

Composite Alliance Group Inc.

MANAGEMENT DISCUSSION & ANALYSIS

FORM 51-102F1

For the Year Ended December 31, 2023

This Management Discussion and Analysis ("**MD&A**") is dated April 29, 2024.

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, 2023. 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 of the Company for the year ended December 31, 2023. Additional information can be found on CAG on the SEDAR+ website (www.sedarplus.ca).

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 September 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, T2P 2Z1, Canada.

The Company owns 100% of Techni-Modul Engineering S.A. ("**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") with the intention of positioning it as its sales and after-sales hub for Asian customers in the future. However, as of the date of this MD&A, CAA has not 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 who 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 a new business of distributing dispensing equipment of Magnus Venus Products ("MVP") in the People's Republic of China (the "Territory") through sub-distributors.

SENIOR MANAGEMENT STRUCTURE:

In 2023, Serge Luquain who founded TME, retired as CEO and Stephane Besson, Sales Director, was promoted to replace him. Stephane comes with 24 years of experience at TME including ever increasing roles of responsibility. He holds a degree in engineering and spent most of his career in the aeronautical industry. The prior CEO and chairman, Serge Luquain has retained his position as Chief Technical Officer (CTO) at CAG. Also, in July, Vishwa Mootooveen was appointed as the new CFO of CAG. Vishwa brought more than 25 years of finance, accounting & operations experience in different companies in Canada and worldwide.

OVERALL PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2023

In 2023, the aeronautic sector showed a major improvement with record orders in this sector because of the years lost during Covid and the sudden increase in number of travelers worldwide. The Company, through TME, experienced a strong and sustained recovery in activity. At the end of December 2023, the Company had a total order book of over \$20.3 million (13.7M Euros) to be delivered in 2024 and 2025. With the changes in TME's operations as specified below, the company is confident that it can deliver on time and within set budget.

With the positive momentum regained by the aeronautic sector, the financial performance of the Company is showing signs of recovery. The Company was able to increase its revenue significantly compared to the same period of 2022, and under the new leadership, expectations were reviewed and TME's management decided to onboard consultants at the end of 2023 to recommend and implement a lean strategy to increase profitability, productivity and removal of non-value-added activities. The three main objectives are to complete all future projects:

- On time;
- Within the hours sold; and
- Within the purchasing budget, if not less.

Also, as a complement, the Company, through TME, continued to develop R&D projects and the AI (Artificial Intelligence) based projects under the Smart brands (software-based products). TME secured a SMART Control project in the USA in 2023 and is still actively pursuing marketing efforts in that direction for 2024 and beyond. The AI lab has been under the leadership of Dr. Charles-Antoine Noury, PhD in Computer Vision from "Institut Pascal" of Clermont Ferrand, France with a strategic focus on metrology using different sensor modalities (camera, laser etc.). This is expected to be a new revenue segment with estimated low costs and high margins and will allow the Company to participate in the momentum created by AI space. The products have already gone through beta testing processes and are ready to market.

However, to deploy these products on a larger scale, the Company introduced this project to two Canadian universities, namely, University of Alberta – Computer Science department and MacEwan University – Business School. The plan is to use academic support for developers to help the French team in TME as well as initiating marketing research through graduate students for an appropriate marketing strategy that can be executed for the North American market.

In summary, the Company's revenue totaled \$14,354,589 in 2023, compared to revenue of \$6,868,030 in 2022, and an operating loss of \$1,046,292, compared to an operating loss of \$959,596 in 2022. The Company incurred other income of \$675,570 in 2023 compared to other income of \$233,935 in 2022. The Company's net loss was \$812,607 in 2023, compared to a net loss of \$422,721 in 2022. The Company reported a total comprehensive loss of \$889,682 in 2023, compared to a total comprehensive loss of \$512,734 in 2022.

Sales mix for TME changed in 2023 compared to 2022 with Asian markets increasing from 40% to 52% while sales from European clients decreased from 50% to 40%, and USA markets did not show any progress with a low sales mix of 7% from 10%.

Region	2023	2022
Asia	53%	41%
Europe	41%	50%
North America	7%	10%
Total	100%	100%

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, 2022 and 2023 are comprised of the consolidated financial information of the Company and its 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	31-Dec-23 Audited	31-Dec-22 Audited	31-Dec-21 Audited
Total revenue	\$14,354,589	\$6,868,030	\$5,886,876
Total expenses	15,400,877	7,827,626	7,205,426
Other expenses (income)	-233,685	-536,875	-1,282,224
Net income (loss)	-812,607	-422,721	-36,326
Basic earnings (loss) per share	-	-	-
Diluted earnings (loss) per share	-	-	-

Comprehensive income (loss)	-889,682	-512,734	-27,752
Current Assets	9,244,256	9,111,077	8,314,999
Non-current Assets	4,378,947	2,932,769	1,900,911
Total Assets	13,623,203	12,043,846	10,215,910
Current Liabilities	9,201,559	6,505,765	3,814,492
Non-current Liabilities	7,944,880	8,171,635	8,225,296
Total Liabilities	17,146,439	14,677,400	12,039,788

ANNUAL RESULTS OF OPERATIONS

Revenue:

Total revenue increased by 109% year over year and totaled \$14,354,589 for 2023 compared to revenue of \$6,868,030 for the same period in 2022 (109% increase), mostly due to increasing contracts post-covid and more orders from Europe and Asia.

Revenue Breakdown (\$000) by Product

Product	2023	2022
Machine sales- TME & CAC- gross	\$ 14,312	\$ 6,797
MVP Products(net)	\$ 42	\$ 71
Total	\$ 14,354	\$ 6,868

In 2023, revenue from machine sales increased by 110% compared to 2022, which can be attributed to various internal and external factors as follows:

- The aeronautic sector's demand continued to regain momentum in 2023 after a pick-up in 2022.
- The Company saw an increase in the number of new projects signed and delivered during 2023, primarily from Europe and Asia.

ANNUAL RESULTS OF OPERATIONS:

Number of Paid Employees

COMPANY	AS OF DEC 31, 2023	AS OF Dec 31, 2022	GROWTH
CAG	1	2	-1
TME	40	39	+1
CAC	1	2	-1
TOTAL	42	43	-1

With an increase in turnover of 109% year over year, TME has shown that no new hires were needed and this will be assessed in more detail in future.

Expenses

Expense items	2023	% to revenue	2022	% to revenue	Growth
Purchased raw material and goods	\$5,564.4	38.8%	\$2,693.0	39.2%	106.6%
Payroll expenses and social security contributions	\$1,456.2	10.1%	\$1,927.0	28.1%	-24.4%
Subcontractor	\$4,146.0	28.9%	\$1,385.7	20.2%	199.2%
Selling, general and administrative	\$2,517.8	17.5%	\$1,171.6	17.1%	114.9%
Property and apprenticeship taxes	\$226.2	1.6%	\$64.8	0.9%	249.1%
Depreciation and amortization (Note 5 & 6)	\$773.6	5.4%	\$609.7	8.9%	26.9%
Provision variations	\$716.7	5.0%	-\$24.2	-0.4%	-870.1%
TOTAL	15,400.9	107.3%	7,827.6	114.0%	90.0%

The purchased raw materials and goods decreased slightly as a percentage of revenue at 38.8% compared to 39.2% in 2022, while more needs to be done to get lower purchasing costs with higher volumes.

Likewise, payroll expenses decreased by \$0.5M due to non-replacement of a few positions in TME, while subcontractor costs increased considerably by \$2.7M, an increase of 199% year over year mostly as a result of increase in business activities and also more purchases from subcontractors. The plan for 2024 is to focus on decreasing the subcontractors' labour related expenses to improve profitability by possibly more hiring

Selling, general and administrative expenses increased by \$1.3M due to more sales commissions, marketing expenses, legal and accounting fees year over year, while taxes and related payments increased because of a potential penalty from the IRS for non-filing of taxes for CAC in 2022, due mainly to improper coordination by (US 100K) \$161K. A US CPA has been hired to coordinate with the IRS to review the penalty and still pending.

Depreciation increases of \$164K were due to the acquisition and leasing of a few assets in 2023.

An increase in provision of \$863K for losses in contract, warranty and tax penalty:

- \$161K, (USD \$100K) is for an IRS penalty in 2023.
- \$171K (117K Euros) which are for a potential loss carried into 2024 for one of the major projects in TME. TME is still in discussions with the client to review scope.
- Loss on a contract for \$366K (Sky Advanced).
- For the two contracts with the loss provision, there was a loss on the contracts, as the unavoidable costs of meeting the obligations exceeded the enforceable contract value. For contracts that have become onerous, a provision in the scope of IAS 37 applies. The amount booked as a provision expense was management's best estimate of the expenditure to settle the contract.
- Warranty provision on projects completed in 2023 based on the best estimate of the future expenditures at December 31, 2023 -\$165K.

FOURTH QUARTER RESULTS OF OPERATIONS

During the three-month period ended December 31, 2023, the Company's revenue totaled \$4,827,435, compared to revenue of \$14,186,978, during the same period in 2022, and an operating loss of \$844,143 compared to an operating profit of \$790,297 during the same period in 2022. The Company also generated other income of \$501,205, compared to other income of \$352,191 during the same period in 2022. The Company's net loss for the three-month period ended December 31, 2023, was \$342,938, compared to a net profit of \$1,382,786 during the same period in 2022. The Company reported a total comprehensive loss of \$347,327, compared to a total comprehensive income of \$1,355,186, during the same period in 2022.

CAPITAL RESOURCES MANAGEMENT

During 2023, the Company generated positive cash flows of \$3.6M from operating activities, compared to a negative cash flow of \$1.7M during the same period of 2022. This increase in cash results mainly from the increase in change in trade and other payables in 2023.

In investing, the acquisition of intangible assets increased by \$1.8M which was mostly developments costs in R&D and AI departments.

Also, the Company posted negative cash flows of \$0.9M from its financing activities, compared to negative financing cash flows of \$0.5M during the same period of 2022.

This increase of cash outflow is a result of higher debt repayment and repayment of lease obligations, in 2023.

GOING CONCERN

Although the Company suffered a cumulative net loss of \$358,479, revenue has significantly increased year over year. The Company is confident in its ability to continue operations and sustain profitability. 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. It has taken and continues to take measures to improve its profitability, by exploring new sources of revenue and developing new products. In addition, the Company has confirmed orders of more than \$20 million for 2024, which gives it confidence in its ability to generate sufficient revenues to meet its obligations in a timely manner.

TME has engaged ABL Consultants to deploy a lean strategy that is expected to help it to improve its productivity and profitability in the short term. The lean consultants have already deployed a road map for December 2023 to December 2024 with respect to what tools and processes are to be deployed and where.

TME does not foresee any significant risk in collecting its accounts receivable. The finance department plans to start reporting monthly management accounts where profitability, performance and liquidity will be measured, tracked and reported. Also, the kick-off on a larger scale of the Smart projects as a different revenue segment towards the end of 2023 may bring additional business to TME in 2024 and onwards. TME has secured orders of \$16.5M (11.3M Euros) for 2024 and is working towards additional potential orders for an estimate of \$5.2M (3.5M Euros) for 2024.

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.

Business Risks

Business risks increasing the susceptibility to risks of material misstatement may arise from concentration risk, intellectual property risk in China, risk of delays in project completion and risk of non-payment due to customer insolvency.

- **Concentration Risk for Projects in France, Europe and US**

The Company faces a risk due to the large size of its projects in relation to its annual revenue. The production chain includes many integrated means, which has harmful consequences for the Company. Nevertheless, this risk of project size versus revenue decreases from this year onwards, as revenue is on the rise.

- **Intellectual Property Risk in China**

TME has been doing business in China for 18 years and so far has not faced any significant intellectual property infringement by Chinese companies. Nevertheless, TME is exposed to a potential risk of unfair competition in Asia, which could result in the replication of its proprietary knowledge, resulting in lower selling prices and longer decision-making processes. In response, TME has decided not to market Smart Control and Smart Pilot software in China at this time.

- **Risk of Delays in Project Completion**

TME is confronted with the possibility of project delays stemming from the protracted Studies/Implementation cycle that typically takes eight to ten months to finalize. This situation may impede TME from achieving its goal of generating revenue from orders exceeding 70% of the previous year's target. Moreover, TME is now facing a new challenge of potential delivery delays due to difficulties in sourcing specific machine components from 2022. To tackle these obstacles, TME has been striving to sell equipment with shorter implementation cycles of four to six months since 2020. Additionally, TME is taking measures to enhance the volume of offers and promote the commercialization of products with shorter implementation cycles. These actions are supported by TME's lean initiative, aimed at optimizing TME's processes and enhancing efficiency. The objective is to minimize the impact of project and delivery delays on TME's business performance and maintain TME's competitiveness in the market.

- **Risk of Non-Payment Due to Customer Insolvency**

TME is exposed to the potential risk of customers becoming insolvent, which could result in financial difficulties and even the cessation of its operations. To reduce this risk, TME takes several precautions. For instance, when dealing with Chinese clients with whom TME signs sizable contracts, TME requires the establishment of a documentary credit. Additionally, for new clients, TME conducts a solvency analysis before agreeing to the contract. Furthermore, TME performs regular financial analysis of clients, which enables it to identify potential issues early on and take appropriate measures to mitigate the impact of non-payment. Through the implementation of these safeguards and the monitoring of its clients' financial stability, TME can reduce the risk of non-payment and maintain its financial well-being.

- **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**

As of December 31, 2023, the Company is still facing potential liquidity risk, which is one of its main challenges. The Company's debt has increased significantly in recent years, mainly to finance its business expansion. The Company provides the following analysis of its liquidity:

1. **Cash Flow:** The Company expects to increase its revenue in 2024 due to confirmed contracts totaling more than \$16.6 million (11.3M Euros) with an objective to reach \$20 million by the end of 2024. With the implementation of monthly management reports of which cashflow reviews will be part of an ongoing process of managing and controlling inflows with timing of outflows so that the Company will have a better understanding of its liquidity issue.
2. **Financial Obligations:** The Company has significant financial obligations related to its long-term contracts for equipment, including maintenance costs and lease payments. The Company has financing facilities for working capital up to \$2.7 million prior to the delivery of goods to its foreign customers. The Company is also exploring financing options to manage its long-term obligations, including debt financing. With this sudden increase in new projects at TME, an adequate cash flow will be needed, and the partner banks have been kept in the loop as well as BPI France which is a body supporting French SMEs to finance projects in France and international trade. The Company needs to ensure that it has sufficient cash available to handle these projects on time and within budget and ensure receiving timely payments from customers.
3. **Contingencies:** Although the Company does not have reserves to manage potential contingencies related to disputes with customers, it has never faced product recalls. While disputes with customers related to the performance of the equipment may arise, the Company has a team of experts who specialize in managing complex contracts and work to resolve any potential disputes in a timely and efficient manner. This may involve providing credit notes or reducing the final invoice to reach a mutually beneficial resolution. The Company recognizes the importance of maintaining positive relationships with its customers and is committed to providing high-quality products and services.
4. **Other Factors:** The Company operates in a competitive industry and needs to stay up-to-date with technological advancements and changing customer needs. The Company invests in research and development to maintain its competitive edge and is constantly evaluating new products and services to offer its customers.

In summary, the Company faced less liquidity risk in 2023 compared to 2022. The Company is in a good trend to increase its revenue for 2024, which is expected to provide additional stability to its cash flow position. The Company is taking measures to manage its cash carefully and explore financing options to manage its financial obligations related to its long-term contracts for equipment. Although the Company does not have reserves to manage potential contingencies related to disputes with customers, it has never faced product recalls and works to resolve any potential disputes in a timely and efficient manner. Finally, the Company operates in a competitive industry and is investing in research and development to stay ahead of its competition.

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

The consolidated financial statements are presented in 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 and USD, respectively.

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-Transactions Between Related Parties:

The balance of \$33,779 (2022 – \$730,232) was a bank overdraft outstanding as at December 31, 2023. The following facilities are also available to the Company as at December 31, 2023 and December 31, 2022:

- i) Credit facility for an aggregated amount of €1,345,596 (CAD \$1,968,069), 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, 2022 – €1,345,596 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, 2023, CAD \$nil (€nil) was outstanding on this facility (December 31, 2022 – CAD \$nil (€nil)).
- ii) Aggregated bank guarantees up to a maximum of €1,200,000 (CAD \$1,755,120) for advanced payment refunds for its foreign customers that are due on demand, bear weighted average interest at 1.76% per annum (December 31, 2022 – €1,200,000 at 1.76% 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, 2023, there were \$nil guarantees outstanding (December 31, 2022 - \$443,442 (€111,860 and USD \$208,000)).
- iii) An aggregated foreign exchange cover line up to a maximum of €3,500,000 (CAD \$5,119,100) (December 31, 2022 – €3,500,000). As at December 31, 2023, CAD \$nil was outstanding on this facility (December 31, 2021– CAD \$2,588,461 (€1,500,000 and USD \$309,924)).

For the period ending December 31, 2023, the Company has the following related party transactions:

	December 31, 2023	December 31, 2022
Director fees to non-executive directors	\$ 15,000	\$ 5,250
Salaries	793,379	789,514

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

	Dec 31, 2023	Dec 31, 2022
Real property leases paid to a company controlled by an 2SL-IMMO, controlled by Serge Luquain (former CEO and President)	\$ 112,382	\$ 105,461
Finance cost paid or accrued (net recovery) to Malchemy Corp., a major shareholder (on €1.5m convertible debenture and €950k loan)	67,179	(601,989)
Finance cost paid or accrued to two companies controlled by two of the directors of the Company (\$660k debenture at CAG)	13,200	13,200
Professional fees paid to a partnership of which a director of the Company, Dale Burstall, is a Partner	56,528	19,968
General administrative fee paid to a company controlled Safer Transitions Inc. (owned by Roger, former CFO of CAG)	40,602	29,385
Commission expense paid (recovery) or accrued to two companies controlled by two directors of the Company (Sino Composites and K Plus Management) (TME)	319,531	(410,127)
General administrative fee paid to an officer of the Company, Vishwa Mootooeveren, CFO	75,600	-

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

	December 31, 2023	December 31, 2022
Receivable from SPV Finances, a company controlled by Serge Luquain, former CEO and President of the Company and current CTO and director of the Company	\$ 302,383	\$ 288,234
Convertible debentures issued to Malchemy Corp., a major shareholder, 8% market rate and 0% (amended to 3% at one point then to 2%) actual rate (TME)	2,144,193	1,895,966
Long-term borrowing advanced by Malchemy Corp., a major shareholder, 5.72% on 950€ (became 1.7% Jan 1, 2021) (TME), non-interest bearing USD\$73,000 (CAC)	1,423,862	1,351,599
Long-term borrowing advanced by Team Alpha Limited, a company owned by Jim Hsieh (former CEO and current director of CAG), 2% (used to be 5%) on \$400K (CAG), \$351K (CAG), and \$600K (CAG)	1,452,854	1,369,831
Long-term borrowing advanced from companies controlled by two directors (Malchemy and K Plus Capital LLC, formerly convertible debenture on \$660K loan) (CAG)	528,041	515,490
Trade receivable from Sky Composite, a company owned by Mr. Zhang, the President and CEO of the Company	0	289,160
Trade receivable owed to Ya-King, a company owned by Jim Hsieh's son. Mr. Hsieh is the former CEO and current director of CAG	146,260	144,580

Changes in Accounting Policies

The amendments to IAS 1, Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period. The amendments also require an entity to disclose its material accounting policies rather than its significant policies. The adoption of this amendment did not have a material measurement or disclosure impact on the Company's financial statements.

Disclosure of Share Information

Shares outstanding:

110,233,610 commons share outstanding as at the date hereof.

Stock options outstanding:

None.

APPROVAL

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