an "as is" basis. Gross margins in FY 2024 were also negatively impacted by the accounting treatment of ALUULA's October 31, 2022 acquisition of Ocean Rodeo. When ALUULA acquired Ocean Rodeo, accounting standards required that ALUULA value Ocean Rodeo's inventory on hand (the "Acquisition Inventory") at its fair market value, which was deemed to be the sales value of those finished goods. Therefore, as Acquisition Inventory is sold, it generates a zero margin (as the cost equals fair value which equals the sales price). Acquisition Inventory sold or written down during FY 2024 resulted in a negative impact to normalized margins of approximately 8%.

Operating expenses decreased by \$1,051,877 in FY 2025 compared to FY 2024 as spending controls and employee terminations were implemented in light of Ocean Rodeo's sales decline and discontinued operations.

Other income in FY 2024 of \$507,597 relates primarily to a SRED refund received.

Ocean Rodeo's deferred tax expense for FY 2025 was \$nil compared to \$591,592 in FY 2024. The FY 2024 deferred tax expense was due to the recording of a full allowance tax loss carryforwards under IFRS as the Company did not meet the required probability threshold for recognizing the tax loss carryforwards as deferred tax assets. No deferred income tax expense or recovery was recognized in Q4 2025.

SUMMARY OF QUARTERLY RESULTS

The following table is a management level summary of the financial results of the Company for each of the three month periods ending:

	October 31 2025 ("Q4 2025")	July 31 2025 ("Q3 2025")	April 30 2025 ("Q2 2025")	January 31 2025 ("Q1 2025")	October 31 2024 ("Q4 2024")	July 31 2024 ("Q3 2024")	April 30 2024 ("Q2 2024")	January 31 2024 ("Q1 2024")
Sales	\$ 2,916,427	\$ 2,121,588	\$ 1,573,677	\$ 1,261,529	\$ 1,666,861	\$ 1,291,938	\$ 1,403,151	\$ 1,997,279
Gross margin	43%	41%	42%	45%	39%	38%	40%	45%
Net and comprehensive income (loss) from continued operations	77,742	(763,524)	(325,738)	(369,321)	(1,166,371)	(1,215,139)	(369,680)	117,585
Net and comprehensive loss	(51,157)	(798,144)	(386,674)	(374,716)	(1,819,654)	(1,123,209)	(764,360)	(228,972)
Loss per share basic and diluted **	\$ (0.00)	\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ (0.15)	\$ (0.09)	\$ (0.06)	\$ (0.02)

** All per share amounts presented in this table have been adjusted to reflect the 20:1 share consolidation outlined in Note 16 of the Consolidated Financial Statements.

Sales

Sales for FY 2024 averaged \$1,589,807 per quarter, which represents a 53% increase compared to FY 2023 average quarterly sales. ALUULA sales decreased by \$594,128 in Q2 2024 compared to Q1 2024, which aligned with budget and was due to the seasonality of purchase orders within the windsport vertical market. This seasonality of ordering was experienced in fiscal 2022 but masked in fiscal 2023 due to the Q1 2023 working capital shortage that impacted fulfilment timelines.

Sales for fiscal 2025 averaged \$1,968,305 per quarter, which represents a 24% increase compared to the FY 2024 average of \$1,589,807. For the first time in the Company's history, both Q3 and Q4 2025 report quarterly sales exceeding \$2 million, reflecting ongoing growth in the Performance Outdoor and Commercial, Industrial channels as outlined earlier in this MD&A.

Net and comprehensive income (loss) from continued operations

The Company reported net and comprehensive income for Q1 2024 as both sales and gross margins increased while operating costs remained consistent. Q2 2024 net and comprehensive loss was impacted by the approximately \$390,000 in accrued restructuring costs associated with organizational changes and write downs associated with patents and trademark no longer needed to support the Company's growth. If

these restructuring costs were excluded, the Company would have reported net and comprehensive income for the three months ended April 30, 2024.

Net and comprehensive loss in Q3 2024 was \$1,215,139 as sales and gross margins decreased for the three month period, the Company allowed for approximately \$700,000 in accounts receivables, and wrote off approximately \$70,000 of raw input materials that did not pass quality control testing for utilization in the manufacturing of ALUULA materials.

Net and comprehensive loss was \$1,166,371 in Q4 2024 due to the recognition of a deferred tax expense of \$827,301 as previously outlined in this MD&A. If this non-cash deferred tax expense was excluded, the net and comprehensive loss would have been \$339,070.

The Company's net and comprehensive loss from continued operations was \$369,321 in Q1 2025 and \$325,738 in Q2 2025, which is in line with expectation given sales and gross margins reported. Net and comprehensive loss from continued operations was \$763,524 for Q3 2025 despite the increase in sales due to the recognition of \$586,431 in share-based compensation expense detailed earlier in this MD&A. If this non-cash expense were excluded, the Company's Income before interest, tax and amortization would have been approaching breakeven. The Company reported net and comprehensive income of \$77,742 for Q4 2025. This positive result was achieved with gross margins remaining within anticipated levels, achieving strong quarter-over-quarter sales growth while operating expenses remained relatively stable.

Net and comprehensive loss

Net and comprehensive loss includes the net and comprehensive loss from both continued and discontinued operations. The decision to sell ALUULA materials to an increasing number of windsport brands had a negative impact on Ocean Rodeo's competitive advantage resulting in sales declines and ongoing quarterly net and comprehensive losses. The decision was made to discontinue Ocean Rodeo operations in Q2 2024 and as a result, its operating expenses were significantly reduced. The Company continued efforts to sell inventory in stock on an "as is" basis which combined with reduced operating costs resulted in net income from discontinued operations for the Q3 2024 period. Other than this Q3 2024 period, the Company has reported quarterly losses from Ocean Rodeo in seven of the eight previous quarters.

BALANCE SHEET ANALYSIS, LIQUIDITY, AND CAPITAL RESOURCES

ANALYSIS OF STATEMENT OF FINANCIAL POSITION

The following table presents selected information from the Company's October 31, 2025 and 2024 Consolidated Financial Statements followed by a variance analysis below:

	October 31 2025	October 31 2024
Selected assets		
Cash and cash equivalents	\$ 2,051,791	\$ 857,011
Trade and other receivables	1,672,488	1,032,754
Inventory	2,039,578	1,098,320
Intangible assets	3,364,705	3,618,375
Investments	-	187,500
Goodwill	4,037,139	4,037,139
Selected liabilities		
Trade and other payables	1,357,487	981,067
Loan from related party *	800,000	1,000,000
Debt *	442,153	556,675
Lease obligations *	132,178	271,523

* Current and long term debt and lease obligations combined for this analysis

Cash and cash equivalents

Cash and cash equivalents balance at October 31, 2025 was \$2,051,791 which is \$1,194,780 higher than the balance at October 31, 2024. The increase in cash is primarily due to the issuance of capital through the Rights Offering complete in January 2025 and the proceeds of the exercise of warrants outlined in Note 16 of the Consolidated Financial Statements. This increase in cash was deployed as additional working capital required to support the growing sales book and to fund operational initiatives such as qualifying new methods of manufacturing.

Trade and other receivables

Trade and other receivables increased from \$1,032,754 at October 31, 2024 to \$1,672,488 at October 31, 2025. Substantial recognition of revenue occurred near the end of FY 2025, with sales primarily made to customers with credit terms leading to the increase in trade and other receivables.

Current account receivables comprise 99% of the balance owing to the Company at October 31, 2025 (net of credit losses), while less than 1% is over 90 days.

Inventory

Inventory at October 31, 2025 was \$2,039,578 representing an increase of \$941,258 compared to the balance at October 31, 2024. This change is primarily due to the increase in raw material purchasing required to meet growing sales volumes.

Intangible Assets

Intangible assets are primarily comprised of patents and trademarks. ALUULA acquired Ocean Rodeo on October 31, 2022 to support its efforts in product innovation and testing within the windsport vertical market. At that time, Ocean Rodeo's patent portfolio was valued at \$4,296,834. On October 31, 2023, certain key patents held by Ocean Rodeo were transferred to Aluula to ensure all patents supporting the Company's windsport cash generating unit were in one legal entity. The value of intangible assets continues to decrease as they are amortized over their estimated useful life.

Investment

The investment balance at October 31, 2024 was comprised of ALUULA's share ownership in Xlynx Materials Inc. ("Xlynx"). During the year ended October 31, 2025, ALUULA fully divested its investment in Xlynx, as detailed in Note 8 in the Consolidated Financial Statements.

Goodwill

The Company recorded \$4,037,139 of goodwill when ALUULA acquired Ocean Rodeo on October 31, 2022. The decision to discontinue Ocean Rodeo's operations raised the question of potential impairment of goodwill. An impairment analysis was performed on the Company's windsport division, which is comprised of both Ocean Rodeo and ALUULA's windsport business in accordance with IAS 36 – *Impairment of Assets*. The continued growth in ALUULA's customer base and sales generated by windsport customers was a key factor contributing to the conclusion that there was no impairment to goodwill at October 31, 2025.

Trade and other payables

Trade and other payables balance was \$1,357,487 at October 31, 2025 compared to \$981,067 at October 31, 2024. This increase is primarily due to the timing of purchases with credit terms from one key raw materials supplier.

Loan from related party

The loan from related party decreased from \$1,000,000 at October 31, 2024 to \$800,000 at October 31, 2025 due to a repayment made on January 1, 2025 in accordance with the terms of the loan.

Debt

The Company's October 31, 2025 debt balance of \$442,153 was \$114,522 lower than the October 31, 2024 balance of \$556,675. This decrease in debt is a result of repayments made in accordance with terms of the debt.

Lease obligations

The Company's lease obligations consist of right-of-use lease obligations for the rental of office and production space. Lease obligations at October 31, 2025 were \$132,178, a decrease of \$139,345 compared to October 31, 2024. This decrease is a result of lease payments in the normal course of operations.

Off-balance sheet arrangements

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

CASH FLOW FROM OPERATING, INVESTING, AND FINANCING ACTIVITIES

Analysis of cash flows:

For the fiscal year ended	October 31 2025	October 31 2024
Cash used in operating activities - continued operations	\$ (1,777,087)	\$ (928,463)
Cash provided by (used in) operating activities - discontinued operations	64,301	(129,239)
Cash provided by investing activities - continued operations	86,848	487,662
Cash provided by investing activities - discontinued operations	-	22,872
Cash provided by financing activities - continued operations	2,893,237	734,111
Cash used in financing activities - discontinued operations	(72,519)	(103,300)
Increase in cash and cash equivalents	\$ 1,194,780	\$ 83,643

Operating activities

Cash used in operating activities from continued operations was \$1,777,087 during FY 2025 compared to \$928,463 during FY 2024 representing an \$848,624 increase. Use of cash increased primarily due to an increase in inventory purchasing and timing of accounts receivable collection.

Cash provided by operating activities from discontinued operations was \$64,301 during FY 2025 compared to cash used of \$129,239 during FY 2024. This change is primarily due to the large working capital release experienced as management executed on their decision to discontinue the Ocean Rodeo operations.

Investing activities

Cash provided by investing activities from continued operations was \$86,848 during FY 2025 compared to \$487,662 during FY 2024. While capital asset investments remained relatively stable between the periods, cash provided in FY 2024 was due to the sale of a large portion of Xlynx shares as described in Note 8 of the Consolidated Financial Statements.

Cash provided by investing activities from discontinued operations was \$nil during FY 2025 compared to \$22,872 during FY 2024. The cash flow from investing activities in FY 2024 was due primarily to a \$36,297 repayment of a capital reserve account from GKA Event GmbH.

Financing activities

Cash provided by financing activities from continued operations was \$2,893,237 in FY 2025 compared to \$734,111 in FY 2024. FY 2025 cash flows were generated by the Company's rights offering and the exercise of warrants as outlined in Note 16 of the Consolidated Financial Statements. The inflow of funds during FY 2024 was due to receipt of the \$1,000,000 loan from a related party detailed in the Working Capital and Debt Management section below.

Cash used in financing activities from discontinued operations was \$72,519 in FY 2025 compared to \$103,300 in FY 2024. The cash used in financing activities for both years was for repayment of third party debt.

WORKING CAPITAL AND DEBT MANAGEMENT

The Company funds its operations, including capital expenditures, debt repayments, and other financing needs, through a combination of sources, including equity issuances and debt. Where government grants, interest free loans or forgivable loans are available to the Company, management applies for funding. ALUULA continuously explores sources of additional capital available to companies in the early growth lifecycle stage.

Loans 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 bears interest at a rate of 12% per annum.

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. The Company repaid \$200,000 on January 1, 2025 in accordance with the loan repayment schedule.

Debt and government funding

On January 29, 2025, the Company signed a Contribution Agreement with the National Research Council of Canada ("NRC"), as representatives of the Industrial Research Assistance Program ("IRAP"). Under the terms of the Contribution Agreement, the NRC has agreed to reimburse the Company up to \$75,000 against specific costs incurred in relation to a project aimed at utilizing artificial intelligence to improve the efficiency of the Company's quality assurance and quality control processes (the "Project"). The Project term was from February 1, 2025 to October 31, 2025. The Company must comply with the terms of the Contribution Agreement in order to qualify for cost reimbursement. Reimbursements recorded for the year ended October 31, 2025 were \$61,626 (2024 - \$nil). These reimbursements have been recorded as a reduction

of salaries and benefits on the consolidated statements of loss and comprehensive loss. On October 14, 2025, the NRC extended the Project term from October 31, 2025 to January 31, 2026. All other terms and conditions of the Contribution Agreement remain unchanged.

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 October 31, 2025, \$729,114 (2024 - \$729,114) of the available funding had been received, and the loan had a discounted balance of \$442,153 (2024 - \$556,675).

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 October 31, 2025, the discounted balance was \$nil (October 31, 2024 - \$72,307).

Equity issuances

In July 2025, the Company received TSXV approval to reprice and extend the terms of 24,489,953 warrants (the "Warrants") originally granted pursuant to a private placement of units on July 12, 2023. Following the extension and repricing (and taking into account the share consolidation of the Company completed on March 12, 2025), every 20 Warrants entitled the holder to acquire one common share of the Company at an exercise price of \$0.81 per share until July 12, 2026. In accordance with the policies of the TSXV, the Warrants were subject to an accelerated expiry clause. Under this acceleration provision, if the closing price of the Company's common shares was \$0.97 or higher for 10 consecutive trading days, the exercise period of the Warrants would be reduced to 30 calendar days. Any Warrants not exercised before the end of this 30-day period would expire and be void. The repricing of Warrants had no impact on the statement of loss and comprehensive loss for the three or twelve months ended October 31, 2025.

During July 2025, 4,593,960 Warrants were exercised in exchange for the issuance of 229,698 Aluula common shares and resulted in the receipt of \$186,055 gross proceeds.

On August 1, 2025, the acceleration provision was triggered as the Company's shares had traded above \$0.97 for 10 consecutive trading days. The 30-day acceleration period commenced on August 5, 2025 and ended September 4, 2024. During the acceleration period, a further 19,785,600 warrants were exercised in exchange for 989,280 Aluula common shares, resulting in gross proceeds received of \$801,317. In total, 24,379,560 or 99.6% of the Warrants were exercised in exchange for 1,218,978 Aluula common shares and resulted in the receipt of gross proceeds of \$987,372. For more information on the Warrant exercise, see Note 16 to the Consolidated Financial Statements.

On January 21, 2025, the Company completed an offering of rights (the "Rights Offering") which resulted in the issuance of 12,530,781 Shares at a price of \$0.20 per share for gross proceeds of \$2,506,156. In connection with the Rights Offering, the Company 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 2,912,800 Shares; and (ii) to purchase up to an additional 7,500,000 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 20 bonus warrants is exercisable into one Share at a price of \$2.00 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 \$2,377,588 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.

On September 17, 2025, 32,571 stock options issued under the Company's stock option plan were exercised with an exercise price of \$0.61 per share. The Company issued 32,571 common shares in exchange for \$19,869 of consideration.

A summary of proceeds raised by the Company from the issuance of equity starting in April 2023 at the time of the RTO with BSP is as follows:

Date	Issuance of equity from:	Gross proceeds	Transaction costs	Net proceeds	FMV warrants issued
April 6, 2023	BSP SubCo pre-RTO private placement	\$ 2,186,800	\$ 12,180	\$ 2,174,620	n/a
April 13, 2023	Exercise of employee stock options pre RTO	152,585	-	152,585	n/a
April 13, 2023	Repayment of shareholder loan via share issuance	1,983,002	-	1,983,002	n/a
April 14, 2023	BSP private placement	813,200	21,000	792,200	n/a
May 2023	Warrant exercise	14,793	-	14,793	n/a
July 12, 2023	Brokered private placement	3,673,493	441,154	3,232,339	\$ 1,194,566
April 14, 2024	Exercise of employee stock options	6,000	-	6,000	n/a
January 21, 2025	Rights Offering	2,506,156	128,552	2,377,604	537,064
July 2025	Warrant exercise	186,055	-	186,055	n/a
August 2025	Warrant exercise	725,278	-	725,278	n/a
September 2025	Warrant exercise	76,039	-	76,039	n/a
September 17, 2025	Exercise of stock options	19,869	-	19,869	n/a

CONTRACTUAL OBLIGATIONS

The Company is subject to contractual obligations, including office and warehouse leases, promissory notes owing to related parties, and long-term debt repayments.

RESEARCH AND DEVELOPMENT ("R&D")

ALUULA has a patented, highly customizable process for manufacturing composite materials. R&D activities are key to the Company's success and are separated into two main areas:

Customization of the ALUULA process to support sales opportunities

When the sales opportunity warrants, the R&D team works closely with brand partners to customize materials to meet their needs. Through this collaboration process, the Company determines material specifications required and applies its internal knowledge of the ALUULA process and the chemical and physical properties of potential input materials to develop new composite materials or methodologies to meet brand partner needs. Once finalized, ALUULA works with the brand partner's manufacturer to ensure smooth integration of our materials into their processes.

Ongoing product and process innovation

The R&D team is engaged in various long-term projects including, but not limited to, creating waterproof breathable prototypes, evolving construction techniques, transitioning ALUULA's materials into the circular economy, ongoing composite material development, vetting new raw materials for use in production, and manufacturing innovations.

MANUFACTURING

The Company manufactures its composite materials using batch process fusion pods, which are custom designed, proprietary equipment that Company's staff utilize to convert input materials into finished composites. ALUULA currently has two fusion pods that are utilized in the production of materials. Fusion pods have an estimated 5 year useful life and as of October 31, 2025, the fusion pods have on average two years remaining in their useful life. A fusion pod can produce approximately 26,000 square meters of Gold material per month (the Company's first commercialized material) based on a standard work week operating on a 12 hour shift. Each fusion pod requires two to three production staff to operate. Production capacity varies depending on the quantity and type of materials manufactured, as well as the structure of shifts. As the Gold material has been in commercial scale production since 2021 and is one of the highest volume materials produced, the Company has developed efficiencies with its batch manufacturing process for this material. Other more recently commercialized SKUs are not yet as efficient to manufacture, and the Company expects to realize efficiency gains over time and as volumes increase. The Company schedules equipment repairs and preventative maintenance to maximize useful life and proactively explores process streamlining, planning and equipment adaptations to maximize output from its manufacturing facility.

Based on brand partner feedback, the Company is expanding its production capabilities to output materials at a width of 1.5 meters in addition to its current 0.925 meter width. ALUULA began at the slimmer width for better control over the initial variables involved as the Company commercialized the process. The Company will transition certain SKUs to the wider 1.5 meter width as it allows customers to create their products with better nesting of the material, generating less waste, and requiring fewer seams, reducing labour and assembly time.

PRODUCTION CAPACITY AND CAPITAL EXPENDITURES

During the year, a key focus area was optimization of the current 0.925 meter facility to keep up with growing demand, as well as identify the foundation of its manufacturing and capital plan for fiscal 2026. With the growing sales trend seen in fiscal 2025, and the Company's high revenue achieved in Q3 and Q4 of 2025, the successful execution of this production optimization is showing progress. But with aging equipment and capacity limits being reached, the need for near-term investment to scale is evident. The Company continues to explore and apply learnings to the current 0.925 meter facility to ensure maximization of capacity while retaining efficiency and quality.

As mentioned previously in this MD&A, the Company has also been exploring alternative methods of manufacturing to allow for production of materials at the wider width of 1.5 meters. During fiscal 2025, ALUULA successfully completed testing a new method of manufacturing that will not only allow for production at a wider width, but can also accommodate excess production of the existing 0.925 meter materials. This new method of manufacturing was successfully used in the fourth quarter of 2025 to produce certain SKUs in the 1.5 meter width, which were sold to a number of customers for the first time in the Company's history. The Company plans to continue leveraging this method of manufacturing on an interim basis to supplement existing production capacity as well as manufacture small batches of materials at the 1.5 meter width during earlier parts of fiscal 2026.

Other Equipment

The Company invests in research and development equipment to test new composite materials, new input materials, and existing input materials from new sources. The materials are subject to tests including strength, abrasion resistance, UV resistance, permeability, and accelerated life cycle testing. Equipment is also purchased to assist with new assembly methods for customers, such as heat welding and other alternatives to sewing.

Patents

Where management feels it is warranted, patents are sought to protect both designs and processes in certain global jurisdictions. The legal costs of acquiring these patents are capitalized as intangible assets where appropriate under IFRS.

EQUITY

On February 18, 2025, the 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 25,061,562 Shares were issued and outstanding.

As of October 31, 2025, the Company had 26,313,111 shares issued and outstanding, 26,250,000 warrants outstanding (which can be exercised on a 20:1 basis into 1,312,500 Shares) and 2,214,589 stock options outstanding. More detail on these transactions can be found in Notes 16 and 17 of the Consolidated Financial Statements.

TAX MATTERS

The Company is considered to be operating in Canada for tax purposes and falls under the jurisdiction of the Canadian Income Tax Act. In the ordinary course of business, the Company may be subject to tax audits and certain matters may be reviewed and challenged by tax authorities.

ACCOUNTING POLICIES AND ESTIMATES

Management is required to make estimates, judgements, and assumptions in preparation of the Consolidated Financial Statements in accordance with IFRS. These estimates affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements, and the amounts of reported revenue and expenses during the reporting period.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant judgement and estimates made in preparation of the Consolidated Financial Statements are described in Note 2 of those financial statements, with the associated accounting policies described in Note 3.

FUTURE ACCOUNTING PRONOUNCEMENTS

No new significant accounting standards were adopted during three months and fiscal year ended October 31, 2025. Future accounting pronouncements are disclosed in Note 3 of the Consolidated Financial Statements.

FAIR VALUE MEASUREMENTS

A number of the Company's financial instruments are recognized at fair value. Fair value is discussed in detail in the Consolidated Financial Statements. There have been no changes to the fair value policies during the three months and fiscal year ended October 31, 2025.

KEY RISKS AND RISK MANAGEMENT

Management defines risk as the probability of a future event that could negatively affect the financial condition and/or results of operations of the Company. The following section describes specific and general

risks that could affect the Company. As it is difficult to predict whether any risk will be realized or its related consequences will occur, the actual effect of any risk on the business could be materially different from that anticipated. The following descriptions of risk do not include all possible risks as there may be other risks of which Management is currently unaware or currently believe to be immaterial.

Effective risk management is vital to the ongoing growth and success of the Company. As the Company is still in its growth stage, management's focus began with mitigating the key risks as they were identified, with additional risk management being added over time.

Reputation

As an early-stage commercial manufacturing company earning its market share with multiple customers in multiple vertical markets, we must meet expectations on deliverability and quality while we also scale up rapidly. There is risk of reputational damage and liability if composite materials experience quality control issues or do not hold up in the long-term. Management has mitigated the risk of quality control issues through the implementation of controls and processes as outlined later in this MD&A.

New markets

We are actively working to expose the Company's composite materials to vertical markets outside windsport with an expectation of future commercialization within these other markets. There is risk that this may not be successful, or that it will take longer than expected, delaying expected scaling of the Company's production levels and associated revenues.

Management mitigates the risk of delayed entry by building forecasts conservatively, based on pipeline sales opportunities, with the understanding that not all opportunities will materialize within the expected timelines.

OPERATIONAL RISKS

Confidentiality of trade secrets

The Company relies on closely held trade secrets in addition to the intellectual property that has been developed over the years. There is a risk that an individual could gain access to trade secrets and share this information publicly, limiting or eliminating our competitive advantage.

Management mitigates the risk of exposed trade secrets through limiting the number of individuals with access to key process information, by limiting access to both the office and production facilities, and by obtaining signed non-disclosure agreements from any individuals who will be exposed to any level of the trade secrets.

Supply chain and associated cash flows

Supply chain management includes maintaining the ability to source input materials in a timely manner, verifying the quality of those input materials, and managing the cost of those input materials. The majority of the raw materials purchased by the Company for use in production are non-specialized in nature, and readily available from various suppliers. In specific instances the Company relies on one supplier to meet our raw material needs. We require access to sufficient working capital to purchase these raw materials in advance of production, including allowing time for shipment from international suppliers to our warehouse in Victoria. There is risk that these materials may be delayed, resulting in production slowdowns and delayed collection of receivables from customers.

Management mitigates supply chain risk in the following ways:

- We invest in research and quality control up front to determine the best sources of raw materials, both for cost and flexibility to meet our specifications.
- We prepare a detailed production planning schedule including lag times for receipt of raw materials.
- We have invested in shipping insurance to cover losses that may occur on incoming materials.

- We store our raw materials and finished goods in our own warehouse with limited access to the facility by outsiders.
- We remain in constant communication with key suppliers and occasionally make site visits to both strengthen the relationship and monitor quality control.
- We seek to engage with multiple suppliers for key input materials to mitigate reliance on any one vendor.

Management mitigates cash flow risk by negotiating credit terms with key suppliers, matching order quantities with sales forecasts and maintaining key relationships enabling access to additional capital to ensure sufficient cash is on hand to support the raw materials requirements of the business.

Excess production

As ALUULA is early in the growth stage, there is risk attached to producing finished composites in advance of sales order demand, as overproduction could divert the Company's working capital from other areas.

Management mitigates the risk of overproduction by, where possible, only purchasing raw materials to meet upcoming sales orders from customers, and by primarily producing to meet the demand of those confirmed sales orders.

Cyber security

The Company relies on a number of electronic systems to store and process data. There is risk of data loss if one of our providers experiences a data breach or loss of backups. Management has implemented contracts with and uses the services of well-established or off-the-shelf service providers to meet these needs, such as Microsoft and NetSuite, to minimize both our exposure to risk of data loss and the requirements of maintaining physical server space.

Employees and management are often subject to phishing attempts, primarily through email. The risk of data loss or wire fraud associated with these attempts is mitigated through most employees being centralized in one office, secondary approvals for bank payments, requiring verbal confirmation with a known party prior to making any changes to wire instructions and having open discussions with other staff when attacks occur ensuring the office is aware of the attempt.

Data and information

The Company retains certain customer data, as required to operate the business. When customer credit card information is stored, we follow the customer data retention policies set out by the Payment Card Industry Security Standards Council.

Employee retention and dependence on key personnel

The Company employs skilled employees with industry and company specific knowledge across many facets of its operations. The retention and satisfaction of these employees is important to the ongoing success of the business, particularly where they oversee many aspects of the business or where little redundancy is built in. Failure to retain key employees and directors or to attract and retain new employees with the required skills could have an adverse impact on the Company's growth and profitability.

Management looks to retain employees by offering fair and equitable compensation packages which include competitive salaries with performance-based upside, an employee stock option plan, and a fully paid benefits package. The senior leadership team is actively involved in day-to-day operations, working closely with staff in various departments while also allowing them to own their roles and allowing all staff to feel invested in the success of the Company.

Changing international trade policies

Due to the interconnected nature of the global economy, policy changes in one region can have immediate and significant adverse effects on markets worldwide. Amendments to international trade policies, including changes to existing agreements, increased restrictions on free trade and substantial increases in customs duties and tariffs on goods imported could negatively impact the Company's results of operations.

During fiscal 2025, the Company operated in an environment of elevated trade policy uncertainty as the United States introduced additional tariffs on imports from Canada, Mexico, and China. Affected countries responded with retaliatory measures, increasing exposure to tariff-related costs and supply chain disruption risk, including potential changes to input costs, pricing strategies, and customer demand. The ultimate impact of these measures and financial condition remains difficult to predict and depends on the scope, level, and duration of tariffs affecting products and key inputs, as well as any further retaliatory or mitigating actions by Canada, the United States, China, or other trading partners, which may require ongoing adjustments to sourcing, production, and sales strategies.

FINANCIAL RISKS

The Company is exposed to a number of financial risks during the normal course of business. These risks are discussed in more detail in Note 15 the Consolidated Financial Statements.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations, typically under a customer contract or of a financial instrument, leading to a financial loss. Management has a number of mitigating policies in place, including the following:

- We transact primarily with CIBC, which is a chartered Canadian bank.
- Customers who wish to trade on credit terms are subject to a credit verification process.
- We obtain customer deposits, where possible, where the Company is incurring out-of-pocket costs that cannot be recovered through retention and sale of the product being manufactured.
- We obtain payment prior to shipping for customers who have not been granted credit terms.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Management mitigates liquidity risk by monitoring forecasted and actual cash flows and proactively managing the maturity profiles of financial assets and liabilities.

Foreign currency 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. A significant portion of the Company's revenues and associated receivables are generated and held in foreign currencies. This risk is naturally mitigated by the purchase of input materials in foreign currencies. As the Company's cash flows become more predictable, it will explore the implementation of a formal hedging policy.

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. Management mitigates Interest rate risk by seeking out alternate sources of financing and securing fixed-rate or equity-based financing where rates are favourable.

INTERNAL CONTROLS AND PROCEDURES

QUALITY CONTROLS

Quality control procedures are vital to the Company's success to reduce the risk of warranties, returns, and damaged customer relationships. Management is responsible for creating and implementing effective systems, controls, and processes for both operations and financial reporting.

Quality assurance and control measures are critical to the success of the ALUULA process. To select new or replacement raw materials, our R&D team performs tests to ensure they will perform as required. The relevant supply chain staff evaluates potential new vendors to ensure we are purchasing from reliable sources that will meet our quality control specifications. Where raw materials require modification prior to use in our assembly process we contract a reputable factory partner and remain in constant communication

throughout the planning and production process. As required, ALUULA staff visit the facility to ensure compliance with specifications. Raw materials are visually inspected once received and continuously evaluated during the assembly process.

Once ALUULA composite materials are assembled, we perform a two-step quality control check. A final visual inspection occurs during the re-rolling and packaging stage to check for imperfections and contaminants, and a set of material samples are taken from each lot to be tested against the performance requirements for each SKU. A Quality Control Report is prepared for inclusion with each shipment.

Any changes to either raw material inputs or the production process are carefully tested and verified using our standard quality control procedures prior to implementation in full-scale production to ensure the minimum specifications are still being met. In many cases pilot test batches are manufactured to confirm fit for use.

FINANCIAL CONTROLS

The Company has financial controls in place to mitigate financial risks, including the following:

Segregation of cash

There is an inherent risk of loss due to fraud and error with cash and banking. The Company limits banking access to members of finance who require access and to executives with signing authority. Generating transfers of cash outside of the Company's bank requires two people to create and authorize payments.

Use of Enterprise Reporting Planning ("ERP") software

The Company has invested in cloud-based ERP software system for managing data, including its sales, production, and accounting records. Access to the ERP is user based, and employees have role-based permissions assigned to limit access to their areas of responsibility.

External review and tax preparation

Financial statements are internally prepared and are subject to an annual financial statement audit on a consolidated basis. Income tax is externally reviewed and filed, and an external SRED consultant is engaged to ensure appropriateness and completeness of submissions.

ENVIRONMENTAL SUSTAINABILITY

The ALUULA process uses no adhesives or volatile substances and does not produce wastewater. It is our intent to ensure that all ALUULA produced composites are single polymer and therefore inherently recycle ready. The majority of our products are already 100% recycle ready, and we continue to work on new materials with the same qualities. All our packaging is recyclable material, and we take pride in minimizing packaging waste. Our team is also working with our partners to try to create easy access to recycling processes for end-of-life products.

OUTLOOK

ALUULA has built a strong foundation as an emerging leader in advanced composite materials, delivering exceptional strength, durability, and recyclability through its proprietary UHMWPE based fabrics. Our patented process produces adhesive-free, mono-material fabrics that are fully waterproof, UV-resistant, and designed for circularity, offering a performance and environmental advantage over traditional composite materials. As an ingredient brand, ALUULA materials have become a visible mark of quality and innovation across partner products in outdoor, wind power, defense, and aerospace applications. This growing presence has strengthened brand recognition, and expanded customer adoption.

ALUULA closes fiscal 2025 with a robust base of contracted revenues, consistent gross margins, and a validated manufacturing capability ready for expansion. Our premium ingredient brand strategy and

marquee partnerships in industrial, commercial, and performance outdoor markets are translating into strong revenue growth and enhanced market visibility. With a solid open sales orders book and binding purchase agreements, we anticipate continued momentum, subject to capacity constraints, as new manufacturing investments ramp up.

The priorities for the coming fiscal year are clear: secure and deploy growth capital, scale manufacturing capacity, deepen strategic partnerships, and continue to expand the technology portfolio. While near-term revenue conversion may be slightly tempered by capacity investments and fewer productive manufacturing days in early 2026, these efforts are essential for supporting our transition from early-stage disruption to durable, repeatable growth. Management remains focused on managing margins through this phase, maintaining high operating leverage, and advancing the Company's leadership in both technological and environmental performance, with the goal of driving sustained value for shareholders.

RELATED PARTY TRANSACTIONS

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 sold, in exchange for Epic's assignment of the applicable patents to the Company. The Company has recorded royalties of \$277,486 for the year ended October 31, 2025 (2024 - \$191,272).

Loan from related parties:

On December 29, 2023, the Company entered into a \$1,000,000 short-term 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 year ended October 31, 2025 was \$100,011 (2024 - \$99,945) 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.

On January 1, 2025, the Company repaid \$200,000 of the \$1,000,000 described in the Loan Agreement. The remaining balance of \$800,000 is due on January 1, 2026.

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, Chief Scientific Officer, and Chief Commercial 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 year ended October 31, 2025 was \$1,449,748 (2024 - \$857,315), which includes \$629,996 (2024 - \$114,730) 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 as a result of a change in control totaling \$399,600 (2024 - \$nil). Restructuring costs recorded on the consolidated statement of loss and comprehensive loss for key management personnel for year ended October 31, 2025 were \$nil (2024 - \$346,201). Remaining amounts owing for restructuring payments to key management personnel at October 31, 2025 were \$nil (2024 - \$189,318).

SUBSEQUENT EVENTS

Related party loan agreement

On January 1, 2026, the Company and 0876991 B.C. Ltd, a related party, agreed to amend the terms of their loan agreement. Pursuant to the amendment, the principal balance was returned to the original \$1,000,000 and extended the maturity to January 1, 2027. All other terms of the loan agreement remain unchanged. Additional information on this related party note is included in Note 12 of the Consolidated Financial Statements.

New R&D facility lease

On January 19, 2026, the Company entered into a 3-year lease agreement for an R&D facility commencing on April 1, 2026. This agreement qualifies as a lease under *IFRS 16 – Leases* and the Company expects to recognize a right-of-use asset and corresponding lease liability in the range of approximately \$55,000 to \$57,000.