

## **Composite Alliance Group Inc.**

### **MANAGEMENT DISCUSSION & ANALYSIS FORM 51-102F1 For the Year Ended December 31, 2021**

This Management Discussion and Analysis (“MD&A”) is dated May 2, 2022.

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, 2021. 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, 2021. Additional information can be found on CAG on the SEDAR website ([www.sedar.com](http://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 800, 333 – 7 Avenue S.W., Calgary, Alberta, Canada.

The Company owns 100% of Techni-Modul Engineering (“TME”), an S.A.S company registered in France, through a reverse takeover in February 2019.

The Company conducts its sales activities in North America through its Dallas based subsidiary, Composite Alliance Corp (“CAC”). CAC was 90% owned by CAG until CAG purchased the remaining 10% equity shares of CAC from one non-controlling shareholder on December 16, 2021. As of the date of this MD&A, CAC is 100% owned by CAG.

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.

## **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 (the "Territory") through sub-distributors.

## **OVERALL PERFORMANCE IN 2021**

The global outbreak of the COVID-19 pandemic since the beginning of 2020 continues to adversely impact the Company's operations until now. As a result, the Company posted operating losses for consecutively two years.

China was the first country to experience the outbreak of COVID-19 in the world. Although the local market appeared to gradually picked up from the bottom since late 2019, the congested global transportation took a serious toll on the Company's business in China as lead time for importing the MVP products from the USA had significantly increased since the beginning of 2021.

Focusing on the aeronautic sector, TME's business is also severely impacted by the COVID-19 pandemic. The global traveling ban throughout 2020 jeopardized the Company's capability in soliciting new projects for building meaningful order books for 2021, resulting in further decline in machine sales at TME and CAC in 2021. To mitigate the business risk from being too concentrated in one sector, TME dedicated more R&D efforts in cultivating its standardized SMART solutions and other products in the non-aeronautic sector in 2021. As governments in Europe and North America gradually eased travel bans at the end of 2021, TME started to see mild recovery of its order books during the 4<sup>th</sup> quarter of 2021.

In summary, the Company's revenue totaled \$5,886,876 in 2021, compared to revenue of \$6,779,139 in 2020, and an operating loss of \$1,318,550, compared to an operating loss of \$2,400,841 in 2020. Largely due to the reverse of share-based compensation during 2021, the Company incurred other income of \$1,282,224, compared to other expenses of \$979,734 in 2020. The Company's net loss was \$36,326 in 2021, compared to a net loss of \$3,380,575 in 2020. The Company reported a total comprehensive loss of \$27,752 in 2021, compared to a total comprehensive loss of \$3,470,876 in 2020.

## **SUMMARY OF ANNUAL FINANCIAL RESULTS**

Subsequent to the reverse takeover by the acquirer TME effected on February 12, 2019, the annual financial information presented ended December 31, 2021 is comprised of the consolidated financial information of Composite Alliance Group Inc. and its legal subsidiaries TME and CAC. 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, 2021 Audited	December 31, 2020 Audited	December 31, 2019 Audited
Total revenue	\$ 5,886,876	6,779,139	\$14,734,750
Total expenses	7,205,426	9,179,980	13,689,719
Other expenses (income)	(1,282,224)	979,734	4,127,363
Net income (loss)	(36,326)	(3,380,575)	(3,082,332)
Basic earnings (loss) per share	0.00	(0.03)	(0.03)
Diluted earnings (loss) per share	0.00	(0.03)	(0.03)
Comprehensive income (loss)	(27,752)	(3,470,876)	(3,192,303)
Current Assets	8,314,999	9,491,277	8,591,490
Non-current Assets	1,900,911	2,476,457	3,176,813
Total Assets	10,215,910	11,967,734	11,768,303
Current Liabilities	3,814,492	5,938,999	5,114,930
Non-current Liabilities	8,225,296	7,690,475	5,509,083
Total Liabilities	12,039,788	13,629,474	10,624,013

## ANNUAL RESULTS OF OPERATIONS

### Revenue

Total revenue declined by 13.2% in 2021 to \$5,886,876 from \$6,779,139 in 2020.

#### Revenue Breakdown (\$000) by Product

Product	2021	2020	Growth
Machine sales – TME and CAC (gross)	\$5,809.6	\$6,683.9	-13.1%
MVP Products (net)	77.3	95.3	-18.9%
Total	\$5,886.9	\$6,779.1	-13.2%

#### (1) Machine sales – TME and CAC

Revenue from machine sales declined by 13.1% in 2021 from 2020. Such decline could be attributed to both internal and external factors:

- Demand in the aeronautic sector continued to be weak in 2021 in general;
- Constrained by the global travel ban, TME wasn't able to travel to customers' premises to install machines as planned, nor could TME and CAC efficiently solicit new projects by customer visits; and

- The Company’s sales activities in North America was disrupted unexpectedly when CAC’s sales director resigned in April 2021. CAC didn’t conduct any active sales activities in North America until a sales engineer was hired in October 2021.

Although Asia appeared to contribute half of the Company machine sales in 2021, those projects were mostly carried over from 2020. New projects signed and delivered by the Company during 2021 mainly came from Europe.

To diversify its product mix, TME dedicated itself in more R&D efforts in 2021 as follows:

- Further improved the product characteristics of SMART solutions so they are better aligned with the need from the customers; and
- Entered into an R&D collaboration project to develop standardized multi-axel machines for carbon fiber production.

Looking forward, while governments in Europe and North America gradually eased travel bans at the end of 2021, TME sees mild recovery of its order books during the 4<sup>th</sup> quarter of 2021. Furthermore, after being quiet for a whole year in 2021, the Chinese aeronautic market regained certain momentum. Since the beginning of 2022, TME has already participated in two bidding projects in China.

#### **Machine Sales Breakdown (%) by Geography**

<b>Region</b>	<b>2021</b>	<b>2020</b>
Asia	50%	28%
Europe	45%	32%
North America	5%	40%
Total	100%	100%

#### (2) MVP Products

The Company distributes MVP products through sub-distributors and books revenue on a ‘net basis’.

In 2021, net sales declined by 18.9% to \$77,309 from \$95,267 in 2020, mainly due to weak customer demand and longer delivery lead time. The Company was expecting the business to pick up slowly in 2022 from the low in 2021, but the recent surge of Covid-19 cases and lockdowns in some major cities in China such as Shanghai again introduced new uncertainties to this business.

#### **Expenses**

Purchases of raw materials and goods declined by 40.1%, and purchases from sub-contractors also declined by 10.9% in 2021 from 2020, respectively. These two purchase costs (“Total Purchases”) together accounted for 45.0% of revenue (“Total Purchase %”) in 2021, compared to 54.0% in 2020. While the decline in sales resulted in the decline in Total Purchases by default, the following two factors attributed to the lower Total Purchases % in 2021: (1) different product mix and delivery stage of projects in 2020 and 2021; and (3) a small portion of the purchases associated with certain R&D projects was capitalized in 2021.

Payroll expenses and social security contributions declined by 13.7% in 2021 from 2020, primarily because some payroll expenses of R&D employees occurred on certain R&D projects were capitalized in 2021. If adding back those capitalized payroll expenses, and ignoring the government subsidies in both years, the

payroll expenses and social security contribution in 2021 in fact remained flat from 2020 at constant exchange rates despite employee numbers in 2021 than 2022.

Selling, general and administration expenses decreased by 12.5% in 2021 over 2020. The decrease was mainly due to the foreign exchange rate variation between these two years. If comparing on the basis of constant exchange rates, the SG&A in fact showed slight increase due to the commissions paid for a Chinese project in 2021 and increasing traveling activities in Europe and North America in late 2021.

Depreciation and amortization decreased by 14.8% in 2021 over 2020. The amortization of the previously capitalized robotized products was completed in 2021, while the Company incurred new development costs from R&D projects which were capitalized in 2021, but have not yet started amortizing.

In 2021, the reversal of provisions was mainly from lower-than-expected retirement compensation paid to the former CFO in TME.

#### Number of Paid Employees

Company	As of December 31 2021	As of December 31 2020	Growth
CAG	2	2	+0
TME	33	35	-2
CAC	2	2	+0
Total	37	39	-2

#### Breakdown of Operating Expense (\$000)

Expense Items	2021	% to revenue	2020	% to revenue	Growth
Purchased raw materials and goods	\$1,244.7	21.1%	\$2,078.5	30.7%	-40.1%
Subcontractor	1,407.5	23.9%	1,579.5	23.3%	-10.9%
Payroll expenses and social security contributions	2,293.1	39.0%	2,656.4	39.2%	-13.7%
Selling, general and administrative	1,327.9	22.6%	1,476.4	21.8%	-12.5%
Property and apprenticeship taxes	76.4	1.3%	112.3	1.7%	-31.9%
Depreciation and amortization	960.2	16.3%	1,127.4	16.6%	-14.8%
Provision variations	(104.3)	-1.8%	149.6	2.2%	N.A.
Total	\$7,205.4	122.4%	\$9,178.0	135.4%	-21.5%

#### **Other Expenses**

The Company recognized a nominal amount of share based compensation associated with options issued to the management and the amortization of such share based compensation had completed in 2021.

During 2021, the management of the Company determined that the likelihood on meeting the condition (earnings target) imposed on the preferred shares issued during the reverse takeover in 2019 was remote. Therefore, a recovery of the share based compensation in the amount of \$1,206,356 was recognized and included in other income in 2021.

Finance cost decreased by 63.9% in 2021 from 2020. The decrease was mainly due to the restructuring (lowering interests and/or extending maturity dates) of most of the debts with related parties in September 2021.

Other income in 2021 was mainly from the subsidies which TME received from the European government.

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

EXPENSE (INCOME) ITEM	2021	% TO REVENUE	2020	% TO REVENUE	GROWTH
STOCK BASED COMPENSATION	\$(1,203.8)	-20.4%	\$667.8	9.9%	N.A.
FOREIGN EXCHANGE (GAIN) LOSS	(21.4)	-0.4%	84.3	1.2%	N.A.
FINANCE COSTS	228.3	3.9%	632.8	9.3%	-63.9%
OTHER EXPENSE (INCOME)	(285.2)	-4.8%	(405.2)	-6.0%	N.A.
TOTAL	\$(1,282.1)	-21.8%	\$979.7	19.3%	N.A.

### **Profits**

The Company posted an operating loss of \$1,318,550 in 2021, compared to an operating loss of \$2,400,841 in 2020. After considering the other expense/income items, the Company posted a net loss of \$36,326 in 2021, compared to a net loss of \$3,380,575 in 2020.

### **SUMMARY OF QUARTERLY FINANCIAL RESULTS**

Subsequent to the reverse takeover by the acquirer TME effected on February 12, 2019, the quarterly financial information presented for the interim period ended December 31, 2021 is comprised of the consolidated financial information of Composite Alliance Group Inc. and its legal subsidiaries TME and CAC. 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, 2021 Unaudited	3 Months Ended December 31, 2020 Unaudited	3 Months Ended September 30, 2021 Unaudited	3 Months Ended September 30, 2020 Unaudited	3 Months Ended June 30, 2021 Unaudited	3 Months Ended June 30, 2020 Unaudited	3 Months Ended March 31, 2021 Unaudited	3 Months Ended March 31, 2020 Unaudited
Total Revenue	\$1,860,457	\$2,342,951	1,415,843	\$1,034,894	\$541,103	\$1,008,208	\$2,069,473	\$2,393,086
Total operating expenses	1,643,777	2,259,846	1,829,333	1,728,224	1,424,695	1,981,439	2,307,621	3,210,469
Other expenses (income)	(60,131)	66,632	166,166	327,540	(1,516,748)	258,218	128,489	327,346
Net income (loss)	276,812	16,473	(579,656)	(1,020,872)	633,155	(1,231,449)	(366,637)	(1,144,729)
Comprehensive income (loss)	227,985	(177,501)	(543,409)	(1,000,393)	654,815	(1,258,087)	(367,143)	(1,034,895)
Earnings per share:								
Basic	0.00	(0.00)	(0.00)	(0.01)	0.01	(0.01)	(0.00)	(0.01)
Diluted	0.00	(0.00)	(0.00)	(0.01)	0.01	(0.01)	(0.00)	(0.01)

## **FOURTH QUARTER RESULTS OF OPERATIONS**

During the three-month period ended December 31, 2021, the Company's revenue totaled \$1,860,457, compared to revenue of \$2,342,951 during the same period in 2020, and an operating profit of \$276,812, compared to an operating profit of \$16,473 during the same period in 2020. The Company also incurred other income of \$60,131, compared to other income of \$66,632 during the same period in 2020. The Company's net income for the three-month period ended December 31, 2021 was \$276,812, compared to a net profit of \$16,473 during the same period in 2020. The Company reported a total comprehensive income of \$227,985, compared to a total comprehensive loss of \$177,501 during the same period in 2020.

## **CAPITAL RESOURCES MANAGEMENT**

During 2021, the Company generated negative cash of \$1,415,923 from operating activities, compared to positive cash flows of \$774,306 in 2020. This negative cash flow in 2021 was mainly resulted from the reversal of stock-back compensation and reduction in trade and other payables.

The Company had negative cash flows of \$558,080 from investing activities in 2021, compared to negative cash flows of \$166,206 in 2020. The cash outflows in 2021 were mainly due to the capitalization of certain R&D expenses for the new products.

In 2021, the Company continued to acquire low-cost financing backed up by the French government. It also withdrew \$600,000 from the existing loan facility provided by a related party. The Company posted positive financing cash flows of \$1,408,079, compared to positive cash flows of \$1,537,259 in 2020.

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, 2021, the Company had cash of \$2,070,582 and working capital of \$4,500,507, compared to \$2,929,679 and \$3,552,278, respectively as of December 31, 2020. The decrease in cash balance were resulted mainly from the negative operating cash flows, while the increase in working capital was mainly resulted from the restructuring of related party loans in 2021.

## **GOING CONCERN AND COVID-19**

The world is facing new waves of threats from COVID-19 Variant until today. Although full lockdowns in different countries appear less and less with the rising vaccination coverage, global travel bans are still commonly seen in most countries in Asia, especially in China, where major cities such as Shanghai are being mandatory lockdown in April 2022. These measures could negatively impact the Company's operations.

The Company's going concern remains dependent upon its ability to generate enough operating cash flows from existing and new projects, obtain continuous support from related parties, and/or raise or borrow additional funds. During 2021, the Company extended most of its French government backed loans with a 5-year repayment scheme, and successfully restructured most of its related party loans with longer maturities and/or lower interest rates. The Company also received an additional \$20,000 CEBA loan and withdrew \$600,000 from the existing loan facility provided by a related party to finance its working capital needs.

As of the date of this MD&A, the Company does not foresee any significant risk in collecting its accounts receivable from customers, a primary source of its cash flows. The Company also has an existing loan facility from a related party in the amount of \$400,000, which could be mobilized at any time should the Company require extra financing. The Company will continue watching the development of the pandemic closely in order to formulate effective counter measures on a timely manner.

## **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 equivalents, accounts receivable, and other receivables. The risk is mitigated as the cash and cash equivalents are maintained with major financial institutions. The credit risk on accounts receivable is mitigated with a diverse customer base and close monitoring of the collection of the accounts receivable by the Company.

### **Liquidity Risk**

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liabilities when due. The Company has cash of 2,070,582 and working capital of \$4,500,507 as of December 31, 2021.

## **ACCOUNTING POLICIES**

### **Basis of Preparation**

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

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

### **Functional and Presentation Currency**

These consolidated 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 consolidated 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 consolidated 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 €200,000 (CAD \$287,820) for advanced payment refunds for its French customers that are due on demand, bear weighted average interest at 1.5% per annum (December 31, 2020 – 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. When these facilities are used, an amount of cash that equal to 50% of the guaranteed amount has to be deposited and held in escrow by the bank until the guarantee expires. As at December 31, 2021, CAD \$nil (€nil) was outstanding on the facility (December 31, 2020 – CAD \$nil (€nil)).

Credit facility up to a maximum of €200,000 (CAD \$287,820), 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% per annum. (December 31, 2021 – €550,000 at 3-month Euribor rate plus 2.51% 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, 2021, CAD \$nil (€nil) was outstanding on this facility (December 31, 2020 - CAD \$nil (€nil)).

Credit facility for an aggregated amount of €1,350,000 (CAD \$1,942,785), unsecured, due on the maturity of invoices issued to its customers and bears weighted average interest at 1-month Euribor rate plus 1.80% per annum. (December 31, 2021 – €1,350,000 at 1-month Euribor rate plus 1.80% 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, 2021, CAD \$nil (€nil) was outstanding on this facility (December 31, 2020 – CAD \$nil (€nil)).

An aggregate bank guarantees up to a maximum of €1,300,000 (CAD \$1,870,830) for advanced payment refunds for its foreign customers that are due on demand, bear weighted average interest at 1.75% per annum (December 31, 2020 – €1,100,000 at 1.72% 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, 2021, there were \$828,994 (€576,050) guarantees outstanding (December 31, 2020 - \$174,497 (€111,800)).

An aggregate foreign exchange cover line up to a maximum of €3,500,000 (CAD \$5,036,850) (December 31, 2020 – €4,500,000). As at December 31, 2021, CAD \$nil (€nil) was outstanding on this facility (December 31, 2020 – CAD \$nil (€nil)).

Import credit line up to a maximum of €100,000 (CAD \$143,910) to facilitate the negotiation of the purchases from suppliers by offering the certainty of payment through the drafting of an import credit line contract. (December 31, 2020 – €100,000). 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 2020 and was cancelled during the year. As at December 31, 2021, CAD \$nil (€nil) was outstanding on this facility (December 31, 2020– CAD \$nil (€nil)).

### Transaction Between Related Parties

In 2021, the Company has the following related party transactions:

	December 31, 2021	December 31, 2020
Stock based compensation to directors and officers of the Company	<b>\$2,532</b>	\$26,065
Director fees to non-executive directors	<b>10,500</b>	10,500
Salaries	<b>891,052</b>	981,603

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

	December 31, 2021	December 31, 2020
Real property leases paid to a company controlled by a director of the Company	<b>\$137,014</b>	\$141,356
Finance cost paid or accrued to a company controlled by a director of the Company	<b>207,456</b>	228,174
Finance cost paid or accrued to two of the directors of the Company	<b>72,910</b>	178,845
Stock based compensation to companies controlled by directors of the Company	<b>(1,203,824)</b>	641,753
Professional fees paid to a company controlled by a director of the Company	<b>21,875</b>	30,640
Commissions paid or accrued to the two companies controlled by two directors of the Company	<b>169,853</b>	86,083

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

	December 31, 2021	December 31, 2020
Receivable from a company controlled by a director of the Company	<b>\$286,162</b>	\$308,956
Convertible debentures issued to a company controlled by a director of the Company	<b>2,047,736</b>	2,391,863
Long term borrowing advanced from a company controlled by a director of the Company	<b>1,469,247</b>	1,896,321
Long term borrowing advanced from a company controlled by an officer of the Company	<b>1,255,121</b>	900,120
Long term borrowing advanced from companies controlled by two of the directors of the Company	<b>341,807</b>	334,897

### Changes in Accounting Policies

None.

**Disclosure of Share Information**

Shares outstanding:

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

Stock options outstanding:

1,600,000 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.