

Consolidated Financial Statements of

# **ALUULA COMPOSITES INC.**

Years ended October 31, 2025 and 2024

(Expressed in Canadian dollars, unless otherwise noted)



KINGSTON  
ROSS  
PASNAK LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Suite 1500, 9888 Jasper Avenue NW  
Edmonton, Alberta T5J 5C6  
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

February 9, 2026  
Edmonton, Alberta

## **INDEPENDENT AUDITOR'S REPORT**

---

To the Shareholders of Aluula Composites Inc.

### **Opinion**

We have audited the consolidated financial statements of Aluula Composites Inc. and its subsidiaries (the Company) which comprise the consolidated statements of financial position as at October 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2025 and 2024, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed the matters is provided in that context.

#### ***Impairment assessment of goodwill and intangible assets***

We refer to the financial statement summary of material accounting policy information and related disclosures in Note 7.

At October 31, 2025, the Company held intangible assets with a carrying value of \$3,364,705 and goodwill with a carrying value of \$4,037,139. The Company performs reviews for indicators of impairment at each statement of financial position date and when events or changes in circumstances indicate that the goodwill and intangible assets may be impaired. We identified the Company's impairment assessment of the goodwill and intangible assets as a key audit matter.

This impairment test is significant to our audit because management's assessment process is complex and highly judgmental and is based on assumptions, specifically forecasted future cash flows and discount rates, giving rise to high estimation uncertainty.

(continues)

## Independent Auditor's Report to the Shareholders of Aluula Composites Inc. *(continued)*

To address the risk for material misstatement on the impairment assessment of the goodwill and intangible assets, our audit procedures included, amongst other procedures:

- Evaluated the reasonableness of the Company's cash flows by comparing projections to, among others, historical expenses and operations and current business plans.
- Assessed the assumptions, methodologies and data used by the Company, in particular those relating to forecasted cash flows and discount rates.
- Tested the completeness and accuracy of the underlying data used in the Company's valuation model.
- Performed analysis on significant management assumptions used in the valuation model.

We assessed the adequacy of the Company's presentation and disclosures related to the impairment assessment of goodwill and intangible assets.

### **Other Information**

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, which includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

*(continues)*

Independent Auditor's Report to the Shareholders of Aluula Composites Inc. *(continued)*

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Justin Rousseau.

  
**Kingston Ross Pasnak LLP**  
Chartered Professional Accountants

# ALUULA COMPOSITES INC.

Consolidated Statements of Financial Position

As at October 31, 2025 and 2024

(Expressed in Canadian dollars, unless otherwise noted)

|  | Note | 2025          | 2024          |
|--|------|---------------|---------------|
| <b>Assets</b>                                  |      |               |               |
| Current assets:                                |      |               |               |
| Cash and cash equivalents                      |      | \$ 2,051,791  | \$ 857,011    |
| Trade and other receivables                    | 4    | 1,672,488     | 1,032,754     |
| Inventory                                      | 5    | 2,039,578     | 1,098,320     |
| Prepaid expenses and other current assets      |      | 504,505       | 71,109        |
| Assets related to discontinued operations      | 22   | 32,345        | 672,808       |
|  |      | 6,300,707     | 3,732,002     |
| Property and equipment                         | 6    | 510,883       | 697,291       |
| Intangible assets                              | 7    | 3,364,705     | 3,618,375     |
| Other long-term assets                         |      | -             | 22,693        |
| Investments                                    | 8    | -             | 187,500       |
| Goodwill                                       |      | 4,037,139     | 4,037,139     |
|  |      | \$ 14,213,434 | \$ 12,295,000 |
| <b>Liabilities and Shareholders' Equity</b>    |      |               |               |
| Current liabilities:                           |      |               |               |
| Trade and other payables                       | 9    | \$ 1,357,487  | \$ 981,067    |
| Customer deposits                              |      | 46,636        | 44,251        |
| Current portion of loan from related party     | 12   | 800,000       | 200,000       |
| Current portion of long-term debt              | 10   | 119,460       | 114,522       |
| Current portion of lease obligations           | 11   | 132,178       | 139,346       |
| Deferred tax liability                         | 19   | 893,873       | 964,442       |
| Liabilities related to discontinued operations | 22   | 1,995         | 420,826       |
|  |      | 3,351,629     | 2,864,454     |
| Long-term debt                                 | 10   | 322,693       | 442,153       |
| Long-term loan from related party              | 12   | -             | 800,000       |
| Lease obligations                              | 11   | -             | 132,177       |
|  |      | 3,674,322     | 4,238,784     |
| Shareholders' equity:                          |      |               |               |
| Share capital                                  | 16   | 20,354,830    | 16,466,950    |
| Contributed surplus                            |      | 1,994,254     | 1,788,547     |
| Deficit  |      | (11,809,972)  | (10,199,281)  |
|  |      | 10,539,112    | 8,056,216     |
| Commitments                                    | 20   |               |               |
| Subsequent events                              | 24   |               |               |
|  |      | \$ 14,213,434 | \$ 12,295,000 |

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

Approved on behalf of the Board:

"Peter Gustavson" Director

"Jeremy South" Director

# ALUULA COMPOSITES INC.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended October 31, 2025 and 2024

(Expressed in Canadian dollars, unless otherwise noted)

|  | Note | 2025           | 2024           |
|--|------|----------------|----------------|
| Sales  |      | \$ 7,873,221   | \$ 6,359,229   |
| Cost of sales  |      | 4,527,891      | 3,756,656      |
| Gross profit   |      | 3,345,330      | 2,602,573      |
| Operating expenses:  |      |                |                |
| Salaries and benefits  |      | 2,246,081      | 2,503,084      |
| General and administrative                                     |      | 968,596        | 1,627,168      |
| Research and development                                       |      | 265,587        | 213,867        |
| Marketing  |      | 141,826        | 210,222        |
| Share-based compensation                                       | 17   | 708,742        | 113,927        |
|  |      | 4,330,832      | 4,668,268      |
| Loss before interest, tax and amortization                     |      | (985,502)      | (2,065,695)    |
| Other income   | 13   | 85,181         | 771,313        |
| Interest expense   |      | (136,519)      | (144,944)      |
| Depreciation of property and equipment                         | 6    | (148,713)      | (172,372)      |
| Amortization of intangible assets                              | 7    | (265,857)      | (266,016)      |
| Loss from continued operations before tax                      |      | (1,451,410)    | (1,877,714)    |
| Deferred tax recovery (expense)                                |      | 70,569         | (755,891)      |
| Net loss and comprehensive loss from continued operations      |      | (1,380,841)    | (2,633,605)    |
| Net loss and comprehensive loss from discontinued operations   | 22   | (229,850)      | (1,302,590)    |
| Net loss and comprehensive loss                                |      | \$ (1,610,691) | \$ (3,936,195) |
| Loss per share:  |      |                |                |
| Basic and diluted net loss per share - continued operations    |      | \$ (0.06)      | \$ (0.21)      |
| Basic and diluted net loss per share - discontinued operations |      | \$ (0.01)      | \$ (0.10)      |
| Weighted average number of common shares                       |      |                |                |
| Basic and diluted  |      | 22,514,780     | 12,529,651     |

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

# ALUULA COMPOSITES INC.

Consolidated Statements of Changes in Equity  
 Years ended October 31, 2025 and 2024  
 (Expressed in Canadian dollars, unless otherwise noted)

|                                       | Shares<br>outstanding | Share<br>capital | Contributed<br>Surplus | Deficit         | Total<br>shareholders'<br>equity |
|---------------------------------------|-----------------------|------------------|------------------------|-----------------|----------------------------------|
| Balance, October 31, 2023             | 12,528,281            | \$ 16,460,950    | \$ 1,674,620           | \$ (6,263,086)  | \$ 11,872,484                    |
| Share-based compensation<br>(Note 17) | -                     | -                | 113,927                | -               | 113,927                          |
| Option exercise (Note 17)             | 2,500                 | 6,000            | -                      | -               | 6,000                            |
| Net loss                              | -                     | -                | -                      | (3,936,195)     | (3,936,195)                      |
| Balance, October 31, 2024             | 12,530,781            | \$ 16,466,950    | \$ 1,788,547           | \$ (10,199,281) | \$ 8,056,216                     |
| Rights offering (Note 16)             | 12,530,781            | \$ 1,840,540     | \$ 537,064             | \$ -            | \$ 2,377,604                     |
| Share-based compensation<br>(Note 17) | -                     | -                | 708,742                | -               | 708,742                          |
| Warrant exercise (Note 16)            | 1,218,978             | 1,962,554        | (975,182)              | -               | 987,372                          |
| Option exercise (Note 17)             | 32,571                | 84,786           | (64,917)               | -               | 19,869                           |
| Net loss                              | -                     | -                | -                      | (1,610,691)     | (1,610,691)                      |
| Balance, October 31, 2025             | 26,313,111            | \$ 20,354,830    | \$ 1,994,254           | \$ (11,809,972) | \$ 10,539,112                    |

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

As a result of the March 12, 2025 share consolidation described in Note 16, all shares and options issued and outstanding have been updated to reflect the 20:1 consolidation. Exercise prices have also been adjusted to reflect this consolidation.

# ALUULA COMPOSITES INC.

Consolidated Statements of Cash Flows  
 Years ended October 31, 2025 and 2024  
 (Expressed in Canadian dollars, unless otherwise noted)

|  | Note | 2025               | 2024               |
|--|------|--------------------|--------------------|
| Cash flows from (used in) operating activities:                          |      |                    |                    |
| Net and comprehensive loss - continued operations                        |      | \$ (1,380,841)     | \$ (2,633,605)     |
| Items not involving cash:  |      |                    |                    |
| Depreciation of property and equipment                                   | 6    | 148,713            | 172,372            |
| Depreciation of property and equipment included in inventory             | 6    | 120,599            | 89,747             |
| Amortization of intangible assets  | 7    | 265,857            | 266,016            |
| Share-based compensation   | 17   | 708,742            | 113,927            |
| Realized gain and fair value adjustments on investments                  | 8,13 | -                  | (749,391)          |
| Accretion of and accrued interest on loans and leases                    |      | 37,741             | 47,133             |
| Loss on disposal of property and equipment                               | 6    | -                  | 3,969              |
| Other gains and losses   |      | 5,561              | 65,621             |
| Inventory write-downs  | 5    | 91,039             | 77,838             |
| Changes in non-cash working capital items:                               |      |                    |                    |
| Trade and other receivables  | 4    | (639,734)          | 396,737            |
| Inventory  | 5    | (1,032,297)        | 87,099             |
| Deferred tax liability   | 19   | (70,569)           | 755,890            |
| Prepaid expenses and other current assets                                |      | (433,396)          | 152,346            |
| Other assets   |      | 22,693             | -                  |
| Trade and other payables   | 9    | 376,420            | 191,153            |
| Customer deposits  |      | 2,385              | 34,685             |
| Cash flows used in operating activities - continued operations           |      | (1,777,087)        | (928,463)          |
| Cash flows from (used in) operating activities - discontinued operations |      | 64,301             | (129,239)          |
| <b>Total cash flows used in operating activities</b>                     |      | <b>(1,712,786)</b> | <b>(1,057,702)</b> |
| Cash flows from (used in) investing activities:                          |      |                    |                    |
| Acquisition of property and equipment                                    | 6    | (82,904)           | (81,405)           |
| Proceeds from sale of property and equipment                             | 6    | -                  | 27,365             |
| Proceeds from sale of investments  | 8    | 187,500            | 562,500            |
| Acquisition of intangible assets   | 7    | (17,748)           | (20,798)           |
| Cash flows from investing activities - continued operations              |      | 86,848             | 487,662            |
| Cash flows from investing activities - discontinued operations           |      | -                  | 22,872             |
| <b>Total cash flows from investing activities</b>                        |      | <b>86,848</b>      | <b>510,534</b>     |
| Cash flows from (used in) financing activities:                          |      |                    |                    |
| Issuance of share capital  | 16   | 2,506,156          | -                  |
| Transaction costs from share issuance                                    | 16   | (128,552)          | -                  |
| Proceeds on exercise of warrants   | 16   | 987,372            | -                  |
| Proceeds on issuance of shares on exercise of options                    | 16   | 19,869             | 6,000              |
| Repayment of loan from related party                                     | 12   | (200,000)          | -                  |
| Repayment of long-term debt  | 10   | (145,824)          | (125,064)          |
| Payments for principal portion of lease obligations                      | 11   | (145,784)          | (146,825)          |
| Proceeds of loan from related party                                      | 12   | -                  | 1,000,000          |
| Cash flows from financing activities - continued operations              |      | 2,893,237          | 734,111            |
| Cash flows used in financing activities - discontinued operations        |      | (72,519)           | (103,300)          |
| <b>Total cash flows from financing activities</b>                        |      | <b>2,820,718</b>   | <b>630,811</b>     |
| Increase in cash and cash equivalents                                    |      | 1,194,780          | 83,643             |
| Cash and cash equivalents, beginning of period                           |      | 857,011            | 773,368            |
| Cash and cash equivalents, end of period                                 |      | \$ 2,051,791       | \$ 857,011         |

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

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

---

## 1. Nature of operations:

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

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

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

## 2. Basis of preparation:

### (a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved by the Board of Directors for issue on February 9, 2026.

### (b) Basis of measurement:

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

### (c) Basis of consolidation:

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

### (d) Functional and presentation currency:

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

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

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

---

## 2. Basis of preparation (continued):

### (e) Discontinued operations:

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

### (f) Estimates and judgements:

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

Significant judgements and estimates relate to:

#### (i) Allowance for credit losses:

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

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

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

#### (ii) Valuation of inventory:

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

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

---

## 2. Basis of preparation (continued):

### (f) Estimates and judgements (continued):

#### (iii) Internally generated assets:

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

#### (iv) Long-lived assets valuation:

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

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

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

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

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

#### (v) Provision for warranty returns:

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

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

---

## 2. Basis of preparation (continued):

### (f) Estimates and judgements (continued):

#### (v) *Provision for warranty returns (continued):*

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

#### (vi) *Share-based compensation:*

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

#### (vii) *Leases:*

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

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

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

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

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

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

---

## 2. Basis of preparation (continued):

### (f) Estimates and judgements (continued):

#### *(ix) Measurement of fair values:*

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

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

#### *(x) Revenue recognition:*

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

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

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

#### *(xii) Assets held for sale:*

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

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

---

### 3. Summary of material accounting policy information:

(a) Financial assets and liabilities:

Financial assets include cash and cash equivalents, trade and other receivables, and investments. Financial liabilities include trade and other payables, due to related parties, and long-term debt.

(i) *Recognition and measurement of financial instruments:*

Financial instruments are initially recognized at fair value. If the financial instrument is not classified at fair value through profit and loss ("FVTPL"), then the initial measurement includes directly attributable transaction costs. Subsequent to initial recognition, financial assets are measured at either amortized cost, fair value through OCI or FVTPL. Financial liabilities are measured at either amortized cost or FVTPL. Classification depends on the nature and objective of each financial instrument and is determined when first recognized.

(ii) *Provision for impairment:*

Financial assets carried at amortized cost include cash and cash equivalents and trade and other receivables. The Company assesses the lifetime expected credit losses ("ECL") associated with its assets carried at amortized cost. ECL represents the expected credit loss that will result from all possible default events over the expected life of the financial instrument. The amount of ECL is updated at each reporting date to reflect changes in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition based on all information available, including reasonable and supportive forward-looking information. When a financial instrument is uncollectible, it is written off against the provision for impairment.

(iii) *Cash and cash equivalents:*

Cash and cash equivalents include bank deposits, cash on hand and short-term investments with original maturities of three months or less. Due to the nature of these financial instruments, carrying value approximates fair value. Cash and cash equivalents are held at amortized cost.

(iv) *Trade and other receivables:*

Trade and other receivables are initially recognized at fair value less provision for impairment. Subsequently, trade and other receivables are measured at amortized cost. As receivables are due in less than one year, they are not discounted. The provision established against trade and other receivables represents lifetime ECL and is updated at each reporting date. Any increase in the provision is recognized in the consolidated statement of comprehensive income (loss). When a trade receivable is uncollectible, it is written off against the provision for impairment. Subsequent recoveries of amounts previously written off are recognized in the consolidated statement of comprehensive income (loss).

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

---

### 3. Summary of material accounting policy information (continued):

(a) Financial assets and liabilities (continued):

(v) *Investments:*

IFRS 9 prescribes a single approach to determine whether an investment in an equity instrument is classified and measured at amortized cost or at fair value, with each instrument measured separately. The classification and measurement of investments is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest. The Company's investments are measured at fair value and are classified as Fair Value through Profit or Loss ("FVTPL"). Subsequent changes in fair value are recognized as gains or losses in the consolidated statement of comprehensive income (loss). Transaction costs relating to investments classified as FVTPL are recognized in profit or loss as they are incurred.

(vi) *Borrowings and other financial liabilities:*

Trade and other payables and due to related parties are initially recognized at fair value, net of transaction costs, plus or minus any premiums or discounts. Bank loans and other financial liabilities are subsequently measured at amortized cost calculated using the effective interest method. Interest accrued on borrowings is included in trade and other payables on the consolidated statement of financial position. Cash flows linked to short-term payable amounts are not discounted. Long-term cash flows are discounted when the impact is significant. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

(b) Inventory:

Inventory is valued at the lower of cost and net realizable value, with cost being determined using either the first-in first-out formula or weighted average cost for Aluula depending on the type of inventory, while the specific cost method is used for Ocean Rodeo. *Net realisable value* is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of raw materials and finished goods for resale includes direct product costs. The cost of finished and in-progress composite materials includes direct product costs, direct labour and an allocation of variable and fixed manufacturing overhead, including interest and depreciation. When circumstances that previously caused inventory write-downs below cost no longer exist, or when there is clear evidence of an increase in the net realizable value, the amount of a write-down previously recorded is reversed through cost of goods sold.

(c) Property and equipment including right of use assets:

Items of property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes any expenditure that is directly attributable to the acquisition of the asset. Property and equipment assets are evaluated at each reporting date to determine whether there is an indication of impairment. Where evidence of impairment exists, the asset's recoverable amount, being the greater of its value in use and its fair value less costs to sell, is estimated. An impairment loss is recognized in net income if the carrying amount of the asset is greater than its estimated recoverable amount. Impairment losses recognized in prior periods may be reversed if there has been a change in the estimates used to determine the recoverable amount. Gains and losses on the disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

---

### 3. Summary of material accounting policy information (continued):

(c) Property and equipment including right of use assets (continued):

Depreciation is recognized in profit or loss on a basis that most closely reflects the expected pattern of consumption of future economic benefits embodied in the assets. Depreciation is calculated using the straight-line method over the estimated useful life of the asset as follows:

---

|                                   |                   |
|-----------------------------------|-------------------|
| Furniture and computer equipment  | 3 - 10 years      |
| Machinery and equipment           | 5 - 10 years      |
| Leased office and warehouse space | Term of the lease |
| Leasehold improvements            | Term of the lease |

---

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(d) Intangible assets:

Intangible assets include patents, licenses and trademarks. Upon recognition of an intangible asset, the Company determines if the asset has a definite or indefinite life. In making this determination, the Company considers the expected use, expiry of agreements, the nature of the asset and whether the value of the asset decreases over time. Definite life intangible assets are measured at cost less accumulated amortization net of accumulated impairment losses. Amortization is recognized in the consolidated statements of comprehensive income (loss) on a straight-line basis over the estimated useful life as follows:

---

|                      |                |
|----------------------|----------------|
| Trademarks           | Up to 20 years |
| Patents and licenses | Up to 20 years |

---

(e) Business combinations and goodwill:

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date that control is transferred to the Company. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of any previously held equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and the liabilities assumed. If the excess is negative, a bargain purchase gain is recognized immediately in earnings. Transaction costs, other than those associated with the issue of debt or equity, are recognized in earnings as incurred.

Goodwill is not amortized, and is tested for impairment annually and as required when circumstances indicate that its carrying amount may not be recoverable. Goodwill is measured at cost less any accumulated impairment losses.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

---

### 3. Summary of material accounting policy information (continued):

(f) Leases:

At the inception of a contract, the Company assesses whether the contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The supplier has a substantive substitution right;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period; and
- The Company has the right to direct the use of the asset.

The Company has the right to control when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. For contracts that contain a lease the Company recognizes a right-of-use asset, presented under property and equipment or intangible assets in the consolidated statement of financial position, and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those within the equivalent category of property and equipment or intangible assets.

The lease obligation is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease obligation is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, when there is a change to the future lease payments arising from a change in a rate used to determine those payments, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company does not recognize right-of-use assets and lease obligations for short-term leases that have a lease term of 12 months or less, or for leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

(g) Impairment of non-financial assets:

On each reporting date, the Company reviews the carrying amounts of property and equipment, intangible assets and right-of-use assets for any indication of impairment. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

---

### 3. Summary of material accounting policy information (continued):

(g) Impairment of non-financial assets (continued):

The recoverable amount is the higher of an asset or cash-generating unit's ("CGU") fair value less costs of disposal and value in use. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income (loss).

An impairment loss is reversed if there is an indication that an impairment loss recognized in the prior periods may no longer exist. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized previously. Such a reversal is recognized in the consolidated statement of comprehensive income (loss).

(h) Provisions:

Provisions are liabilities of the Company for which the amount and/or timing of settlement is uncertain. A provision is recognized in the consolidated financial statements when the Company has a present legal or constructive obligation because of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and when appropriate the risks specific to the liability.

(i) Revenue recognition:

The Company follows the following steps when accounting for revenue from contracts with customers:

- (i) Identify the contract with a customer
- (ii) Identify the performance obligations
- (iii) Determine the transaction prices
- (iv) Allocate the transaction price to the performance obligations
- (v) Recognize revenue when/as performance obligation(s) are satisfied

The Company generates revenue through the sale of its composite materials and windsport products. All revenue is recognized net of any tax collected from customers, which is subsequently remitted to the relevant government authorities. Customer payment terms vary, but are short-term in nature. Customer contracts do not contain significant financing components or variable consideration.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

---

### 3. Summary of material accounting policy information (continued):

- (i) Revenue recognition (continued):

#### Composite materials

The Company's principal business activity is the assembly and sale of composite materials for use in a broad range of commercial applications. Revenue is recognized when control of the materials transfers to the customer, which is the point at which it has been shipped from the Company's warehouse. At this time, invoices are sent and the accounts receivable timeline begins.

#### Windsport products

The Company's subsidiary, Ocean Rodeo, generates revenue through the sale of finished windsport products. Revenue is recognized at the time the customer takes control of the product, which is estimated based on historical experience of shipping terms, shipping date and shipping destination. When a right to return exists, a sales return allowance is recognized based on historical return rates. A sales return allowance is measured at the amount of consideration received, or receivable, for which the Company does not expect to be entitled. When a return occurs, the Company has the right to recover the goods sold, and so recognizes a corresponding adjustment to cost of sales and right to returned goods. The Company's standard warranty period is not considered to create a separate performance obligation. Warranty obligations are accounted for as provisions, and the estimated cost of satisfying the warranty obligation is recognized when the necessity of the provision is evident. The sales return allowance and warranty provision are updated at the end of each reporting period for changes in circumstances. Since the discontinuation of Ocean Rodeo, all inventory is sold on an "as is" basis and therefore do not qualify for warranty or sales returns.

- (j) Government grants:

Government grants are recognized where there is a reasonable assurance that the grant will be received and the Company will comply with all conditions. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs for which it is intended to compensate are expensed. When the grant relates to an asset, the cost of the asset is reduced by the amount of the grant.

- (k) Research and development expenses:

The Company undertakes research and development activities to develop or improve new and existing products and to tailor them to suit specific applications, as required. These activities result in costs that are expensed as incurred.

- (l) Share-based compensation:

The Company has a share-based compensation plan, which is described in Note 17. The Company accounts for share-based payments and awards to employees, directors and officers at fair value using the Black-Scholes option pricing model. Under the fair value-based method, compensation cost attributable to awards intended to settle in equity is based on the fair value of the award on the grant date and recognized as an expense, with a corresponding increase in equity over the vesting period using the graded vesting method. At the end of each reporting period management reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the consolidated statement of comprehensive income (loss).

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

---

### 3. Summary of material accounting policy information (continued):

#### (m) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and where they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities that intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### (n) Basic and diluted earnings (loss) per share:

Basic earnings (loss) per share is computed by dividing the net income (loss) applicable to common shares by the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted income (loss) per share, whereby all "in the money" stock options are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are equivalent as the exercise of stock options is considered to be anti-dilutive.

#### (o) Adoption of new and amended standards and interpretations:

##### (i) *Classification of Liabilities as Current or Non-current:*

On October 31, 2022 the IASB published amendments to IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by the right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the intention of management to exercise any right to deferral; and

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

---

### 3. Summary of material accounting policy information (continued):

(o) Adoption of new and amended standards and interpretations (continued):

(i) *Classification of Liabilities as Current or Non-current (continued):*

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants. These amendments have not had a material impact on the Company's classification or disclosure of its liabilities.

(ii) *Supplier Finance Arrangements:*

On May 25, 2023 the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures enhance the presentation and disclosure of liabilities and associated cash flows relating to supplier finance arrangements, and are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows, and exposure to liquidity risk. These amendments have not materially impacted the Company's classification or disclosures of its liabilities or cash flows.

(p) Future accounting pronouncements:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended October 31, 2025 and therefore have not been applied in the preparation of these consolidated financial statements.

(i) *IFRS 18 - Presentation of Financial Statements:*

On April 9, 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged. The new Accounting Standard introduces significant changes to the structure of a company's income statement, more discipline and transparency in presentation of management's own performance measures (commonly referred to as 'non-GAAP measures,') and less aggregation of items into large, single numbers. The main impacts of the new Accounting Standard include:

- Introducing a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities (i.e. operating, investing and financing);
- Requiring disclosure about management performance measures (MPMs); and
- Adding new principles for aggregation and disaggregation of information.

IFRS 18 applies to annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The extent of the impact of adoption of this new IFRS pronouncement has not yet been determined and the Company has not determined if early adoption will be pursued.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

---

### 3. Summary of material accounting policy information (continued):

(p) Future accounting pronouncements (continued):

(ii) *IFRS Sustainability Disclosure Standards:*

The International Sustainability Standards Board (ISSB) of the IFRS Foundation has published IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures', which establish a global baseline for sustainability-related disclosures.

Both Standards are effective for fiscal years beginning January 1, 2024, but certain transitional reliefs are available. The ISSB has confirmed that industry-specific disclosures are required and, in the absence of specific IFRS Sustainability Disclosure Standards, companies are required to consider the Sustainability Accounting Standards Board ('SASB') Standards to identify sustainability-related risks, opportunities and appropriate metrics. The Company is currently evaluating the impact of these reporting requirements.

In December of 2024, the Canadian Sustainability Standards Board ("CSSB") approved and published the final Canadian Sustainability Disclosure Standard ("CSDS") 1, *General Requirements for Disclosure of Sustainability-related Financial Information* and CSDS 2, *Climate-related Disclosures*. These standards align with IFRS S1 and S2 global baselines, with modifications to align with Canadian-specific needs which include:

- Extending the earliest voluntary adoption dates for CSDS 1 and CSDS 2 from January 1, 2024, to January 1, 2025;
- Extending the proposed transition relief for disclosures beyond climate-related risks and opportunities from one year granted by the ISSB to two years. This means entities that voluntarily adopt the CSSB standards on January 1, 2025, will be required to disclose information on all sustainability-related risks and opportunities from the reporting period beginning on or after January 1, 2027; and
- Extending the proposed transition relief for disclosure of Scope 3 greenhouse gas ("GHG") emissions from one year granted by the ISSB to two years. This means entities that voluntarily adopt the CSSB on January 1, 2025, will be required to disclose Scope 3 GHG emissions from the reporting period beginning on or after January 1, 2027.

The Company has not voluntarily adopted CSDS 1 or CSDS 2 and continues to monitor developments, assessing the potential impact on its future disclosures.

(iii) *The Effects of Changes in Foreign Exchange Rates:*

On August 15, 2023 the IASB amended IAS 21 The Effects of Changes in Foreign Exchange Rates to clarify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendment requires disclosure of additional information when currency is not considered to be exchangeable. The amendments are applied prospectively for annual periods beginning on or after January 1, 2025. Early application is permitted. This amendment is not expected to have a material impact on the Company's financial statements or disclosures.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

## 4. Trade and other receivables:

Trade and other receivables are comprised of the following:

|                         | 2025         | 2024         |
|-------------------------|--------------|--------------|
| Trade receivables       | \$ 1,627,315 | \$ 927,492   |
| Other receivables       | 106,194      | 63,983       |
| Government receivables  | 98,966       | 93,815       |
| Sales return allowances | (43,631)     | (26,086)     |
| Expected credit losses  | (116,356)    | (26,450)     |
|                         | \$ 1,672,488 | \$ 1,032,754 |

Trade receivables net of expected credit losses outstanding at October 31 were aged as follows:

|              | 2025         | 2024       |
|--------------|--------------|------------|
| Current      | \$ 1,498,886 | \$ 811,469 |
| 30 - 60 days | 8,551        | 25,844     |
| 60 - 90 days | -            | 47,043     |
| Over 90 days | 3,522        | 16,686     |
|              | \$ 1,510,959 | \$ 901,042 |

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

|   | 2025      | 2024      |
|---|-----------|-----------|
| Opening balance                         | \$ 26,086 | \$ -      |
| Additional provisions during the period | 281,450   | 62,092    |
| Amounts used during the period          | (263,905) | -         |
| Reversal of previous allowance          | -         | (36,006)  |
|   | \$ 43,631 | \$ 26,086 |

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

|   | 2025       | 2024      |
|---|------------|-----------|
| Opening balance                         | \$ 26,450  | \$ 3,478  |
| Additional provisions during the period | 141,082    | 641,737   |
| Amounts used during the period          | (12,363)   | (615,245) |
| Unused amounts reversed                 | (38,813)   | (3,520)   |
|   | \$ 116,356 | \$ 26,450 |

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

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

---

## 5. Inventory:

Inventory is comprised of the following:

|                  | 2025                | 2024                |
|------------------|---------------------|---------------------|
| Raw materials    | \$ 1,453,950        | \$ 844,736          |
| Finished goods   | 485,104             | 253,584             |
| Work in progress | 100,524             | -                   |
|                  | <u>\$ 2,039,578</u> | <u>\$ 1,098,320</u> |

During the year ended October 31, 2025, inventories totalling \$4,099,330 (2024 - \$3,418,614), inventory write-downs totalling \$91,039 (2024 - \$77,839) were expensed in cost of sales. There were no reversals of write-downs from previous periods.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

## 6. Property and equipment:

|                                 | Furniture<br>and<br>equipment | Computer<br>equipment | Leasehold<br>improvements | Machinery<br>and<br>equipment | Right-of-use<br>buildings | Total        |
|---------------------------------|-------------------------------|-----------------------|---------------------------|-------------------------------|---------------------------|--------------|
| <b>Cost</b>                     |                               |                       |                           |                               |                           |              |
| Balance, October 31, 2023       | \$ 18,669                     | \$ 20,338             | \$ 7,304                  | \$ 682,693                    | \$ 646,453                | \$ 1,375,457 |
| Additions                       | 21,960                        | 12,987                | -                         | 67,610                        | -                         | 102,557      |
| Disposals                       | -                             | -                     | -                         | (42,521)                      | -                         | (42,521)     |
| Balance, October 31, 2024       | 40,629                        | 33,325                | 7,304                     | 707,782                       | 646,453                   | 1,435,493    |
| Additions                       | -                             | 19,933                | -                         | 62,971                        | -                         | 82,904       |
| Balance, October 31, 2025       | \$ 40,629                     | \$ 53,258             | \$ 7,304                  | \$ 770,753                    | \$ 646,453                | \$ 1,518,397 |
| <b>Accumulated depreciation</b> |                               |                       |                           |                               |                           |              |
| Balance, October 31, 2023       | \$ 3,044                      | \$ 10,948             | \$ 2,131                  | \$ 193,519                    | \$ 275,538                | \$ 485,180   |
| Depreciation                    | 1,909                         | 8,282                 | 1,458                     | 123,301                       | 127,169                   | 262,119      |
| Disposals                       | -                             | -                     | -                         | (9,097)                       | -                         | (9,097)      |
| Balance, October 31, 2024       | 4,953                         | 19,230                | 3,589                     | 307,723                       | 402,707                   | 738,202      |
| Depreciation                    | 5,072                         | 10,745                | 1,462                     | 124,860                       | 127,173                   | 269,312      |
| Balance, October 31, 2025       | \$ 10,025                     | \$ 29,975             | \$ 5,051                  | \$ 432,583                    | \$ 529,880                | \$ 1,007,514 |
| <b>Carrying amounts:</b>        |                               |                       |                           |                               |                           |              |
| Balance, October 31, 2024       | \$ 35,676                     | \$ 14,095             | \$ 3,715                  | \$ 400,059                    | \$ 243,746                | \$ 697,291   |
| Balance, October 31, 2025       | \$ 30,604                     | \$ 23,283             | \$ 2,253                  | \$ 338,170                    | \$ 116,573                | \$ 510,883   |

During the year ended October 31, 2025, \$120,599 (2024 – \$89,747) of depreciation was included in the cost of finished goods inventory.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

## 7. Intangible assets:

|                                 | Patents and<br>Licenses | Trademarks | Total        |
|---------------------------------|-------------------------|------------|--------------|
| <b>Cost</b>                     |                         |            |              |
| Balance, October 31, 2023       | \$ 4,174,340            | \$ 15,851  | \$ 4,190,191 |
| Additions                       | 17,796                  | 3,002      | 20,798       |
| Disposals                       | (61,625)                | (3,287)    | (64,912)     |
| Balance, October 31, 2024       | 4,130,512               | 15,565     | 4,146,077    |
| Additions                       | 17,748                  | -          | 17,748       |
| Disposals                       | (6,258)                 | -          | (6,258)      |
| Balance, October 31, 2025       | \$ 4,142,002            | \$ 15,565  | \$ 4,157,567 |
| <b>Accumulated amortization</b> |                         |            |              |
| Balance, October 31, 2023       | \$ 264,453              | \$ 149     | \$ 264,602   |
| Amortization                    | 265,978                 | 38         | 266,016      |
| Disposals                       | (2,916)                 | -          | (2,916)      |
| Balance, October 31, 2024       | 527,515                 | 187        | 527,702      |
| Amortization                    | 265,819                 | 38         | 265,857      |
| Disposals                       | (697)                   | -          | (697)        |
| Balance, October 31, 2025       | \$ 792,637              | \$ 225     | \$ 792,862   |
| <b>Carrying amounts:</b>        |                         |            |              |
| Balance, October 31, 2024       | \$ 3,602,997            | \$ 15,378  | \$ 3,618,375 |
| Balance, October 31, 2025       | \$ 3,349,365            | \$ 15,340  | \$ 3,364,705 |

As at October 31, 2025, intangible assets with a cost of \$13,555 (2024 - \$9,973) were recorded for patents, licenses or trademarks management expects to be granted but were still pending approval.

## 8. Investments:

The Company owned shares in Xlynx Materials Inc., a private company that is not quoted in an active market. Fair value for this investment is determined using available financial and market information which can include financial statements and company projections. The following table summarizes changes in this investment:

|                       | 2025       | 2024       |
|-----------------------|------------|------------|
| Opening Balance       | \$ 187,500 | \$ 609     |
| Fair value adjustment | -          | 749,391    |
| Sale of securities    | (187,500)  | (562,500)  |
|                       | \$ -       | \$ 187,500 |

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

## 8. Investments (continued):

### (a) XlynX Materials Inc. ("XlynX")

As at October 31, 2023, the Company owned 352,941 Class A common shares in Xlynx with a value of \$609. During the year ended October 31, 2024, the Company recognized a fair value adjustment of \$749,391 when the investment was written up to fair value based on a third party's offer to purchase the common shares. During the fiscal year ended October 31, 2024, the Company sold 264,705 common shares to an arm's length third party for cash consideration of \$562,500 and recognized a realized gain of \$562,043, which has been recorded as Other Income on the consolidated statement of net loss and comprehensive loss. As at October 31, 2024, the Company owned 88,236 common shares in Xlynx with a fair value of \$187,500.

On December 2, 2024, the Company entered into a Purchase and Sale Agreement with an arm's length third party to sell its remaining 88,236 shares in Xlynx for cash consideration of \$187,500 (the "Transaction"). The Transaction closed on December 16, 2024.

## 9. Trade and other payables:

Trade and other payables are comprised of the following:

|                     | 2025                | 2024              |
|---------------------|---------------------|-------------------|
| Trade payables      | \$ 679,704          | \$ 175,296        |
| Accrued liabilities | 394,178             | 579,158           |
| Payroll liabilities | 124,413             | 24,787            |
| Royalties payable   | 117,082             | 59,319            |
| Warranty provision  | 42,110              | 142,240           |
| Government payables | -                   | 267               |
|                     | <u>\$ 1,357,487</u> | <u>\$ 981,067</u> |

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

|   | 2025             | 2024              |
|---|------------------|-------------------|
| Opening balance                         | \$ 142,240       | \$ 210,557        |
| Additional provisions during the period | 117,310          | 143,084           |
| Amounts used during the period          | (44,166)         | (138,477)         |
| Unused amounts reversed                 | (173,274)        | (72,924)          |
|   | <u>\$ 42,110</u> | <u>\$ 142,240</u> |

## 10. Long-term debt:

### (a) Western Economic Diversification Canada:

On March 23, 2022, the Company signed an agreement to receive funding up to \$737,500 through the Western Economic Diversification Canada ("WD Canada") Business Scale-up and Productivity program to offset costs of business expansion as prescribed in the funding agreement. This funding is in the form of an interest free loan, repayable in monthly instalments of \$12,459. Monthly installments commenced April 1, 2024 and will continue until the loan is repaid on March 1, 2029. As of 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).

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

## 10. Long-term debt (continued):

### (b) Western Economic Diversification Canada:

On August 24, 2020, Ocean Rodeo Sports 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. As at October 31, 2025, \$190,000 (October 31, 2024 - \$190,000) of funding had been received. On December 6, 2024, the Company repaid the remaining balance of \$68,675; therefore, as at October 31, 2025 the discounted balance was \$nil (2024 - \$72,307).

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

|                                   | 2025       | 2024       |
|-----------------------------------|------------|------------|
| Opening balance                   | \$ 556,675 | \$ 646,497 |
| Cash movement:                    |            |            |
| Debt repayments                   | (145,824)  | (125,064)  |
| Non-cash movement:                |            |            |
| Amortization of non-cash interest | 31,302     | 35,242     |
| Ending balance                    | 442,153    | 556,675    |
| Less: current portion             | 119,460    | 114,522    |
| Long-term portion                 | \$ 322,693 | \$ 442,153 |

## 11. Lease obligations:

The Company has leases and lease obligations for office and warehouse space and licensing agreements. The interest rate implicit in the office and warehouse space was not readily determinable, so the Company used its incremental borrowing rate.

|                                       | 2025       | 2024       |
|---------------------------------------|------------|------------|
| Beginning of year                     | \$ 271,523 | \$ 406,457 |
| Payments                              | (145,784)  | (146,825)  |
| Accretion of lease liabilities        | 6,439      | 11,891     |
| End of year                           | \$ 132,178 | \$ 271,523 |
| Lease liabilities due within one year | \$ 132,178 | \$ 139,346 |
| Lease liabilities due beyond one year | -          | 132,177    |
|                                       | \$ 132,178 | \$ 271,523 |

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

## 11. Lease obligations (continued):

Future minimum lease payments at October 31, 2025 and 2024 are as follows:

|                   |    | Within<br>one year | One to<br>five years | Total      |
|-------------------|----|--------------------|----------------------|------------|
| 2025              |    |                    |                      |            |
| Lease payments    | \$ | 134,152            | \$ -                 | \$ 134,152 |
| Finance charges   |    | 1,974              | -                    | 1,974      |
| Net present value | \$ | 132,178            | \$ -                 | \$ 132,178 |
| 2024              |    |                    |                      |            |
| Lease payments    | \$ | 146,348            | \$ 134,152           | \$ 280,500 |
| Finance charges   |    | 7,002              | 1,975                | 8,977      |
| Net present value | \$ | 139,346            | \$ 132,177           | \$ 271,523 |

## 12. Related parties:

### (a) Director related transactions:

The Company has a royalty agreement with Epic Ventures Inc. ("Epic"), which is controlled by a director of the Company, pursuant to which royalties are paid on each square meter of certain patented materials, in exchange for Epic's assignment of the applicable patents to the Company. The Company has recorded royalties of \$277,486 for the year ended October 31, 2025 (2024 - \$191,272).

### (b) 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.

### (c) Key management compensation:

The Company's key management personnel include the Executive Leadership Team, which is comprised of the Chief Executive Officer, Chief Financial Officer, 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.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

## 12. Related parties (continued):

(c) Key management compensation (continued):

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 of 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).

## 13. Other income:

Other income is comprised of the following:

|  | 2025      | 2024       |
|--|-----------|------------|
| Interest and other                           | \$ 85,181 | \$ 21,244  |
| Realized gain on investment (Note 8)         | -         | 562,043    |
| Fair value adjustment on investment (Note 8) | -         | 187,348    |
| Licenses                                     | -         | 4,647      |
| Loss on disposal of property and equipment   | -         | (3,969)    |
|  | \$ 85,181 | \$ 771,313 |

## 14. Financial instruments:

(a) Fair Value:

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

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

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

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

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

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

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

---

## 14. Financial instruments (continued):

### (a) Fair Value (continued):

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

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

## 15. Financial risk and capital management:

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

### (a) Credit risk:

Credit risk is the risk that a counterparty will not meet its obligations under a customer contract or financial instrument, leading to a financial loss. The Company transacts only with recognized, creditworthy third parties and requires payment for goods prior to shipment unless the customer has been granted credit terms. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Company's top two customers account for 75.5% (2024 – 69.0%) of trade receivables at October 31, 2025, with the largest customer accounting for 39.5% (2024 – 55.8%).

### (b) Liquidity risk:

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

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

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

## 15. Financial risk and capital management (continued):

### (b) Liquidity risk (continued):

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

| 2025                               | Contractual<br>cash flow | Up to<br>1 year     | Greater than<br>1 year |
|------------------------------------|--------------------------|---------------------|------------------------|
| Financial liabilities              |                          |                     |                        |
| Loan from related party            | \$ 800,000               | \$ 800,000          | \$ -                   |
| Trade and other payables           | 1,357,487                | 1,357,487           | -                      |
| Long-term debt                     | 498,228                  | 145,824             | 352,404                |
| Lease obligations                  | 134,152                  | 134,152             | -                      |
| <b>Total financial liabilities</b> | <b>\$ 2,789,867</b>      | <b>\$ 2,437,463</b> | <b>\$ 352,404</b>      |
| 2024                               | Contractual<br>cash flow | Up to<br>1 year     | Greater than<br>1 year |
| Financial liabilities              |                          |                     |                        |
| Long-term loan from related party  | \$ 1,000,000             | \$ 200,000          | \$ 800,000             |
| Trade and other payables           | 981,067                  | 981,067             | -                      |
| Long-term debt                     | 718,002                  | 219,774             | 498,228                |
| Lease obligations                  | 280,500                  | 146,348             | 134,152                |
| <b>Total financial liabilities</b> | <b>\$ 2,979,569</b>      | <b>\$ 1,547,189</b> | <b>\$ 1,432,380</b>    |

### (c) Interest rate risk:

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

### (d) Foreign exchange risk:

Foreign exchange risk is the risk that the value of financial instruments or cash flows will fluctuate due to changes in foreign exchange rates. While the Company has a significant amount of foreign currency revenues and associated receivables, natural hedges are in place through the purchase of input materials in foreign currencies. A 1% change in foreign exchange rates would have impacted the consolidated statement of loss and comprehensive loss by approximately \$34,000 (2024 - \$25,000).

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

## 15. Financial risk and capital management (continued):

### (e) Capital management:

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

|               | 2025          | 2024          |
|---------------|---------------|---------------|
| Share capital | \$ 20,354,830 | \$ 16,466,950 |
| Debt          | 1,242,153     | 1,556,675     |
|               | \$ 21,596,983 | \$ 18,023,625 |

## 16. Share capital:

### (a) Common shares:

|   | 2025          | 2024          |
|---|---------------|---------------|
| Authorized:   |               |               |
| Unlimited voting common shares                      |               |               |
| Unlimited preferred shares                          |               |               |
| Issued:   |               |               |
| 26,313,111 voting common shares (2024 - 12,530,781) | \$ 20,354,830 | \$ 16,466,950 |

On February 18, 2025, the TSX Venture Exchange (the "TSXV") approved the consolidation of the Company's voting 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 Company's Shares began trading on the TSXV on a consolidated basis. All issued shares and options presented in these consolidated financial statements have been adjusted to reflect the Consolidation. The number of warrants outstanding was not subject to Consolidation however their conversion entitlement into Shares was amended such that warrant holders would receive one post-Consolidation Share for every twenty warrants following the payment of the applicable adjusted exercise price.

| Common shares                           | Number     | Amount        |
|---|------------|---------------|
| Opening balance, October 31, 2023       | 12,528,281 | \$ 16,460,950 |
| Option exercise                         | 2,500      | 6,000         |
| Total share capital at October 31, 2024 | 12,530,781 | \$ 16,466,950 |
| Rights offering                         | 12,530,781 | \$ 1,840,540  |
| Warrant exercise                        | 1,218,978  | 1,962,554     |
| Option exercise                         | 32,571     | 84,786        |
| Total share capital at October 31, 2025 | 26,313,111 | \$ 20,354,830 |

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

---

## 16. Share capital (continued):

### (a) Common shares (continued):

On April 14, 2024, an employee exercised stock options issued under the Company's stock option plan with an exercise price of \$2.40 per share. The Company issued 2,500 common shares in exchange for \$6,000 consideration.

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 has entered into a \$1,500,000 standby purchase agreement with certain directors and officers of the Company (the "Standby Purchasers"), who agreed to: (i) fully exercise their Basic Subscription Privilege to purchase 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.

### (b) Warrants:

Warrants outstanding as of October 31, 2023 are comprised of warrants issued in conjunction with the Company's July 12, 2023 private placement offering (the "July 2023 Private Placement") which was led by Haywood Securities Inc. ("Haywood"). Under the terms of the July 2023 Private Placement, the Company issued 1,224,497 Units (the "Units") at a price of \$3.00 for gross proceeds of \$3,673,493. Each Unit comprised one Share of the Company and 20 share purchase warrants, which entitles the holder to purchase one Share of the Company at a price of \$5.00 per share until expiry on July 12, 2025. In addition to cash commission paid to Haywood, the Company issued 45,919 Units as partial consideration for their corporate finance fees and issued 1,469,400 broker warrants (the "Broker Warrants") with an exercise price of \$3.00.

On January 24, 2025, the Company issued 26,250,000 warrants to Standby Purchasers as compensation for entering into the Standby Commitment as outlined in Note 16 (a). The warrants have an exercise price of \$2.00 per share and an expiry date of January 24, 2030.

On July 9, 2025 the Company amended the expiry date and exercise price of 24,489,953 outstanding share purchase warrants (the "Repriced Warrants") that were issued pursuant to the July 2023 Private Placement. Prior to amendment, each 20 Warrants entitled the holder to acquire one Share of the Company at a price of \$5.00 per share until expiry on July 12, 2025. Pursuant to the July 9, 2025 Warrant amendment, warrants were repriced such that each 20 Warrants entitle the holder to acquire one Share at a price of \$0.81 per share until an extended expiry date of July 12, 2026. As required by TSXV policies, an acceleration provision was added to the Warrants, which provides that if for any 10 consecutive trading days the closing price of the Company's listed shares exceeds \$0.97, the term of the Warrants will be accelerated to a 30-day exercise period.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

## 16. Share capital (continued):

### (b) Warrants (continued):

The terms of 2,387,772 warrants issued in the July 2023 Private Placement as consideration for both corporate finance fees and as Broker Warrants were not amended and expired unexercised on July 12, 2025.

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

On August 1, 2025, the accelerated expiry clause was triggered, resulting in an accelerated expiry date of September 4, 2025. During the 30 calendar day acceleration period, 19,785,600 of the Repriced Warrants were exercised in exchange for 989,280 Aluula common shares, with gross proceeds of \$801,317 received.

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.

The weighted average remaining life of the warrants outstanding is 4.24 years.

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

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

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

|                               | Number       | Weighted average exercise price |
|-------------------------------|--------------|---------------------------------|
| Balance, October 31, 2023     | 27,104,795   | \$ 5.00                         |
| Expired during the period     | (227,070)    | 2.00                            |
| Balance, October 31, 2024     | 26,877,725   | \$ 5.00                         |
| Granted during the period     | 26,250,000   | \$ 2.00                         |
| Expired during the period     | (2,498,165)  | 3.77                            |
| Exercised during the period   | (24,379,560) | 0.81                            |
| Balance, October 31, 2025     | 26,250,000   | \$ 2.00                         |
| Exercisable, October 31, 2025 | 26,250,000   | \$ 2.00                         |

Each 20 warrants entitle the holder to acquire one Share of the Company. The weighted average exercise price shown above represents the cumulative exercise price to receive one share.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

## 17. Share-based compensation:

### (a) Stock options:

During the Company's July 9, 2025 Annual General Meeting, shareholders approved the Company's 10% rolling stock option plan. The Company's stock option plan must be approved by the shareholders annually.

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

|                         | 2025          | 2024          |
|-------------------------|---------------|---------------|
| Risk free interest rate | 2.64% - 2.84% | 0.95% - 3.34% |
| Expected dividend yield | 0.00%         | 0.00%         |
| Forfeiture rate         | 6.0% - 26.0%  | 0.0% - 30.0%  |
| Stock price volatility  | 81.9% - 82.6% | 81.1%         |
| Expected life of option | 3.5 - 4 years | 3 - 5 years   |

Expected volatility was based on the Company's actual historic volatility.

During the year ended October 31, 2025, the Company made various changes to stock options to support retention of its valued team members by better aligning the exercise price with the current market price, which experienced a decline following the completion of the Company's Rights Offering.

On May 13, 2025, the Company amended the exercise price of 188,601 outstanding stock options held by non-insiders of the Company, with previous exercise prices ranging from \$2.00 to \$3.00, to \$0.61 per Share. In accordance with IFRS 2 – *Share-based payment* ("IFRS 2"), the Company performed a fair value analysis of the repriced stock options compared to the original stock options. As a result of this analysis, an incremental fair value of \$22,604 was recognized in share-based compensation expense during the year ended October 31, 2025 (2024 - \$nil)

During the third quarter of fiscal 2025, the Company cancelled 807,244 options issued to directors and officers. In accordance with IFRS 2, the Company was required to account for the cancellation as an acceleration of vesting and recognise immediately on cancellation the share-based compensation expense that otherwise would have been recognized for services received over the remainder of the cancelled options' vesting period. Share-based compensation expense recorded during the year ended October 31, 2025 associated with these cancellations was \$432,943 (2024 - \$nil).

During the third quarter of fiscal 2025, the Company granted 2,058,560 options to directors, officers, employees and consultants. Under IFRS 2, the Company was required to account for 807,244 of these newly granted options as modifications of options that were cancelled as outlined above. In accordance with IFRS 2, the Company recognized the effects of this deemed modification by recording the incremental fair value of the original equity instrument granted compared to the modified equity instrument on the date of modification, resulting in a share-based compensation expense of \$100,667 for the year ended October 31, 2025 (2024 - \$nil).

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

## 17. Share-based compensation (continued):

(a) Stock options (continued):

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

|                               | Number    |    | Weighted<br>average exercise<br>price |
|-------------------------------|-----------|----|---------------------------------------|
| Balance, October 31, 2023     | 648,345   | \$ | 2.40                                  |
| Exercised during the year     | (2,500)   |    | 2.40                                  |
| Granted during the year       | 623,750   |    | 2.80                                  |
| Forfeited during the year     | (228,437) |    | 2.40                                  |
| Balance, October 31, 2024     | 1,041,158 | \$ | 2.60                                  |
| Granted during the year       | 2,058,560 | \$ | 0.62                                  |
| Forfeited during the year     | (45,314)  |    | 2.77                                  |
| Cancelled during the year     | (807,244) |    | 2.56                                  |
| Exercised during the year     | (32,571)  |    | 0.61                                  |
| Balance, October 31, 2025     | 2,214,589 | \$ | 0.62                                  |
| Exercisable, October 31, 2025 | 956,637   | \$ | 0.66                                  |

For the year ended October 31, 2025, compensation expense related to stock options was \$708,742 (2024 - \$113,927).

The weighted average remaining life of the options outstanding is 4.36 years.

## 18. Government grants:

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 is 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.

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

## 19. Income taxes:

Income tax expense differs from the amounts that would be obtained by applying the Canadian statutory income tax rate to net loss before income taxes as follows:

| 2025   | Aluula         | Discontinued Operations | Total          |
|--|----------------|-------------------------|----------------|
| Net loss before income taxes                   | \$ (1,451,410) | \$ (229,850)            | \$ (1,681,260) |
| Tax rate                                       | 27%            | 27%                     | 27%            |
| Expected income tax expense recovery           | (391,881)      | (62,060)                | (453,941)      |
| Increase in income tax expense resulting from: |                |                         |                |
| Consolidation entries                          | 70,569         | -                       | 70,569         |
| Non-deductible expenses                        | 164,949        | 81,170                  | 246,119        |
| Loss carry-forwards                            | 156,363        | (19,110)                | 137,253        |
|  | \$ -           | \$ -                    | \$ -           |

| 2024   | Aluula         | Discontinued Operations | Total          |
|--|----------------|-------------------------|----------------|
| Net loss before income taxes                   | \$ (1,877,714) | \$ (723,232)            | \$ (2,600,946) |
| Tax rate                                       | 27%            | 27%                     | 27%            |
| Expected income tax expense (recovery)         | (506,983)      | (195,273)               | (702,256)      |
| Increase in income tax expense resulting from: |                |                         |                |
| Consolidation entries                          | 49,600         | 40,524                  | 90,124         |
| Non-deductible expenses                        | 32,381         | 377                     | 32,758         |
| Loss carry-forwards                            | 425,002        | 154,372                 | 579,374        |
|  | \$ -           | \$ -                    | \$ -           |

The Company has net operating losses carried forward for income tax purposes of approximately \$7,764,590 (2024 - \$8,970,670). As utilization of these operating losses for tax purposes is currently not probable, the Company has recorded an impairment allowance for these deferred tax assets.

The components of deferred income taxes are as follows:

| 2025                                      | Aluula       | Discontinued Operations | Total        |
|---|--------------|-------------------------|--------------|
| Deferred income taxes:                    |              |                         |              |
| Canadian tax loss carry forwards          | \$ 1,314,711 | \$ 825,767              | \$ 2,140,478 |
| Other temporary differences arising from: |              |                         |              |
| Intangible assets                         | (877,989)    | -                       | (877,989)    |
| Right-of-use assets                       | (31,475)     | -                       | (31,475)     |
| Property and equipment                    | (3,351)      | -                       | (3,351)      |
| Lease obligations                         | 35,688       | -                       | 35,688       |
| Other                                     | 706          | -                       | 706          |
|   | 438,290      | 825,767                 | 1,264,057    |
| Impairment allowance, deferred tax asset  | (1,332,163)  | (825,767)               | (2,157,930)  |
| Total deferred tax liability              | \$ (893,873) | \$ -                    | \$ (893,873) |

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

## 19. Income taxes (continued):

| 2024   | Aluula       | Discontinued Operations | Total        |
|--|--------------|-------------------------|--------------|
| Deferred income taxes:                       |              |                         |              |
| Canadian tax loss carry forwards             | \$ 1,318,370 | \$ 867,334              | \$ 2,185,704 |
| Other temporary differences arising from:    |              |                         |              |
| Intangible assets                            | (964,592)    | (873)                   | (965,465)    |
| Right-of-use assets                          | (65,811)     | -                       | (65,811)     |
| Deferred consideration receivable            | -            | (21,965)                | (21,965)     |
| Property and equipment                       | (40,503)     | -                       | (40,503)     |
| Scientific research and development refunded | -            | 45,850                  | 45,850       |
| Lease obligations                            | 73,311       | -                       | 73,311       |
|  | 320,775      | 890,346                 | 1,211,121    |
| Impairment allowance, deferred tax asset     | (1,285,217)  | (890,346)               | (2,175,563)  |
| Total deferred tax assets (liabilities)      | \$ (964,442) | \$ -                    | \$ (964,442) |

## 20. Commitments:

Commitments include leases recognized as lease obligations (Note 11), as well as short-term and low value leases which don't meet the capitalization requirements of IFRS 16.

|                     | 2025       | 2024       |
|---------------------|------------|------------|
| 2025                | \$ -       | \$ 146,348 |
| 2026 and thereafter | 134,152    | 134,152    |
|                     | \$ 134,152 | \$ 280,500 |

## 21. Segment information:

### (a) Reportable segments:

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

The Company has the following reportable segments:

- The Aluula segment relates to the assembly and sale of composite materials for use in various applications and industries. Aluula sells its materials to manufacturers and brand partners.
- The Ocean Rodeo segment relates to the purchase and resale of inventory in the windsport market. Ocean Rodeo sells its products to dealers, distributors, and end users. On April 29, 2024 the Company's Board of Directors approved a mandate to sell specific assets used in the Ocean Rodeo business and discontinue its operations. As a result, the Ocean Rodeo segment has been reclassified as Discontinued Operations. Note 22 includes additional information on assets held for sale and discontinued operations.

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

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements  
Years ended October 31, 2025 and 2024

## 21. Segment information (continued):

### (a) Reportable segments (continued):

Total assets and liabilities for each segment are as follows:

| 2025              | Aluula        | Discontinued Operations | Total         |
|-------------------|---------------|-------------------------|---------------|
| Total assets      | \$ 14,181,089 | \$ 32,345               | \$ 14,213,434 |
| Total liabilities | 3,672,327     | 1,995                   | 3,674,322     |

  

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

The consolidated statements of loss and comprehensive loss for the fiscal years ending October 31, 2025 and 2024 exclude Ocean Rodeo's results, which have been reported in these periods as discontinued operations in Note 22.

### (b) Geographic information:

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

|               | 2025         | 2024         |
|---------------|--------------|--------------|
| Sri Lanka     | \$ 4,597,678 | \$ 3,312,363 |
| Vietnam       | 1,502,826    | 1,048,836    |
| Hong Kong     | 822,670      | 1,306,871    |
| Europe        | 685,423      | 490,915      |
| Rest of World | 197,085      | 77,974       |
| United States | 64,703       | 110,498      |
| Canada        | 2,836        | 11,772       |
| Sales         | \$ 7,873,221 | \$ 6,359,229 |

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

The following table summarizes sales from discontinued operations by region:

|               | 2025       | 2024       |
|---------------|------------|------------|
| Canada        | \$ 156,486 | \$ 243,122 |
| United States | 107,349    | 321,275    |
| Rest of World | 60,606     | 139,450    |
| Europe        | 16,439     | 175,072    |
| Sales         | \$ 340,880 | \$ 878,919 |

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

---

## 22. Assets held for sale and discontinued operations:

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

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

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

Under the terms of the Agreement, Bainbridge acquired the following Business Assets: Ocean Rodeo brand and trade name, marketing collateral, website, design files for Ocean Rodeo products, and specific intellectual property. Consideration paid for the Business Assets consists of an upfront cash payment due upon closing and a three-year revenue sharing arrangement with fixed minimum monthly payments commencing March 1, 2025. Under the terms of the Agreement, Ocean Rodeo agreed to cease selling inventory on March 31, 2025. Ocean Rodeo and Bainbridge had an agreement in principle for Ocean Rodeo to sell Bainbridge its remaining inventory, which fell through resulting in the Q3 2025 write off of \$24,949 of remaining inventory. In Q4 2025, \$19,772 was subsequently recovered as management was able to negotiate a discounted package price for all remaining inventory on hand.

Based on the terms of the Agreement, Ocean Rodeo recognized a net gain of \$173,108 on disposal of the Business Assets which is included in Other income from discontinued operations for the year ended October 31, 2024. Additionally, in accordance with IFRS 15, Ocean Rodeo has recognized a long-term asset with a balance of \$nil at October 31, 2025 (2024 - \$136,732) related to the deferred consideration receivable outlined in the terms of the Agreement. During the year ended October 31, 2025, it was determined that the terms of the Agreement would not be satisfied by Bainbridge and the remainder of the consideration receivable was written off. This resulted in a write off of \$137,586 (2024 - \$nil) which includes the balance of a short-term asset relating to the deferred consideration in the amount of \$54,326 (2024 - \$nil).

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

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

The following assets and liabilities were excluded from the sale of Business Assets to Bainbridge and represent the “assets and liabilities related to discontinued operations” as reported on the consolidated statement of financial position at October 31, 2025 and 2024:

|   | 2025             | 2024              |
|---|------------------|-------------------|
| Assets related to discontinued operations                   |                  |                   |
| Trade and other receivables                                 | \$ 10,339        | \$ 121,135        |
| Inventory   | -                | 330,043           |
| Prepaid expenses and other current assets                   | 7,337            | 65,297            |
| Intangible assets   | -                | 5,505             |
| Other long-term assets                                      | -                | 136,732           |
| Investments   | 14,669           | 14,096            |
| <b>Total assets related to discontinued operations</b>      | <b>\$ 32,345</b> | <b>\$ 672,808</b> |
| Liabilities related to discontinued operations              |                  |                   |
| Trade and other payables                                    | \$ 1,995         | \$ 286,124        |
| Customer deposits   | -                | 62,395            |
| Short-term debt   | -                | 72,307            |
| <b>Total liabilities related to discontinued operations</b> | <b>\$ 1,995</b>  | <b>\$ 420,826</b> |
| <b>Net assets related to discontinued operations</b>        | <b>\$ 30,350</b> | <b>\$ 251,982</b> |

Net and comprehensive loss from discontinued operations for the year ended October 31, 2025 and 2024 are as follows:

|  | 2025                | 2024                  |
|--|---------------------|-----------------------|
| Sales                                  | \$ 340,880          | \$ 878,919            |
| Cost of sales                          | 335,748             | 775,316               |
| Gross profit                           | 5,132               | 103,603               |
| Operating expenses:                    |                     |                       |
| Salaries and benefits                  | 438                 | 320,987               |
| General and administrative             | 265,185             | 711,036               |
| Marketing                              | (18,861)            | 208,507               |
| Research and development               | 1,486               | 59,595                |
|  | 248,248             | 1,300,125             |
| Loss before interest, tax and          | (243,116)           | (1,196,522)           |
| Other income                           | 13,478              | 507,597               |
| Interest expense                       | (212)               | (3,721)               |
| Depreciation of property and equipment | -                   | (23,019)              |
| Amortization of intangible assets      | -                   | (7,567)               |
| Loss before tax                        | (229,850)           | (723,232)             |
| Deferred tax expense                   | -                   | (591,592)             |
| Income tax recovery                    | -                   | 12,234                |
| <b>Net loss and comprehensive loss</b> | <b>\$ (229,850)</b> | <b>\$ (1,302,590)</b> |

# ALUULA COMPOSITES INC.

Notes to the Consolidated Financial Statements

Years ended October 31, 2025 and 2024

---

## 23. Supplementary cash flow information:

Supplementary cash flow information relating to non-cash investing and financing activities for the years ended October 31, 2025 and October 31, 2024 is as follows:

|  | 2025    | 2024      |
|--|---------|-----------|
| Property and equipment transferred from subsidiary     | \$ -    | \$ 22,687 |
| Property and equipment written off due to obsolescence | -       | (3,624)   |
| Intangibles included in APA with Bainbridge (Note 22)  | -       | (4,448)   |
| Intangibles written off due to obsolescence            | (5,561) | (57,549)  |

## 24. Subsequent events:

### (a) 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. Further information on this related party loan is in Note 12 of these Consolidated Financial Statements.

### (b) 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.