Unaudited Interim Condensed Consolidated Financial Statements of

ALUULA COMPOSITES INC.

For the three and six months ended April 30, 2023 and April 30, 2022

(Expressed in Canadian Dollars, unless otherwise noted)

ALUULA COMPOSITES INC.

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)
Expressed in Canadian Dollars

	Note	April 30 2023	October 31 2022
Assets			
Current assets:			
Cash and cash equivalents		$ 1,198,784	$ 295,377
Trade and other receivables	5	1,300,789	1,137,872
Inventory	6	1,418,249	2,166,825
Deferred tax asset		-	1,014,258
Prepaid expenses and other current assets		618,153	541,475
		4,535,975	5,155,807
Property and equipment	7	999,113	1,206,169
Intangible assets	8	4,236,009	4,334,833
Other long-term assets		30,796	30,796
Investments		44,165	45,091
Deferred tax asset		984,140	-
Goodwill		3,906,786	3,906,786
		$ 14,736,984	$ 14,679,482
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	9	$ 1,000,000	$ 2,744,697
Trade and other payables	10	472,300	894,496
Customer deposits		164,109	192,883
Current portion of long-term debt	11	324,712	292,284
Current portion of lease obligations		204,094	233,430
Income tax payable		12,234	12,234
Deferred tax liability		-	1,223,065
		2,177,449	5,593,089
Long-term debt	11	936,980	967,121
Lease obligations		585,626	745,498
Due to related parties	12	-	2,122,802
Deferred tax liability		1,140,576	-
		4,840,631	9,428,510
Shareholders' equity:			
Share capital	16	14,408,384	6,305,977
Contributed surplus	17	372,924	52,654
Deficit		(4,884,955)	(1,107,659)
		9,896,353	5,250,972
Subsequent events	21		
		$ 14,736,984	$ 14,679,482

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

Approved on behalf of the Board:

"Peter Gustavson"
Director

"Jeremy South"
Director

ALUULA COMPOSITES INC.

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)
Expressed in Canadian Dollars

	Note	For the three-month period ended April 30 2023	April 30 2022	For the six-month period ended April 30 2023	April 30 2022
Sales		$ 1,937,193	$ 556,915	$ 3,385,708	$ 1,221,447
Cost of sales		1,403,642	251,311	2,655,110	698,103
Gross profit		533,551	305,604	730,598	523,344
Gross profit %		28%	55%	22%	43%
Operating expenses:					
Salaries and benefits		578,334	217,972	1,079,185	492,669
General and administrative		379,063	293,842	812,372	381,203
Marketing		103,823	11,668	286,327	28,648
Research and development		45,884	1,321	63,128	113,933
Share-based compensation	17	390,317	4,938	395,254	9,875
		1,497,421	529,741	2,636,266	1,026,328
Loss before interest, tax and amortization		(963,870)	(224,137)	(1,905,668)	(502,984)
Other income	13	74,479	51,150	150,095	51,150
Listing expense	4	(1,640,538)	-	(1,640,538)	-
Interest expense		(90,358)	(30,245)	(182,352)	(46,622)
Depreciation of capital assets	7	(55,559)	(33,946)	(114,749)	(65,688)
Amortization of intangible assets	8	(68,324)	(22)	(136,455)	(40)
Loss before tax		(2,744,170)	(237,200)	(3,829,667)	(564,184)
Deferred tax recovery (expense)		132,025	61,109	52,371	(165,623)
Net loss and comprehensive loss		$ (2,612,145)	$ (176,091)	$ (3,777,296)	$ (729,807)
Loss per share:	18				
Basic loss per share		$ (0.02)	$ -	$ (0.02)	$ (0.01)
Diluted loss per share		$ (0.02)	$ -	$ (0.02)	$ (0.01)

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

ALUULA COMPOSITES INC.

Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited)
Expressed in Canadian Dollars

	Shares outstanding		Share capital		Contributed Surplus		Retained earnings (deficit)		Total shareholders' equity
Balance, October 31, 2021	105,733,720	$	611	$	32,904	$	(626,089)	$	(592,574)
Share-based compensation (Note 17)	-		-		9,875		-		9,875
Net loss	-		-		-		(729,807)		(729,807)
Balance, April 30, 2022	105,733,720	$	611	$	42,779	$	(1,355,896)	$	(1,312,506)
Balance, October 31, 2022	150,179,761	$	6,305,977	$	52,654	$	(1,107,659)	$	5,250,972
Repayment of shareholder loans (Note 16)	15,660,010		1,983,002		-		-		1,983,002
Share-based compensation (Note 17)	9,169,600		152,585		320,270		-		472,855
BSP SubCo shares (Note 16)	18,223,330		2,174,620		-		-		2,174,620
BSP Financing (Note 16)	6,776,670		792,200		-		-		792,200
BSP Shares (Note 16)	25,000,000		3,000,000		-		-		3,000,000
Net loss	-		-		-		(3,777,296)		(3,777,296)
Balance, April 30, 2023	225,009,371	$	14,408,384	$	372,924	$	(4,884,955)	$	9,896,353

Through the reverse takeover transaction (the "RTO"), as described in Note 1 and Note 4, on April 14, 2023, the holders of the common shares of Aluula (including those investors in the BSP SubCo) received 26.05 common shares in the Company for each Aluula share held immediately before the Amalgamation. The company issued 175,009,365 shares at a price of 0.12 per share. All share and per share amounts presented in these financial statements have been adjusted to reflect this ratio.

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

ALUULA COMPOSITES INC.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)
Expressed in Canadian Dollars except number of shares

For the six months ended	Note	April 30 2023	April 30 2022
Cash flows from operating activities:			
Net (loss)		$ (3,777,296)	$ (729,807)
Items not involving cash:			
Depreciation of capital assets	7	147,991	81,585
Amortization of intangible assets	8	136,455	40
Share-based compensation	17	395,253	9,875
Government grants and fair value adjustments	13	(33,993)	-
Accretion of and accrued interest on loans and leases	11	65,169	24,997
Foreign exchange movement on leases		2,915	2,361
Foreign exchange movement on investments		926	-
Loss on disposal of property and equipment	7	91,559	-
Loss on disposal of intangible assets	8	-	4,096
Other gains and losses	13	(91,174)	-
Listing expense	4	1,640,538	
Changes in non-cash working capital items:			
Trade and other receivables	5	(162,917)	185,003
Inventory	6	748,576	(465,033)
Deferred taxes receivable and payable		(52,371)	165,623
Prepaid expenses		(76,678)	(99,267)
Other assets		-	12,307
Trade and other payables	10	(422,196)	420,316
Customer deposits		(28,774)	(122,863)
		(1,416,017)	(510,767)
Cash flows from investing activities:			
Cash acquired in RTO		1,442,966	-
Acquisition of net working capital in RTO		(83,505)	-
Acquisition of property and equipment	7	(32,494)	(136,722)
Acquisition of intangible assets	8	(37,631)	(8,908)
		1,289,337	(145,630)
Cash flows from financing activities:			
Issuance of share capital	16	4,983,003	-
Transaction costs from share issuance	16	(33,180)	-
Proceeds on issuance of shares on exercise of options	16	77,601	-
Net payments to related parties	12	(2,122,802)	(723,613)
Payments for principal portion of lease obligations		(123,429)	(157,238)
Proceeds from long-term debt	11	861,525	-
Repayment of long-term debt	11	(867,934)	-
		2,774,784	(880,851)
Decrease in cash and cash equivalents		2,648,104	(1,537,248)
Net cash and cash equivalents, beginning of period		(2,449,320)	(103,870)
Net cash and cash equivalents, end of period [1]		$ 198,784	$ (1,641,118)

[1] Cash and cash equivalents		$ 1,198,784	$ 16,340
Bank indebtedness		(1,000,000)	(1,657,458)
Net cash and cash equivalents		$ 198,784	$ (1,641,118)

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

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 soft composite materials for use across numerous 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 14, 2023, Bastion Square Partners (a Canadian company previously listed on the TSX Venture Exchange under the symbol “BASQ.P”) (“BSP”) acquired all the outstanding shares of Aluula Composites Inc. (“Aluula”) by way of a three-cornered amalgamation with BSP changing its name to Aluula Composites Inc. (the “Company”). Upon completion, the shareholders of BSP held approximately 11% of the issued and outstanding shares of the Company and as a result, Aluula shareholders controlled the Company resulting in a reverse take-over. The resulting financial statements are presented as a continuance of Aluula (accounting acquirer), and comparative figures presented in the consolidated financial statements are those of Aluula (see Note 4).

BSP was incorporated under the British Columbia Business Corporations Act on February 24, 2021.

The predecessor entity that was operating the business of Aluula was incorporated under the British Columbia Business Corporations Act on July 18, 2019.

Reference in these consolidated financial statements to “the Company” refers to the combined operations of Aluula (renamed to Aluula Composites Canada Inc.) and its subsidiaries prior to April 14, 2023, and thereafter refers to the combined operations of BSP (renamed to Aluula Composites Inc.) and the historical operations of Aluula and its subsidiaries.

2. Basis of preparation:

(a) Statement of compliance:

These interim condensed consolidated financial statements (“interim financial statements”) have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, *Interim Financial* Reporting. These interim financial statements were approved by the Board of Directors for issue on June 29, 2023.

These interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended October 31, 2022.

(b) Basis of measurement:

These interim 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 significant accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended October 31, 2022.

2. Basis of preparation (continued):

(c) Basis of consolidation:

These interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Aluula Composites Canada Inc, and 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. Ocean Rodeo was acquired on October 31, 2022, and as a result the current period-end figures presented in the statements of loss and comprehensive loss are consolidated while the prior period-end is not.

(d) Functional and presentation currency:

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

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

(e) Estimates and judgments:

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

Significant judgements and estimates relate to:

(i) Allowance for credit losses:

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

2. Basis of preparation (continued):

(e) Estimates and judgments (continued):

(i) Allowance for credit losses (continued):

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 judgment regarding matters for which the ultimate outcome is unknown. These judgments 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.

(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:

Management 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.

2. Basis of preparation (continued):

(e) Estimates and judgments (continued):

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

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 sales returns and warranties:

The Company provides Ocean Rodeo's customers with a 60-day satisfaction guarantee in addition to a one-year warranty on current season goods or a 90-day warranty on discontinued products. Products sold for professional applications such as schools or rentals are eligible for a 30-day warranty. The Company has made certain assumptions to estimate both the quantity of future expected merchandise returns as well as the warranty provision. The cumulative warranty expense as a percentage of relevant sales over the past 10 years has been used as a basis to estimate the warranty provision for the reporting period. Sales returns are calculated using the cumulative sales returns as a percentage of relevant sales over the past 10 years, multiplied by relevant sales for the reporting year.

(vi) Share-based compensation:

Share-based compensation is measured at fair value using the Black-Scholes option pricing model. Management 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 judgment 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 judgments are made at the inception of a contract and may change if there are material changes to the agreement.

2. Basis of preparation (continued):

(e) Estimates and judgments (continued):

(vii) Leases (continued):

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.

(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.

(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.

2. Basis of preparation (continued):

(e) Estimates and judgments (continued):

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

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

3. Significant accounting policies:

The significant accounting policies applied in the preparation of these interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited consolidated financial statements for the year ended October 31, 2022.

In addition, fair value consideration for RTO transactions are assessed in accordance with International Financial Reporting Standards (IFRS). These considerations are based on various factors such as the fair value of the assets acquired or liabilities assumed, the fair value of equity instruments issued, and any related acquisition costs.

4. Reverse takeover of Bastion Square Partners:

On April 14, 2023, Aluula completed a reverse takeover with BSP, a publicly listed entity, pursuant to an amalgamation agreement dated December 20, 2023 for the acquisition by BSP of 100% of the issued and outstanding shares of Aluula.

The RTO was structured as a three-cornered amalgamation pursuant to the provisions of the Business Corporations Act (British Columbia) (the “BCBA”), whereby BSP incorporated a wholly-owned subsidiary (“BSP SubCo”) under the BCBCA, which amalgamated with Aluula (the “Amalgamation”) to form a newly amalgamated company. Immediately prior to the closing of the RTO, Aluula changed its name to “Aluula Composites Canada Inc.” and BSP changed its name from “Bastion Square Partners” to “Aluula Composites Inc.”.

Through the RTO, Aluula acquired legal control of the Company by way of a share exchange and subsequent amalgamation. Management has determined that the RTO does not constitute a business combination, as BSP does not meet the definition of a business under *IFRS 3, Business Combinations* given that its activities mainly involve managing its cash balance and filing obligations as a capital pool corporation, with no other operations. As a result, The RTO has been accounted for in accordance with *IFRS 2, Share-based Payments*, measured at fair value.

Expressed in Canadian Dollars

4. Reverse takeover of Bastion Square Partners (continued):

Under reverse acquisitions, the post reverse acquisition comparative historical financial statements of the legal acquirer, BSP, are those of the legal acquiree, Aluula, which is considered to be the accounting acquirer. These financial statements reflect the balance sheets, the results of operations and the cash flows of Aluula and its subsidiaries at their carrying amounts, since it is deemed to be the accounting acquirer. Aluula has been identified as the accounting acquirer and therefore BSP's share capital and deficit at the time of the RTO transaction were eliminated. Accordingly, there is no goodwill recognized, and the difference between the consideration and fair value of the net assets acquired results in a listing expense as follows:

Fair Value of BSP: 25,000,000 common shares at $0.12 per share	$	3,000,000
Consideration		3,000,000
Net assets of BSP acquired:		
Cash		1,442,966
Prepaid expenses		4,537
Accounts payable		(69,708)
Accrued liabilities		(18,333)
Total FMV acquired		1,359,462
Listing expense	$	1,640,538

The acquisition date fair value of the consideration transferred by the accounting acquirer, Aluula for its interest in the accounting acquiree, BSP of $3,000,000 is based on the number of common shares outstanding multiplied by the RTO deemed price per share of $0.12.

Expressed in Canadian Dollars

5. Trade and other receivables:

Trade and other receivables are comprised of the following:

	April 30 2023	October 31 2022
Trade receivables	$ 1,582,237	$ 1,293,820
Government receivables	12,637	11,480
Sales return allowance	(64,661)	(125,991)
Expected credit losses	(229,424)	(41,437)
	$ 1,300,789	$ 1,137,872

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

	April 30 2023	October 31 2022
Current	$ 664,976	$ 773,879
30 - 60 days	44,610	225,921
60 - 90 days	19,514	135,111
Over 90 days	623,713	117,472
	$ 1,352,813	$ 1,252,383

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

For the period ended	April 30 2023	October 31 2022
Opening balance	$ 125,991	$ -
Additional provisions during the period	17,102	-
Sales return allowances acquired in business combination	-	125,991
Amounts used during the period	(14,339)	-
Unused amounts reversed	(64,093)	-
	$ 64,661	$ 125,991

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

	April 30 2023	October 31 2022
Opening balance	$ 41,437	$ -
Additional provisions during the period	187,987	-
Expected credit losses acquired in business combination	-	41,437
	$ 229,424	$ 41,437

Expressed in Canadian Dollars

6. Inventory:

Inventory is comprised of the following:

	April 30 2023	October 31 2022
Raw materials	$ 280,385	$ 304,474
Finished goods - composite materials	64,711	230,043
Finished goods - products for resale	1,073,153	1,632,308
	$ 1,418,249	$ 2,166,825

During the three and six months ended April 30, 2023, inventories totalling $1,357,635 and $2,524,559 respectively (three and six months ended April 30, 2022 - $233,966 and $639,013) were included in cost of sales. Inventory totalling $114,887 and $114,887 respectively (three and six months ended April 30, 2022 – nil and nil) were written down during the period.

7. Property and equipment:

	Furniture and equipment	Computer equipment	Leasehold improvements	Machinery and equipment	Molds	Right-of-use buildings	Right-of-use machinery and equipment	Total
Cost								
Balance, October 31, 2021	$ 3,665	$ 4,347	$ 5,792	$ 111,902	$ -	$ 646,453	$ 118,922	$ 891,081
Additions	12,978	13,257	4,605	68,721	-	-	254,641	354,202
Acquired in business combination	28,246	7,492	1,122	-	72,558	92,943	-	202,361
Disposals	-	-	-	-	-	-	-	-
Balance, October 31, 2022	44,889	25,096	11,519	180,623	72,558	739,396	373,563	1,447,644
Additions	3,872	2,734	1,777	15,610	8,501	-	-	32,494
Disposals	-	-	(6,346)	-	-	(92,943)	-	(99,289)
Balance, April 30, 2023	$ 48,761	$ 27,830	$ 6,950	$ 196,233	$ 81,059	$ 646,453	$ 373,563	$1,380,849
Accumulated depreciation								
Balance, October 31, 2021	$ -	$ 462	$ 1,354	$ 28,805	$ -	$ 21,195	$ -	$ 51,816
Depreciation	1,228	3,881	2,038	27,480	-	127,171	27,861	189,659
Disposals	-	-	-	-	-	-	-	-
Balance, October 31, 2022	1,228	4,343	3,392	56,285	-	148,366	27,861	241,475
Depreciation	2,638	5,175	1,415	19,867	18,193	68,478	32,224	147,990
Disposals	-	-	(2,838)	-	-	(4,892)	-	(7,730)
Balance, April 30, 2023	$ 3,866	$ 9,518	$ 1,969	$ 76,152	$ 18,193	$ 211,952	$ 60,085	$ 381,735
Carrying amounts:								
Balance, October 31, 2022	$ 43,661	$ 20,753	$ 8,127	$ 124,338	$ 72,558	$ 591,030	$ 345,702	$1,206,169
Balance, April 30, 2023	$ 44,895	$ 18,312	$ 4,981	$ 120,081	$ 62,866	$ 434,501	$ 313,478	$ 999,113

During the three and six months ended April 30, 2023, $16,622 and $33,243 respectively (three and six months ended April 30, 2022 – $7,949 and $16,718) of depreciation was included in the cost of finished goods inventory.

8. Intangible assets:

	Patents and Licenses	Trademarks	Total
Cost			
Balance, October 31, 2021	$ 12,704	$ 740	$ 13,444
Additions	16,619	8,457	25,076
Acquired in business combination	4,296,834	-	4,296,834
Disposals	-	-	-
Balance, October 31, 2022	4,326,157	9,197	4,335,354
Additions	37,631	-	37,631
Disposals	-	-	-
Balance, April 30, 2023	$ 4,363,788	$ 9,197	$ 4,372,985
Accumulated amortization			
Balance, October 31, 2021	$ 8	$ 73	$ 81
Amortization	402	38	440
Disposals	-	-	-
Balance, October 31, 2022	410	111	521
Amortization	136,436	19	136,455
Disposals	-	-	-
Balance, April 30, 2023	$ 136,846	$ 130	$ 136,976
Carrying amounts:			
Balance, October 31, 2022	$ 4,325,747	$ 9,086	$ 4,334,833
Balance, April 30, 2023	$ 4,226,942	$ 9,067	$ 4,236,009

As at April 30, 2023, intangible assets with a cost of $118,353 (October 31, 2022 - $81,032) were recorded for patents, licenses or trademarks management expects to be granted but were still pending approval.

9. Bank indebtedness:

(a) Operating line of credit - Scotia Bank:

The Company has a credit facility with Scotia Bank (the "LOC") to fund general operations. The LOC bears interest at 1% above Scotia's prime lending rate and is repayable on demand. At April 30, 2023, the Company's borrowing capacity was $2,000,000 and the balance outstanding was nil (October 31, 2022 - $1,744,697).

(b) Callable debt – Scotia Bank:

The Company has access to a revolving pre-shipment financing facility (the "EGP Program") with Scotia Bank. This facility bears interest at 1.00% per annum above Scotia Bank's Prime interest rate, is payable on demand, and is capped at 90% of eligible contract costs. 75% of this facility is guaranteed by Export Development Canada under its Export Guarantee Program. As at April 30, 2023 the Company's borrowing capacity under the EGP Program was $1,000,000 and the balance utilized was $1,000,000 (October 31, 2022 - $1,000,000).

(c) Scotia Bank Guarantees:

Aluula and Ocean Rodeo each have guarantees against the bank loans of the other. Certain shareholders of the Company have also guaranteed the bank loans.

10. Trade and other payables:

Trade and other payables are comprised of the following:

	April 30 2023	October 31 2022
Trade payables	$ 181,966	$ 604,085
Accrued liabilities	76,958	89,600
Credit cards payable	64,725	88,685
Warranty provision	94,597	57,965
Payroll liabilities	31,174	36,166
Government payables	413	9,480
Royalties payable	22,467	8,515
	$ 472,300	$ 894,496

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

	April 30 2023	October 31 2022
Opening balance	$ 57,965	$ -
Additional provisions during the period	112,899	-
Warranty provisions acquired in business combination	-	57,965
Amounts used during the period	(70,489)	-
Unused amounts reversed	(5,777)	-
	$ 94,597	$ 57,965

11. 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 beginning on April 1, 2024. As of April 30, 2023, $601,795 (October 31, 2022 - $490,270) of the available funding had been received, and the loan had a discounted balance of $486,540 (October 31, 2022 – $417,714).

(b) Western Economic Diversification Canada:

On August 24, 2020, the Company 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 of April 30, 2023, $190,000 of funding had been received and the loan had a discounted balance of $180,439 (October 31, 2022 - $178,823).

(c) Western Economic Diversification Canada:

On June 11, 2020, WD Canada also provided the Company with a $60,000 interest free loan as part of its Regional Relief and Recovery Fund. If this loan is repaid in full on or by December 31, 2023, $20,000 is forgiven. At April 30, 2023 the loan had a balance of $41,327 (October 31, 2022 - $39,765).

(d) Scotia Bank:

On August 10, 2021, the Company entered into a banking agreement with Scotia Bank that provided the Company with an $800,000 non-revolving term loan to fund general business needs. The loan is repayable in monthly instalments of $13,334 plus interest at Scotia Bank prime plus 1.25%. At April 30, 2023 the loan had a discounted balance of $513,386 (October 31, 2022 - $583,342).

(e) Government of Canada:

On April 23, 2020, the Company received a $40,000 interest free loan as part of its Canada Emergency Benefit Account. This loan was expanded to $60,000 on January 11, 2021. If this loan is repaid in full on or by December 31, 2023, $20,000 is forgiven. At April 30, 2023 the loan had a balance of $40,000 (October 31, 2022 - $39,761).

11. Long-term debt (continued):

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

	April 30 2023	October 31 2022
Long term debt balance November 1	$ 1,259,405	$ 38,370
Cash movement:		
Debt repayments	(867,934)	-
Debt advances	861,525	490,268
Non-cash movement:		
Amortization of non-cash interest	42,689	8,395
Loans acquired in business combination	-	801,925
Fair value adjustments	(33,993)	(79,553)
	1,261,692	1,259,405
Less: current portion	324,712	292,284
	$ 936,980	$ 967,121

12. Related parties:

(a) Related party transactions:

The Company leased office and warehouse space from an immediate family member of a director until the lease was cancelled in December 2022. Payments for this lease totaled nil and $12,377 respectively during the three and six months ended April 30, 2023 (three and six months ended April 30, 2022 - $12,377 and $24,753). No amounts were owing at the end of the period (October 31, 2022 – nil). Additional payments of $15,000 and $31,000 respectively were made to this related party during the three and six months ended April 30, 2023 for the collateralization of the building against the term loan with Scotia Bank (three and six months ended April 30, 2022 - $19,000 and $39,000).

Upon closing of the RTO, the Company paid $766,829 to the Gustavson Capital Corporation ("GCC"), which is controlled by a director of the Company, for repayment of a $750,000 promissory note plus accrued interest at 7%.

At April 30, 2023, loans to shareholders existed in the amount of nil (October 31, 2022 – $2,122,802). These loans bore no interest and were not repayable on demand. During the period, $139,800 of loans to shareholders were repaid in cash or forgiven and the remaining $1,983,002 was repaid by the issuance of shares. In addition, at April 30, 2023 there were payables of nil (October 31, 2022 - $197,092) owing to shareholders, and receivables of $7,915 (October 31, 2022 - $5,855) for transactions in the normal course of business.

The Company has a royalty agreement with Epic Ventures Inc, 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 Venture Inc's assignment of the applicable patents to the Company. Royalties of $275,000 and $275,000 were paid during the three and six months ended April 30, 2023 (three and six months ended April 30, 2022 – $34,241 and $84,241).

12. Related parties (continued):

(a) Related party transactions (continued):

The Company made payments to Xlynx Materials Inc., which is controlled by a director of the Company, for consulting services of $2,017 and $2,017 during the three and six months ended April 30, 2023 (three and six months ended April 30, 2022 – nil).

(b) Affiliates:

The Company shares leased office and warehouse space with Ocean Rodeo, a related company under common management that was acquired by Aluula on October 31, 2022. Aluula and Ocean Rodeo also share staffing resources and are part of one overall cash management group.

(c) Key management compensation:

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

Total compensation expense paid to the Executive Leadership Team for the three and six months ended April 30, 2023 was $297,388 and $404,515 respectively (three and six months ended April 30, 2022 - $66,552 and $197,239), which includes $175,326 and $178,949 (April 30, 2022 - $3,623 and $7,426) in share-based payments. Employment agreements with the members of the Executive Leadership Team provide for severance payments if the executive is terminated without cause totaling $328,000 (October 31, 2022 - $328,000).

13. Other income:

Other income is comprised of the following:

	For the 3-months ended		For the six-months ended	
	April 30 2023	April 30 2022	April 30 2023	April 30 2022
Licenses	$ 41,812	$ 51,150	$ 82,789	$ 51,150
Fair value adjustment on interest free government loan	-	-	33,993	-
Other	443	-	1,474	-
Gain on disposal of property and equipment	32,224	-	31,839	-
	$ 74,479	$ 51,150	$ 150,095	$ 51,150

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 and bank indebtedness approximate their fair value due to the relatively short-term maturity of these financial instruments. The carrying value of long-term debt and lease obligations are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

There were no transfers between levels of the fair value hierarchy during the six months ended April 30, 2023 or year ended October 31, 2022.

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

	April 30, 2023		October 31, 2022	
	Level 2	**Level 3**	**Level 2**	**Level 3**
Investments	$ -	$ 44,165	$ -	$ 45,091

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. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Company holds credit insurance on trade receivables exceeding a specified value and all receivable balances are managed and monitored on an ongoing basis. Two customers account for 57.5% (October 31, 2022 – 64.0%) of trade receivables at April 30, 2023, with the largest customer accounting for 33.7% (October 31, 2022 – 37.3%).

(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, maintaining sufficient undrawn committed credit facilities and managing the maturity profiles of financial assets and liabilities.

15. Financial risk and capital management (continued):

(b) Liquidity risk (continued):

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 interim financial statements.

As at April 30, 2023 and October 31, 2022, the contractual maturities of financial liabilities were as follows:

April 30, 2023	Contractual cash flow	Up to 1 year	Greater than 1 year
Financial liabilities			
Bank indebtedness	$ 960,782	$ 960,782	$ -
Trade and other payables	472,300	472,300	-
Due to related parties	-	-	-
Lease obligations	853,982	237,110	616,872
Long-term debt	1,543,054	304,635	1,238,419
Total financial liabilities	$ 3,830,118	$ 1,974,827	$ 1,855,291

October 31, 2022	Contractual cash flow	Up to 1 year	Greater than 1 year
Financial liabilities			
Bank indebtedness	$ 2,744,697	$ 2,744,697	$ -
Trade and other payables	894,496	894,496	-
Due to related parties	2,122,802	-	2,122,802
Lease obligations	1,075,642	267,126	808,516
Long-term debt	1,644,158	292,758	1,351,400
Total financial liabilities	$ 8,481,795	$ 4,199,077	$ 4,282,718

(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 continuously monitors interest rates and economic conditions. At April 30, 2023 the Company had credit facilities with outstanding principal of $1,000,000. A 1% change in the interest rate on the credit facilities would have an after-tax impact of $7,300 on the interim statement comprehensive income (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. The impact of a 1% change in FX rates would not be material.

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, bank indebtedness, and long-term debt.

	April 30 2023	October 31 2022
Share capital	$ 14,408,384	$ 6,305,977
Bank indebtedness	960,782	2,744,697
Long-term debt	1,261,692	1,259,405
	$ 16,630,858	$ 10,310,079

The Company's debt obligations are subject to certain financial covenants. The Company's capital management strategy includes ensuring it remains in compliance with covenants to maintain continuous access to its borrowing facilities to fund growth. Management reviews results and forecasts on a monthly basis to ensure compliance and Scotia Bank reviews certain results monthly to ensure compliance with the banking agreement. There were no changes to the Company's approach to capital management during the period.

16. Share capital:

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Common shares	Number	Amount
Opening Balance, October 31, 2021	105,733,720	$ 611
Acquisition of Ocean Rodeo	44,446,041	6,305,366
Total Share Capital at October 31, 2022	150,179,761	$ 6,305,977
Repayment of shareholder loans	15,660,010	$ 1,983,002
Share-based compensation	9,169,600	152,585
BSP SubCo shares	18,223,330	2,174,620
BSP Financing	6,776,670	792,200
BSP Shares	25,000,000	3,000,000
Total Share Capital at April 30, 2023	225,009,371	14,408,385

On October 31, 2022, the Company entered into a share purchase agreement to acquire 100% of the issued and outstanding shares of Ocean Rodeo, a previously related company under common control. Under the terms of the share purchase agreement, the Company issued 1,706,182 common shares in exchange for the purchase (adjusted to 44,446,041 after the RTO).

16. Share capital (continued):

On April 06, 2023, BSP SubCo completed a non-brokered private placement of 18,223,330 subscription receipts for proceeds of $2,186,800 less transaction fees of $12,180. Each subscription receipt automatically converted into one BSP SubCo share immediately prior to completion of the RTO and was then automatically exchanged for one share of the Company.

On April 13, 2023, the Company issued 601,152 common shares (adjusted to 15,660,010 after the RTO) for repayment of shareholder loans.

On April 13, 2023, the Company issued 352,000 common shares (adjusted to 9,169,600 after the RTO) for the exercise of stock options.

On April 13, 2023, immediately prior to completion of the RTO, holders of common shares in the capital of Aluula received 26.05 common shares in the Company for each Aluula share held immediately before the amalgamation (see Note 4). The Company issued 175,009,365 shares at a deemed price of $0.12 per share. All share and per share amounts presented in these financial statements have been adjusted to reflect this ratio.

On April 14, 2023, concurrently with closing of the RTO, the Company completed a private placement of 6,776,670 common shares (the “BSP Financing”) for total proceeds of $813,200 less transaction costs of $21,000.

On April 14, 2023, in accounting for the RTO, the Company issued 25,000,0000 shares in exchange for the outstanding shares of Bastion Square Partners (“BSP Shares”).

17. Share-based compensation:

(a) Stock options:

On April 14, 2023, following the RTO, the Company has a new stock compensation model (the “2023 Plan”) that is 10% of the issued shares, which must be approved by the shareholders annually.

The fair value of employee share options has been measured using the Black-Scholes model. The inputs used in the measurement of the fair values of options granted are as follows:

Risk free interest rate	0.95% - 3.8%
Expected dividend yield	0.00%
Forfeiture rate	0.00% - 16.7%
Stock price volatility	100%
Expected life of option	3 - 5 years

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

17. Share-based compensation (continued):

(a) Stock options (continued):

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

	Number	Weighted average exercise price
Balance, October 31, 2021	9,169,600	$ 0.01
Granted during the period	-	-
Balance, April 30, 2022	9,169,600	$ 0.01
Balance, October 31, 2022	9,169,600	$ 0.01
Exercised during the period	(9,169,600)	0.01
Granted in reverse acquisiton of BSP	2,500,000	0.10
Granted during the period	9,666,905	0.12
Balance, April 30, 2023	12,166,905	$ 0.12
Exercisable, April 30, 2023	7,261,030	$ 0.12

For the three and six months ended April 30, 2023, compensation expense related to share options was $390,317 and $395,254 respectively (three and six months ended April 30, 2022 – $9,875 and $4,938).

(b) Warrants:

On October 12, 2021 BSP granted 375,000 warrants to Haywood Securities Inc. (“Haywood”) with an exercise price of $0.10 per share and an expiry date of October 12, 2024. The warrants were adopted by the Company on completion of the RTO, and 375,000 warrants remain outstanding and exercisable at April 30, 2023 with a weighted average remaining life of 1.40 years.

18. Earnings (loss) per share:

The following table shows the computation of basic and diluted earnings (loss) per share:

	For the three-month period ended April 30 2023	For the three-month period ended April 30 2022	For the six-month period ended April 30 2023	For the six-month period ended April 30 2022
Net income (loss)	$ (2,612,145)	$ (176,091)	$ (3,777,296)	$ (729,807)
Weighted average number of shares outstanding	163,911,260	105,733,720	156,931,713	105,733,720
Basic loss per share	$ (0.02)	$ -	$ (0.02)	$ (0.01)
Diluted loss per share	$ (0.02)	$ -	$ (0.02)	$ (0.01)

19. 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 two reportable segments:

- The Aluula segment relates to assembly and sale of soft composite materials for use in various applications and industries. Aluula sells its materials to manufacturers and brand partners.
- The Ocean Rodeo segment relates to the purchase and resale of inventory in the windsport market, and the associated research and development projects that keep the company at the cutting edge of the windsport market. Ocean Rodeo sells its products to dealers, distributors, and end users. Ocean Rodeo was acquired on October 31, 2022 and as a result does not contribute to the consolidated statement of comprehensive income for the year ended October 31, 2022, and balance sheet items were initially recorded at fair value as of October 31, 2022.

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

Total assets and liabilities for each segment are as follows:

April 30, 2023	Aluula	Ocean Rodeo	Total
Total assets	$ 4,037,117	$ 10,699,867	$ 14,736,984
Total liabilities	3,754,854	1,085,777	4,840,631

October 31, 2022	Aluula	Ocean Rodeo	Total
Total assets	$ 3,291,678	$ 11,387,804	$ 14,679,482
Total liabilities	4,346,072	5,082,438	9,428,510

19. Segment information (continued):

(a) Reportable segments (continued):

For the three-months ended April 30, 2023	Aluula	Ocean Rodeo	Total
Sales	$ 1,576,696	$ 360,497	$ 1,937,193
Cost of sales	1,076,477	327,165	1,403,642
Gross profit	500,219	33,332	533,551
Salaries and benefits	372,518	205,816	578,334
General and administrative	177,270	201,793	379,063
Research and development	(9,583)	55,467	45,884
Marketing	23,940	79,883	103,823
Share-based compensation	17,393	372,924	390,317
Other income	(42,056)	(32,423)	(74,479)
Listing expense	1,640,538	-	1,640,538
Interest expense	63,607	26,751	90,358
Depreciation of capital assets	44,077	11,482	55,559
Amortization of intangible assets	383	67,941	68,324
Deferred income tax expense (recovery)	8,169	(140,194)	(132,025)
Segment loss	$ (1,796,037)	$ (816,108)	$ (2,612,145)

For the three-months ended April 30, 2022	Aluula	Ocean Rodeo	Total
Sales	$ 556,915	$ -	$ 556,915
Cost of sales	251,311	-	251,311
Gross profit	305,604	-	305,604
Salaries and benefits	217,972	-	217,972
General and administrative	293,842	-	293,842
Research and development	1,321	-	1,321
Marketing	11,668	-	11,668
Share-based compensation	4,938	-	4,938
Other income	(51,150)	-	(51,150)
Interest expense	30,245	-	30,245
Depreciation of capital assets	33,946	-	33,946
Amortization of intangible assets	22	-	22
Deferred income tax expense	(61,109)	-	(61,109)
Segment loss	$ (176,091)	$ -	$ (176,091)

19. Segment information (continued):

(a) Reportable segments (continued):

For the six-months ended April 30, 2023	Aluula	Ocean Rodeo	Total
Sales	$ 2,293,340	$ 1,092,368	$ 3,385,708
Cost of sales	1,643,747	1,011,363	2,655,110
Gross profit	649,593	81,005	730,598
Salaries and benefits	650,335	428,850	1,079,185
General and administrative	323,867	488,505	812,372
Research and development	(4,162)	67,290	63,128
Marketing	53,750	232,577	286,327
Share-based compensation	22,330	372,924	395,254
Other income	(113,939)	(36,156)	(150,095)
Listing expense	1,640,538	-	1,640,538
Interest expense	125,823	56,529	182,352
Depreciation of capital assets	87,001	27,748	114,749
Amortization of intangible assets	574	135,881	136,455
Deferred income tax expense (recovery)	152,748	(205,119)	(52,371)
Segment loss	$ (2,289,272)	$ (1,488,024)	$ (3,777,296)

For the six-months ended April 30, 2022	Aluula	Ocean Rodeo	Total
Sales	$ 1,221,447	$ -	$ 1,221,447
Cost of sales	698,103	-	698,103
Gross profit	523,344	-	523,344
Salaries and benefits	492,669	-	492,669
General and administrative	381,203	-	381,203
Research and development	113,933	-	113,933
Marketing	28,648	-	28,648
Share-based compensation	9,875	-	9,875
Other income	(51,150)	-	(51,150)
Interest expense	46,622	-	46,622
Depreciation of capital assets	65,688	-	65,688
Amortization of intangible assets	40	-	40
Deferred income tax expense	165,623	-	165,623
Segment loss	$ (729,807)	$ -	$ (729,807)

During the three and six months ended April 30, 2023, Ocean Rodeo primarily sold inventories that were on hand at the date of its acquisition by Aluula. These inventories acquired in the business combination were recorded at estimated net realizable value in accordance with the Company's accounting policies, and therefore only contribute nominally to gross profit.

19. Segment information (continued):

(b) Geographic information:

For geographic reporting, sales are attributed to the geographic location in which the customer is located. The following table summarizes sales by region, excluding sales return allowances:

	For the three-months ended		For the six-months ended	
	April 30 2023	April 30 2022	April 30 2023	April 30 2022
Sri Lanka	$ 1,241,235	$ -	$ 1,897,462	$ 308,590
Canada	85,676	12,301	342,605	25,464
United States	404,401	4,379	651,384	4,379
Europe	80,474	24,631	306,437	126,177
Rest of World	72,024	6,753	113,032	6,753
Hong Kong	13,458	508,851	13,458	750,085
Sales	$ 1,897,268	$ 556,915	$ 3,324,378	$ 1,221,448

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

20. Supplementary cash flow information:

Supplementary cash flow information relating to non-cash investing and financing activities for the six months ended April 30, 2023 and April 30, 2022 is as follows:

	April 30 2023	April 30 2022
Non-cash movement in balance sheet items:		
Property and equipment acquired through lease financing	-	139,458
Lease financing	-	(139,458)

21. Subsequent events:

(a) Warrants:

As outlined in note 17 (b), Haywood holds 375,000 warrants to purchase shares in the Company. On May 1, May 11, and May 29, 2023 Haywood exercised a total of 147,930 warrants in exchange for 147,930 common shares at a price of $0.10 per share for proceeds of $14,793.

(b) Private placement:

On June 19, 2023, the Company announced an agreement with Haywood pursuant to which Haywood agreed to purchase itself or via substitute purchasers, on a bought deal private-placement basis, 20,000,000 units of the Company (the “Units”) at a price of $0.15 per unit (the “Issue Price”), for total gross proceeds of $3,000,000 (the “Bought Deal Offering”).

Each Unit will consist of one common share and one transferable common share purchase warrant. Each warrant will entitle the holder to purchase an additional common share of the Company at a price of $0.25 per share for a period of 24 months from the closing of the Bought Deal Offering.

The Company has agreed to grant Haywood an option (the “Underwriter’s Option”) to purchase, or to find substitute purchasers for, up to an additional 10,000,000 Units at the Issue Price, for total additional gross proceeds of up to $1,500,000. The Underwriter’s Option, if exercised, is expected to close concurrently with the closing of the Bought Deal Offering (collectively the Bought Deal Offering and the Underwriter’s Option, as applicable, are referred to as the “Offering”).

In connection with the Offering, the Company has agreed to pay Haywood cash commissions of 6% of the gross proceeds of the Offering, and compensation options to acquire Units at the Issue Price equal to 6% of the number of Units issued to investors. The Company will also pay Haywood a corporate finance fee of 5% of the gross proceeds of the Offering, up to a maximum of $200,000, payable in a combination of cash and Units.

Closing of the Offering is subject to the Company entering into an underwriting agreement with Haywood, as well as customary closing conditions including, but not limited to, the receipt of all necessary regulatory and other approvals, including the approval of the TSX Venture Exchange.