Composite Alliance Group Inc.

Condensed Consolidated Interim Financial Statements
June 30, 2023
(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)

		June 30, 2023 (Unaudited)		December 31, 2022
Assets				
Cash	$	**953,554**	$	98,986
Accounts receivable		**2,061,269**		3,925,534
Contract asset		**4,530,466**		4,026,125
Prepaid expense and others		**95,553**		140,241
Sales tax and other receivables		**910,529**		920,191
Total current assets		**8,551,371**		9,111,077
Other assets and receivables (Note 4)		**496,295**		345,990
Property and equipment (Note 5)		**1,236,242**		1,246,673
Intangible assets (Note 6)		**1,840,522**		1,340,106
Total assets	$	**12,124,430**	$	12,043,846
Liabilities				
Short term borrowing	$	**-**	$	730,232
Accounts payable and accrued liabilities (Note 8)		**4,173,641**		4,270,512
Current portion of long-term borrowings (Note 9 & 15)		**734,275**		709,588
Current portion of lease obligation (Note 10)		**221,484**		202,075
Contract liabilities		**2,730,857**		593,358
Total current liabilities		**7,860,257**		6,505,765
Convertible debentures (Note 11 & 15)		**2,039,748**		1,995,393
Long-term borrowings (Note 9 & 15)		**4,696,232**		4,927,463
Lease obligation (Note 10)		**977,302**		999,581
Long-term provisions		**21,783**		13,680
Post-employment benefits plans		**202,478**		204,715
Research tax credit		**30,775**		30,803
Total liabilities		**15,828,575**		14,677,400
Shareholders' equity				
Share capital (Note 12)		**4,890,766**		4,890,766
Contributed surplus		**1,430,496**		1,430,496
Equity component of convertible debentures (Note 10)		**173,314**		173,314
Accumulated other comprehensive loss		**(218,571)**		(243,060)
Deficit		**(9,980,150)**		(8,885,070)
Total shareholders’ equity attributable to common shareholders		**(3,704,145)**		(2,633,554)
Total liabilities and shareholders’ equity	$	**12,124,430**	$	12,043,846

Nature of operations and going concern (Note 1)

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 six-month period ended June 30
(In Canadian dollars)

	Three months ended. June 30, 2023	Three months ended. June 30, 2022	**Six months ended. June 30, 2023**	Six months ended. June 30, 2022
Revenue	**$ 2,785,650**	$ 594,695	**$ 6,259,273**	$ 1,572,986
Expenses				
Purchased raw material and goods	**1,512,429**	105,403	**2,502,323**	494,899
Payroll expenses and social security	**493,544**	747,085	**941,934**	1,420,379
Subcontractor	**625,842**	91,803	**1,846,733**	159,505
Selling, general and administrative	**744,161**	537,020	**1,374,752**	911,021
Property and apprenticeship taxes	**20,570**	16,784	**36,892**	33,028
Depreciation and amortization	**189,548**	189,227	**377,531**	341,052
Provision variations	**(24,841)**	(19,083)	**(10,907)**	(35,521)
	(775,603)	(1,073,544)	**(809,985)**	(1,751,377)
Other expenses (income)				
Foreign exchange loss (gain)	**35,834**	19,945	**(5,985)**	20,416
Finance costs	**109,029**	146,543	**274,164**	233,804
Other expense (income)	**(39,324)**	(231,023)	**16,916**	(302,083)
Net (loss) income	**(881,142)**	(1,009,009)	**(1,095,080)**	(1,703,514)
(Loss) income per common share (Note 14) Basic and diluted	**(0.02)**	(0.01)	**(0.02)**	(0.02)
Other comprehensive (loss) income				
Items that will be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations	**(29,356)**	(101,666)	**24,489**	(113,978)
Total comprehensive (loss) income	**(910,498)**	(1,110,675)	**(1,070,591)**	(1,817,492)

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 six-month periods ended June 30
(In Canadian dollars)

	Share capital	Contributed Surplus	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income (loss)	Deficit	Total
Balance December 31, 2021,	4,890,766	1,442,199	458,553	(153,047)	(8,462,349)	(1,823,878)
Comprehensive loss	-	-	-	(113,978)	(1,703,514)	(1,817,492)
Balance June 30, 2022 (unaudited)	4,890,766	1,442,199	458,553	(267,025)	(10,165,863)	(3,641,370)
Balance December 31, 2022	**4,890,766**	**1,430,496**	**173,314**	**(243,060)**	**(8,885,070)**	**(2,633,554)**
Comprehensive loss	**-**	**-**	**-**	**24,489**	**(1,095,080)**	**(1,070,591)**
Balance June 30, 2023 (unaudited)	**4,890,766**	**1,430,496**	**173,314**	**(218,571)**	**(9,980,150)**	**(3,704,145)**

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 six-month periods ended June 30
(In Canadian dollars)

		2023 (unaudited)		2022 (unaudited)
Operating				
Net (loss) income	$	**(1,095,080)**	$	(1,703,514)
Items not affecting cash:				
Depreciation and amortization		**377,531**		341,052
Provisions		**(10,907)**		(35,521)
Finance costs		**171,779**		231,423
Other income (expense)		**-**		150,121
Change in working capital requirement				
Change in prepaid and others		**35,770**		86,029
Change in trade and other receivables		**1,218,631**		(526,495)
Change in trade and other payables		**1,877,572**		1,954,372
Net cash provided by (used in) operating activities		**2,575,296**		497,467
Investing				
Acquisition of property and equipment		**(16,849)**		(6,549)
Acquisition of intangible assets		**(739,146)**		-
Net cash used in investing activities		**(755,995)**		(6,549)
Financing				
Repayment of borrowings		**(325,030)**		(240,854)
Repayment of lease obligation		**(122,067)**		(92,767)
Net cash (used in) provided by financing activities		**(447,097)**		(333,621)
Effect of exchange on cash		**212,596**		237,721
Net increase (decrease) in cash		**1,584,800**		395,018
Cash and cash equivalents, beginning of period		**(631,246)**		2,070,582
Cash and cash equivalents, end of period	**$**	**953,554**	$	2,465,600

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 June 26, 2008, under the *Business Corporations Act* (Alberta). The Company completed a reverse takeover of Techni-Modul Engineering S.A. ("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. To facilitate the Company's role as an exclusive regional distributor, the Company set up a wholly owned subsidiary Composite Alliance Asia Limited ("CAA") in Hong Kong in September 2019 which has been inactive to date.

Prior to January 2, 2020, the Company owned 70% of the issued shares of Composite Alliance Corp. ("CAC"), a company registered in Delaware, US and based in Dallas, US. Effective January 2, 2020, the Company acquired an additional 20% shares from a non-controlling shareholder of CAC, giving a 90% interest in CAC. The acquisition of the additional 20% interest was accounted for as an equity transaction. Effective December 16, 2021, the Company acquired the remaining 10% shares from a non-controlling shareholder of CAC, giving a 100% interest in CAC. The acquisition of the additional 10% interest was accounted for as an equity transaction.

The Company's shares are listed for trading on the TSX Venture Exchange ("TSXV") under the symbol "CAG". The Company's registered and head 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 has generated a net loss of $1,095,080 (June 30, 2022 - $1,703,514) for the six months ended June 30, 2023, and as of that date, has an accumulated deficit of $9,980,150 (December 31, 2022 - $8,885,070). 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 is taking proactive steps to improve its profitability, including exploring new revenue streams and developing new products. The Company has confirmed $17 million worth of orders from its customers for this fiscal year, which gives confidence in its ability to generate sufficient revenues to meet its obligations in a timely fashion. The Company is also negotiating an extra financing of $6 million, which will provide a significant infusion of capital and further support its growth initiatives. 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.

While there is no guarantee that the Company will continue to receive significant orders or be successful in all its growth initiatives, management believes that its current actions will help to improve its long-term viability. The Company remains committed to monitoring its financial position and taking necessary actions to address any future financial challenges. If it is unable to generate sufficient revenues or obtain additional financing, the Company may be forced to curtail or cease its operations, which could have a material adverse effect on its financial condition and results of operations. These condensed consolidated interim financial statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported revenues and expenses and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

2. 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 August 25, 2023.

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, 2022.

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, 2022, audited consolidated financial statements.

3. SIGNIFICANT 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, 2022, except for the adoption of the following accounting standards effective January 1, 2023:

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.

The amendments to IAS12, Income Taxes, require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable, these amendments attempt to uniform the approach taken. The adoption of this amendment did not have a material measurement or disclosure impact on the Company's condensed consolidated interim financial statements.

4. OTHER ASSETS AND RECEIVABLES

Other assets and receivables consist of:

		June 30, 2023		December 31, 2022
Long term investments	**$**	**550**	$	551
Deposit and guarantees		**203,048**		57,205
Amount receivable from shareholder (Note 15)		**292,697**		288,234
	$	**496,295**	$	345,990

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

(In Canadian dollars)

5. PROPERTY AND EQUIPMENT

Cost	**December 31, 2022**	**Additions**	**Reductions**	**Foreign Exchange**	**June 30, 2023**
Right of use assets	2,041,055	120,262	(115,971)	(1,871)	2,043,475
Technical facilities, equipment and industrial tools	713,174	9,756	-	(724)	722,206
Leaseholds and furniture	297,671	7,093	-	(367)	304,397
Cost	3,051,900	137,111	(115,971)	(2,962)	3,070,078

Depreciation	**December 31, 2022**	**Additions**	**Reductions**	**Foreign Exchange**	**June 30, 2023**
Right of use assets	883,058	121,376	(113,968)	(859)	889,607
Technical facilities, equipment and industrial tools	657,780	10,869	-	(683)	667,966
Leasehold and furniture	264,389	11,517	-	353	276,259
Depreciation	1,805,227	143,762	(113,968)	(1,189)	1,833,832
Net tangible assets	**1,246,673**	**(6,651)**	**(2,003)**	**(1,777)**	**1,236,242**

Cost	**December 31, 2021**	**Additions**	**Disposals**	**Foreign Exchange**	**December 31, 2022**
Right of use assets	1,125,799	941,130	(79,060)	53,186	2,041,055
Technical facilities, equipment and industrial tools	697,555	11,720	-	3,899	713,174
Leaseholds and furniture	295,332	809	-	1,530	297,671
Cost	2,118,686	953,659	(79,060)	58,615	3,051,900

Depreciation	**December 31, 2021**	**Additions**	**Disposals**	**Foreign Exchange**	**December 31, 2022**
Right of use assets	698,845	210,825	(39,400)	12,788	883,058
Technical facilities, equipment and industrial tools	624,754	28,531	-	4,495	657,780
Leasehold and furniture	234,484	27,193	-	2,712	264,389
Depreciation	1,558,083	266,549	(39,400)	19,995	1,805,227
Net tangible assets	**560,603**	**687,110**	**(39,660)**	**38,620**	**1,246,673**

(In Canadian dollars)

6. INTANGIBLE ASSETS

Costs	December 31, 2022	Additions	Foreign Exchange	June 30, 2023
Development costs	5,922,490	739,146	(11,574)	6,650,062
Software	93,948	-	(84)	93,864
Concessions, patents and distribution rights	829,830	-	(325)	829,505
Costs	6,846,268	739,146	(11,983)	7,573,431

Amortization	December 31, 2022	Additions	Foreign Exchange	June 30, 2023
Development costs	4,838,237	183,295	(5,900)	5,015,632
Software	7,540	-	(7)	7,533
Concessions, patents and distribution rights	660,385	49,740	(381)	709,744
Amortization	5,506,162	233,035	(6,288)	5,732,909
Net intangible assets	**1,340,106**	**506,111**	**(5,695)**	**1,840,522**

Cost	December 31, 2021	Additions	Foreign Exchange	December 31, 2022
Development costs	5,196,379	664,937	61,174	5,922,490
Software	85,166	7,944	838	93,948
Concessions, patents and distribution rights	828,152	-	1,678	829,830
Cost	6,109,697	672,881	63,690	6,846,268

Amortization	December 31, 2021	Additions	Foreign Exchange	December 31, 2022
Development costs	4,560,331	243,151	34,755	4,838,237
Software	6,433	1,020	87	7,540
Concessions, patents and distribution rights	559,226	98,932	2,227	660,385
Amortization	5,125,990	343,103	37,069	5,506,162
Net intangible assets	**983,707**	**329,778**	**26,621**	**1,340,106**

(In Canadian dollars)

7. SHORT-TERM DEBT

The balance of $nil (December 31, 2022 – $730,232) was a bank overdraft outstanding as at June 30, 2023. The following facilities are available to the Company as at June 30, 2023 and December 31, 2022:

i) Credit facility for an aggregated amount of €1,345,596 (CAD $1,943,713) 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 June 30, 2023, CAD $nil (€nil) was outstanding on this facility (December 31, 2022 – CAD $nil (€nil)).

ii) Aggregate bank guarantees up to a maximum of €1,200,000 (CAD $1,733,400) 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 June 30, 2023, there were $1,830,830 (€938,925 and USD $208,000) of guarantees outstanding (December 31, 2022 - $443,442 (€111,860 and USD $208,000)).

iii) An aggregate foreign exchange cover line up to a maximum of €3,500,000 (CAD $5,055,750) (December 31, 2022 – €3,500,000). As at June 30, 2023, CAD $1,828,404 (USD $1,380,970) was outstanding on this facility (December 31, 2022– CAD $2,588,461 (€1,500,000 and USD $309,924).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2023		December 31, 2022
Trade payable	**$**	**3,319,365**	**$**	3,081,113
Social security payable		**483,687**		484,123
Value added tax payable		**61,860**		61,916
Other liabilities		**308,729**		643,360
	$	**4,173,641**	$	4,270,512

9. LONG-TERM BORROWINGS

		June 30, 2023		December 31, 2022
Loan denominated in Euro is guaranteed by the French government "PGE", bears interest at 0.25%. The loan has been extended, bears interest at 0.70%-0.74% with interest only payment up to February 2023, after which monthly blended payment of €21,144 and matures on February 2, 2027	**$**	**1,307,815**	**$**	1,445,800
Loan denominated in Euro is unsecured, bears interest at 1.70%, Interest only payments and matures on January 31, 2026*		**1,269,071**		1,252,728
Loan denominated in CAD is unsecured, bears interest at 2.00% per annum, and with interest only payments and matures on November 15, 2025 *		**533,626**		521,623
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		**469,383**		548,993
Loan denominated in USD is unsecured, bears interest at 2.00%, Interest only payments and matures on October 7, 2026*		**386,660**		385,360
Loan denominated in CAD is unsecured, bears interest at 2.00% per annum, and with interest only payments and matures on November 15, 2025 *		**353,119**		309,498
Loan denominated in Euro is guaranteed by the French national fund guarantee "Garantie Atout PME", bears interest at 2.50%, quarterly payment of €30,555 plus interest and matures on May 31, 2025		**353,108**		441,779
Loan denominated in CAD is unsecured, bears interest at 2.00%, Interest only payments and matures on January 31, 2026*		**344,976**		335,878
Loan denominated in USD is unsecured, non-interest bearing and with no repayment term*		**96,652**		98,871
Loan denominated in CAD is unsecured, non-interest bearing and matures on December 31, 2023		**40,000**		40,000
Loan denominated in Euro is unsecured, bears interest at 0.95%, monthly blended payment of €4,228 and matures on March 4, 2023		**-**		18,309
		5,154,410		5,398,839
Add: accrued interest		**276,097**		238,212
		5,430,507		5,637,051
Less: current portion		**(734,275)**		(709,588)
	$	**4,696,232**	$	4,927,463

* These are loans from related parties.

(In Canadian dollars)

9. LONG-TERM BORROWINGS (continued)

Principal repayments are as follows:

Remaining of 2023	$	386,618
2024		696,359
2025		1,636,755
2026		2,565,117
2027		42,378
Thereafter		103,280
	$	5,430,507

The Company obtained bank financing of $40,000 through Canada Emergency Business Account ("CEBA") during the year ended December 31, 2020. It is an interest-free loan until December 31, 2022. Repaying the loan on or before December 31, 2022, will result in loan forgiveness of $10,000. If the loan is not repaid by December 31, 2022, it will be extended for an additional 3-year term with no specific principal repayment until maturity, bearing interest at 5% per annum. Management has determined that the Company will be able to meet the repayment requirement by December 31, 2022, therefore, has recognized the forgivable portion of the loan of $10,000 as other income during the year ended December 31, 2020. The Company obtained an additional $20,000 through CEBA during the year ended December 31, 2021. Repaying the loan on or before December 31, 2022, will result in additional loan forgiveness of $10,000. Management has recognized the forgivable portion of the loan of $10,000 as other income during the year ended December 31, 2021. As at January 12, 2022, the federal government extended the repayment deadline for CEBA loan to qualify for partial loan forgiveness from December 31, 2022 to December 31, 2023. The outstanding loan would subsequently convert to two-year term loan with interest at 5% per annum.

The components of finance costs are as follows:

		June 30, 2023		June 30, 2022
Interest on long-term borrowings	**$**	**45,733**	**$**	46,557
Accretion on long-term borrowings		**92,468**		92,219
Interest on leases		**28,949**		27,858
Interest on convertible debentures		**21,553**		20,666
Accretion on convertible debentures		**24,991**		42,038
Interest on short-term borrowing and others		**60,470**		4,466
	$	**274,164**	$	233,804

(In Canadian dollars)

10. CONVERTIBLE DEBENTURES

The Company completed a series of private placements of convertible unsecured debentures between December 2016 and March 2017. A total of 31,915 bonds were issued at €47 each, for a total principal amount of €1,500,005 (CAD $2,187,457), to a shareholder of the Company. The convertible debentures accrue interest at 3% per annum, mature in December 2022. All or any of the debentures are convertible by the holder into common shares of TME at a conversion price of €18.16 per share at any time prior to the maturity date, or at any time after the maturity date if and only if the Company has failed to repay the full amount of the debentures at maturity. The early conversion prior to the maturity date is subject to approval by TSXV. The value of the conversion option was calculated by subtracting the net present value of the debenture from the face value of the convertible debenture. The net present value of the debenture was calculated using a discount rate of 8%. An amount of CAD $1,651,352 (€1,132,382) and CAD $553,346 (€367,623) was allocated to the liability and equity component of the convertible debenture respectively.

Effective December 31, 2022, the Company reached an agreement with the holder of the convertible debentures, who is a related party, to forgive interest accrued up to December 31, 2022. The net present value of the debenture was calculated using a discount rate of 4.75%. Accrued interest of $21,553 has been recorded as finance costs for the six months ended June 30, 2023. Accretion expense of $24,991 was recorded as finance costs accrete the liability to its principal amount.

11. LEASE OBLIGATION

The Company has a few property rental and movable property rental leases whose maturity goes from September 2021 to April 2027. The leases have an incremental borrowing rate ranging from 2 to 5% and interest expense for the period ended June 30, 2023, was $28,949 (June 30, 2022 - $27,858).

		June 30, 2023		December 31, 2022
Balance, beginning of period	**$**	**1,201,656**	**$**	439,119
Additions		**120,262**		931,249
Lease payments		**(122,067)**		(210,825)
Foreign exchange		**(1,065)**		42,113
		1,198,786		1,201,656
Less: current portion		**(221,484)**		(202,075)
	$	**977,302**	$	999,581

Future lease payments are as follows:

Less than one year	$	272,815
1-3 years		501,188
3-5 years		317,826
More than 5 years		287,334
		1,379,163
Less: finance costs		(180,377)
	$	1,198,786

(In Canadian dollars)

12. 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 June 30, 2023 and December 31, 2022	**110,233,610**	**4,890,766**

13. 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.

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

	June 30, 2023		December 31, 2022	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Opening	-	$-	2,400,000	$0.125
Expired	-	$-	(2,400,000)	($0.125)
Closing	**-**	**$-**	-	$-

14. NET LOSS PER COMMON SHARE

	Six months ended June 30, 2023	Six months ended June 30, 2022
Net loss	$ **(1,095,080)**	$ (1,703,514)
Weighted average number of common shares – basic and diluted	**110,233,610**	110,233,610

(In Canadian dollars)

15. 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:

	Six months ended June 30, 2023	Six months ended June 30, 2022
Director fees to non-executive directors	**$ 7,000**	$ 5,250
Salaries	**363,319**	433,978

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

	Six months ended June 30, 2023	Six months ended June 30, 2022
Real property leases paid to a company controlled by 2SL-IMMO, controlled by Serge Luquain (current CEO and President)	**$ 56,082**	$ 53,480
Finance cost paid or accrued to a company controlled Malchemy Corp, major shareholder (on €1.5m convertible debenture and €950k loan)	**33,156**	31,791
Finance cost paid or accrued to two directors ($660k debenture at CAG)	**6,546**	6,546
Professional fees paid to a partnership controlled by a director of the Company, Dale Burstall	**29,168**	7,572
General administrative fee paid to a company controlled by a Safer Transitions Inc. (owned by Roger Essome, former CFO in 2022, resigned May 2023)	**40,602**	-
Commission expense paid or accrued to two companies controlled by two directors of the Company (Sino Composites and K Plus Management) (TME)	**234,453**	25,624

(In Canadian dollars)

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

		June 30, 2023		December 31, 2022
Receivable from SPV Finances, controlled by Serge Luquain, CEO, President and a director of the Company	**$**	**292,697**	$	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)		**2,039,748**		1,895,966
Long-term borrowing advanced Malchemy Corp, a major shareholder, 5.72% on 950€ (became 1.7% Jan 1, 2021) (TME), non-interest bearing USD73,000 (CAC)		**1,377,227**		1,351,599
Long-term borrowing advanced by Team Alpha Limited, owned by Jim Hsieh (former CEO and director), 2% (used to be 5%) on $400k (CAG), $351(CAG), $600K CAG		**1,405,438**		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)		**565,657**		515,490
Trade receivable from Sky Composite, of which Mr. Zhang is the CEO and President.		**288,900**		289,160
Trade receivable from Ya-King, owned by Jim Hsieh's son. Jim Hsieh is the former CEO and director of CAG.		**144,450**		144,580

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

In addition to the above, on October 8, 2021, the Company entered into a machine development agreement (the “Agreement”) with a company owned by a direct family member of a key management personnel of the Company. The related company agreed to contribute €600,000 (the “Contribution”) toward the development and construction of the first machine. The Contribution is non-refundable and has been applied against costs incurred. As part of the Agreement, the Company will pay a 30% commission for the first two machines and 15% commission for the third to the seventh machines sold to the end customers. Any machine sales subsequent to the seventh sales require no payment of commission. The commission is due in the same term as the payment term between the Company and the end customer. As at June 30, 2023, €100,000 (CAD $144,450) of the consideration is receivable from the related party and has been reflected with sales tax and other receivables. After December 31, 2022, both parties amended the terms of the agreement. As a result of the amendment, the commission for the first machine will be waived. The Company will pay a commission of €200,000 per machine for the second to the fourth machine and €165,000 for the fifth machine sold to the end customer.