

Composite Alliance Group Inc.

MANAGEMENT DISCUSSION & ANALYSIS FORM 51-102F1 For the Year Ended December 31, 2019

This Management Discussion and Analysis (“**MD&A**”) is dated June 15th, 2020.

This MD&A of the financial condition of Composite Alliance Group Inc. (“**CAG**” or the “**Company**”) and results of operations supplements but does not form part of the financial statements and accompanying notes of the Company for the year ended December 31, 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 audited consolidated financial statements for Composite Alliance Group Inc. for the year ended December 31, 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. The reader 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.

In September 2019, the Company established Composite Alliance Asia Limited in Hong Kong (“**CAA**”). The Company plans to position CAA as its sales and after-sales hub for Asian customers in the future. As of the date of this MD&A, CAA has not yet engaged in any business activities.

The Company conducts its sales activities in North America through its Dallas based subsidiary, Composite Alliance Corp (“**CAC**”), which TME owned 70% until January 2nd 2020, when the Company acquired 70% of CAC from TME, and another 20% from a director of the Company. After this

shareholding restructuring, the Company, now owns 90% of CAC, and plans to invest more resources into CAC to further expand in the North American markets.

BUSINESS FOCUS

The Company's subsidiary in France, 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.

The Company's subsidiary in the USA, CAC, serves as the sales office for TME and other strategic partners in Europe and is located in Dallas, Texas.

Starting from the fourth quarter of 2019, the Company entered into a new business of distributing dispensing equipment of Magnus Venus Products ("**MVP**") in the People's Republic of China through sub-contractors.

OVERALL PERFORMANCE IN 2019

Thanks to the efforts spent in business development in 2018, as well as the successful recruitment of required talent in 2019, TME was able to achieve revenue in the amount of more than EUR 9 million (CAD 13 million) in 2019, the highest since its establishment. To ensure the sustainability of its competitiveness in the global markets, TME continues to invest in R&D activities for new generation products, such as the implementation of artificial intelligence. Starting from the third quarter of 2020, TME will launch a new flagship product, SMART solutions, to global customers.

In September 2019, the Company entered into a new business by signing an exclusive distribution agreement (the "**Distribution Agreement**") with MVP. MVP, headquartered in Illinois, is a premiere manufacturer of composite application equipment whose products consist of pumping systems, spray guns, filament winding systems, and other advanced equipment. This 5-year Distribution Agreement grants CAG the exclusive right to distribute MVP's products in the People's Republic of China, including Hong Kong and Macau (the "**Territory**"). Considering other priorities when deploying existing resources, the Company decided to operate this new business through sub-distributors at the beginning, but with a plan to set up its own technical and sales team in the Territory at a later time when the business reaches a certain economic scale.

In summary, the Company's revenue totaled \$14,734,750 in 2019, compared to revenue of \$10,391,612 in 2018, and an operating profit of \$1,045,031, compared to an operating profit of \$782,962 in 2018. The Company also incurred other expenses of \$4,127,363, compared to those of \$272,712 in 2018. The Company's net loss for 2019 is \$3,082,332, compared to a net income of \$510,251 in 2018. The Company reported a total comprehensive loss of \$3,192,303 in 2019, compared to a total comprehensive income of \$535,853 in 2018.

SUMMARY OF ANNUAL FINANCIAL RESULTS

The annual financial information of the reverse takeover acquirer, TME, have been presented below for all periods prior to the reverse takeover transaction effected on February 12, 2019. The annual financial information presented ended December 31, 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	December 31, 2019 Audited	December 31, 2018 Audited	December 31, 2017 Audited
Total Revenue	\$14,734,750	\$ 10,391,612	\$ 5,217,713
Total expenses	13,689,719	9,608,650	7,270,569
Other expenses	4,127,363	272,711	233,955
Net income (loss)	(3,082,332)	510,251	(2,286,811)
Basic earnings (loss) per share	(0.03)	0.01	(0.03)
Diluted earnings (loss) per share	(0.03)	0.01	(0.03)
Comprehensive income (loss)	(3,192,303)	535,853	(2,302,659)
Current Assets	8,591,490	8,253,530	3,638,129
Non-current Assets	3,176,813	2,743,040	3,390,510
Total Assets	11,768,303	10,996,570	7,028,638
Current Liabilities	5,114,930	5,532,587	2,251,523
Non-current Liabilities	5,509,083	4,250,998	4,932,206
Total Liabilities	10,624,013	9,783,585	7,183,730

ANNUAL RESULTS OF OPERATIONS

Revenue

Total revenue grew by 41.8% in 2019 to \$14,734,750 from 2018, mainly attributed to record high revenue achieved by TME.

Revenue Breakdown (\$000) by Product

PRODUCT	2019	2018	GROWTH
TME OWN PRODUCTS (GROSS)	\$14,683.4	\$10,391.6	+41.3%
MVP PRODUCTS (NET)	\$51.3	\$0	N.A.
TOTAL	\$14,734.7	\$10,391.6	+41.8%

(1) TME own products

Thanks to the sales activities and R&D efforts spent in the previous years, TME's revenue grew by 41.3% in 2019 from 2018. While Asia still accounted for the largest market for TME, TME's revenue growth in 2019 mainly came from Europe (+ 40.9% year over year) and North America (+541.9% year over year).

TME Revenue Breakdown (%) by Geography

PRODUCT	2019	2018	GROWTH
ASIA	45.8%	66.6%	-8.8%
EUROPE	30.7%	28.6%	+40.9%
NORTH AMERICA	23.5%	4.8%	+541.9%
TOTAL	100%	100%	N.A.

* Calculated based on TME's non-consolidated numbers in EUR

In 2020, TME continues to pursue new projects from existing and prospective customers in the aeronautic sector, with a plan to launch the new SMART solution products, a platform that enables customers to use one interface (SMART PILOT) for more integrated manufacturing process, during the second half of the year.

As of the date of this MD&A, global travel bans are still imposed by most countries due to the COVID-19 pandemic. The development of new projects and on-site installation of existing projects inevitably faced further delay. The management of the Company thus formulated the following short to medium term strategies in hope to mitigate the impact from this pandemic:

- To mobilize business engineers to introduce new product offerings to existing and prospective customers. Necessary commercial and management assistance will be provided to them in order to improve efficiency.
- To set up remote tools for 'customers visits', which allow the business engineers to 'visit' several customers in a single day with limited expenses.
- To create new E-service / E-products to achieve shorter lead time.
- At last, more sales force in North America will be deployed by soliciting several commission-based agent contracts.

While TME continues to aggressively seek for more alternatives to service its customers remotely, it remains difficult to predict when TME's sales activity is able to return to the same level pre-COVID-19.

(2) MVP Products

In view that the Company does not have enough resources yet to deploy this distribution business in the Territory, management of the Company decided to distribute MVP products through sub-distributors. To better manage its working capital, the Company orders from MVP only after it has received confirmed orders from sub-distributors. The Company thus records revenue on a 'net basis' (revenue net costs of goods sold). To compensate for the slowdown in sales in the Territory during the first quarter of 2020, management of the Company plans to collaborate with the sub-distributors and launch a few promotional campaigns during the second half of 2020.

Expenses

Purchases of raw materials and goods grew by 76.3% in 2019 from 2018. Meanwhile, purchases from sub-contractors grew by 61.9% in 2019 from 2018. These two purchase costs ("**Total Purchases**") together accounted for 47.8% of revenue ("**Total Purchase %**"), compared to 40% in 2018. The rising Total Purchase % in 2019 could be explained with the following reasons:

- In 2019, hoping to win more significant projects in North America, as well as to promote the concept of "Composite Alliance", a way to provide integrated solutions from different suppliers

to customers, TME and CAC adopted a more aggressive sales strategy by offering lower contract prices to some strategic accounts. While those projects had larger contract values, the overall margin in 2019 became lower.

- In 2019, TME delivered more mold / press projects than 2018. The competition in the mold / press products (the first generation products) became intense in recent years so product prices have been on a declining trend. Nevertheless, it is noteworthy that one of these projects offered TME a chance to return to the strategic database for molds and equipment of an internationally known customer, despite this project providing much lower margin than others.
- In average, TME spends 45-48% in Total Purchases in a typical project. In 2018, because of several repetitive orders from returning Chinese customers, TME was able to deliver an exceptionally high margin (60%) by saving more in design, materials and labor. Therefore, it would be more accurate to compare the numbers of these two years with the analyses on the composition of the projects.

Payroll expenses and social security contributions grew by 27.5% in 2019 from 2018. The increase was mainly due to new hires. The table below summarizes the change of the number of paid-employees of each company in 2018 and 2019.

Number of Paid Employees

COMPANY	AS OF DECEMBER 31 2019	AS OF DECEMBER 31 2018	GROWTH
CAG	2	0	+2
TME*	46	34	+12
CAC	2	1	+1
TOTAL	50	35	+15

* TME's number of employee as of December 31 2019 included temps and student interns, a total 9 people.

Selling, general and administration expenses increased by 26.3% in 2019 over 2018. The increase mainly came from variable costs directly associated with project delivery, and a smaller amount from the fees and expenses paid associated with the litigation against a former Belgium client. In general, growing at a rate less than the revenue growth, the SG&A expenses accounted for 15.1% to net revenue in 2019, a drop from 16.9% in 2018.

Depreciation and amortization grew by 7.4% in 2019 from 2018, mainly because of the increase in the fixed asset depreciation in the amount of \$215,704 (2018: nil), as a result of the adoption of IFRS 16 starting from January 1st, 2019. It is noteworthy that starting from January 1st 2020, CAG will incur additional amortization from the concession fee paid to the former distributor of MVP products in the Territory for the acquisition of the Distribution Agreement with MVP in September 2019.

Breakdown of Operating Expense (\$000)

EXPENSE ITEMS	2019	% TO REVENUE	2018	% TO REVENUE	GROWTH
PURCHASED RAW MATERIALS AND PRODUCTS	\$3,858.7	26.2%	\$2,189.1	21.1%	+76.3%
SUBCONTRACTOR	\$3,180.3	21.6%	\$1,964.2	18.9%	+61.9%
PAYROLL EXPENSES AND SOCIAL SECURITY CONTRIBUTION	\$3,340.3	22.7%	\$2,618.8	25.2%	+27.5%
SELLING, GENERAL AND ADMINISTRATIVE	\$2,219.4	15.1%	\$1,756.8	16.9%	+26.3%
TAXES AND RELATED PAYMENTS	\$152.1	1.0%	\$134.1	1.3%	+13.5%
DEPRECIATION AND AMORTIZATION	\$916.0	6.2%	\$852.9	8.2%	+7.4%
PROVISION VARIATIONS	\$(72.7)	(0.5%)	\$(44.9)	(0.4%)	N.A.
MISCELLANEOUS EXPENSES	\$95.7	0.6%	\$137.8	1.3%	-30.5%
TOTAL	\$13,689.7	92.9%	\$9,608.7	92.5%	+42.5%

Other Expenses

As the result of the RTO in February 2019, the Company incurred a non-recurring listing expense of \$3,123,147 in 2019 (2018 - \$Nil).

The stock based compensation in 2019 was \$662,014 (2018 - \$Nil), among which, \$564,603 (2018 - \$Nil) was related to the 19,200,000 preferred shares issued during the RTO (please refer to Note 4 and 15 in the Annual Report for details) and \$97,411 (2018 - \$Nil) was related to the options issued to the management of the Company in February 2019 (please refer to Note 16 in the Annual Report for details).

The finance costs increased to \$426,257 in 2019, a 56% growth from 2018, mainly due to additional debentures that was acquired in the RTO.

Breakdown of Other Expense (Income) (\$000)

EXPENSE (INCOME) ITEM	2019	% TO REVENUE	2018	% TO REVENUE	GROWTH
LISTING EXPENSE	\$3,123.1	21.2%	\$0	0%	N.A.
STOCK BASED COMPENSATION	\$662.0	4.5%	\$0	0%	N.A.
FOREIGN EXCHANGE GAIN	\$(84.1)	(0.6%).	\$0	0%	N.A.
FINANCE COSTS	\$426.3	2.9%	\$272.7	2.6%	+56.3%
TOTAL	\$4,127.4	28.0%	\$272.7	4.9%	+1,413.5%

Profits

The Company posted operating profit of \$1,045,031 in 2019, a growth of 33.5% from 2018. However, due to the expenses associated with the RTO, the Company posted a net loss of \$3,082,332 in 2019, compared to a net profit of \$510,251 in 2018.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The 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 December 31, 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”).

QUARTERLY	3 Months Ended December 31, 2019 Unaudited	3 Months Ended December 31, 2018 Unaudited	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	\$5,642,859	\$4,825,045	\$4,630,919	\$2,282,216	\$2,737,235	\$2,360,340	\$1,723,737	\$924,010
Total operating expenses	4,922,387	3,124,394	3,739,940	2,395,180	2,871,524	2,752,336	2,155,868	1,336,740
Other expenses	270,784	67,015	259,643	67,139	229,916	67,984	3,367,019	70,573
Net income (loss)	449,688	1,633,637	631,335	(180,103)	(364,205)	(459,980)	(3,799,150)	(483,303)
Comprehensive income (loss)	417,116	1,627,292	579,802	(160,328)	(357,247)	(470,790)	(3,831,974)	(460,321)
Earnings per share:								
Basic	0.00	0.02	0.01	(0.00)	(0.00)	(0.01)	(0.04)	(0.01)
Diluted	0.00	0.02	0.01	(0.00)	(0.00)	(0.01)	(0.04)	(0.01)

FOURTH QUARTER RESULTS OF OPERATIONS

For the three-month period ended December 31, 2019, the Company's revenue totaled \$5,642,859, compared to revenue of \$4,825,045 during the same period in 2018, and an operating profit of \$720,472, compared to an operating profit of \$1,700,652 in 2018. The Company also incurred other expenses of \$270,784, compared to those of \$67,015 during the same period in 2018. The Company's net profit for the three-month period ended December 31, 2019 was \$449,688, compared to a net profit of \$1,633,637 during the same period in 2018. The Company reported a total comprehensive profit of \$417,116, compared to a total comprehensive profit of \$1,627,292 during the same period in 2018.

CAPITAL RESOURCES MANAGEMENT

During 2019, the Company generated positive cash of \$1,390,516 from operating activities, compared to negative cash flows of \$1,146,994 in 2018. This positive cash flow results mainly from the increase in revenues for the year.

The Company had negative cash flows of \$352,105 from investing activities in 2019, compared to negative cash flows of \$102,550 in 2018. The cash outflows in 2019 were mainly due to the significant increase in intangible assets relating to the concession fee paid to the distributor of MVP products in the Territory for the acquisition of the Distribution Agreement with MVP in September 2019.

In 2019, due to repayment of the short-term debt and also repayment of the lease obligation, the Company posted negative financing cash flows of \$799,703, compared to positive cash flows of \$1,441,181 in 2018 which were mostly relating to new borrowings.

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 December 31, 2019, the Company has cash of \$735,750 and working capital of \$3,476,560, compared to \$397,260 and \$2,720,943, respectively as of December 31, 2018, a result mainly from the increase in cash & cash equivalent and contract assets.

GOING CONCERN AND 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, resulting 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 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 this MD&A, the number of confirmed cases of COVID-19 worldwide is still rising, so the duration of COVID-19 outbreak still remains unknown. 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.

The Company, emphasizing the safety and health of its management and employees, has advised the employees to work from home during the lockdowns. As of the date of this MD&A, majority of the Company's employees have returned to work in the office and/or the workshop, but are still required to practice social distancing and/or wear facial masks all the time.

The Company's going concern remains dependent upon its ability to generate enough operating cash flows from existing and new projects and/or raise or borrow additional funds. As of the date of this MD&A, other than those already provisioned in 2019 (specifically, the account receivable in the amount

of \$45,724 from the Composites Innovation Centre Manitoba Inc. which filed for bankruptcy in April 2020), the Company does not foresee any significant risk in collecting its accounts receivable from customers, a primary source of its cash flows. In addition to implementing a few short to medium term sales strategies narrated above, being proactive, the Company has taken or will consider the following actions to mitigate the impact of the COVID-19 on its cash flows:

- Applied for French government subsidies for employee on technical unemployment: For employees who could not work from home, the Company could put them on 'technical unemployment' when they have used up all of the holidays carried over from 2019. Employees on technical unemployment receive 85% of their original salaries and the French government subsidizes their remaining wages by reimbursing TME with EUR 8.3 per hour for all of their working hours under technical unemployment (for reference purpose, the current hourly wage of TME workers ranges from EUR 12 to 20).
- Applied for bank loans guaranteed by the French government: As of the date of this MD&A, TME has been granted two cash loans in a total amount of EUR 1,100,000 for a duration of up to five years.
- To withdraw an additional loan facility of \$200,000 from a related party of the Company: In 2019, TSXV approved the Company to take up a loan of up to \$600,000 from a related party, among which, \$200,000 remains available.
- To extend the maturity date of the convertible bond in the principal of \$660,000 from November 2020 to a later date: Negotiation on-going.

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 \$735,750 and working capital of \$3,476,560 as of December 31, 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 TME and CAC 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 Facilities

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

An aggregate credit line up to a maximum of €500,000 (CAD \$729,150) for advanced payment refunds for its French customers that are due on demand, bear weighted average interest 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 December 31, 2019, CAD \$Nil (€8,490) was outstanding on the facility.

Credit facility up to a maximum of €550,000 (CAD \$802,065), 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 2.32% per annum. This facility will be used to finance its working capital prior to the payment receipt from its French customers. As at December 31, 2019, CAD \$331,902 (€227,595) was outstanding on this facility.

Credit facility for an aggregated amount of €1,350,000 (CAD \$1,968,705), unsecured, due on the maturity of invoices issued to its customers and bears weighted average interest 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 December 31, 2019, NIL CAD was outstanding on this facility.

An aggregate bank guarantees up to a maximum of €1,100,000 (CAD \$1,604,130) for advanced payment refunds for its foreign customers that are due on demand, bear weighted average interest 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 December 31, 2019 there were \$258,556 guarantees outstanding.

An aggregate foreign exchange cover line up to a maximum of €4,500,000 (CAD \$6,562,350) (December 31, 2018 – €700,000). An amount of \$100,211 is included in accounts receivable relating to these foreign exchange contracts.

Transaction Between Related Parties

In 2019, the Company has the following related party transactions:

	December 31, 2019	December 31, 2018
Stock based compensation to directors and officers of the Company	\$ 97,411	\$ -
Director fees to non-executive directors	7,500	-
Salaries	1,021,182	664,774

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

	December 31, 2019	December 31, 2018
Real property leases paid to a company controlled by a director of the Company	\$ 114,394	\$ 117,822
Finance cost paid or accrued to a company controlled by a director of the Company	173,261	254,031
Finance cost paid or accrued to two of the directors of the Company	129,766	-
Stock based compensation to companies controlled by directors of the Company	564,603	-
Professional fees paid to a company controlled by a director of the Company	34,549	-

Changes in Accounting Policies

The Company implemented IFRS 16 "Leases", including any consequential amendments to other standards, on January 1st, 2019. The Company elected to apply the simplified retrospective approach, which resulted in an increase in tangible assets of \$795,909 and an increase in leasing obligation of \$813,450 in its consolidated statements of financial positions as of December 31, 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.