

NEWS RELEASE

Bastion Square Announces Additional Details on its Proposed Qualifying Transaction with ALUULA Composites Inc.

Victoria, British Columbia — February 22, 2023 – Further to the press release issued on December 21, 2022 by Bastion Square Partners Inc. (TSX-V:BASQ.P) (“**BSP**” or the “**Company**”) announcing that it had entered into a definitive agreement with Aluula Composites Inc. (“**ALUULA**”), the Company is pleased to announce highlights from ALUULA’s fiscal 2022 financial results and provide additional details on the transaction structure.

Aluula Consolidated Fiscal 2022 Financial Highlights

	2022	2021
Statement of Income (Loss)		
Sales	\$ 2,784,082	\$ 2,032,562
Gross profit	647,697	1,050,090
Operating expenses	(1,646,301)	(1,187,747)
Other income (expenses)	517,034	649,020
Net income (loss)	(481,570)	511,363
Statement of Financial Position		
Total Assets	\$ 14,679,482	\$ 2,527,796
Total Liabilities	9,428,510	3,120,370

- Sales for the fiscal year ending October 31, 2022 were \$2,784,082, an increase of 37% compared to the prior year of \$2,032,562. The year-over-year increase in sales was due to increased purchase orders from existing customers as well as the addition of new customers and verticals.
- During the fiscal 2022 year, ALUULA began commercialization with 6 new brand partners in the windsport, aerospace, outdoor and sailing industries.
- Gross margins in fiscal 2022 were 23% compared to 53% in 2021. The 2022 gross margin decline was primarily due to a one-off input material recall on products shipped to a significant customer. The material defect resulted in an increase to Cost of Sales by the value of replacement material provided to the customer as a sign of goodwill by ALUULA. Enhanced quality control measures have been implemented and the customer impacted has resumed their planned production levels using the ALUULA material.
- Net loss for the fiscal 2022 year was \$481,570 compared to net income of \$511,363 in the prior year. The 2022 net loss was primarily due to a decrease in gross margin as well as an increase in research and development. ALUULA also added an additional 4 employees to support the onboarding of new partners in the initial stages of working with ALUULA materials which resulted in an increase in salaries and benefits.

- On October 31, 2022, ALUULA acquired 100% of Ocean Rodeo Sports Inc. ("Ocean Rodeo"), a high-end wind sport brand focused on disrupting the market with innovative new products incorporating ALUULA composite materials. As a result of the acquisition timing, Ocean Rodeo's statement of financial position is included at fair value in the above 2022 Assets and Liabilities figures however its balances are excluded from the 2021 Statement of Financial Position and the Statement of Income (Loss) for the fiscal years ending 2022 and 2021.
- Had Ocean Rodeo been acquired on November 1, 2021, consolidated sales in 2022 would have been \$8,556,737 and the consolidated net loss would have been \$1,335,418. Additional information on Ocean Rodeo's non-consolidated fiscal 2022 financial results is outlined below.

Ocean Rodeo Non-Consolidated Fiscal 2022 Financial Highlights

		2022	2021
Statement of Income (Loss)			
Sales	\$	5,772,655	\$ 4,583,156
Gross profit	\$	1,178,489	\$ 666,772
Operating expenses		(2,467,485)	(1,804,994)
Other income (expenses)		372,803	\$ 905,237
Net income (loss)		(916,193)	(232,985)
Statement of Financial Position			
Total Assets	\$	2,951,147	\$ 2,829,526
Total Liabilities		3,859,571	2,821,557

- Sales for the fiscal year ending October 31, 2022 were \$5,772,655, a 26% increase over the prior year. Ocean Rodeo kites and wings continued to set new performance standards in 2022 with the integration of ALUULA composite materials. The increase in sales was driven by both Ocean Rodeo's enhanced product performance and growth within the wing market that we commenced in April 2021.
- Gross margins increased from 15% in 2021 to 20% in 2022. The increase is due to both a decrease in shipping costs and sales commissions. Shipping costs declined in 2022 as the shipping industry recovered from delays and associated cost increases resulting from the pandemic, while sales commissions decreased due to changes within the sales team.
- Net loss for fiscal 2022 was \$916,193 compared to a loss of \$232,985 in fiscal 2021. Contributing to the year-over-year increase in net loss was an increase in marketing spend and salaries and benefits. Ocean Rodeo's strategic focus in 2022 was to market the superior performance of Ocean Rodeo's ALUULA powered kites and wings. In 2022, Ocean Rodeo equipment claimed 2 World Titles. The enhanced marketing efforts, combined with tournament wins, resulted in ALUULA signing 5 additional premium windsport brands as customers in late 2022.
- Other income (expense) decreased year-over-year by \$532,434 primarily due to the 2021 balance including a onetime gain on the sale of patents of \$622,545.

Execution of fiscal year 2022 strategic objectives:

- ALUULA and Ocean Rodeo combined reported revenues in the windsport segment of \$8,297,811, an increase of 20.6% over the prior year.
- ALUULA expanded its customer base across additional verticals including aerospace, airships, outdoor and sailing.
- A new production facility and manufacturing machine (the “Fusion Pod”) was commissioned. This Fusion Pod increased process automation, doubled production capacity, and improved the quality of output materials.
- ALUULA successfully implemented enhanced quality control checks and procedures to ensure materials shipped to customers meets quality controls standards.
- ALUULA completed the acquisition of Ocean Rodeo on October 31, 2022, which will serve as a design hub for ALUULA and the windsport market.

ALUULA CEO, Richard Myerscough commented, “We are pleased to announce our financial results for 2022 for ALUULA and Ocean Rodeo. This was a pivotal year for the Company, with strong revenue growth in the windsport segment and new customer wins across all segments. With a leading position in the windsport market, the Company is now actively engaged with a wide range of well-established brands in aerospace, outdoor equipment, sailing, and athletics. We look forward to concluding the transaction with BSP and using our public company profile to grow our business.”

Transaction Structure

The Company entered into a definitive agreement with ALUULA dated December 20, 2022, to acquire 100% of the outstanding shares of ALUULA in exchange for BSP shares (the “**Transaction**”) by way of three-cornered amalgamation, pursuant to which a wholly owned subsidiary of BSP will amalgamate with ALUULA, and the combined company will continue as a wholly-owned subsidiary of BSP.

To effect the Transaction, the holders of issued common shares in ALUULA will receive an aggregate of 175,000,000 common shares of BSP at a deemed issue price of \$0.12 per share for total consideration of \$21,000,000. All outstanding ALUULA stock options and shareholder loans in the amount of \$1,983,002 will be converted into ALUULA shares prior to being exchanged for BSP shares.

The filing process is underway and the Company plans to update the market on the timing of completion of the Proposed Transaction shortly.

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

Financing

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

About ALUULA

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

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

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

For further information about ALUULA see www.ALUULA.com

For further information on Ocean Rodeo see www.oceanrodeo.ca

ALUULA is proud to have been awarded **BEST PRODUCT** of the soft equipment category at 2021/22 **ISPO** for our ALUULA Gold™ composite.

For further information about the Company, please contact:

Mr. Peter Gustavson, CEO, Chairman & Director

Email: pgustavson@gustavsoncapital.com

Ms. Briony Bayer, CFO, Corporate Secretary & Director

Email: bbayer@gustavsoncapital.com

Tel: 250 412-1292

Completion of the Transaction is subject to a number of conditions, including but not limited to, closing the financing, Exchange acceptance and if applicable pursuant to Exchange Requirements, majority of the minority shareholder approval. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the Transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

The information in this news release includes certain information and statements about management's view of future events, expectations, plans and prospects that constitute forward looking statements. These statements are based upon assumptions that are subject to significant risks and uncertainties. Forward looking statements in this news release include, but are not limited to, the closing of the Transaction and the anticipated benefits of the Transaction, including the proposed business of the Company after completion of the Transaction. Because of these risks and uncertainties and as a result of a variety of factors, including with respect to the closing of the Transaction, the timing and receipt of all applicable regulatory, corporate and third party approvals, the anticipated benefits from the Transaction and the satisfaction of other conditions to Closing, the actual results, expectations, achievements or performance may differ materially from those anticipated and indicated by these forward looking statements. Although the Company believes that the expectations reflected in forward looking statements are reasonable, it can give no assurances that the expectations of any forward looking statement will prove to be correct. Except as required by law, the Company disclaims any intention and assumes no obligation to update or revise any forward looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward looking statements or otherwise. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. The

Company will not update any forward-looking statements or forward-looking information that is incorporated by reference herein, except as required by applicable securities laws.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

The securities described herein have not been registered under the U.S. Securities Act or any state securities laws, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements under the U.S. Securities Act and any applicable state securities laws.