Composite Alliance Group Inc.

MANAGEMENT DISCUSSION & ANALYSIS

FORM 51-102F1

For the Year Ended Dec 31, 2024

This Management Discussion and Analysis ("**MD&A**") is dated April 28, 2025.

This MD&A of the financial condition of Composite Alliance Group Inc. ("**CAG**" or the "**Company**") and results of operations for the year ended Dec 31, 2024, should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2023, and the unaudited condensed consolidated interim financial statements for the year ended Dec 31, 2024. 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 confirm 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. Given the recent uncertainties in the global economy caused by the tariff wars, the Company has no plans to initiate any significant business operations for CAA in the foreseeable future.

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 in Coudes, France.

The Company's U.S. subsidiary, CAC, is designated as the sales office for TME and is based in Spartanburg, South Carolina. Currently, CAC has no active employees in the U.S. and instead collaborates with a distributor for business development efforts.

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 local sub-distributors.

SENIOR MANAGEMENT STRUCTURE:

In 2023, Mr. Stephane Besson, formerly the Sales Director, stepped up as the CEO for TME. Mr. Besson, with 25-year of experience at TME, has held roles of increasing responsibility ever since. In April 2024, the Company's then-CFO, Mr. Vishwa Mootooveeren, resigned from the position. His replacement, Mr. Stephane Conort, joined in November 2024 but subsequently resigned in February 2025. The Company is currently actively recruiting a new CFO, including reaching out to former employees.

OVERALL PERFORMANCE FOR THE YEAR ENDED DEC 31, 2024

In 2024, the aeronautic sector, which the Company mainly focuses on, continued to show slow recovery. Despite this, the global supply chain in the sector hasn't recovered to it's pre-COVID standards, which impeded the Company's delivery capabilities and thus lower revenue in 2024. The Company's MVP business continued to suffer from the late delivery from the supplier.

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 U.S. in 2023 and is still actively pursuing marketing efforts in that direction moving forward.

As of the date of this MD&A, escalating tariff tensions - particularly those driven by recent U.S. policy actions - have presented both challenges and opportunities for the Company. On the downside, the imposition of high tariffs has compelled the Company to discontinue its MVP distribution business in China for the time being. Additionally, new tariffs between the U.S. and EU have introduced uncertainty and cost pressures to the Company's competitiveness in the U.S. market. Conversely, these same trade barriers are prompting a shift in sourcing behavior among European customers, many of whom are increasingly prioritizing local suppliers to mitigate geopolitical and logistical risks. This shift may serve as a strategic driver for TME in the EU market, where its local presence and capabilities position it well to capture emerging demand. The Company is actively monitoring these developments to assess how to best leverage its regional strengths in response to the evolving global trade landscape.

In January 2025, the Company entered into a loan agreement with a company owned by a direct family member of a director of the Company to meet the working capital needs of the Company. The agreement allows the Company to withdraw up to $2,500,000 or in any other equivalent foreign currency. This loan is unsecured, bears interest at 5% per annum, with no set repayment terms and matures on December 31, 2030.

SUMMARY OF ANNUAL FINANCIAL RESULTS

After the reverse takeover by the acquirer TME effected on February 12, 2019, the annual financial information presented ended December 31, 2022, 2023 and 2024 are comprised of the consolidated financial information of the Company and its subsidiaries TME, CAC and CAA. 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-24 Audited	31-Dec-23 Audited	31-Dec-22 Audited
Total revenue	$10,781,384	$14,354,589	$6,868,030
Total expenses	12,344,553	15,400,877	7,827,626
Other expenses (income)	669,606	-233,685	-536,875
Net income (loss)	-2,232,775	-812,607	-422,721
Basic earnings (loss) per share	-	-	-
Diluted earnings (loss) per share	-	-	-
Comprehensive income (loss)	-2,543,620	-889,682	-512,734
Current Assets	12,703,149	9,244,256	9,111,077
Non-current Assets	5,078,292	4,378,947	2,932,769
Total Assets	17,781,441	13,623,203	12,043,846
Current Liabilities	15,464,955	9,201,559	6,505,765
Non-current Liabilities	8,114,719	7,944,880	8,171,635
Total Liabilities	23,579,674	17,146,439	14,677,400

FISCAL YEAR HIGHLIGHTS

Revenue

Total revenue declined by 24.9% in 2024 from 2023.

Revenue Breakdown by Product (‘000)

Product	2024	2023	Growth
Machine sales – TME and CAC (gross)	$10,711.4	$14,312.8	-25.2%
MVP Products (net)	70.0	41.8	+67.5%
Total	$10,781.4	$14,354.6	-24.9%

(1) Machine revenue - TME and CAC

Revenue from machine sales declined by 25.2% in 2024 compared to 2023, with the downturn observed across geographic markets in general. A key contributing factor was the delayed revenue recognition associated with the commencement of two large-scale projects - one in China and the other in France - in 2024.

In response to the adverse impact of such delays, TME is actively exploring strategic initiatives aimed at improving project delivery efficiency and enhancing revenue stability. These include potential investments in standard modules to reduce lead times, as well as a focused push on promoting standardized product lines such as SMART solutions, molds, and multi-axial products. These efforts are intended to mitigate project-related volatility and create a more balanced and resilient revenue mix.

It should be noted that the Company’s machine business involves long-term contracts with most of its customers for the machine sales. 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. This input method is used since cost incurred to date contribute proportionally to the Company's progress in satisfying the performance obligation. Meanwhile, the cost incurred to date is directly observable and the information required to apply this method is available to the Company without undue cost. Losses for a given contract are provided for in full as soon as they become probable. Payment for this type of revenue is typically due within a specified time period as permitted by the underlying agreement. 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.

Below are the highlights of the machines sales in the year ended December 31, 2024:

- Revenue is reflected net of actual returns, estimated future return, rebates and other price adjustments, which is $nil (2023 - $nil).

- No non-cash consideration was recognized during the year (2023 - $nil).

- $1,170,463 (2023 - $569,082) of revenue recognized was included in the contract liability balance at the beginning of the year. Also during the year ended December 31, 2024, a negative $39,259 (2023 – negative $372,439) of revenue recognized from performance obligations satisfied in previous years as a result of changes in contract price and budgeted cost during the year.

- Contract assets represent any excess costs and estimated earnings over progress billings. Contract assets as at December 31, 2024 are $7,615,964 (2023 - $2,183,088). Contract liabilities are recorded when progress billings are in excess of revenue earned. Contract liabilities as at December 31, 2024 are $3,418,085 (2023 - $1,177,927).

- In machine sales, generally there is at minimum one-year warranty period. A provision is recorded to provide for future warranty costs based on management’s best estimate of probably warranty claims. The detailed warranty liabilities are disclosed in the notes in the Company’s financial statements.

- Sales to the top three major customer represents 63% of the Company’s total sales for the year ended 2024 (2023 – 63% from four customers).

Machine Sales Breakdown by Geography (%)

Region	2024	2023
Europe	63%	53%
Asia	31%	41%
North America	6%	6%
Total	100%	100%

(2) MVP products

MVP products are distributed by the Company under a sub-distributor arrangement following a dropship model. Under this setup, the Company receives orders from sub-distributors and subsequently places corresponding orders with MVP. The goods are then shipped directly from MVP to the sub-distributors within the Territory, and the Company does not take ownership of the inventory at any point. Accordingly, revenue is recognized on a net basis in line with the nature of the business flow.

In 2024, net sales from this segment rose by 67.5%, primarily due to the lower base in 2023 and the supplier's improved production capacity.

Despite the stronger performance in 2024, the outlook for 2025 is considerably less optimistic. The Company anticipates a sharp decline in MVP-related revenue due to the imposition of steep tariffs by the Chinese government on U.S.-manufactured goods. Consequently, as of the date of this MD&A, the Company has completely suspended new purchases of MVP products, with the only exceptions being shipments made prior to April 8, 2025, which may still in transit.

<u>Costs and Expenses</u>

Total costs and expenses declined by 19.8% in 2024 from 2023.

Purchases of raw materials and goods declined by 44.7%, while purchases from sub-contractors decreased by 17.4% in 2024 compared to 2023. Combined, these two categories of expenditure ("**Total Purchases**") represented 60.3% of revenue in 2024, down from 67.6% in 2023. As the overall decline in sales naturally led to a reduction in Total Purchases, two key factors contributed to the improved Total Purchases ratio. First, in 2023, procurement costs were unusually high due to TME's limited experience with sourcing for larger and more innovative projects, leading to inefficiencies. Second, certain Chinese clients requested specific high-cost raw materials, further inflating procurement expenses. By contrast, Total Purchases in 2024 reflected a return to normalized levels, which TME expects to maintain going forward, indicating improved procurement efficiency and cost control.

Payroll expenses and social security contributions rose significantly by 52.5% in 2024 compared to 2023, primarily due to team expansion, increased hiring of experienced professionals to enhance capabilities, and the promotion of several employees following organizational restructuring.

Selling, general, and administrative (SG&A) expenses increased by 25.9% in 2024 compared to 2023, primarily due to litigation costs related to an intellectual property protection lawsuit initiated by TME in China, where TME is the plaintiff. Excluding these legal expenses, SG&A expenses declined in 2024. Starting from the second quarter of 2025, the Company does not anticipate significant legal costs in the year related to this issue.

Depreciation and amortization increased by 20.1% in 2024 compared to 2023, primarily due to the capitalization of R&D expenses (more than EUR 1 million) related to the development of a new automation machine requested by a customer.

The changes in provisions expenses were primarily driven by additional charges related to specific projects.

Breakdown of Operating Expense (‘000)

Expense Items	2024	% to revenue	2023	% to revenue	Change
Purchased raw materials and goods	3,075.1	28.5%	$5,564.4	38.8%	-44.7%
Payroll expenses and social security contributions	2,220.5	20.6%	$1,456.2	10.1%	+52.5%
Subcontractor	3,422.8	31.7%	$4,146.0	28.9%	-17.4%
Selling, general and administrative	3,169.9	29.4%	$2,517.8	17.5%	+25.9%
Property and apprenticeship taxes	92.7	0.9%	$226.2	1.6%	-59.0%
Depreciation and amortization	929.3	8.6%	$773.6	5.4%	+20.1%
Provision variations	(565.8)	-5.2%	$716.7	5.0%	N.A.
Total	12,344.6	114.5%	15,400.9	107.3%	-19.8%

Number of Paid Employees

Company	As of Dec 31, 2024	As of Dec 31, 2023	Change
CAG*	0	1	-1
TME	43	40	+3
CAC	0	1	-1
Total	43	42	+1

**CAG’s CFO was included in TME’s headcount as of December 31, 2024*

Other Expenses

Finance costs increased by 32.8% in 2024 compared to 2023, primarily due to higher levels of financing from related parties.

Other expenses also rose in 2024, mainly due to an exceptional charge related to long-term lease agreements, in contrast to the gains recorded for the same item in 2023.

Breakdown of Other Expense (Income) (‘000)

Expense (Income) Item	2024	% to revenue	2023	% to revenue	Change
FOREIGN EXCHANGE (GAIN) LOSS	(34.8)	-0.3%	-		N.A.
FINANCE COSTS	586.7	5.4%	$441.9	3%	+32.8%
OTHER EXPENSE (INCOME)	117.7	1.1%	-$675.6	-5%	N.A.
TOTAL	$669.6	6.2%	(233.7)	-1.6%	N.A.

Profitability

The Company posted an operating loss of $1,563,169 in 2024 compared to an operating loss of $ 1,046,292 in 2023. After considering the other expense/income items, the Company posted a net loss of $2,232,775 compared to a net loss of $812,607 in 2023.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

After the reverse takeover by the acquirer TME effected on February 12, 2019, the quarterly financial information presented for the interim period ended December 31, 2024 is comprised of the consolidated financial information of the Company 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, 2024	3 Months Ended September 30, 2024	3 Months Ended June 30, 2024	3 Months Ended Mar 31, 2024	3 Months Ended December 31, 2023	3 Months Ended September 30, 2023	3 Months Ended June 30, 2023	3 Months Ended Mar 31, 2023
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Total Revenue	4,909,118	$3,275,618	$1,657,388	939,260	$4,827,435	$3,267,881	$2,785,650	$3,473,623
Total operating expenses	4,628,490	3,362,045	2,478,238	1,875,780	$5,671,578	2,660,045	3,561,253	3,508,005
Other expenses (income)	78,274	232,806	205,931	152,595	-$501,205	-17,575	105,539	179,556
Net income (loss)	202,354	-319,233	-1,026,781	-1,089,115	-$342,938	625,411	-881,142	-213,938
Comprehensive income (loss)	126,795	-445,267	-1,077,261	-1,147,887	-$347,327	528,236	-910,498	-160,093
Earnings per share:								
Basic	0	0	0	0	0	0	0	0
Diluted	0	0	0	0	0	0	0	0

During the three-month period ended December 31, 2024, the Company’s revenue totaled $4,909,118, compared to revenue of $4,827,435, during the same period in 2023, and an operating profit of $280,628 compared to an operating loss of $844,143 during the same period in 2023. The Company posted other expense of $78,274, compared to other income of $501,205 during the same period in 2023. The Company’s net profit for the three-month period ended December 31, 2024, was $202,354, compared to a net loss of $342,938 during the same period in 2023. The Company reported a total comprehensive income of $126,795, compared to a total comprehensive loss of $347,327, during the same period in 2023.

CAPITAL RESOURCES MANAGEMENT

During 2024, the Company generated cash flows of $102,907 from operating activities, compared to cash flows of $3,638,719 during in 2023. This decrease in cash flows is mainly due to significantly more operating expense incurred and paid, as well as delay in accounts receivable collections from certain clients in China in 2024.

During 2024, the Company had cash outflows of $1,509,669 from its investing activities mainly due to the capitalization of R&D expenses on new projects, compared to cash outflows of $1,961,490 during 2023.

During 2024, the Company posted cash inflows of $1,168,205 from its financing activities, compared to outflows of $959,289 in 2023. This increase of financing cash inflow is a result of higher debt financing from the related parties.

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, 2024, the Company had a cash and cash equivalents balance of negative $78,266 (after deducting the short-term borrowing of $535,305 from the cash balance) and a working capital deficit of $2,761,806. The decrease in net working capital is mainly a result of a decrease in operating cash flows.

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 Company experienced a net loss of $2,232,775 for the year ended December 31, 2024, and as of that date, has an accumulated deficit of $11,930,452 and negative working capital of $2,761,806. 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.

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 Large-Sized Projects**
  The Company is exposed to a risk stemming from the relatively large size of its individual projects in proportion to its annual revenue. This risk is further intensified by the complexity of the production chain, which involves numerous integrated components. However, as the Company's efforts in

increasing its product offering with more standardized products, the relative impact of project size on financial stability is expected to decline, thereby gradually mitigating this risk.

- **Intellectual Property Risk in China**
  TME has maintained business operations in China for almost 20 years without encountering any significant intellectual property infringements by local companies. However, the Company remains exposed to potential risks of unfair competition in Asia, particularly the unauthorized replication of its proprietary technologies. Such risks could undermine TME's competitive advantage by driving down selling prices and prolonging customers' decision-making processes. TME has therefore adopted an aggressive defensive strategy in China over the past two years to safeguard its intellectual property, as evidenced by the increase in legal-related expenses.

- **Risk of Delays in Project Completion**
  TME faces potential project delays stemming from its lengthy Studies/Implementation cycle, which typically spans eight to ten months. This presents a challenge in aligning order execution with annual revenue targets. Additionally, since 2022, TME has encountered supply chain disruptions, particularly in sourcing specific machine components, which have further impacted delivery timelines. In response, TME has strategically shifted its focus toward selling equipment with shorter implementation cycles - ranging from four to six months - since 2020. The Company is also actively working to increase the volume of commercial proposals and prioritize products with faster commercialization and execution timelines to mitigate these operational risks.

- **Risk of Non-Payment Due to Customer Insolvency**
  TME is exposed to the inherent risk of customer insolvency, which could result in significant financial strain or, in extreme cases, disruption to its operations. To mitigate this risk, TME has established a series of risk management practices. For sizable contracts - particularly with Chinese clients - the Company typically requires the use of documentary credits to secure payments. Prior to contract finalization, TME also conducts thorough solvency analyses of new clients to assess their financial health. In addition, the Company performs regular financial reviews of existing customers to identify early warning signs of distress and proactively address potential non-payment risks. Through these preventive measures and ongoing client monitoring, TME seeks to reduce exposure to credit risk and safeguard its financial stability.

- **Credit Risk**
  The Company is exposed to credit risk arising from its cash and cash equivalents, accounts receivable, and other receivables. This risk is mitigated in several ways. Cash and cash equivalents are held with reputable, major financial institutions, reducing the likelihood of counterparty default. The credit risk associated with accounts receivable is managed through a diversified customer base, which limits the Company's exposure to any single client. Additionally, the Company closely monitors the collection of receivables to promptly identify and address potential credit issues, thereby maintaining a healthy cash flow and minimizing the impact of credit risk on its operations.

- **Liquidity Risk**
  As of December 31, 2024, the Company is still facing some 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 and legal related matters. The Company provides the following analysis of its liquidity:
  a) Cash Flow: The Company is actively working on new contracts. These contracts are expected to provide additional stability to the Company's cash flow position. Meanwhile, the Company needs to ensure that it has sufficient cash reserves to manage unexpected events or delay in receiving payment from customers. The Company is taking measures to conserve cash, including managing its expense and implementing payment terms that reduce its exposure to payment delays.

Additionally, the Company is currently in discussion with its bankers to secure credit facilities to further bolster its liquidity position.

b) Financial Obligations: The Company has significant financial obligations related to its long-term contracts for equipment, including maintenance costs and lease payments. The Company is also exploring financing options to manage its long-term obligations, including debt financing.
c) 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.
d) 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 is facing liquidity risk. The Company is working on its goal to increase its revenue to provide additional stability to its cash flow position. The Company is taking measures to manage its cash carefully by monitoring its cash flows situation on a daily basis and explore financing options to manage its financial obligations related to its long-term contracts for equipment. The Company has successfully negotiated with its related parties to either extend the maturity dates of outstanding debts or waive accrued interest. Management has reasonable confidence that related parties will continue to provide support within a practical scope. Additionally, the Company's management remains highly vigilant in monitoring its liquidity position and proactively engages with a broad range of potential financing sources to ensure access to alternative funding options whenever needed. Subsequent to December 31, 2024, one of the related parties agreed to provide financing of up to $2,500,000 to the Company to support its working capital needs, demonstrating the related parties' continued commitment to sustaining the Company's operations and ensuring its ongoing viability.

ACCOUNTING POLICIES

Basis of Preparation

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

The condensed 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-Balance Sheet Arrangements and Financing Facilities

The short-term borrowings balance of $535,305 (2023 – $33,779) was a bank overdraft outstanding as at December 31, 2024. The following facilities are also available to the Company as at December 31, 2024 and December 31, 2023:

i) Credit facility for an aggregated amount of €941,000 (CAD $1,404,725), 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, 2023 – €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, 2024, CAD $nil (€nil) was outstanding on this facility (December 31, 2023 – CAD $nil (€nil)).

ii) Aggregate bank guarantees up to a maximum of €1,500,000 (CAD $1,567,440) for advanced payment refunds for its foreign customers that are due on demand, bear weighted average interest at 1.71% per annum (December 31, 2023 – €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, 2024, there were $nil guarantees outstanding (December 31, 2023 - $nil).

iii) An aggregate foreign exchange cover line up to a maximum of €3,500,000 (CAD $5,224,800) (December 31, 2023 – €3,500,000). As at December 31, 2024, CAD $nil was outstanding on this facility (December 31, 2023– $nil).

Transaction Between Related Parties

For the period ending December 31, 2024, the Company has the following related party transactions:

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.

	December 31, 2024	December 31, 2023
Director fees to non-executive directors	**$ 8,000**	$ 15,000
Salaries	**838,393**	793,379

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

		December 31, 2024		December 31, 2023
Real property leases paid to a company controlled by an officer of the Company	**$**	**114,096**	$	112,382
Finance cost paid or accrued (net recovery) to a company controlled by a director of the Company		**68,571**		67,179
Finance cost paid or accrued to two companies controlled by two of the directors of the Company		**13,206**		13,200
Professional fees paid to a partnership controlled by a director of the Company		**41,441**		56,528
General administrative fee paid to a company controlled by a former officer of the Company		**-**		40,602
General administrative fee paid to a company controlled by an officer of the Company		**65,625**		75,600
Commission expense paid (recovery) or accrued to two companies controlled by two directors of the Company		**337,476**		319,531

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

		December 31, 2024		December 31, 2023
Receivable from a company controlled by an officer of the Company, relates to advances for share purchase	**$**	**320,064**	$	302,383
Convertible debentures issued to a company controlled by a director of the Company		**2,260,632**		2,114,193
Long-term borrowing advanced from a company controlled by a director of the Company		**1,524,288**		1,423,862
Long-term borrowing advanced from a company controlled by an officer of the Company		**3,549,022**		1,452,854
Long-term borrowing advanced from companies controlled by two of the directors of the Company		**663,119**		528,041

Changes in Accounting Policies

The unaudited condensed consolidated interim financial statements and audited consolidated financial statements follow the same accounting policies as outlined in the audited financial statements for the year ended December 31, 2023, except for the adoption of the following accounting standards effective January 1, 2024:

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 condensed consolidated interim financial statements and audited consolidated financial statements.

The amendments to IAS 7, Statement of Cash Flow, require an entity to provide additional disclosures about its supplier finance arrangements. The amendments also add supplier finance arrangements as an example within the liquidity risk disclosure requirements of IFRS 7 Financial Instruments: Disclosures.

The adoption of this amendment did not have a material measurement or disclosure impact on the Company's condensed consolidated interim financial statements and audited consolidated financial statements.

The amendments to IFRS 16, Leases, add subsequent measurement requirements to IFRS 16 that explain how an entity accounts for a sale and leaseback after the date of the transaction. The adoption of this amendment did not have a material measurement or disclosure impact on the Company's condensed consolidated interim financial statements and audited consolidated 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.