

Composite Alliance Group Inc.

MANAGEMENT DISCUSSION & ANALYSIS FORM 51-102F1 For the Quarter Ended September 30, 2019

This Management Discussion and Analysis (“**MD&A**”) is dated November 29, 2019.

This MD&A of the financial condition of Composite Alliance Group Inc. (Formerly CanAsia Financial Inc.) (“**CAG**” or the “**Company**”) and results of operations supplements but does not form part of the quarterly financial statements and accompanying notes of the Company for the quarter ended September 30, 2019. Consequently, the following discussion and analysis of the results of operations and the financial condition of the Company should be read in conjunction with the unaudited financial statements for Composite Alliance Group Inc. (Formerly CanAsia Financial Inc.) for the quarter ended September 30, 2019. Additional information can be found on CAG on the SEDAR website (www.sedar.com).

FORWARD LOOKING STATEMENTS

This MD&A may contain forward-looking statements. Forward looking statements include, but are not limited to, words such as “believes” “expects”, “will”, “intends”, “projects”, “anticipates”, “estimates”, “continues”, “plans” or similar words thereof. These forward statements reflect the Company’s future financial position, future growth, business strategy, budgets, internal projects and objectives of management based on information currently available to the Company.

The Company believes that the expectations represented in such forward-looking statements are reasonable. However, the Company cannot assure that the plans, intentions or expectations upon which these forward looking statements are based will prove to be correct as they are subject to risks, uncertainties and assumptions.

Any such forward-looking statements are expressly qualified in their entirety by this cautionary statement. Moreover, the Company does not assume responsibility for the accuracy or completeness of such forward-looking statements. The forward-looking statements included in this MD&A are made as of the date of this MD&A. The Company undertakes no obligation to publicly update or revise forward-looking statements, other than as required by applicable law. You should not place undue reliance on forward- looking statements.

CORPORATE STRUCTURE

The Company was incorporated on June 26, 2008 under the *Business Corporation Act* (Alberta). The Company’s head office is located at Suite 1600, 333 – 7 Avenue S.W., Calgary, Alberta, Canada. The Company completed a reverse acquisition of Techni Modul Engineering S.A. (“**TME**”) on February 12, 2019. Following the completion of the reverse acquisition, the Company’s common shares commenced trading on the TSX Venture Exchange under the symbol “CAG” on February 15, 2019. The Company also issued 2,400,000 stock options to its employees on the same day.

BUSINESS FOCUS

The Company’s subsidiary, TME, specializes in industrial turn-key solutions by designing and manufacturing the machines and processes that it sells to customers whom use those machines and processes to fabricate composite materials for the aerospace and automotive industries and is located in Coudes, France.

SUMMARY OF FINANCIAL RESULTS

The annual and quarterly financial information of the reverse takeover acquirer, TME, have been presented below for all periods prior to the reverse takeover transaction. Subsequent to the reverse takeover transaction effected on February 12, 2019, the quarterly financial information presented for the interim period ended September 30, 2019 is comprised of the consolidated financial information of Composite Alliance Group Inc. and its legal subsidiary TME. All the financial information below is reported in Canadian Dollars (“CAD”). Figures are reported in accordance with International Financial Reporting Standards (“IFRS”).

ANNUAL	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Total Revenue	\$ 10,386,472	\$ 5,217,713	\$ 9,471,997
Total expenses	9,710,343	7,270,569	8,550,593
Other expenses	166,131	233,955	168,285
Net income (loss)	509,998	(2,286,811)	753,119
Basic earnings (loss) per share	0.01	(0.03)	0.01
Diluted earnings (loss) per share	0.01	(0.03)	0.01
Comprehensive income (loss)	513,455	(2,302,659)	761,714
Current Assets	8,253,530	3,638,129	6,968,846
Non-current Assets	2,743,040	3,390,510	3,830,108
Total Assets	10,996,570	7,028,638	10,798,954
Current Liabilities	5,338,431	2,251,523	5,337,884
Non-current Liabilities	5,019,122	4,932,206	3,442,289
Total Liabilities	10,357,553	7,183,730	8,780,174

QUARTERLY	3 Months Ended September 30, 2019 Unaudited	3 Months Ended September 30, 2018 Unaudited	3 Months Ended June 30, 2019 Unaudited	3 Months Ended June 30, 2018 Unaudited	3 Months Ended March 31, 2019 Unaudited	3 Months Ended March 31, 2018 Unaudited
Total Revenue	4,630,919	2,282,217	2,737,235	2,360,340	1,723,737	924,010
Total operating expenses	3,739,942	2,395,180	2,871,524	2,752,336	2,155,868	1,336,740
Other expenses	259,643	67,139	229,916	67,984	3,367,019	70,573
Net income (loss)	631,334	(180,103)	(364,205)	(459,980)	(3,799,150)	(483,303)
Comprehensive income (loss)	579,801	(160,328)	(357,247)	(470,790)	(3,831,974)	(460,321)
Earnings per share:						
Basic	0.01	(0.00)	(0.00)	(0.01)	(0.04)	(0.01)
Diluted	0.01	(0.00)	(0.00)	(0.01)	(0.04)	(0.01)

RESULTS OF OPERATIONS

Three-Month Period Ended to September 30, 2019

For the three-month period ended September 30, 2019, the Company’s revenue totaled \$4,630,919, comparing to revenue of \$2,282,217 in the same period in 2018, and an operating profit of \$890,977, comparing to an operating loss of \$112,962 in the same period in 2018. The Company also incurred other

expenses of \$259,643, comparing to those of \$67,139 in the same period in 2018. The Company's net profit for the three-month period ended September 30, 2019 is \$631,334, comparing to a net loss of \$180,101 in the same period in 2018. The Company reported a total comprehensive profit of \$579,801, comparing to a total comprehensive loss of \$160,326 in the same period in 2018.

Revenue

The revenue grew by 103% during Q3 2019 from Q3 2018, and by 63% in the first nine months of 2019 from the same period of 2018. The increase was mainly attributed to more signed contracts. The Company expects to continue delivering most of the orders which were signed in late 2018 by the end of 2019.

Expenses

Purchases of raw materials and goods grew by 95% in Q3 2019 from Q3 2018, and by 69% in the first nine months of 2019 from the same period of 2018. The increase was generally in line with the revenue growth, and the margin over purchases was also maintained at around 73%-74%.

Payroll expenses and social security contributions grew by 23% during Q3 2019 from Q3 2018, and by 27% for the first nine months of 2019 from the same period of 2018. The increase was mainly due to new hire of employees this year, including a technical director who was on board on September 2nd.

In Q3 2019, other purchases and external expenses grew by 80% over the same period of last year, and by 33% during the first nine months of 2019 from the same period of 2018. The increase of such expenses in Q3 2019 was mainly due to higher research costs and outsourced services spent on projects (in line with the revenue growth), and the legal fees associated with an on-going litigation with TME's client in Belgium. The magnitude of the increase in these expenses during the first nine months of 2019 were somewhat offset by the decrease in those non-recurring expenses which were incurred in 2018 in association with the reverse acquisition between CAG and TME.

Starting from January 1st, 2019, the Company incurred a total fixed asset amortization of \$159,742 during the first nine months of 2019 as a result of the adoption of IFRS 16.

In summary, total operating expenses grew by 35% during the first nine months of 2019, compared to the same period of 2018.

Other Expenses

Other expenses in Q3 2019 grew to \$259,643 from \$67,139 in Q3 2018. The increase was mainly due to the increases in (1) stock based compensation associated with preferred shares issued in association with the reverse acquisition and employee stock options in 2019 (2018: nil), and (2) finance costs from more debentures issued by the Company.

For the first nine months of 2019, other expenses increased from \$205,696 in the first nine months of 2018 to \$3,856,579 not only for the above reasons, but also for the non-recurring listing expenses of \$3,123,147 associated with the reverse acquisition (2018:nil) incurred during Q1 2019.

CAPITAL RESOURCES MANAGEMENT

During the first nine months of 2019, the Company generated positive cash of \$3,136,335 from operating activities, up significantly from that of \$121,702 during the first nine months of 2018. This increase in cash flows is resulted mainly from the increase in trade and other payables and partly from the increase of trade and other receivables.

The Company had positive cash flows of \$133,942 from investing activities in the first nine months of 2019 mainly because of the acquisition of cash acquired through reverse acquisition.

During the first nine months of 2019, the Company repaid most of its short term borrowings, resulting in negative financing cash flows of \$1,174,357, comparing to those of \$18,060 during the same period of 2018.

The Company's capital structure is regularly reviewed and managed. Adjustments are made to the capital structure based on financing requirements as well as in response to economic conditions affecting the Company. As of September 30, 2019, the Company has cash of \$2,378,850 and working capital of \$3,283,166, comparing to \$397,260 and \$2,915,099, respectively as of December 31, 2018. The slight increase in working capital was a mixed result from the increase in cash & cash equivalent and accounts receivable, as well as the increase in accounts payable & accrued liabilities and other current liabilities (deferred revenue).

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to interest, credit and liquidity risks in the normal course of the Company's operations. These risks are mitigated by the Company's financial management policies and practices described below.

Interest Rate Risk

The Company is susceptible to interest rate cash flow risk and fair value risk on its fixed and floating rate financial liabilities.

Credit Risk

The Company is exposed to credit risk associated with cash and cash equivalent and accounts receivable. The risk is mitigated as the cash and cash equivalents are maintained with major financial institutions. The credit risk on accounts receivable is mitigated with a diverse customer base and close monitoring of the collection of the accounts receivable by the Company.

Liquidity Risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liabilities when due. The Company has cash of \$2,378,850 and working capital of \$3,283,166 as at September 30, 2019.

ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IASB**").

The financial statements are expressed in Canadian dollars unless otherwise stated.

Functional and Presentation Currency

These financial statements are presented in Canadian dollars ("**CAD**"), which is the Company's presentation currency and is consistent with the functional currency of the Company. The functional currency of the subsidiary is Euro.

Measurement Uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. The discount rate used to determine the liability component of the convertible debentures is also subject to estimate. Measurement inputs used in determining the fair value of stock options are also subject to estimate by Management. The incremental borrowing rates used to determine the carrying value of the right-of-use assets and lease obligations are also subject to management estimate.

Off-Balance Sheet Arrangements and Financing

As of the date of this MD&A, the Company, through TME, received the following support from banks and financial institutions:

- TME has an aggregate credit line of €500,000 from two banks for advanced payment refunds for French customers. The credit line was at the amount of zero as of September 30, 2018. This financial line is necessary when TME must produce letters of guarantee of restitution of deposit, or of good execution of contract, or retention of guarantee for French customers. As of September 30, 2019, TME had not used this credit line.
- Bank guarantees (advanced payment refund) for foreign customers for a maximum amount of €1,100,000. The amount was €649,000 as of September 30, 2018. TME uses this credit line when TME needs to produce any form of guarantee for contracts with foreign customers. This financial line is necessary when TME must produce letters of guarantee of restitution of deposit, or of good execution of contract, or retention of guarantee for foreign customers. As of September 30, 2019, TME had used €281,320 out of this credit line for contracts in Euro, and US\$213,930 for contracts in USD.
- Factoring (invoice transfer) for French customers up to a maximum amount of €550,000. As of September 30, 2019, the limit was €550,000. TME uses this credit line when TME wishes to finance its working capital by factoring the account receivables from French customers. This financial line is necessary when TME wishes to benefit from cash before the maturity of invoices issued to its French customers. As of September 30, 2019, TME had not used this line.
- Pre-financing on orders in progress, case-by-case for an aggregate amount of €1,350,000, compared to €850,000 as of September 30, 2018. TME uses this credit line when TME wishes to finance its working capital by factoring the account receivables from foreign customers. This financial line is necessary when TME wishes to benefit from cash before delivery to its foreign customers. As of September 30, 2019, TME had not used this credit line.

- Foreign exchange hedging facility of €4,500,000. As of September 30, 2019, TME used US\$2,878,740 out of this facility for 2 different contracts denominated in USD. As of September 30, 2018, TME had a foreign exchange hedging facility for €700 000 but did not use this facility.

Transaction Between Related Parties

During the first nine months of 2019, the Company has the following related party transactions:

1. Paid to key management: stock based compensation of \$97,250 (2018: nil), director fees of \$7,875 to non-executive directors (2018: nil), and salaries of \$599,904 (2018: \$508,398).
2. Paid to other related parties: Accrued interests of \$374,407 paid to the companies controlled by directors of the Company (2018: \$304,400), professional fees of \$18,843 paid to a company controlled by one director of the Company (2018: nil), rent of \$86,254 to a company controlled by one director of the Company (2018: \$118,409), and stock based compensation of \$403,288 (2018: nil).

Changes in Accounting Policies

In 2019, the Company implemented IFRS 16 “Leases”, including any consequential amendments to other standards, with a date of initial application of 1 January 2019. The Company elected to apply the simplified retrospective approach, which resulted in an increase in tangible assets of 1,001,554 in its consolidated statements of financial positions as of September 30, 2019.

The Company has also implemented various other minor amendments to existing standards and interpretations, which have no material impact on the Company’s overall results and financial position.

Disclosure of Share Information

Shares outstanding:

110,233,610 commons shares outstanding as at the date hereof

Stock options outstanding:

2,400,000 stock options to purchase common shares are outstanding as at the date hereof

APPROVAL

The Board of Directors have reviewed and approved this document pursuant to its mandate and charter.