

Composite Alliance Group Inc.

Condensed Consolidated Interim Financial Statements
September 30, 2025
(In Canadian dollars)
(Unaudited)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Composite Alliance Group Inc. (the “Company”) have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company’s auditors.

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

	September 30, 2025	December 31, 2024
	(Unaudited)	
Assets		
Cash and cash equivalents	\$ 1,162,229	\$ 457,039
Accounts receivable	7,130,457	3,207,094
Contract asset	4,377,087	7,615,964
Prepaid expense and others	28,816	137,866
Sales tax and other receivables	1,004,904	1,285,186
Total current assets	13,703,493	12,703,149
Other assets and receivables (Note 4)	95,552	379,697
Property and equipment (Note 5)	903,891	1,033,774
Intangible assets (Note 6)	3,816,854	3,664,821
Total assets	\$ 18,519,790	\$ 17,781,441
Liabilities		
Short term borrowing (Note 7)	\$ -	\$ 535,305
Accounts payable and accrued liabilities (Note 8)	7,126,306	8,689,908
Current portion of long-term borrowings (Note 9 & 16)	3,973,415	2,283,015
Current portion of lease obligation (Note 10)	289,738	268,104
Current portion of convertible debentures (Note 11 & 16)	2,560,443	-
Short-term provisions (Note 12)	122,809	270,538
Contract liabilities	2,704,306	3,418,085
Total current liabilities	16,777,017	15,464,955
Convertible debentures (Note 11 & 16)	-	2,260,632
Long-term borrowings (Note 9 & 16)	7,322,696	4,583,249
Lease obligation (Note 10)	593,730	739,302
Provision (Note 12)	-	54,508
Post-employment benefits plans	283,927	277,141
Research tax credit	90,253	199,887
Total liabilities	25,067,623	23,579,674
Shareholders' equity		
Share capital (Note 13)	4,890,766	4,890,766
Contributed surplus	2,879,906	1,699,119
Equity component of convertible debentures (Note 11)	173,314	173,314
Accumulated other comprehensive loss	(527,236)	(630,980)
Deficit	(13,964,583)	(11,930,452)
Total shareholders' equity attributable to common shareholders	(6,547,833)	(5,798,233)
Total liabilities and shareholders' equity	\$ 18,519,790	\$ 17,781,441

Nature of operations and going concern (Note 1)
Subsequent events (Note 17)

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

Composite Alliance Group Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the nine-month period ended September 30
(In Canadian dollars)

	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Revenue	\$ 812,324	\$ 3,275,618	\$ 7,439,211	\$ 5,872,266
Expenses				
Purchased raw material and goods	228,289	1,379,672	1,392,231	1,566,829
Payroll expenses and social security	655,677	456,920	2,642,562	1,418,436
Subcontractor	649,449	696,847	2,547,403	2,208,698
Selling, general and administrative	363,787	578,924	1,310,087	2,548,376
Property and apprenticeship taxes	30,092	18,643	72,523	55,651
Depreciation and amortization	291,237	212,661	837,449	632,553
Provision variations	855	18,378	(19,102)	(714,480)
	(1,407,062)	(86,427)	(1,343,942)	(1,843,797)
Other expenses (income)				
Foreign exchange loss (gain)	49,969	24,172	52,866	23,621
Finance costs (Note 9)	309,237	193,697	815,930	466,977
Other expense (income)	(80,780)	14,937	(178,607)	100,734
Net loss	(1,685,488)	(319,233)	(2,034,131)	(2,435,129)
Loss per common share (Note 15) - Basic and diluted	(0.02)	(0.00)	(0.02)	(0.02)
Other comprehensive (loss) income				
Items that will be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations	(29,882)	(126,034)	103,744	(235,286)
Total comprehensive loss	(1,715,370)	(445,267)	(1,930,387)	(2,670,415)

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

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

	Share capital	Contributed Surplus	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income (loss)	Deficit	Total
Balance December 31, 2023	4,890,766	1,430,496	173,314	(320,135)	(9,697,677)	(3,523,236)
Comprehensive loss	-	-	-	(235,286)	(2,435,129)	(2,670,415)
Balance September 30, 2024 (unaudited)	4,890,766	1,430,496	173,314	(555,421)	(12,132,806)	(6,193,651)
Balance December 31, 2024	4,890,766	1,699,119	173,314	(630,980)	(11,930,452)	(5,798,233)
Gain on related party loans (Note 9)	-	1,180,787	-	-	-	1,180,787
Comprehensive loss	-	-	-	103,744	(2,034,131)	(1,930,387)
Balance September 30, 2025 (unaudited)	4,890,766	2,879,906	173,314	(527,236)	(13,964,583)	(6,547,833)

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

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

	2025	2024
	(unaudited)	(unaudited)
Operating		
Net loss	\$ (2,034,131)	\$ (2,435,129)
Items not affecting cash:		
Depreciation and amortization	837,449	632,553
Provisions	(19,102)	(714,480)
Finance costs	667,376	296,288
Other income (expense)	32,392	38,222
Change in working capital requirement		
Change in prepaid and others	114,605	54,505
Change in trade and other receivables	1,052,327	1,869,343
Change in trade and other payables	(3,428,313)	2,491,405
Net cash used in operating activities	(2,777,397)	2,232,707
Investing		
Acquisition of property and equipment	(1,568)	(8,402)
Acquisition of intangible assets	(418,159)	(1,305,971)
Net cash used in investing activities	(419,727)	(1,314,373)
Financing		
Proceeds from borrowings	5,148,649	-
Repayment of borrowings	(476,627)	(618,804)
Repayment of lease obligation	(209,278)	(189,035)
Net cash provided by financing activities	4,462,744	(807,839)
Effect of exchange on cash	(25,125)	100,674
Net increase in cash	1,240,495	211,169
Cash and cash equivalents, beginning of period	(78,266)	65,989
Cash and cash equivalents, end of period	\$ 1,162,229	\$ 277,158
Cash and cash equivalents consist of:		
Cash	\$ 1,162,229	\$ 374,235
Short term borrowing	-	(97,077)
Total	\$ 1,162,229	\$ 277,158

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

1. NATURE OF OPERATIONS

Composite Alliance Group Inc. (the “Company” or “CAG”) was incorporated on September 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 in Coudes, France, specializes in industrial turn-key solutions by designing and manufacturing machines that it sells to customers for use in the fabrication of composite materials for the aerospace and automotive industries. Apart from TME, the Company has the following wholly owned subsidiaries:

- Composite Alliance Corporation (CAC), based in U.S.: Serves as the Group’s sales office for machinery in the United States.
- Composite Alliance Asia (CAA), based in Hong Kong: Originally established to serve as a sales and after-sales hub for the Group’s machinery in Asia, but is currently inactive.

Since the fourth quarter of 2019, the Company has also entered into a new line of business by distributing Magnus Venus Products dispensing equipment in the People’s Republic of China through local sub-distributors.

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 800, 333-7 Avenue S.W., Calgary, Alberta, T2P 2Z1, Canada.

Going concern

These condensed consolidated interim 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 Company experienced a net loss of \$2,034,131 for the nine-month period ended September 30, 2025, and as of that date, has an accumulated deficit of \$13,964,583 and negative working capital of \$3,073,524. 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.

The Company has already taken proactive steps to improve its profitability, including exploring new revenue streams and developing new products. The Company has confirmed orders from some of its new customers for next fiscal year, which gives confidence in its ability to generate sufficient revenues to meet its obligations on a timely fashion. Furthermore, the Company does not foresee any significant risk in collecting its accounts receivable, which provides further comfort in its ability to materialize cash inflows.

As part of its ongoing efforts to strengthen management and drive organizational improvement, the Company is actively refreshing its workforce by bringing in new talent while also re-engaging experienced former employees. This strategic approach aims to blend fresh perspectives with deep institutional knowledge, ensuring continuity and accelerating the Company’s transformation initiatives. The recruitment of seasoned veterans reflects the Company’s commitment to stability, operational excellence, and long-term growth.

2. STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with IFRS® issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on November 25, 2025.

These condensed consolidated interim financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2024.

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in Note 2 of the December 31, 2024 audited consolidated financial statements.

3. MATERIAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements follow the same accounting policies as outlined in the audited financial statements for the year ended December 31, 2024.

4. OTHER ASSETS AND RECEIVABLES

Other assets and receivables consist of:

	September 30, 2025	December 31, 2024
Long term investments	\$ 622	\$ 569
Deposit and guarantees	64,615	59,064
Amount receivable from a company controlled by former officer of the Company (Note 16)	30,315	320,064
	\$ 95,552	\$ 379,697

Amount receivable from a company controlled by a shareholder bears interest at Euribor 3 months and has no terms of repayment.

Composite Alliance Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
September 30, 2025
(In Canadian dollars)

5. PROPERTY AND EQUIPMENT

Cost	December 31, 2024	Additions	Reductions	Foreign Exchange	September 30, 2025
Right of use assets	2,160,401	-	-	203,044	2,363,445
Technical facilities, equipment industrial tools	761,434	1,568	-	71,633	834,635
Leaseholds and furniture	387,406	-	-	36,166	423,572
Cost	3,309,241	1,568	-	310,843	3,621,652

Depreciation	December 31, 2024	Additions	Reductions	Foreign Exchange	September 30, 2025
Right of use assets	1,241,518	210,227	(16,199)	125,343	1,560,889
Technical facilities, equipment industrial tools	721,839	14,525	-	68,490	804,854
Leasehold and furniture	312,110	10,357	-	29,551	352,018
Depreciation	2,275,467	235,109	(16,199)	223,384	2,717,761

Net property and equipment	1,033,774	(233,541)	16,199	87,459	903,891
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Cost	December 31, 2023	Additions	Reductions	Foreign Exchange	December 31, 2024
Right of use assets	2,188,901	26,227	(99,379)	44,652	2,160,401
Technical facilities, equipment industrial tools	744,036	2,020	-	15,378	761,434
Leaseholds and furniture	373,133	6,401	-	7,872	387,406
Cost	3,306,070	34,648	(99,379)	67,902	3,309,241

Depreciation	December 31, 2023	Additions	Reductions	Foreign Exchange	December 31, 2024
Right of use assets	1,038,494	267,310	(99,379)	35,093	1,241,518
Technical facilities, equipment industrial tools	687,148	20,351	-	14,340	721,839
Leasehold and furniture	290,696	15,179	-	6,235	312,110
Depreciation	2,016,338	302,840	(99,379)	55,668	2,275,467

Net property and equipment	1,289,732	(268,192)	-	12,234	1,033,774
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Composite Alliance Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
September 30, 2025
(In Canadian dollars)

6. INTANGIBLE ASSETS

Cost	December 31, 2024	Additions	Reductions	Foreign Exchange	September 30, 2025
Development costs	9,509,063	416,383	-	912,287	10,837,733
Software	99,614	1,776	-	9,441	110,831
Concessions, patents and distribution rights	841,589	-	(468,102)	35,102	408,589
Cost	10,450,266	418,159	(468,102)	956,830	11,357,153

Depreciation	December 31, 2024	Additions	Reductions	Foreign Exchange	September 30, 2025
Development costs	5,902,151	593,393	-	581,194	7,076,738
Software	41,705	8,948	-	4,319	54,972
Concessions, patents and distribution rights	841,589	-	(468,102)	35,102	408,589
Amortization	6,785,445	602,341	(468,102)	620,615	7,540,299

Net intangible assets	3,664,821	(184,182)	-	336,215	3,816,854
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Costs	December 31, 2023	Additions	Foreign Exchange	December 31, 2024
Development costs	7,834,859	1,501,248	172,956	9,509,063
Software	97,599	-	2,015	99,614
Concessions, patents and distribution rights	834,033	-	7,556	841,589
Costs	8,766,491	1,501,248	182,527	10,450,266

Amortization	December 31, 2023	Additions	Foreign Exchange	December 31, 2024
Development costs	5,265,397	524,131	112,623	5,902,151
Software	7,628	33,669	408	41,705
Concessions, patents and distribution rights	765,060	68,705	7,824	841,589
Amortization	6,038,085	626,505	120,855	6,785,445

Net intangible assets	2,728,406	874,743	61,672	3,664,821
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7. SHORT-TERM DEBT

The balance of short-term borrowing of \$nil (December 31, 2024 – \$535,305) was a bank overdraft outstanding as at September 30, 2025. The following facilities are available to the Company as at September 30, 2025 and December 31, 2024:

- i) Credit facility for an aggregate amount of €941,000 (CAD \$1,536,747) unsecured, due on the maturity of invoices issued to its customers and bears weighted average interest at 1-month Euribor rate plus 1.50% per annum. (December 31, 2024 – €941,000 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 September 30, 2025, CAD \$nil was outstanding on this facility (December 31, 2024 – CAD \$nil (€nil)).
- ii) Aggregate bank guarantees of up to a maximum of €1,050,000 (CAD \$1,714,755) for advanced payment refunds for its foreign customers that are due on demand, and bear weighted average interest at 1.71% per annum (December 31, 2024 – €1,050,000 at 1.76% per annum). These facilities will be used when the Company must produce letters of guarantee of restitution of deposit, good execution of contract or retention of guarantee for its foreign customers. As at September 30, 2025, there were CAD \$1,242,626 (€760,900) of guarantees outstanding (December 31, 2024 - \$nil).
- iii) An aggregate foreign exchange cover line up to a maximum of €3,500,000 (CAD \$5,715,850) (December 31, 2024 – €3,500,000). As at September 30, 2025, CAD \$nil was outstanding on this facility (December 31, 2024– CAD \$nil).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2025		December 31, 2024
Trade payable	\$ 6,185,942	\$	6,623,995
Social security payable	-		964,004
Value added tax payable	818,013		1,049,431
Other liabilities	122,351		52,478
	\$ 7,126,306	\$	8,689,908

Composite Alliance Group Inc.
Notes to the Condensed Consolidated Interim Financial Statements
September 30, 2025
(In Canadian dollars)

9. LONG-TERM BORROWINGS

	September 30, 2025	December 31, 2024
Loan denominated in Euro is unsecured, bears interest at 5.30%, interest only payments and matures on December 31, 2027 *	\$ 2,196,424	\$ 1,561,294
Loan denominated in USD is unsecured, bears interest at 5.00%, interest only payments and matures on December 31, 2030*	1,902,541	-
Loan denominated in Euro is unsecured, bears interest at 2.00%, interest only payments and matures on December 31, 2028*	1,750,321	-
Loan denominated in Euro is unsecured, bears interest at 1.70%, interest only payments and matures on January 31, 2026 *	1,534,997	1,371,031
Loan denominated in CAD is unsecured, bears interest at 2.00% per annum, interest only payments and matures on November 15, 2025 *	638,371	525,441
Loan denominated in CAD is unsecured, bears interest at 2.00% per annum, interest only payments and matures on November 15, 2025*	596,101	573,878
Loan denominated in Euro is guaranteed by the French government "PGE", bears interest at 0.25%. The loan has been extended during the year ended December 31, 2021, bears interest at 0.70%-0.74% with interest only payments up to February 2023, after which monthly blended payment of €21,144 and matures on February 2, 2027	563,380	795,456
Loan denominated in USD is unsecured, bears interest at 2.00%, interest only payments and matures on October 7, 2026*	460,848	456,401
Loan denominated in CAD is unsecured, bears interest at 2.00%, interest only payments and matures on November 15, 2025*	396,201	374,801
Loan denominated in CAD is unsecured, bears interest at 2.00%, interest only payments and matures on January 31, 2026*	392,092	375,372
Loan denominated in Euro is guaranteed by the French government "PGE", bears interest at 1.00%, monthly blended payment of €9,425 and matures on May 20, 2026	122,633	237,363
Loan denominated in USD is unsecured, non-interest bearing and with no repayment term*	101,623	105,040
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 repaid during the period	-	91,240
	10,655,532	6,467,317
Add: accrued interest	640,579	398,947
	\$ 11,296,111	\$ 6,866,264

* These are loans with related parties. See Note 16

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

9. LONG-TERM BORROWINGS (continued)

Current portion of long-term borrowings	\$	3,973,415	\$	2,283,015
Long-term borrowings		7,322,696		4,583,249
	\$	11,296,111	\$	6,866,264

Principal repayments are as follows:

Remaining of 2025	\$	1,977,831
2026		3,113,124
2027		2,357,783
2028		1,761,820
2029		-
Thereafter		2,085,553
	\$	11,296,111

During the nine-month period ended September 30, 2025, the Company obtained a loan advance of €300,000 (CAD \$446,880) from a related party. The loan bears interest at 5.3% per annum. The fair value of the loan of €262,821 (CAD \$391,498) was calculated using a discount rate of 9.88%. The difference between the face value and the fair value of the loan of €37,179 (CAD \$55,382) has been recorded in contributed surplus.

During the nine-month period ended September 30, 2025, the Company obtained a loan advance of €1,350,000 (CAD \$2,161,050) from a related party. The loan bears interest at 2.0% per annum. The fair value of the loan of €1,056,521 (CAD \$1,691,252) was calculated using a discount rate of 9.38%. The difference between the face value and the fair value of the loan of €293,479 (CAD \$469,798) has been recorded in contributed surplus.

During the nine-month period ended September 30, 2025, the Company obtained a loan advance of USD\$1,800,000 (CAD \$2,569,260) from a related party. The loan bears interest at 5.0% per annum. The fair value of the loan of USD\$1,340,924 (CAD \$1,913,653) was calculated using a discount rate of 9.38%. The difference between the face value and the fair value of the loan of USD\$459,076 (CAD \$655,607) has been recorded in contributed surplus.

During the year ended December 31, 2024, the Company obtained a loan advance of \$400,000 from a related party. The loan bears interest at 2% per annum. The fair value of the loan of \$373,308 was calculated using a discount rate of 9.88%. The difference between the face value and the fair value of the loan of \$26,692 has been recorded in contributed surplus.

During the year ended December 31, 2024, the Company obtained a loan advance of €1,200,000 (CAD \$1,814,640) from a related party. The loan bears interest at 5.3% per annum. The fair value of the loan of €1,040,014 (CAD \$2,119,241) was calculated using a discount rate of 9.88%. The difference between the face value and the fair value of the loan of €159,986 (CAD \$241,931) has been recorded in contributed surplus.

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Notes to the Condensed Consolidated Interim Financial Statements
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9. LONG-TERM BORROWINGS (continued)

The components of finance costs are as follows:

	September 30, 2025	September 30, 2024
Interest on long-term borrowings	\$ 247,531	\$ 63,056
Accretion on long-term borrowings	342,785	170,750
Interest on leases	35,185	42,808
Interest on convertible debentures	35,079	33,296
Accretion on convertible debentures	48,536	42,466
Interest on short-term borrowing and others	106,814	114,601
	\$ 815,930	\$ 466,977

10. LEASE OBLIGATION

The Company has a number of property rental and movable property rental leases whose maturity range from February 2026 to January 2031. The leases have an incremental borrowing rate ranging from 2 to 5% and interest expense for the period ended September 30, 2025 was \$35,185 (September 30, 2024 - \$42,808).

	September 30, 2025	December 31, 2024
Balance, beginning of period	\$ 1,007,406	\$ 1,209,106
Additions	-	30,969
Lease payments	(209,278)	(255,962)
Foreign exchange	85,340	23,293
	883,468	1,007,406
Less: current portion	(289,738)	(268,104)
	\$ 593,730	\$ 739,302
Future lease payments are as follows:		
Less than one year	\$	326,055
1-3 years		356,660
3-5 years		251,496
More than 5 years		41,916
		976,127
Less: finance costs		(92,659)
	\$	883,468

11. CONVERTIBLE DEBENTURES

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, and matured 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 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 carrying amount of the liability component of the debentures is being accreted using a discount rate of 4.75%. The equity component of the convertible debentures of \$173,314 relates to the portion of the debentures' value that is attributed to the conversion option, which allows the holder to convert the debentures into common shares of the Company.

	September 30, 2025	December 31, 2024
Balance, beginning of year	\$ 2,260,632	\$ 2,114,193
Accrued interest and accretion	83,615	102,026
Foreign exchange	216,196	44,413
Balance, end of year	\$ 2,560,443	\$ 2,260,632

12. PROVISIONS

	Onerous Contracts (i)	Warranty (ii)	Others (iii)	Total
At December 31, 2024	112,259	-	212,787	325,046
Liabilities incurred	-	-	-	-
Settled	-	-	(196,960)	(196,960)
Foreign exchange	10,550	-	(15,827)	(5,277)
At September 30, 2025	122,809	-	-	122,809
Less: current portion	(122,809)	-	-	(122,809)
	-	-	-	-

- i) The balance represents the non-recurring unavoidable costs of meeting the performance obligations under the contracts exceeding the economic benefits received under them. A provision is recorded to provide for the incremental costs of fulfilling the contracts.
- ii) The balance represents the warranties on the sale of products. A provision is recorded to provide for future warranty costs based on management's best estimate of probable warranty claims.
- iii) The balance represents the non-recurring legal and regulatory provisions for both TME and CAC's operations. A provision is recorded based on management's best estimate of the most likely outcome of the claims.

Composite Alliance Group Inc.
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(In Canadian dollars)

13. SHARE CAPITAL

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

Shares issued:

Common Shares	Number of shares	Amount (\$)
Balance September 30, 2025 and December 31, 2024	110,233,610	4,890,766

14. OPTIONS

The Company has an equity settled stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The purpose of the plan is to advance the interests of the Company by encouraging these individuals to acquire shares in the Company and thereby remain associated with, and seek to maximize the value of, the Company. Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options under the plan may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time. The options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant. As at September 30, 2025 (and December 31, 2024), no options are outstanding.

15. NET LOSS PER COMMON SHARE

	Three months ended September 30, 2025	Three months ended September 30, 2024
Net loss	\$ (2,034,131)	\$ (2,115,896)
Weighted average number of common shares – basic and diluted	110,233,610	110,233,610

16. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Director fees to non-executive directors	\$ 16,000	\$ 8,000
Salaries	593,367	588,388

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16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Real property leases paid to a company controlled by a former officer of the Company	\$ 106,702	\$ 85,371
Finance cost paid or accrued to a company controlled by a director of the Company	53,963	51,220
Finance cost paid or accrued to two of the directors of the Company	9,873	9,909
Finance cost paid or accrued to a shareholder of the Company	92,398	-
Finance cost paid or accrued to a company controlled by an officer of the Company	119,893	-
Finance income accrued from a company controlled by a shareholder of the Company	3,292	8,934
Professional fees paid to a partnership controlled by a director of the Company	50,916	20,499
General administrative fee paid to a company controlled by a former officer of the Company	-	65,625
Commission expense paid or accrued to two companies controlled by two directors of the Company	147,470	256,883

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

	September 30, 2025	December 31, 2024
Receivable from a company controlled by a former officer of the Company	\$ 30,315	\$ 320,064
Convertible debentures issued to a company controlled by a director of the Company	2,560,443	2,260,632
Long term borrowing advanced from a company controlled by a director of the Company	1,709,096	1,524,288
Long term borrowing advanced from a company controlled by an officer of the Company	4,371,679	3,549,022
Long term borrowing advanced from companies controlled by two of the directors of the Company	785,922	663,119
Long term borrowing advanced from a shareholder of the Company	3,745,752	-

Transactions with related parties are incurred in the normal course of operations and initially recorded at fair value.

17. SUBSEQUENT EVENTS

In November 2025, the Company reached certain debt restructuring agreements with related parties, with the following major terms:

- i) Certain debt (with a nominal amount of €950,000) and a convertible debenture (with a nominal amount of €1,500,005) owed by TME to a related party will be assigned to CAG. CAG will then convert these debts into TME's capital to recapitalize the company. Meanwhile, the related party has agreed to waive 90% of the above debts and the conversion right, in exchange for repayment of the remaining 10% of the principal amount by December 31, 2027. This proposed restructuring is subject to TSXV approval.
- ii) The maturity dates of certain long-term borrowings with related parties that were set to mature in the next 12 months will be extended to December 2031.