

Composite Alliance Group Inc.

Condensed Consolidated Interim Financial Statements
September 30, 2020
(In Canadian dollars)
(Unaudited)

Composite Alliance Group Inc.
Condensed Consolidated Interim Statements of Financial Position
(In Canadian dollars)

	September 30, 2020 (Unaudited)	December 31, 2019
Assets		
Cash and cash equivalents	\$ 2,742,098	\$ 735,750
Accounts receivable	4,159,563	4,333,162
Contract asset	508,498	2,617,929
Inventory	6,698	6,796
Prepaid expense	201,991	164,650
Other receivables	448,368	733,203
Total current assets	8,067,216	8,591,490
Other assets and receivables (Note 4)	385,922	360,047
Property and equipment (Note 5)	1,079,341	1,010,115
Intangible assets (Note 6)	1,322,109	1,806,651
Total assets	\$ 10,854,588	\$ 11,768,303
Liabilities		
Short-term debts (Note 7)	\$ -	\$ 344,283
Accounts payable and accrued liabilities (Note 8)	3,128,543	3,588,721
Contract liabilities	113,001	73,056
Current portion of convertible debenture (Note 9 & 17)	705,513	594,914
Current portion of long-term borrowings (Note 10 & 17)	1,506,533	305,343
Current portion of lease obligation (Note 11)	255,425	208,613
Total current liabilities	5,709,015	5,114,930
Convertible debentures (Note 9 & 17)	2,129,913	1,854,364
Long-term borrowings (Note 10 & 17)	3,353,168	2,475,664
Lease obligation (Note 11)	536,078	604,837
Provisions (Note 12)	14,068	13,125
Post-employment benefits	296,792	276,893
Research tax credit	466,401	284,200
Total liabilities	12,505,435	10,624,013
Shareholders' equity		
Share capital (Note 13)	4,890,766	4,890,766
Contributed surplus (Note 13 & 14)	1,163,224	662,014
Equity component of convertible debentures (Note 9)	751,579	751,579
Accumulated other comprehensive income (loss)	33,038	(71,763)
Deficit	(8,428,125)	(4,914,428)
Total shareholders' equity attributable to common shareholders	(1,589,518)	1,318,168
Non-controlling interest	(61,329)	(173,878)
Total liabilities and shareholders' equity	\$ 10,854,588	\$ 11,768,303

Contingency (Note 16)
Subsequent event (Note 18)

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

Composite Alliance Group Inc.
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
For the periods ended September 30
(In Canadian dollars)
(Unaudited)

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenue	\$ 1,034,894	\$ 4,630,919	\$ 4,436,188	\$9,091,891
Expenses				
Purchased raw material and goods	399,300	1,325,421	1,621,483	2,559,784
Payroll expenses and social security	715,027	797,844	2,275,162	2,444,671
Subcontractor	199,186	844,722	980,607	1,744,545
Selling, general and administrative	185,692	491,965	1,165,593	1,325,604
Taxes and related payments	23,743	40,502	78,971	111,394
Depreciation and amortization	299,482	222,196	827,749	696,487
Provision variations	(34,408)	(25,934)	(3,779)	(201,185)
Miscellaneous expenses	(59,798)	43,226	(25,652)	86,032
	(693,332)	890,977	(2,483,945)	324,559
Other expenses (income)				
Listing expense	-	-	-	3,123,147
Stock based compensation (Note 13 & 14)	166,609	177,195	501,210	500,538
Foreign exchange (gain) loss	60,195	(27,500)	26,197	(73,928)
Finance costs	100,736	109,948	385,697	306,822
Net income (loss)	(1,020,872)	631,334	(3,397,050)	(3,532,020)
Net income (loss) attributable to				
Common shareholders	(1,015,794)	616,490	(3,395,166)	(3,555,451)
Non-controlling interest	(5,078)	14,844	(1,884)	23,431
Net income (loss)	(1,020,872)	631,334	(3,397,050)	(3,532,020)
Loss per common share (Note 15)				
Basic and diluted	(0.01)	0.01	(0.03)	(0.03)
Other comprehensive (loss) income				
Items that will be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations	20,479	(51,533)	103,675	(77,399)
Total comprehensive income (loss)	(1,000,393)	579,801	(3,293,375)	(3,609,419)
Comprehensive income (loss) attributable to				
Common shareholders	(996,594)	564,957	(3,290,005)	(3,632,850)
Non-controlling interest	(3,799)	14,844	(3,370)	23,431
Attributable comprehensive income (loss)	(1,000,393)	579,801	(3,293,375)	(3,609,419)

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

Composite Alliance Group Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the nine-month periods ended September 30
(In Canadian dollars)
(Unaudited)

	Share capital	Contributed Surplus	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income (loss)	Deficit	Non- Controlling Interest ("NCI")	Total
Balance December 31, 2018	2,627,405	-	553,346	35,248	(1,847,508)	(155,506)	1,212,985
Shares issued on reverse acquisition	2,263,361	-	-	-	-	-	2,263,361
Convertible debenture			198,233	-	-	-	198,233
Share based compensation (Note 15 &16)	-	500,538	-	-	-	-	500,538
Comprehensive income (loss)	-	-	-	(77,399)	(3,555,451)	23,431	(3,609,419)
Balance September 30, 2019 (unaudited)	4,890,766	500,538	751,579	(42,151)	(5,402,959)	(132,075)	565,698
Balance December 31, 2019	4,890,766	662,014	751,579	(71,763)	(4,914,428)	(173,878)	1,144,290
Share based compensation (Note 13 &14)	-	501,210	-	-	-	-	501,210
Equity acquired from NCI (Note 1)	-	-	-	(360)	(118,531)	115,919	(2,972)
Comprehensive income (loss)	-	-	-	105,161	(3,395,166)	(3,370)	(3,293,375)
Balance September 30, 2020 (unaudited)	4,890,766	1,163,224	751,579	33,038	(8,428,125)	(61,329)	(1,650,847)

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

Composite Alliance Group Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the nine-month periods ended September 30
(In Canadian dollars)

	2020	2019
	(unaudited)	(unaudited)
Operating		
Net loss	\$ (3,397,050)	\$ (3,532,020)
Items not affecting cash:		
Depreciation and amortization	827,749	696,487
Provisions	(3,779)	(158,320)
Finance costs	397,913	78,756
Other operating income and expense	56,499	-
Forgivable loan recognized	(10,000)	-
Gain or loss from sale of assets	-	(1,195)
Listing expense	-	3,123,147
Stock based compensation	501,210	500,538
Change in working capital requirement		
Change in inventory and prepaid	50,816	26,438
Change in trade and other receivables	1,707,321	(1,469,911)
Change in trade and other payables	362,760	3,872,415
Net cash provided by operating activities	493,439	3,136,335
Investing		
Acquisition of intangible assets	-	(14,622)
Acquisition of tangible assets	(157,993)	(67,510)
Proceeds from sales of intangible and tangible assets	-	1,881
Cash acquired through reverse takeover	-	216,329
Net cash used in investing activities	(157,993)	136,078
Financing		
Proceeds from convertible bonds	-	120,178
Proceeds from new borrowings	1,942,472	442,918
Repayment of borrowings	(76,867)	(1,745,281)
Repayment of lease obligation	(184,923)	-
Interest paid	(26,253)	-
Partners' current accounts variation	-	7,828
Net cash provided (used) by financing activities	1,654,429	(1,174,357)
Effect of exchange on cash	16,473	(116,466)
Net increase in cash	2,006,348	1,981,590
Cash and cash equivalents, beginning of period	735,750	397,260
Cash and cash equivalents, end of period	\$ 2,742,098	\$ 2,378,850

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

1. NATURE OF OPERATIONS

Composite Alliance Group Inc. (the “Company” or “CAG”) was incorporated on June 26, 2008 under the Business Corporations Act (Alberta). The Company completed a reverse acquisition of Techni-Modul Engineering (“TME”) on February 12, 2019. TME which is located in Coudes, France, specializes in industrial turn-key solutions by designing and manufacturing machines that it sells to customers for use in the fabrication of composite materials for the aerospace and automotive industries. In order to facilitate the Company’s role as an exclusive regional distributor, the Company set up a wholly owned subsidiary Composite Alliance Asia (“CAA”) in Hong Kong in September 2019.

Prior to January 2, 2020, TME owned 70% of the issued shares of Composite Alliance, Corp (“CAC”), a company registered in Delaware, US and based in Dallas, US. Effective January 2, 2020, CAG acquired 70% of CAC’s issued shares from TME and an additional 20% shares from a non-controlling shareholder of CAC. Subsequently, CAG owns 90% of the issued shares of CAC.

The Company’s shares are listed for trading on the TSX Venture Exchange (“TSXV”) under the symbol “CAG”. The Company’s registered office is located at Suite 1600, 333-7 Avenue S.W., Calgary, Alberta, Canada.

2. STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on November 25, 2020.

These condensed consolidated interim financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Company’s audited annual financial statements for the year ended December 31, 2019.

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis. All financial information is reported in Canadian dollars, unless otherwise noted.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in Note 2 of the December 31, 2019 audited consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements follow the same accounting policies as outlined in the audited financial statements for the year ended December 31, 2019, except for the adoption of the following accounting standards effective January 1, 2020:

The amendments to IFRS 3 clarify whether a transaction meets the definition of a business combination. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The adoption of this amendment did not have a material measurement or disclosure impact on the Company’s condensed consolidated interim financial statements.

Composite Alliance Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
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(In Canadian dollars)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The amendment to IFRS 16 exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. The amendment is effective June 1, 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements not yet authorized for issue. The Company adopted this amendment during the nine months period ended September 30, 2020, however it did not have a material impact to the Company's condensed consolidated interim financial statements.

4. OTHER ASSETS AND RECEIVABLES

Other assets and receivables consist of:

	September 30, 2020	December 31, 2019
Long term investments	\$ 14,663	\$ 13,680
Deposit and guarantees	61,846	57,699
Amount receivable from shareholder (Note 17)	309,413	288,668
	\$ 385,922	\$ 360,047

Amount receivable from shareholder bears no interest and has no terms of repayment.

Composite Alliance Group Inc.
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5. PROPERTY AND EQUIPMENT

Cost	December 31, 2019	Additions	Reductions	Foreign Exchange	September 30, 2020
Right of use assets	1,011,613	110,948	-	75,697	1,198,258
Technical facilities, equipment and industrial tools	770,459	147,076	(156,542)	55,113	816,106
Leaseholds and furniture	270,443	10,917	-	21,523	302,883
Cost	2,052,515	268,941	(156,542)	152,333	2,317,247

Depreciation and impairment	December 31, 2019	Additions	Reductions	Foreign Exchange	September 30, 2020
Right of use assets	215,704	198,639	-	20,869	435,212
Technical facilities, equipment and industrial tools	637,304	46,469	(147,291)	43,075	579,557
Leasehold and furniture	189,392	17,859	-	15,886	223,137
Depreciation and impairment	1,042,400	262,967	(147,291)	79,830	1,237,906

Net tangible assets	1,010,115	5,974	(9,251)	72,503	1,079,341
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Cost	December 31, 2018	Additions	Reductions	Foreign Exchange	December 31, 2019
Right of use assets	-	1,030,574	-	(18,961)	1,011,613
Technical facilities, equipment and industrial tools	744,780	76,216	-	(50,537)	770,459
Leaseholds and furniture	277,780	11,194	-	(18,531)	270,443
Cost	1,022,560	1,117,984	-	(88,029)	2,052,515

Depreciation and impairment	December 31, 2018	Additions	Reductions	Foreign Exchange	December 31, 2019
Right of use assets	-	219,748	-	(4,044)	215,704
Technical facilities, equipment and industrial tools	605,062	73,511	-	(41,269)	637,304
Leasehold and furniture	178,761	22,844	-	(12,213)	189,392
Depreciation and impairment	783,823	316,103	-	(57,526)	1,042,400

Net tangible assets	238,737	801,881	-	(30,503)	1,010,115
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There were no indicators of impairment as at September 30, 2020 and December 31 2019.

Composite Alliance Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
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(In Canadian dollars)
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6. INTANGIBLE ASSETS

Costs	December 31, 2019	Additions	Foreign Exchange	September 30, 2020
Development costs	4,800,271	-	344,969	5,145,240
Concessions, patents and distribution rights	832,956	-	26,220	859,176
Costs	5,633,227	-	371,189	6,004,416

Amortization and impairment	December 31, 2019	Additions	Foreign Exchange	September 30, 2020
Development costs	3,479,025	490,571	263,273	4,232,869
Concessions, patents and distribution rights	347,551	76,734	25,153	449,438
Amortization and impairment	3,826,576	567,305	288,426	4,682,307

Net intangible assets	1,806,651	(567,305)	82,763	1,322,109
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Costs	December 31, 2018	Additions	Foreign Exchange	December 31, 2019
Development costs	5,139,315	-	(339,044)	4,800,271
Concessions, patents and distribution rights	375,338	482,646	(25,028)	832,956
Costs	5,514,653	482,646	(364,072)	5,633,227

Amortization and impairment	December 31, 2018	Additions	Foreign Exchange	December 31, 2019
Development costs	3,031,938	659,235	(212,148)	3,479,025
Concessions, patents and distribution rights	363,889	7,812	(24,150)	347,551
Amortization and impairment	3,395,827	667,047	(236,298)	3,826,576

Net intangible assets	2,118,826	(184,401)	(127,774)	1,806,651
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There were no indicators of impairment as at September 30, 2020 and December 31 2019.

Composite Alliance Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
September 30, 2020
(In Canadian dollars)
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7. SHORT-TERM DEBT

	September 30, 2020	December 31, 2019
(i) Credit facility €550,000	\$ -	331,902
Accrued interest	-	12,381
	\$ -	\$ 344,283

The following facilities are available to the Company as at September 30, 2020 and December 31, 2019:

- i) Credit facility up to a maximum of €550,000 (CAD \$859,705), secured by 10% of the amount in factoring, due on the maturity of invoices issued to its customers and bears weighted average interest at 3-month Euribor rate plus 2.51% per annum. (December 31, 2019 – €550,000 at 3-month Euribor rate plus 2.32% per annum). This facility will be used to finance its working capital prior to the payment receipt from its French customers. As at September 30, 2020, CAD \$nil (€nil) was outstanding on this facility (December 31, 2019 - CAD \$331,902 (€227,595)).

The following facilities are also available to the Company as at September 30, 2020:

- i) An aggregate credit line up to a maximum of €500,000 (CAD \$781,550) for advanced payment refunds for its French customers that are due on demand, bear weighted average interest at 1.2% per annum (December 31, 2019 – limit of €500,000 at 1.2% per annum). These facilities will be used when the Company must produce letters of guarantees of restitution of deposit, good execution of contract or retention of guarantee for its French customers. As at September 30, 2020, CAD \$nil (€nil) was outstanding on the facility (December 31, 2019 – CAD \$nil (€nil)).
- ii) Credit facility for an aggregated amount of €1,350,000 (CAD \$2,110,185), unsecured, due on the maturity of invoices issued to its customers and bears weighted average interest at 1-month Euribor rate plus 1.80% per annum. (December 31, 2019 – €1,350,000 at 1-month Euribor rate plus 1.93% per annum). This facility will be used to finance its working capital prior to the delivery of goods to its foreign customers. As at September 30, 2020, CAD \$nil (€nil) was outstanding on this facility (December 31, 2019 – CAD \$nil (€nil)).
- iii) An aggregate bank guarantees up to a maximum of €1,100,000 (CAD \$1,719,410) for advanced payment refunds for its foreign customers that are due on demand, bear weighted average interest at 1.72% per annum (December 31, 2019 – €1,100,000 at 1.83% per annum). These facilities will be used when the Company must produce letters of guarantees of restitution of deposit, good execution of contract or retention of guarantee for its foreign customers. As at September 30, 2020, there were \$174,755 guarantees outstanding (December 31, 2019 - \$258,556).
- iv) An aggregate foreign exchange cover line up to a maximum of €4,500,000 (CAD \$7,033,950) (December 31, 2019 – €4,500,000). The notional amount of the foreign exchange contract as at September 30, 2020 is €890,732 (December 31, 2019 – €2,625,895)
- v) Import credit line up to a maximum of €100,000 (CAD \$156,310) to facilitate the negotiation of the purchases from suppliers by offering the certainty of payment through the drafting of an import credit line contract. Each party is required to comply with the obligations outlined in the contract. The import credit line bears interest at 1.25% per annum (December 31, 2019 – €nil). As at September 30, 2020, CAD \$nil (€nil) was outstanding on this facility (December 31, 2019 – CAD \$nil (€nil)).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	December 31, 2019
Trade payable	\$ 2,531,867	\$ 2,905,090
Social security payable	540,686	620,937
Value added tax payable	55,990	62,694
	\$ 3,128,543	\$ 3,588,721

9. CONVERTIBLE DEBENTURES

- i) The Company completed a series of private placement of convertible unsecured debentures between December 2016 and March 2017. A total of 31,915 bonds were issued at €47 each, for a total principal amount of €1,500,005 (CAD \$2,295,758), to a shareholder of the Company. The convertible debentures accrue interest at 3% per annum, mature in December 2022. All or any of the debentures are convertible by the holder into common shares of TME at a conversion price of €18.16 per share at any time prior to the maturity date, or at any time subsequent to the maturity date if and only if the Company has failed to repay the full amount of the debentures at maturity. The early conversion prior to the maturity date is subject to approval by TSXV.

The value of the conversion option was calculated by subtracting the net present value of the debenture from the face value of the convertible debenture. The net present value of the debenture was calculated using a discount rate of 8%. An amount of CAD \$1,651,352 (€1,132,382) and CAD \$553,346 (€367,623) was allocated to the liability and equity component of the convertible debenture respectively. The amount outstanding as at September 30, 2020 is \$2,129,913 (December 31, 2019 - \$1,854,364). Accrued interest of \$51,368 has been recorded as finance costs for the nine months ended September 30, 2020 (September 30, 2019 - \$50,409). Accretion expense of \$87,177 (September 30, 2019 - \$69,398) was recorded as finance costs to accrete the liability to its principal amount.

- ii) On November 15, 2018, the Company completed a private placement of convertible unsecured debentures in the principal amount of \$660,000. The convertible debentures were issued to two directors of the Company. The convertible debentures accrue interest at 5% per annum, mature two years from the date of issuance, are payable at any time by the Company without penalty and are convertible by the holder at any time into common shares of the Company at a conversion price of \$0.125 per share. The debentures issued and the underlying common shares issuable upon conversion are subject to a four month hold period from the date of the offering.

The value of the conversion option was calculated by subtracting the net present value of the debenture from the face value of the convertible debenture. The net present value of the debenture was calculated using a discount rate of 25.5% over a term of two years. An amount of \$461,767 and \$198,233 was allocated to the liability and equity component of the convertible debenture respectively. Accrued interest of \$24,773 has been recorded as finance costs for the nine months ended September 30, 2020 (September 30, 2019 - \$24,682). Accretion expense of \$85,826 was recorded as finance costs to accrete the liability to its principal amount for the nine months ended September 30, 2020 (September 30, 2019 - \$63,094). The amount outstanding as at September 30, 2020 is \$705,513 (December 31, 2019 - \$594,914).

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September 30, 2020
(In Canadian dollars)
(Unaudited)

10. LONG-TERM BORROWINGS

	September 30, 2020	December 31, 2019
Loan denominated in Euro is unsecured, bears interest at 5.72%, interest only payments and matures on December 31, 2022	\$ 1,484,945	\$ 1,385,385
Loan denominated in Euro is unsecured, bears interest at 1.50%, quarterly payments of principal and interest of €4,159 and matures on September 30, 2021	25,764	41,829
Loan denominated in Euro is unsecured, bears no interest, monthly payments of principal of €1,660 and matures August 5, 2020	-	19,833
Loan denominated in CAD is unsecured, bears interest at 5.00%, interest only payments and matures on January 31, 2021	400,000	400,000
Loan denominated in USD is unsecured, bears interest at 5.00%, interest only payments and matures on October 7, 2024	468,876	456,538
Loan denominated in Euro is unsecured, bears interest at 0.95%, monthly blended payment of €4,228 and matures on March 4, 2023	195,850	-
Loan denominated in Euro is guaranteed by the French national fund guarantee "Garantie Atout PME", bears interest at 2.50%, quarterly payment of €30,555 plus interest and matures on September 30, 2025	859,705	-
Loan denominated in Euro is guaranteed by the French government "PGE", bears interest at 3-month Euribor rate plus 0.25%, accrued interest and principal amount repayable at maturity and matures on May 20, 2021	859,705	-
Loan denominated in CAD is unsecured, non-interest bearing and with no repayment term until December 31, 2022.	30,000	-
Loan denominated in USD is unsecured, non-interest bearing and with no repayment term	48,687	47,406
Loan denominated in USD is unsecured, non-interest bearing and with no repayment term	97,375	94,812
	4,470,907	2,445,803
Add: accrued interest	388,794	335,204
Less: current portion	(1,506,533)	(305,343)
	\$ 3,353,168	\$ 2,475,664

Composite Alliance Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
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10. LONG-TERM BORROWINGS (continued)

Principal repayments are as follows:

Remaining of 2020	\$	25,781
2021		1,548,074
2022		1,784,698
2023		210,837
2024		659,918
2025		95,537
Thereafter		146,062
	\$	4,470,907

The Company obtained bank financing of \$40,000 through Canada Emergency Business Account (CEBA) during the nine-month period ended September 30, 2020. It is an interest-free loan until December 31, 2022. Repaying the loan on or before December 31, 2022 will result in loan forgiveness of \$10,000. If the loan is not repaid by December 31, 2022, it will be extended for an additional 3-year term with no specific principal repayment until maturity, bearing interest at 5% per annum. Management has determined that the Company will be able to meet the repayment requirement by December 31, 2022, therefore, has recognized the forgivable portion of the loan of \$10,000 as income.

11. LEASE OBLIGATION

The Company has a number of property rental and movable property rental leases whose maturity goes from September 2021 to April 2027. The leases have an incremental borrowing rate ranging from 2 to 5% and interest expense for the period ended September 30, 2020 was \$30,528 (September 30, 2019 - \$14,291).

	September 30, 2020	
Balance, beginning of period	\$	813,450
Additions		106,633
Lease payments		(184,923)
Foreign exchange		56,343
Balance, end of period	\$	791,503

Current portion of the lease obligation is \$255,425.

12. LONG TERM PROVISION

LONG TERM PROVISION	December 31,			Foreign	September 30,
	2019	Increase	Decrease	Exchange	2020
Provision for assembly	13,125	-	-	943	14,068

A provision is recorded when the Company has an obligation to a third party prior to the statement of financial position date, and where the loss or liability is likely and can be reliably measured. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Company discloses it as a contingent liability. Provisions are calculated on a case-by-case or statistical basis and discounted when due in over a year.

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(In Canadian dollars)
(Unaudited)

13. SHARE CAPITAL

Authorized: an unlimited number of voting common shares, no par value
an unlimited number of preferred shares, no par value

Shares issued:

Common Shares	Number of shares	Amount (\$)
Balance September 30, 2020 and December 31, 2019	110,233,610	4,890,766

- i) An aggregate of 81,685,129 Common Shares and 17,901,398 Preferred Shares held by the Principals of the Company are subject to Tier 2 Value Escrow and will be released from escrow as follows: ten percent (10%) of the escrowed shares will be released from escrow on the issuance of the Final Exchange bulletin and an additional fifteen percent (15%) will be released every 6 months thereafter.
- ii) In addition, an aggregate of 5,924,871 Common Shares and 1,298,601 Preferred Shares held by certain non-principal shareholders of CAG are subject to TSX Venture Exchange ("TSXV") seed share resale restrictions (SSRR) and will be released as follows: thirty-three percent (33%) will be released every anniversary of the Final Exchange Bulletin.

Preferred Shares

19,200,000 Preferred Shares was issued as part of the reverse acquisition completed on February 12, 2019. Management has determined that the ability of the holder of these Preferred Shares to convert into Commons Shares is contingent on meeting an earnings target and the continuing employment of a specified executive of the Company. Therefore, the issuance is related to services rendered post acquisition. It is management's opinion that such conditions will be met. Accordingly, the transaction has been treated as equity-settled share-based payment as per IFRS 2 Share-Based Payment. The fair value of the preferred shares was estimated to be \$0.10 per share for a total of \$1,920,000. During the nine months ended September 30, 2020, the Company recognized \$480,438 (September 30, 2019 – \$403,287) of share-based compensation on the condensed consolidated interim statement of loss and a corresponding credit to contributed surplus on the condensed consolidated interim statement of financial position.

14. OPTIONS

The Company has an equity settled stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The purpose of the plan is to advance the interests of the Company by encouraging these individuals to acquire shares in the Company and thereby remain associated with, and seek to maximize the value of, the Company. Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options under the plan may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time. The options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant.

During the year ended December 31, 2019, the Company granted options to purchase 2,400,000 common shares, the options will vest equally over three years with the first tranche vesting immediately with each other tranche vesting on the anniversary date from grant. The fair value of the options was estimated at \$126,007 (\$0.05 per option) using the Black-Scholes option pricing model.

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14. OPTIONS (continued)

During nine months ended September 30, 2020, the Company recognized \$20,772 (September 30, 2019 – \$97,251) of share-based compensation on the condensed consolidated interim statement of loss with a corresponding credit to contributed surplus on the condensed consolidated interim statement of financial position.

The following tables summarize information about stock options outstanding as at:

	September 30, 2020		December 31, 2019	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Opening	2,400,000	\$0.125	-	-
Granted	-	-	2,400,000	\$0.125
Closing	2,400,000	\$0.125	2,400,000	\$0.125

The following table summarizes information on stock options outstanding and exercisable at September 30, 2020:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Number Exercisable</u>	<u>Weighted Average Contractual Life (years)</u>
\$0.125	2,400,000	1,600,000	1.38

The Black-Scholes pricing model was used to estimate the fair value of options granted based on the following significant assumptions:

	September 30, 2020	December 31, 2019
Weighted average exercise per option	-	\$0.125
Risk-free interest rate	-	0.50%
Expected volatility	-	100%
Weighted average expected life	-	2.5 years
Weighted average fair value per option	-	\$0.05
Share price	-	\$0.10

15. NET LOSS PER COMMON SHARE

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Net loss attributable to common shareholders for the period	\$ (3,397,049)	\$ (3,555,451)
Weighted average number of common shares – basic and diluted	110,233,610	106,668,609

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16. CONTINGENCY

A former customer of TME in Belgium is taking a legal action against the Company. The amount claimed for this litigation is \$1,350,000. The court ruling for this claim was first postponed to September 2020 but then was delayed again. In November, the court accepted the Belgium company's request to have a technical expert involved before making any final ruling. While the result is still pending, the Company has not made a provision regarding this litigation as the claim is excessive and the amount of outflow is uncertain.

17. RELATED PARTY TRANSACTIONS AND BALANCES

Key management includes all persons named or performing the duties of Chief Executive Officer, Chief Financial Officer, President, Vice-President and Directors of the Company. The compensation paid or accrued to key management for services is shown below:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Stock based compensation to directors and officers of the Company	\$ 20,772	\$ 97,251
Director fees to non-executive directors	7,875	7,875
Salaries	751,438	617,206

The following is a summary of the Company's other related party transactions during the period:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Real property leases paid to a company controlled by a director of the Company	\$ 105,462	\$ 86,254
Finance cost paid or accrued to a company controlled by a director of the Company	200,627	295,651
Finance cost paid or accrued to two of the directors of the Company	110,599	78,756
Stock based compensation to companies controlled by directors of the Company	480,438	403,287
Professional fees paid to a partnership controlled by a director of the Company	27,749	26,519
Commission expense paid or accrued to two companies controlled by two directors of the Company	147,690	201,441

The following is a summary of financial instruments held by related parties:

	September 30, 2020	December 31, 2019
Receivable from a company controlled by a director of the Company	\$ 309,413	\$ 288,668
Convertible debentures issued to a company controlled by a director of the Company	2,129,913	1,854,364
Long term borrowing advanced from a company controlled by a director of the Company	1,784,625	1,700,298
Long term borrowing advanced from a company controlled by an officer of the Company	915,824	870,730
Convertible debentures issued to two of the directors of the Company	705,513	594,914

18. SUBSEQUENT EVENT

On November 12, 2020, the Company reached agreements with related parties to restructure the following loans:

- i) The convertible debentures with principal amount of \$660,000 as disclosed in Note 9ii) has been replaced with new debentures that are not convertible. The new debentures mature on November 15, 2025; and
- ii) One of the long-term borrowing as disclosed in Note 10 has been amended to extend its maturity from January 31, 2021 to January 31, 2026.

On November 12, 2020, the Company has been extended an unsecured loan of up to \$1,000,000 from a related party, Team Alpha Limited. The loan bears interest at 5% per annum and matures on November 15, 2025. No amount has been drawn at the issuance of these condensed consolidated interim financial statements.

19. COVID-19

The outbreak of the novel strain of coronavirus, identified as "COVID-19", was declared a pandemic by the World Health Organization on March 11, 2020, resulted in governments worldwide enacting several emergency measures such as lockdown, travel bans and social distancing. These measures could negatively impact the Company's operations, especially in China, France and North America. In China, the whole country was in a nationwide lockdown since late January for almost three months. In France and North America, a similar mandatory lockdown was also imposed starting from March 17, 2020, and then gradually lifted in mid-May. During the lockdowns, the Company's production and sales activities were adversely impacted because of work stoppage of the Company itself, its customers and its suppliers. As of the date of these condensed consolidated interim financial statements, majority of the Company's employees have returned to work in the office and the workshop. The Company does not foresee any significant risk in collecting the accounts receivable from its customers to finance its working capital needs. Being proactive, in addition to implementing a few short to medium term sales strategies, the Company has also taken a number of actions to mitigate the impact of the COVID-19 on its cash flows through obtaining subsidies for employee wage costs, obtaining additional financing and negotiating extensions on current loans.

On October 29, 2020, the French government published a decree for a second lockdown from October 30 until December 1, 2020 to stop the spread of Covid-19. The operations of TME will be affected by these restrictions imposed by the French government and the Company will continue to monitor the rapidly changing development concerning the pandemic. It is not possible to reliably estimate how long and how severe the impact COVID-19 may have on the Company's financial results and conditions in future periods.