

**Composite Alliance Group Inc.**

Consolidated Financial Statements  
December 31, 2020 and 2019  
(In Canadian dollars)

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Composite Alliance Group Inc.

### *Opinion*

We have audited the consolidated financial statements of Composite Alliance Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a significant loss from operations during the year ended December 31, 2020 and, as of that date, the Company's accumulated deficit was \$8,414,317. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joseph Man.

RSM Alberta LLP

Chartered Professional Accountants  
April 30, 2021  
Edmonton, Alberta

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

	December 31, 2020	December 31, 2019
<b>Assets</b>		
Cash and cash equivalents	\$ 2,929,679	\$ 735,750
Accounts receivable	5,240,788	4,333,162
Contract asset (Note 20)	68,858	2,617,929
Prepaid expense and others	237,195	171,446
Other receivables	1,014,757	733,203
<b>Total current assets</b>	<b>9,491,277</b>	<b>8,591,490</b>
Other assets and receivables (Note 5)	385,353	360,047
Property and equipment (Note 6)	910,835	1,010,115
Intangible assets (Note 7)	1,180,269	1,806,651
<b>Total assets</b>	<b>\$ 11,967,734</b>	<b>\$ 11,768,303</b>
<b>Liabilities</b>		
Short-term debt (Note 8)	\$ -	\$ 344,283
Accounts payable and accrued liabilities (Note 9)	4,273,678	3,588,721
Current portion of convertible debenture (Note 10 & 21)	-	594,914
Current portion of long-term borrowings (Note 11 & 21)	1,152,684	305,343
Current portion of lease obligation (Note 12)	256,310	208,613
Contract liabilities (Note 20)	256,327	73,056
<b>Total current liabilities</b>	<b>5,938,999</b>	<b>5,114,930</b>
Convertible debentures (Note 10 & 21)	2,391,863	2,070,044
Long-term borrowings (Note 11 & 21)	4,015,296	2,259,984
Lease obligation (Note 12)	471,224	604,837
Long-term provisions (Note 13)	161,029	13,125
Post-employment benefits plans (Note 14)	286,961	276,893
Research tax credit	364,102	284,200
<b>Total liabilities</b>	<b>13,629,474</b>	<b>10,624,013</b>
<b>Shareholders' equity</b>		
Share capital (Note 15)	4,890,766	4,890,766
Contributed surplus	1,528,065	662,014
Equity component of convertible debentures (Note 10)	553,346	751,579
Accumulated other comprehensive income (loss)	(163,488)	(71,763)
Deficit	(8,414,317)	(4,914,428)
<b>Total shareholders' equity attributable to common shareholders</b>	<b>(1,605,628)</b>	<b>1,318,168</b>
<b>Non-controlling interest</b>	<b>(56,112)</b>	<b>(173,878)</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 11,967,734</b>	<b>\$ 11,768,303</b>

Going concern (Note 1)

Contingency (Note 18)

Subsequent event (Note 25)

Approved on behalf of the Board of Directors on April 30, 2021:

Jim Hsieh  
"Signed"  
Director

Ron Love  
"Signed"  
Director

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

**Composite Alliance Group Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the years ended December 31**  
**(In Canadian dollars)**

	December 31, 2020	December 31, 2019
<b>Revenue (Note 20)</b>	<b>\$ 6,779,139</b>	<b>\$ 14,734,750</b>
<b>Expenses</b>		
Purchased raw material and goods	2,078,478	3,858,661
Payroll expenses and social security contributions	2,656,408	3,340,254
Subcontractor	1,579,458	3,180,286
Selling, general and administrative	1,476,435	2,219,361
Property and apprenticeship taxes	112,267	152,135
Depreciation and amortization	1,127,366	915,995
Provision variations	149,568	(72,683)
Miscellaneous expenses	-	95,710
	<b>(2,400,841)</b>	<b>1,045,031</b>
<b>Other expenses (income)</b>		
Listing expense (Note 4)	-	3,123,147
Stock based compensation (Note 15 & 16)	667,818	662,014
Foreign exchange loss (gain)	84,257	(84,146)
Finance costs	632,830	426,348
Other income (Note 10 & 11)	(405,171)	-
<b>Net loss</b>	<b>\$ (3,380,575)</b>	<b>\$ (3,082,332)</b>
<b>Net loss attributable to</b>		
Common shareholders	(3,381,358)	(3,066,920)
Non-controlling interest	783	(15,412)
<b>Net loss</b>	<b>(3,380,575)</b>	<b>(3,082,332)</b>
<b>Loss per common share (Note 17)</b>		
Basic and diluted	(0.03)	(0.03)
<b>Other comprehensive (loss) income</b>		
<b>Items that will be reclassified subsequently to profit or loss</b>		
Exchange difference on translating foreign operations	(90,301)	(109,971)
<b>Total comprehensive loss</b>	<b>(3,470,876)</b>	<b>(3,192,303)</b>
<b>Comprehensive loss attributable to</b>		
Common shareholders	(3,472,723)	(3,173,931)
Non-controlling interest	1,847	(18,372)
<b>Total comprehensive loss</b>	<b>(3,470,876)</b>	<b>(3,192,303)</b>

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

**Composite Alliance Group Inc.**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31**  
**(In Canadian dollars)**

	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 (Note 4)	2,263,361	-	-	-	-	-	2,263,361
Convertible debenture (Note 4)	-	-	198,233	-	-	-	198,233
Share based compensation (Note 15 &16)	-	662,014	-	-	-	-	662,014
Comprehensive loss	-	-	-	(107,011)	(3,066,920)	(18,372)	(3,192,303)
<b>Balance December 31, 2019</b>	<b>4,890,766</b>	<b>662,014</b>	<b>751,579</b>	<b>(71,763)</b>	<b>(4,914,428)</b>	<b>(173,878)</b>	<b>1,144,290</b>
Equity acquired from NCI (Note 1)	-	-	-	(360)	(118,531)	115,919	(2,972)
Cancelling conversion option of convertible debenture (Note 10)	-	198,233	(198,233)	-	-	-	-
Share based compensation (Note 15 &16)	-	667,818	-	-	-	-	667,818
Comprehensive loss	-	-	-	(91,365)	(3,381,358)	1,847	(3,470,876)
<b>Balance December 31, 2020</b>	<b>4,890,766</b>	<b>1,528,065</b>	<b>553,346</b>	<b>(163,488)</b>	<b>(8,414,317)</b>	<b>(56,112)</b>	<b>(1,661,740)</b>

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**Composite Alliance Group Inc.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31**  
**(In Canadian dollars)**

	2020	2019
<b>Operating</b>		
Net loss	\$ (3,380,575)	\$ (3,082,332)
Items not affecting cash:		
Depreciation and amortization	1,127,366	915,995
Provisions variations	149,568	(164,036)
Finance costs	628,772	190,251
Other income	(360,724)	-
Gain or loss from sale of assets	-	(1,189)
Listing expense	-	3,123,147
Stock based compensation	667,818	662,014
Change in working capital requirement		
Change in prepaid and others	(706)	130,681
Change in trade and other receivables	49,760	(104,722)
Change in trade and other payables	1,893,027	(279,293)
<b>Net cash provided by operating activities</b>	<b>774,306</b>	<b>1,390,516</b>
<b>Investing</b>		
Acquisition of intangible assets	(71,875)	(482,646)
Acquisition of tangible assets	(94,331)	(87,669)
Proceeds from sale of intangible and tangible assets	-	1,881
Cash acquired through reverse takeover	-	216,329
<b>Net cash used in investing activities</b>	<b>(166,206)</b>	<b>(352,105)</b>
<b>Financing</b>		
Proceeds from new borrowings	1,952,278	856,538
Repayment of borrowings	(167,585)	(1,454,364)
Repayment of lease obligation	(247,434)	(201,877)
<b>Net cash provided (used) by financing activities</b>	<b>1,537,259</b>	<b>(799,703)</b>
<b>Effect of exchange on cash</b>	<b>48,570</b>	<b>99,782</b>
<b>Net increase in cash</b>	<b>2,193,929</b>	<b>338,490</b>
Cash and cash equivalents, beginning of year	735,750	397,260
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,929,679</b>	<b>\$ 735,750</b>

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

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

### **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 Coude, 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.

As discussed in Note 4, the acquisition of Techni-Modul Engineering (“TME”) was considered a reverse acquisition for accounting purposes, with TME identified as the acquirer. As such, the consolidated financial statements as at December 31, 2019 and for the year ended December 31, 2019 include the results of TME over the period along with the results of Composite Alliance Group Inc. for the period from the date of the acquisition through December 31, 2019. The shareholders’ equity accounts reflect capital activity related to TME up to the date of the acquisition. As of the date of the acquisition, the shareholders’ equity accounts were effectively recapitalized, reflecting the share capital structure of the Company from the date of the acquisition onward.

Prior to January 2, 2020, the Company 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, the Company acquired an additional 20% shares from a non-controlling shareholder of CAC, giving a 90% interest in CAC. The acquisition of the additional 20% interest was accounted for as an equity transaction.

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.

### **Going concern**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of operations. There are material uncertainties that may cast significant doubt on the validity of this assumption. 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 have negatively impacted the Company’s operations, especially in China, France and North America. In China, the whole country was in a nationwide lockdown in January for almost three months. In France and North America, a similar mandatory lockdown was also imposed starting from March 17, 2020, and with subsequent lockdowns during the year. 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 a result the Company has incurred a significant decrease in revenues. As of the date of these consolidated financial statements, the extent to which COVID-19 impacts the Company’s results will depend on future developments, which are highly uncertain and cannot be predicted. COVID-19 may have an effect on the Company’s ability to generate a profit from operations, and accordingly affect the going concern uncertainty. The Company has incurred a net loss of \$3,380,575 (2019 - \$3,082,332) and an accumulated deficit of \$8,414,317 (2019 - \$4,914,428). The Company’s ability to continue as a going concern is dependent on continued support from related parties, generating a profit from operations, and obtaining additional financing as required.

These consolidated financial statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported revenues and expenses and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

## **2. BASIS OF PRESENTATION**

### **(a) Statement of Compliance**

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 30, 2021.

### **(b) Basis of Measurement**

These consolidated financial statements have been prepared on the historical cost basis.

### **(c) Functional Currency**

The functional currency of the Company is the Canadian dollar. The functional currency of the subsidiaries TME and CAC is the Euro and the U.S. dollar, respectively. The consolidated financial statements are presented in Canadian dollars which is the Company’s presentation currency.

### **(d) Use of Estimates and Judgements**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these consolidated financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation are as follows:

#### Functional Currency

Management has made judgments to determine the functional currency for the Company and its subsidiaries. In making their judgment, management considered the primary economic environment in which each entity operates and determined the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

#### Accounts Receivable

The valuation of accounts receivable is based on management’s evaluation of collectability based on payment history and financial condition of customers and a loss allowance for simplified expected credit losses is recorded as necessary.

#### Property and Equipment

The valuation of property and equipment is based on management’s best estimate of the future recoverability of these assets. This is based on projected cash flows expected to be generated from the use of these assets over its estimated life. There is also judgement used in determining the cash generating unit for the purpose of the impairment test. The amounts recorded for depreciation is based on management’s best estimate of the useful lives of the assets.

**2. BASIS OF PRESENTATION (continued)**

**(d) Use of Estimates and Judgements (continued)**

Intangible Assets

The valuation of intangible assets is based on management's best estimate of the future recoverability of these assets. This is based on projected cash flows expected to be generated from the use of these assets over its estimated life. There is also judgement used in determining the cash generating unit for the purpose of the impairment test. The amounts recorded for amortization is based on management's best estimate of the useful lives of the assets.

Income Taxes

The amount recorded for deferred income taxes is based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on the probability that taxable profits will be available to offset against deductible temporary differences.

Share Based Compensation

The fair value of stock options is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the options, the expected volatility of the Company's shares, the expected life of the options, expected dividends and the risk-free rate of return. The Company estimates volatility based on historical volatilities of peer companies that are publicly traded. The expected life of the options is based on historical experience and estimates of the holder's behaviour. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. Management also makes an estimate of the number of options that will be forfeited, and the rate is adjusted to reflect the actual number of options that vest.

Post-employment Benefit

Post-employment benefit is based on assumptions and estimates determined by management in calculating the present value of the obligation net of plan assets.

Provisions

Considerable judgment is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgment is necessary to determine the likelihood that a pending litigation or other claim will succeed, or a liability will arise and to quantify the possible range of the final settlement. In case of legal claims, the Company relies on its legal advisors to determine the likelihood of the outcome.

Right of Use Assets and Lease Obligation

The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term. Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Acquisition

Management has made judgements relating to the determination of whether the reverse acquisition completed in the prior year represent an asset acquisition or a business combination. Management also made judgements relating to the determination of the accounting acquiree and acquirer of the transaction.

**2. BASIS OF PRESENTATION (continued)**

**(d) Use of Estimates and Judgements (*continued*)**

Convertible debentures and long-term borrowings

The Company determines the fair value of the liability based on the estimated interest rate for debt, with similar characteristics, that can be obtained by the Company.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements. These policies have been consistently applied unless otherwise stated.

**(a) Recently Adopted Accounting Pronouncement**

IFRS 3 Business Combinations

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. There was no impact to the consolidated financial statements as a result of the adoption of this amendment on January 1, 2020.

IFRS 16 Leases

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 year, however it did not have a material impact to the Company's consolidated financial statements.

IFRS 7, IFRS 9 and IAS 39

The amendments revise the existing requirement for hedge accounting and are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest rate benchmark such as Interbank Offered Rates ("IBOR"). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationship which are directly affected by these uncertainties. The Company adopted this amendment during the year, however it did not have a material impact to the Company's consolidated financial statements.

**(b) Basis of Consolidation**

The consolidated financial statements included the financial statements of all entities controlled by the Company. The entities controlled by the Company include wholly owned subsidiaries, TME and CAA, and a 90% interest in CAC. For the year ended December 31, 2019, the entities controlled by the Company include wholly owned subsidiaries, TME and CAA, and a 70% interest in CAC.

All inter-company transactions, balances, income and expense are eliminated on consolidation.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Foreign Currency**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of loss and comprehensive loss.

The financial statements of the subsidiaries are translated from their functional currencies into Canadian dollars on consolidation as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for each statement of loss and comprehensive loss are translated at the average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- (iii) Share capital for each statement of financial position presented is translated at historical rate; and
- (iv) All resulting exchange differences are recognized in accumulated other comprehensive income.

Exchange differences that arise relating to long-term intercompany balances that form part of the net investment in a foreign operation are also recognized in a separate component of equity through other comprehensive income.

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in the statement of loss and comprehensive loss.

**(d) Revenue Recognition**

The Company has long-term contracts with most of its customers. As the performance obligations for these contracts are satisfied over time, revenue from these contracts is recognized by measuring the progress towards complete satisfaction of the performance obligation using the input method, which is cost incurred to date relative to total estimated costs. Losses for a given contract are provided for in full as soon as they become probable. Any excess costs and estimated earnings over progress billings is carried as a contract asset. Any excess of progress billings over earned revenue is carried as a contract liability.

The Company also has transactional sales and recognizes revenue when a performance obligation to a customer has been fulfilled by transferring control over the promised goods to the customer, generally at the time of delivery of inventory. The amount of revenue to be recognized is based on the consideration the Company expects to receive in exchange for its goods. If a contract contains more than one performance obligation, the consideration is allocated based on the standalone selling price of each performance obligation.

The consideration the Company receives in exchange for its goods is only recognized to the extent it is highly probable that a significant reversal will not occur when the uncertainty surrounding any components of variable consideration is subsequently resolved. The most common and significant elements of variable consideration include returns, rebates and other price adjustments.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Cash and Cash Equivalents**

Cash and cash equivalents are comprised of cash on deposit with banks, cash on hand, demand deposits with banks and other financial institutions.

**(f) Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses if any. Property and equipment is not depreciated until the asset is put into use. Property and equipment is depreciated over their estimated useful lives at the following rates and methods:

Right of use assets	straight-line method over 3-9 years
Technical facilities, equipment and industrial tools	straight-line method over 3-10 years
Leaseholds and furniture	straight-line method over 2-7 years

All costs directly attributable to the acquisition and construction of the asset are capitalized to the carrying amount of the asset.

**(g) Intangible Assets**

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets with a definite life are amortized over their economic lives using the straight-line method and are assessed for possible impairment whenever events or changes in circumstances indicate that impairment is possible. Intangible assets with a definite life are not amortized until the effective date of the contractual right or the asset is put into use. Intangible assets are amortized over their estimated useful lives at the following rates and methods:

Development costs	straight-line method over 5 years from the date of the commercial launch
Concessions, patents and distribution rights	straight-line method over 1-5 years

**(h) Impairment of Non-financial Assets**

The carrying amounts of the Company's non-financial assets, comprised of property and equipment and intangible assets with definite lives, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Research and Development Costs**

Research and development expenditures are charged as an operating expense of the Company as incurred. Expenditures for development are capitalized and amortized only when the criteria for capitalization are met.

Development costs having a future benefit are recognized only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset arriving from development should be recognized only if the Company can demonstrate all of the following:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (ii) its intention to complete the intangible asset and use or sell it;
- (iii) its ability to use or sell the intangible asset;
- (iv) how the intangible asset will generate probable future economic benefits;
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs representing intangible assets are initially measured at cost and then amortized over their expected useful life. The Company reviews the amortization method and estimate of the useful life of an intangible asset at least annually.

**(j) Defined Contribution Plans**

Payments made under defined contribution plans are recorded in the income statement, in the year of payment, and are in full settlement of the Company's liability. As the Company is not committed beyond these contributions, no additional provision related to these plans has been booked. The Company participates in mandatory general plans, which are accounted for as defined contribution plans.

**(k) Defined Benefit Plans**

Defined benefit plans are measured using the projected unit credit method prorated on years of service. Expenses recognized in the statement of loss are split between operating income (for service costs rendered during the period) and net financial income (loss) (for financial costs and expected return on plan assets). The amount recognized in the balance sheet corresponds to the present value of the obligation, and net of plan assets. Changes resulting from periodic adjustments to actuarial assumptions regarding general financial and business conditions or demographics (i.e., changes in the discount rate, annual salary increases, return on plan assets, years of service, etc.) as well as experience adjustments are immediately recognized in the balance sheet as a separate component of equity in comprehensive income as "Other Comprehensive (Loss) Income". The amount of commitment to retirement is calculated using individual projections based on retirement age of 62 (in France), considering the average rate of rotation of personnel and expectancy compared to the tables of mortality.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Convertible Debentures**

Compound financial instruments issued by the Company comprise of convertible debentures that are convertible to share capital at the option of the holder, and the number of shares to be issued are at a fixed number at a fixed amount, and do not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Upon conversion to equity, the liability and equity components of a compound financial instruments are included in the fair value of the common shares issued and charged to share capital.

**(m) Share-based Payments**

Share-based payments are comprised of stock option awards granted to employees, directors and others which are equity-settled share-based payments.

These equity-settled share-based payments are measured at the fair value of the equity instruments and are recognized as an employee expense with the offsetting credit as an increase to contributed surplus.

Upon exercise of the stock option, the Company issues new shares. The associated fair value amount is reclassified from the contributed surplus to share capital. The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the options are exercised. Where equity instruments are granted to non-employees they are recorded at the fair value of the goods or services received. Where the fair value of goods or services received cannot be reliably measured, it is measured based on the fair value of the equity instrument granted.

**(n) Provision and Contingent Liabilities**

Provisions are recognized when there is a present legal or constructive obligation arising as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(p) Loss Per Share**

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares to the extent that they are not antidilutive.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Income Taxes**

Income taxes for the year is comprised of any current tax and changes in deferred tax assets and liabilities. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, plus any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilized, are recognized.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and changes therein, are presented separately from each other and are not offset.

**(q) Financial Instruments**

The Company recognizes financial assets and financial liabilities when the Company becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets and financial liabilities classified as fair value through profit or loss, are measured at fair value plus or minus transaction costs on initial recognition. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Measurement in subsequent periods depends on the classification of the financial instrument:

Financial assets at amortized cost

Cash and cash equivalents, accounts receivable, other receivables and amount receivable from shareholder are held with the objective of collecting contractual cash flows and classified as amortized cost.

Subsequent to initial recognition, these assets are carried at amortized cost, using the effective interest method, less any impairment loss. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the statement of (loss) income. Any subsequent reversal of an impairment loss is recognized in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Financial Instruments (continued)**

Financial liabilities at amortized cost

Short-term debt, accounts payable, convertible debentures and long-term borrowings are classified as amortized cost.

Subsequent to initial recognition, these liabilities are carried at amortized cost, using the effective interest method. The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL if it is classified as held for trading, or they are derivative liabilities. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statement of (loss) income. There are no financial instruments in this category.

Impairment of financial assets

The Company uses the expected credit loss model for calculating impairment. For financial assets classified at amortized cost, the Company, at each reporting date, measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses given the credit risk on the financial instrument has not increased significantly since initial recognition. The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Company has applied the simplified approach to measuring expected credit losses of trade receivable which uses a lifetime expected credit loss taking into consideration historical credit loss experience, financial condition of the customer and economic conditions.

**(r) Research Tax Credits**

Research tax credits are not recognized until there is reasonable assurance that the credits will be received. The research tax credits received are recorded as deferred income and recognized in profit or loss at the same rate as the development costs are amortized.

**(s) Leases**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date discounted using the rate implicit in each lease or, if that cannot be readily determined, the incremental borrowing rate. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the earlier of the asset's useful life and the term of the lease. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease liability.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(t) Government assistance**

The Company receives grants from different government incentive programs. These grants are recognized initially when there is a reasonable assurance that they will be received and when the Company has intentions to comply with the conditions associated with the grants. The grant received for expenditures incurred are recognized on a systematic basis and in the same accounting period in which the expenditures are incurred.

**(u) Standard Issued But Not Yet Effective**

IAS 1 Presentation of financial statements

The amendment to IAS 3 clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

IAS 37 Provisions, contingent liabilities and contingent assets

The amendment specifies that 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

**4. REVERSE ACQUISITION**

On February 12, 2019, the Company closed its reverse acquisition (the "Transaction") with Techni-Modul Engineering S.A. ("TME"), a French registered limited (Société Anonyme) company by acquiring a 100% equity interest from the shareholders of TME (the "TME Shareholders").

Pursuant to a share exchange agreement (the "Share Exchange Agreement"), the Company acquired all of the outstanding shares of TME by issuing to the shareholders of TME a total of 87,600,000 Common Shares of the Company and 19,200,000 non-voting series D preferred shares of the Company ("Preferred Shares"). As a result of the Transaction, TME became a wholly owned subsidiary.

Upon completion of the Transaction, the Company owned 100% of the then issued and outstanding TME Shares and the shareholders of TME owned a sufficient number of common shares of the Company so as to exercise control over the Company (the "Reporting Issuer") upon completion of the Transaction.

Each Series D Preferred Share is convertible into one Common Share only if:

- (i) TME's aggregate earnings before interest, tax, depreciation and amortization has accumulated to at least \$3.5 million euro, on or before 36 months from February 12, 2019; and
- (ii) Specified executive of the Company continues his employment or corporate mandate for no less than 36 months from February 12, 2019.

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**4. REVERSE ACQUISITION (continued)**

If the above conditions are not met, the Company, at its discretion, may cancel all issued and outstanding Series D Preferred Shares. The Preferred Shares reflect remuneration for post-combination services, whereby the payments are automatically forfeited if employment is terminated. The share-based compensation was measured based on the fair value of the equity instruments granted as there was no ability to reliably estimate the fair value of the services. The fair value of the preferred shares was estimated to be \$0.10 per share for a total amount of \$1,920,000 with the expense being recognized over 36 months. During the year ended December 31, 2020, the Company recognized \$641,753 (2019 - \$564,603) of shared based compensation on the consolidated statement of loss.

The Company did not meet the definition of a business at the time of the reverse acquisition, therefore the transaction is outside of the scope of IFRS 3 Business Combinations. Instead, the transaction was accounted for as a reverse acquisition under IFRS 2 Share-based Payment. Under this basis of accounting, the entity is considered to be a continuation of TME, with the net identifiable assets of the Company (accounting acquiree) deemed to have been acquired by TME (accounting acquirer). The purchase consideration below was estimated based on the fair value of the Company's common shares that TME would have had paid to the Company pursuant to the reverse acquisition. Upon completion of the proposed transaction, the fair value of all identifiable assets and liabilities acquired was determined. The difference between fair value of the shares issued and the fair value of net assets acquired is recorded as a cost of public listing.

The Company has made a determination of the fair value of the shares issued and the fair value of the net assets acquired below:

<b>Fair value of the consideration received by the pre-acquisition shareholders of the Company</b>	
Total fair value of consideration – common shares (Note 15)	\$ 2,263,361
<b>Identifiable net assets of the Company acquired by TME</b>	
Cash	\$ 216,329
Prepaid legal fees for listing	70,463
Accounts payable and accrued liabilities	(390,991)
Convertible debentures	(685,124)
Total fair value of identifiable net assets acquired by TME	(789,323)
Cost of public listing	3,052,684
Legal and listing fees	70,463
<b>Reverse takeover transaction expense</b>	<b>\$ 3,123,147</b>

**5. OTHER ASSETS AND RECEIVABLES**

Other assets and receivables consist of:

	2020	2019
Long term investments	\$ 14,642	\$ 13,680
Deposit and guarantees	61,755	57,699
Amount receivable from shareholder (Note 21)	308,956	288,668
	<b>\$ 385,353</b>	<b>\$ 360,047</b>

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

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**6. PROPERTY AND EQUIPMENT**

<b>Cost</b>	<b>December 31, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Foreign Exchange</b>	<b>December 31, 2020</b>
Right of use assets	1,011,613	111,519	-	73,362	1,196,494
Technical facilities, equipment and industrial tools	770,459	79,019	(157,348)	54,023	746,153
Leaseholds and furniture	270,443	15,312	-	21,030	306,785
<b>Cost</b>	<b>2,052,515</b>	<b>205,850</b>	<b>(157,348)</b>	<b>148,415</b>	<b>2,249,432</b>
<b>Depreciation</b>	<b>December 31, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Foreign Exchange</b>	<b>December 31, 2020</b>
Right of use assets	215,704	261,966	-	19,199	496,869
Technical facilities, equipment and industrial tools	637,304	80,448	(157,348)	33,811	612,811
Leasehold and furniture	189,392	24,015	-	15,510	228,917
<b>Depreciation</b>	<b>1,042,400</b>	<b>366,429</b>	<b>(157,348)</b>	<b>68,520</b>	<b>1,338,597</b>
<b>Net tangible assets</b>	<b>1,010,115</b>	<b>(160,579)</b>	<b>-</b>	<b>79,895</b>	<b>910,835</b>

<b>Cost</b>	<b>December 31, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Foreign Exchange</b>	<b>December 31, 2019</b>
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
<b>Cost</b>	<b>1,022,560</b>	<b>1,117,984</b>	<b>-</b>	<b>(88,029)</b>	<b>2,052,515</b>
<b>Depreciation</b>	<b>December 31, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Foreign Exchange</b>	<b>December 31, 2019</b>
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
<b>Depreciation</b>	<b>783,823</b>	<b>316,103</b>	<b>-</b>	<b>(57,526)</b>	<b>1,042,400</b>
<b>Net tangible assets</b>	<b>238,737</b>	<b>801,881</b>	<b>-</b>	<b>(30,503)</b>	<b>1,010,115</b>

The Company performed an impairment test as at December 31, 2020 and concluded the recoverable amount exceeds its carrying value and no impairment was noted.

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**7. INTANGIBLE ASSETS**

<b>Costs</b>	<b>December 31, 2019</b>	<b>Additions</b>	<b>Foreign Exchange</b>	<b>December 31, 2020</b>
Development costs	4,800,271	-	337,402	5,137,673
Software	-	71,875	-	71,875
Concessions, patents and distribution rights	832,956	-	25,644	930,475
<b>Costs</b>	<b>5,633,227</b>	<b>71,875</b>	<b>363,046</b>	<b>6,068,148</b>
<b>Amortization</b>	<b>December 31, 2019</b>	<b>Additions</b>	<b>Foreign Exchange</b>	<b>December 31, 2020</b>
Development costs	3,479,025	658,618	257,868	4,395,511
Software	-	-	-	-
Concessions, patents and distribution rights	347,551	120,210	24,607	492,368
<b>Amortization</b>	<b>3,826,576</b>	<b>778,828</b>	<b>282,475</b>	<b>4,887,879</b>
<b>Net intangible assets</b>	<b>1,806,651</b>	<b>(706,953)</b>	<b>80,571</b>	<b>1,180,269</b>

<b>Costs</b>	<b>December 31, 2018</b>	<b>Additions</b>	<b>Foreign Exchange</b>	<b>December 31, 2019</b>
Development costs	5,139,315	-	(339,044)	4,800,271
Concessions, patents and distribution rights	375,338	482,646	(25,028)	832,956
<b>Costs</b>	<b>5,514,653</b>	<b>482,646</b>	<b>(364,072)</b>	<b>5,633,227</b>
<b>Amortization</b>	<b>December 31, 2018</b>	<b>Additions</b>	<b>Foreign Exchange</b>	<b>December 31, 2019</b>
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
<b>Amortization</b>	<b>3,395,827</b>	<b>667,047</b>	<b>(236,298)</b>	<b>3,826,576</b>
<b>Net intangible assets</b>	<b>2,118,826</b>	<b>(184,401)</b>	<b>(127,774)</b>	<b>1,806,651</b>

The Company performed an impairment test as at December 31, 2020 and concluded the recoverable amount exceeds its carrying value and no impairment was noted.

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**8. SHORT-TERM DEBT**

	2020	2019
(i) Line of credit €500,000	\$ -	\$ -
(ii) Credit facility €550,000	-	331,902
(iii) Credit facility €1,350,000	-	-
Accrued interest	-	12,381
	\$ -	\$ 344,283

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

- i) An aggregate credit line up to a maximum of €500,000 (CAD \$780,400) for advanced payment refunds for its French customers that are due on demand, bear weighted average interest at 1.2% per annum (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 December 31, 2020, CAD \$nil (€nil) was outstanding on the facility (2019 – CAD \$nil (€nil)).
- ii) Credit facility up to a maximum of €550,000 (CAD \$858,440), 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. (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 December 31, 2020, CAD \$nil (€nil) was outstanding on this facility (2019 - CAD \$331,902 (€227,595)).
- iii) Credit facility for an aggregated amount of €1,350,000 (CAD \$2,107,080), 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. (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 December 31, 2020, CAD \$nil (€nil) was outstanding on this facility (2019 – CAD \$nil (€nil)).

The following off-balance sheet facilities are also available to the Company as at December 31, 2020:

- i) An aggregate bank guarantees up to a maximum of €1,100,000 (CAD \$1,716,880) 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 December 31, 2020 there were \$174,497 (€111,800) guarantees outstanding (2019 - \$530,826 (€142,300 and USD \$248,930)).
- ii) An aggregate foreign exchange cover line up to a maximum of €4,500,000 (CAD \$7,023,600) (December 31, 2019 – €4,500,000).
- iii) Import credit line up to a maximum of €100,000 (CAD \$156,080) 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. This facility was made available during the year. As at December 31, 2020, CAD \$nil (€nil) was outstanding on this facility (2019 – CAD \$nil (€nil)).

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2020</b>		<b>2019</b>
Trade payable	<b>\$ 3,214,712</b>	<b>\$</b>	2,905,090
Social security payable	<b>566,231</b>		620,937
Value added tax payable	<b>370,929</b>		62,694
Other liabilities	<b>121,806</b>		-
	<b>\$ 4,273,678</b>	<b>\$</b>	3,588,721

**10. 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 \$2,187,457), 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 December 31, 2020 is \$2,391,863 (December 31, 2019 - \$2,070,044). Accrued interest of \$68,842 has been recorded as finance costs for the year ended December 31, 2020 (December 31, 2019 - \$66,854). Accretion expense of \$105,274 (December 31, 2019 - \$92,531) 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 \$28,932 has been recorded as finance costs for the year ended December 31, 2020 (December 31, 2019 - \$29,112). Accretion expense of \$102,154 was recorded as finance costs to accrete the liability to its principal amount for the year ended December 31, 2020 (December 31, 2019 - \$78,720).

On November 12, 2020, the Company reached agreements with the holders of these convertible debentures. As a result, these debentures have been replaced with new debentures that are not convertible and have an extended maturity date of November 15, 2025. The equity component of the cancelled conversion option of \$198,233 has been classified to contributed surplus. The initial convertible debenture was treated as extinguished and new debenture was recognized at its fair value of \$264,829 (see Note 11) and a gain on extinguishment of \$395,171 was recorded in other income.

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**11. LONG-TERM BORROWINGS**

	2020	2019
Loan denominated in Euro is unsecured, bears interest at 5.72%, Interest only payments and matures on December 31, 2022	\$ 1,482,760	\$ 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	32,098	41,829
Loan denominated in Euro is unsecured, bears no interest, monthly payments of principal of €1,660. The loan was fully repaid during the year	-	19,833
Loan denominated in CAD is unsecured, bears interest at 5.00%, Interest only payments and matures on January 31, 2026	400,000	400,000
Loan denominated in USD is unsecured, bears interest at 5.00%, Interest only payments and matures on October 7, 2024	447,539	456,538
Loan denominated in CAD is unsecured, non-interest bearing and with no repayment term until December 31, 2022. (See CEBA discussion)	30,000	-
Loan denominated in CAD is unsecured, bears interest at 5.00% per annum, and with interest only payments and matures on November 15, 2025.	264,829	
Loan denominated in Euro is unsecured, bears interest at 0.95%, monthly blended payment of €4,228 and matures on March 4, 2023	176,214	-
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 May 31, 2025	858,440	-
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	858,440	-
Loan denominated in USD is unsecured, non-interest bearing and with no repayment term	46,472	47,406
Loan denominated in USD is unsecured, non-interest bearing and with no repayment term	92,944	94,812
	<b>4,689,736</b>	2,445,803
Add: accrued interest	478,244	119,524
Less: current portion	(1,152,684)	(305,343)
	<b>\$ 4,015,296</b>	\$ 2,259,984

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**11. LONG-TERM BORROWINGS (continued)**

Principal repayments are as follows:

2021	\$	1,152,684
2022		1,788,584
2023		210,527
2024		638,300
2025		360,225
Thereafter		539,416
	\$	4,689,736

The Company obtained bank financing of \$40,000 through Canada Emergency Business Account (CEBA) during the year ended December 31, 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 other income.

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 as at December 31, 2020.

On November 12, 2020, the Company reached an agreement with a related party to restructure a loan. The long-term borrowing with principal amount of \$400,000 as disclosed above has been amended to extend its maturity from January 31, 2021 to January 31, 2026.

**12. 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 year ended December 31, 2020 was \$39,341 (December 31, 2019 - \$44,138).

	<b>2020</b>		2019	
Balance, beginning of period	\$	<b>813,450</b>	\$	1,083,063
Additions		<b>107,182</b>		-
Lease payments		<b>(247,434)</b>		(201,877)
Foreign exchange		<b>54,336</b>		(67,736)
		<b>727,534</b>		813,450
Less: current portion		<b>(256,310)</b>		(208,613)
	\$	<b>471,224</b>	\$	604,837

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**12. LEASE OBLIGATION (continued)**

Future lease payments are as follows:

Less than one year	\$	286,720
1-3 years		239,188
3-5 years		171,690
More than 5 years		105,645
		803,243
Less: finance costs		(75,709)
	\$	727,534

**13. LONG-TERM PROVISION**

<b>LONG TERM PROVISION</b>	<b>December 31, 2019</b>	<b>Increase</b>	<b>Decrease</b>	<b>Foreign Exchange</b>	<b>December 31, 2020</b>
Provision for assembly	\$ 13,125	-	(13,768)	643	-
Other provisions for contingent liabilities	-	157,833	-	3,196	161,029
Provision for risks and charges	\$ 13,125	157,833	(13,768)	3,839	161,029

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.

**14. POST-EMPLOYMENT BENEFIT PLANS**

The Company uses the following key assumptions to measure the post-employment benefit obligations and the net benefit plans for the defined benefit pension plans. These assumptions are long-term, which is consistent with the nature of post-employment benefit plans.

	<b>2020</b>	<b>2019</b>
Discount rate	<b>0.34%</b>	0.75%
Rate of executive salary increase	<b>1.00%</b>	1.00%
Rate of employee salary increase	<b>1.50%</b>	1.50%
Turnover	<b>Average</b>	Average
Rate of social security expenses	<b>45.00%</b>	45.00%
Mortality table	<b>TG05</b>	TG05
	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ <b>276,893</b>	\$ 235,185
Provision	<b>(9,208)</b>	58,295
Foreign exchange	<b>19,276</b>	(16,587)
Balance, end of year	\$ <b>286,961</b>	\$ 276,893

**15. SHARE CAPITAL**

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

**Shares issued:**

<b>Common Shares</b>	<b>Number of shares</b>	<b>Amount (\$)</b>
<b>Balance December 31, 2018</b>	<b>22,633,610</b>	<b>2,627,405</b>
Shares issued to TME shareholders (Note 4)	<b>87,600,000</b>	<b>2,263,361</b>
<b>Balance December 31, 2020 and 2019</b>	<b>110,233,610</b>	<b>4,890,766</b>

- i) Prior to the reverse acquisition, the Company completed a share consolidation on a 5:1 basis. All share amounts presented are on a post-consolidation basis.
- ii) On February 12, 2019, the Company issued 87,600,000 common shares to the shareholders of TME as part of the Transaction. The fair value of the shares was based on the share price of the Company on February 12, 2019 of \$0.10 and on 22,633,610 shares outstanding prior to the reverse acquisition.
- iii) 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.
- iv) 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**

The issuance of 19,200,000 Preferred Shares is detailed in Note 4. 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 year ended December 31, 2020, the Company recognized \$641,753 (2019 – \$564,603) of share-based compensation on the consolidated statement of loss and a corresponding credit to contributed surplus on the consolidated statement of financial position.

**16. 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.

During year ended December 31, 2020, the Company recognized \$26,065 (December 31, 2019 – \$97,411) of share-based compensation on the consolidated statement of loss with a corresponding credit to contributed surplus on the consolidated statement of financial position.

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

	December 31, 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
<b>Closing</b>	<b>2,400,000</b>	<b>\$0.125</b>	2,400,000	\$0.125

The following table summarizes information on stock options outstanding and exercisable at December 31, 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	1.13

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

	<b>December 31, 2020</b>	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

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**17. NET LOSS PER COMMON SHARE**

	December 31, 2020	December 31, 2019
Net loss	\$ (3,380,575)	\$ (3,082,332)
Net loss attributable to common shareholders for the year	\$ (3,381,358)	\$ (3,066,920)
Weighted average number of common shares – basic and diluted	110,233,610	107,567,185

**18. 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.

**19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**(a) Fair Value of Financial Instruments**

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at December 31, 2020, no financial instruments are measured at fair value. All financial instruments are measured at amortized cost using the effective interest rate method. The carrying amounts and fair values of the Company's financial instruments are presented in the table below:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Amortized cost:</b>				
Cash	\$ 2,929,679 (A)	\$ 2,929,679	\$ 735,750 (A)	\$ 735,750
Accounts receivable	5,240,788 (A)	5,240,788	4,333,162 (A)	4,333,162
Other receivables	1,014,757 (A)	1,014,757	733,203 (A)	733,203
Amount receivable from shareholder	308,956 (B)	308,956	288,668 (B)	288,668
Short-term debt	-	-	344,283 (A)	344,283
Accounts payable	4,273,678 (A)	4,273,678	3,588,721 (A)	3,588,721
Convertible debentures	2,391,863 (B)	2,391,863	2,664,958 (B)	2,664,958
Long-term borrowings	5,167,980 (B)	4,669,023	2,565,327 (B)	2,565,327

**19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**(a) Fair Value of Financial Instruments (continued)**

- (A) The fair values of cash, accounts receivable, other receivables, short-term debts and accounts payable approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.
- (B) The fair value of amount receivable from shareholder, convertible debentures and long-term borrowings are determined by discounting the future contractual cash flows under the current financing arrangements at a discount rate that represents an approximation to the borrowing rates presently available to the Company for debts with similar terms to maturity. The fair values are measured at fair value-Level 2.

**(b) Financial Risk Management**

The Company's activities are exposed to a variety of financial risks: liquidity risk, credit risk, concentration of risk, foreign currency risk, and interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

**(c) Liquidity Risk**

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. As at December 31, 2020, the Company was holding cash of \$2,929,679 (2019 - \$735,750), accounts receivable of \$5,240,788 (2019 - \$4,333,162) and had a working capital of \$3,552,278 (2019 - \$3,476,560). The contractual maturities of liabilities is as follows:

<b>Maturity of liabilities</b>	<b>December 31, 2020</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>
Accounts payable	4,273,678	4,273,678	-	-
Convertible debentures	2,391,863	-	2,391,863	-
Long-term borrowings	5,167,980	1,152,684	3,475,880	539,416
<b>Total</b>	<b>11,833,521</b>	<b>5,426,362</b>	<b>5,867,743</b>	<b>539,416</b>

**(d) Credit Risk**

The Company's exposure to credit risk that relates to cash, accounts receivable and other receivables arises from the possibility that the third party does not satisfy its contractual obligations. The Company minimizes its exposure to credit risk by keeping the majority of its cash with major chartered banks, reviewing new customers' credit history before extending credit, and conducting regular reviews of its existing customers' credit performance. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets. There is no significant amount considered past due or impaired as at December 31, 2020. It is management's opinion that the level of credit risk is low due to the credit-worthiness of the counterparties involved.

**19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**(e) Concentration of Risk**

The Company minimizes its exposure to the concentration of risk by developing a larger client base.

**(f) Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of a change in foreign exchange rates. The Company is exposed to foreign currency risk on cash, accounts receivable and accounts payable denominated in Euro and U.S. dollar.

**(g) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate price risk on its convertible debentures and long-term borrowings which bear fixed interest rates, and interest rate cash flow risk on its floating rate short term debt. A one-percent (1%) increase or decrease in interest rates would not have a material effect on the Company's operating results.

**(h) Sensitivity Analysis**

As a result of the Company's assets and liabilities being denominated in the U.S. dollar and Euro, which are different to the presentation currency of the Company, the profit or loss and equity of the Company could be affected by the movements fluctuations in foreign exchange. The table below indicates the foreign currency to which the Company has exposure as at December 31, 2020 and 2019 in Canadian dollar terms. The table also illustrates the potential impact to the Company's net equity as at December 31, 2020 and 2019 if the Company's presentation currency had strengthened or weakened by 5% in relation to the U.S. dollar and Euro, with all other variables held constant. In practice, the actual result may differ materially from this sensitivity analysis.

	<b>Total exposure</b>		<b>Impact on net equity</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Euro	\$166,692	\$2,243,035	\$8,335	\$112,152
As a % of net equity	(10.4%)	170.2%	(0.5%)	8.5%
U.S. dollar	(\$539,637)	(\$411,389)	(\$26,982)	(\$20,569)
As a % of net equity	33.6%	(31.2%)	1.7%	(1.6%)

**20. REVENUE**

The Company's revenue is comprised of sales from long-term contracts as there have been no transactional sales that have occurred for the years ended December 31, 2020 and 2019. Contract assets represent any excess costs and estimated earnings over progress billings. Contract assets as at December 31, 2020 are \$68,858 (2019 - \$2,617,929). Contract liabilities are recorded when progress billings are in excess of revenue earned. Contract liabilities as at December 31, 2020 are \$256,327 (2019 - \$73,056).

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**21. 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:

	<b>December 31, 2020</b>	December 31, 2019
Stock based compensation to directors and officers of the Company	\$ 26,065	\$ 97,411
Director fees to non-executive directors	10,500	7,500
Salaries	981,242	1,021,182

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

	<b>December 31, 2020</b>	December 31, 2019
Real property leases paid to a company controlled by a director of the Company	\$ 141,356	\$ 114,394
Finance cost paid or accrued to a company controlled by a director of the Company	228,174	173,261
Finance cost paid or accrued to two of the directors of the Company	178,845	129,766
Professional fees paid to a partnership controlled by a director of the Company	30,640	34,549
Stock based compensation to companies controlled by directors of the Company	641,753	564,603
Commission expense paid or accrued to two companies controlled by two directors of the Company	86,083	406,674

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

	<b>December 31, 2020</b>	December 31, 2019
Receivable from a company controlled by a director of the Company	\$ 308,957	\$ 288,668
Convertible debentures issued to a company controlled by a director of the Company	2,391,863	2,070,044
Long term borrowing advanced from a company controlled by a director of the Company	1,896,321	1,700,298
Long term borrowing advanced from a company controlled by an officer of the Company	900,120	870,730
Convertible debentures issued to two of the directors of the Company	-	594,914
Long term borrowing advanced from companies controlled by two of the directors of the Company	334,897	-

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**22. INCOME TAXES**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as following:

	2020	2019
Deferred tax assets:		
Non-capital tax loss carryforward	\$ 3,007,440	\$ 1,545,767
Net capital loss carryforward	23,941	23,941
Tax basis in excess of accounting basis	(8,610)	3,419
	<b>3,022,771</b>	1,573,127
Less: deferred tax asset not recognized	<b>(3,022,771)</b>	(1,573,127)
	\$ -	\$ -

The income tax provision reported differs from the amount computed by applying the combined federal and provincial rate to income before income taxes. The reasons for the differences and the related tax effects are follows:

	2020	2019
Net (loss) income before income taxes	\$ (3,380,575)	\$ (3,082,332)
Taxation at income tax rate	24%	27%
Expected tax expense (recovery)	(811,338)	(832,230)
Research tax credit	(423,923)	(286,487)
Tax effect of non-deductible expenses	160,276	1,021,993
Tax effect of unused tax losses not recognized	1,180,841	122,712
Change in statutory rate	638	(36,857)
Tax effect of rate variance in foreign jurisdiction	(106,494)	10,869
	\$ -	\$ -

No deferred tax assets have been recognized in respect of the unused tax losses due to the unpredictability of future profit stream. The Company had the following estimated tax losses available to offset against future taxation, which expire as follows:

2029	\$ 152,942
2030	388,532
2031	367,556
2032	370,017
2033	398,022
2034	212,876
2035	807,266
2036	188,519
2037	190,901
2038	574,761
2039	394,222
2040	240,566
Losses not subject to expiry	6,754,321
	<b>11,040,501</b>

### 23. CAPITAL MANAGEMENT

The Company's primary objective when managing capital is to safeguard the Company's ability to continue as a going concern.

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.

The Company's capital structure includes the following:

	<b>December 31, 2020</b>	December 31, 2019
Shareholders' equity	<b>\$ (1,605,628)</b>	\$ 1,318,168
Convertible debentures	<b>2,391,863</b>	2,664,958
Long-term borrowings	<b>5,167,980</b>	2,565,327
	<b>\$ 5,954,215</b>	\$ 6,548,453

The Company is not subject to externally imposed capital requirements.

### 24. SEGMENT INFORMATION

The Company operates a single reportable operating segment, with business in three geographic areas of operations, Europe, North America and Asia. The Company's non-current assets are located in Europe. The percentage revenue by geographic location is as follows:

	<b>2020</b>	2019
Europe	<b>32%</b>	31%
Asia	<b>28%</b>	46%
North America	<b>40%</b>	23%
	<b>100%</b>	100%

### 25. SUBSEQUENT EVENT

The Company reached an agreement with a related party to reduce the interest rate on a long-term borrowing denominated in Euro from 5.72% to 1.70% per annum, effective January 1, 2021.

Subsequent to December 31, 2020, the Company obtained loans totaling €1,000,000 from 3 banks. These loans are French government guarantee loans, which are granted to deal with economic and financial consequences of the COVID-19 pandemic. These loans mature 12 months subsequent to the disbursement and bear interest at 0.25% per annum. The Company has the option to request the loans to be amortized over an additional period of up to 5 years after the first maturity date. The interest rate applicable to each additional year will depend on the repayment terms and the maturities chosen by the Company.