



C-COM SATELLITE SYSTEMS INC.

INTERIM CONDENSED FINANCIAL STATEMENTS

**THIRD QUARTER FINANCIAL REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016**

**PREPARED BY MANAGEMENT
(Unaudited)**

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.



**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED AUGUST 31, 2017 AND AUGUST 31, 2016
UNAUDITED**

Management's Responsibility for Financial Reporting

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

August 31, 2017

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Unaudited Interim Condensed Statements of Financial Position

As at August 31, 2017 and November 30, 2016
(Canadian dollars)

	Notes	Aug. 31, 2017 (unaudited)	Nov. 30, 2016 (audited)
ASSETS			
Cash		\$ 4,323,526	\$ 6,041,775
Marketable securities		11,126,528	10,081,130
Accounts receivable		1,211,741	953,919
Inventory		3,082,335	3,522,159
Prepaid expenses		100,333	215,265
Tax recoverable		78,449	210,437
Total current assets		19,922,912	21,024,685
Capital assets		84,906	92,818
Application software		26,580	28,511
Total non-current assets		111,486	121,329
TOTAL ASSETS		\$ 20,034,398	\$ 21,146,014
LIABILITIES & SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 638,785	\$ 872,981
Deferred revenue		38,243	53,938
Total current liabilities		677,028	926,919
NON-CURRENT LIABILITIES			
Deferred revenue		214,320	209,300
Deferred tax liability		90,383	74,166
Total non-current liabilities		304,703	283,466
TOTAL LIABILITIES		981,731	1,210,385
SHAREHOLDERS' EQUITY			
Share capital	7	8,915,598	8,854,734
Contributed surplus		1,479,902	1,326,659
Retained earnings		8,657,167	9,754,236
TOTAL SHAREHOLDERS' EQUITY		19,052,667	19,935,629
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 20,034,398	\$ 21,146,014

ON BEHALF OF THE BOARD:

(Signed -- Leslie Klein)

Director

(Signed -- Ronald Leslie)

Director

Unaudited Interim Condensed Statements of Changes in Equity
For the nine-month period ended August 31, 2017 and August 31, 2016
(Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance December 1, 2016	\$ 8,854,734	\$ 1,326,659	\$ 9,754,236	\$ 19,935,629
Net income and comprehensive income	-	-	277,727	277,727
Dividends declared	-	-	(1,374,796)	(1,374,796)
Exercised options	76,000	-	-	76,000
Stock based compensation expense	-	138,107	-	138,107
Reclassification of contributed surplus on exercised options	(15,136)	15,136	-	-
Balance August 31, 2017	<u>\$ 8,915,598</u>	<u>\$ 1,479,902</u>	<u>\$ 8,657,167</u>	<u>\$ 19,052,667</u>
	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance December 1, 2015	\$ 8,742,015	\$ 942,819	\$ 10,554,979	\$ 20,239,813
Net income and comprehensive income	-	-	353,938	353,938
Dividends declared	-	-	(1,364,421)	(1,364,421)
Exercised options	143,125	-	-	143,125
Stock based compensation expense	-	175,895	-	175,895
Reclassification of contributed surplus on exercised options	(6,660)	6,660	-	-
Balance August 31, 2016	<u>\$ 8,878,480</u>	<u>\$ 1,125,374</u>	<u>\$ 9,544,496</u>	<u>\$ 19,548,350</u>

Unaudited Interim Condensed Statements of Net Earnings and Comprehensive Income

**For the three-month and nine-month periods ended August 31, 2017 and August 31, 2016
(Canadian dollars)**

	Three Months Ended:		Nine Months Ended:	
	Aug. 31, 2017 (unaudited)	Aug. 31, 2016 (unaudited)	Aug. 31, 2017 (unaudited)	Aug. 31, 2016 (unaudited)
REVENUE	\$ 2,341,016	\$ 2,094,710	\$ 6,856,925	\$ 6,332,554
COST OF SALES	981,399	1,014,805	3,008,412	2,927,881
GROSS PROFIT	1,359,617	1,079,905	3,848,513	3,404,673
EXPENSES				
General and administrative	404,417	519,835	1,242,879	1,368,256
Research and development	356,736	175,513	1,128,462	479,493
Sales and marketing	196,580	170,365	722,775	669,992
	957,733	865,713	3,094,116	2,517,741
INCOME BEFORE OTHER INCOME AND INCOME TAX	401,884	214,192	754,397	886,932
OTHER INCOME				
Investment income	41,606	32,185	112,984	84,703
Foreign exchange (loss)/gain	(175,708)	(117,196)	(152,717)	(179,795)
	(134,102)	(85,011)	(39,733)	(95,092)
INCOME BEFORE INCOME TAX	267,782	129,181	714,664	791,840
INCOME TAX	137,599	99,602	436,937	437,902
NET INCOME AND COMPREHENSIVE INCOME	\$ 130,183	\$ 29,579	\$ 277,727	\$ 353,938
Basic earnings per share	\$0.00	\$0.00	\$0.01	\$0.01
Basic weighted average number of common shares outstanding	36,651,399	36,367,269	36,651,399	36,367,269
Diluted earnings per share	\$0.00	\$0.00	\$0.01	\$0.01
Diluted weighted average number of common shares outstanding	36,991,470	36,837,477	36,991,470	36,837,477



Unaudited Interim Condensed Statements of Cash Flows

**For the three-month and nine-month periods ended August 31, 2017 and August 31, 2016
(Canadian dollars)**

	Three Months Ended:		Nine Months Ended:	
	Aug. 31, 2017	Aug. 31, 2016	Aug. 31, 2017	Aug. 31, 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
OPERATING ACTIVITIES				
Net income	\$ 130,183	\$ 29,579	\$ 277,727	\$ 353,938
<i>Items not affecting cash:</i>				
Investment income	(41,606)	(32,185)	(112,984)	(84,703)
Income tax expense	137,599	99,602	436,937	437,902
Scientific research and experimental development tax credit	(96,165)	(81,250)	(288,495)	(243,750)
Amortization	13,492	10,194	36,107	30,487
Unrealized foreign exchange loss (gain)	(13,068)	(12,284)	362,640	348,555
Stock-based compensation	52,993	62,953	138,107	175,895
	<u>183,428</u>	<u>76,609</u>	<u>850,039</u>	<u>1,018,324</u>
<i>Changes in non-cash working capital:</i>				
Accounts receivable	241,535	152,699	(523,595)	641,840
Inventory	288,994	524,189	439,824	743,442
Prepaid expenses	(8,144)	(19,217)	114,932	(62,563)
Accounts payable and accrued liabilities	94,287	(107,957)	(374,302)	(239,091)
Deferred revenue	(4,506)	15,634	(10,675)	15,146
	<u>612,166</u>	<u>565,348</u>	<u>(353,816)</u>	<u>1,098,774</u>
Investment income received	40,384	31,330	112,616	75,723
Income tax paid	-	-	-	-
Cash flow from operating activities	<u>835,978</u>	<u>673,287</u>	<u>608,839</u>	<u>2,192,821</u>
INVESTING ACTIVITY				
Acquisition of marketable securities	(4,032,000)	(5,080,274)	(11,125,543)	(11,330,274)
Disposal of marketable securities	3,000,000	2,827,103	10,080,274	3,327,103
Acquisition of capital assets	(6,897)	(14,786)	(26,263)	(19,249)
Cash flow used in investing activities	<u>(1,038,897)</u>	<u>(2,267,957)</u>	<u>(1,071,532)</u>	<u>(8,022,420)</u>
FINANCING ACTIVITY				
Dividends paid to owners of Company	(459,057)	(456,495)	(1,374,796)	(1,364,421)
Options exercised	-	22,500	76,000	143,125
Cash flow used in financing activities	<u>(459,057)</u>	<u>(433,995)</u>	<u>(1,298,796)</u>	<u>(1,221,296)</u>
Foreign exchange gain (loss) on cash	55,239	2,852	43,240	(40,622)
DECREASE IN CASH FLOW	<u>(606,737)</u>	<u>(2,025,813)</u>	<u>(1,718,249)</u>	<u>(7,091,517)</u>
CASH - beginning of period	<u>4,930,263</u>	<u>7,263,917</u>	<u>6,041,775</u>	<u>12,329,621</u>
CASH - end of period	<u>\$ 4,323,526</u>	<u>\$ 5,238,104</u>	<u>\$ 4,323,526</u>	<u>\$ 5,238,104</u>



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS For the three-month and nine-month periods ended August 31, 2017 and 2016 (expressed in Canadian Dollars)

1. DESCRIPTION OF INCORPORATION AND OPERATIONS

C-COM Satellite Systems Inc. (the “Company”) was federally incorporated under the Canadian Business Corporation Act on December 9, 1997. On July 24, 2000, the Company's stock began trading on TSX Venture Exchange. The Company is engaged in the development of high quality, cost effective, satellite - based technology that allows the delivery of high speed internet access for fixed, transportable and mobile end-users. The address of its registered office and principle place of business is 2574 Sheffield Road, Ottawa, Ontario K1B 3V7.

These unaudited interim condensed financial statements for the three-month and nine-months period ended August 31, 2017 were authorized for issuance by the Board of Directors on October 11, 2017.

2. BASIS OF PRESENTATION

These unaudited interim condensed financial statements are expressed in Canadian dollars, which is the Company’s functional currency, and have been prepared in accordance with International Accounting Standard (“IAS”) IAS34 – Interim financial reporting, as issued by the International Accounting Standard Board (“IASB”). These unaudited interim condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with the accounting policies the Company adopted in its annual financial statements for the year ended November 30, 2016 and should be read in conjunction with the audited financial statements and notes thereto included in the Company’s Annual Report for the year ended November 30, 2016. These unaudited interim condensed financial statements do not include all of the information required in annual financial statements.

These unaudited interim condensed financial statements have been prepared on a going concern basis using historical cost conventions.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

In April 2014, the IASB released IFRS 15 – Revenue from Contracts with Customers. The Standard replaces IAS11 Construction Contracts and IAS18 Revenue, providing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the adoption of this standard on its financial statements.

IFRS 9 Financial instruments (“IFRS 9”)

IFRS 9 was issued by the IASB in November 2009 and October 2010, was amended in 2013 and finalized in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”)

IFRS 9 uses a single approach to determine whether a financial instrument is measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of those financial instruments. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the adoption of this standard on its financial statements.



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and nine-month periods ended August 31, 2017 and 2016
(expressed in Canadian Dollars)

3. FUTURE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases ("IFRS 16")

The IASB issued a new standard, IFRS 16 on January 13, 2016, which supersedes IAS 17, *Leases*. The new standard brings most leases on the balance sheet for lessees under a single model and eliminates the distinction between operating and finance leases. Lessor accounting remains largely unchanged. The new standard will come into effect for periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the adoption of this standard on its financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

There were no significant changes in estimates or approaches to determining estimates in the periods presented.

5. SEASONALITY

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. The Company's revenues and earnings have historically been subject to some quarterly seasonality due to the timing of vacation periods and statutory holidays.

6. OPERATING SEGMENT INFORMATION

IFRS 8 "Operating Segments" defines an operating segment as (a) a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief decision maker to make decisions about resources to be allocated to the segment and to assess its performance and (c) for which discrete financial information is available.

For managements purposes the Company's activities are attributable to a single operating segment, engaged in the design and manufacture of auto-deploying mobile satellite antennas. Consequently, the group does not present any operating segment information.



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and nine-month periods ended August 31, 2017 and 2016
(expressed in Canadian Dollars)

6. OPERATING SEGMENT INFORMATION (CONTINUED)

Revenue by Geographic area

The location of the customer determines the geographic areas for revenue.

	3 months ended August 31, 2017	3 months ended August 31, 2016
	\$	\$
Canada	104,333	110,333
United States	944,533	437,334
Asia	265,245	371,536
United Kingdom	252,724	73,763
Kazakhstan	227,289	-
Peru	223,004	211,546
Europe	28,619	739,412
Rest of the World	295,269	150,786
	2,341,016	2,094,710

Capital assets

The location of capital assets determines the geographic areas.

All capital assets are located in Canada.

Major Customers

For the quarter ended August 31, 2017 the Company had one customer which accounted for more than 10% of revenues with \$321,755 (August 31, 2016 – the Company had two customers account for more than 10% of revenues, generating \$316,169 and \$211,546 respectively).

7. ISSUED CAPITAL

Stock options

The Company has an established stock option plan, which provides that the Board of Directors may grant stock options to eligible directors, officers and employees. Under the plan, eligible directors, officers and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. On April 27, 2016 the Company reset the option pool to 20% of the issued and outstanding common shares on that date. Formal approval for the reset was received from the TSXV on May 9, 2016. A total of 7,237,910 common shares are authorized for issuance under the plan, of which 330,000 are issued at August 31, 2017. At August 31, 2017 there are 4,725,000 options outstanding of which 3,853,000 are exercisable.

Outstanding share capital

At August 31, 2017 there were 36,724,550 common shares of the Company outstanding. (August 31, 2016 – 36,519,550)



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and nine-month periods ended August 31, 2017 and 2016
(expressed in Canadian Dollars)

8. NET EARNINGS PER SHARE

The diluted weighted average number of shares has been calculated as follows:

	9 months ended August 31, 2017	9 months ended August 31, 2016
Weighted average number of shares – basic	36,651,399	36,367,269
Addition to reflect the dilutive effect of employee stock options	340,071	470,208
Weighted average number of shares – diluted	36,991,470	36,837,477

Options that are anti-dilutive because the exercise price was greater than the average market price of the common shares are not included in the computation of diluted earnings per share. For the nine-month period ending August 31, 2017, 2,722,000 options were excluded from the above calculation (August 31, 2016 – 2,573,000 options were excluded from the above calculation).

Net income represents the measure of profit and loss used to calculate earnings per share.

9. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's management regards the members of the Board of Directors and their immediate families and the senior managers and their immediate families of C-COM Satellite Systems Inc., the senior managers and their immediate families of Eurodata Inc., the senior managers of Boyd Moving and Storage Ltd. and their immediate families, the senior managers and their immediate families of 718133 Ontario Inc., the partners of Labarge Weinstein LLP and the senior managers and their immediate families of Branim Consulting Corp. as related parties.

The Company had the following transactions and balances with related parties during the period.

		3 months ended August 31, 2017	3 months ended August 31, 2016
		\$	\$
<i>Board of Directors:</i>			
Board of Director fees	(i)	24,000	24,000
<i>Transactions with 718133 Ontario Inc.:</i>			
Rental of office and warehouse space	(ii)	78,551	78,551
<i>Transactions with Branim Consulting Corp.:</i>			
Purchase of consulting services	(iii)	9,200	14,000
<i>Transactions with other parties:</i>			
Legal fees and expenses	(iv)	4,506	7,471



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and nine-month periods ended August 31, 2017 and 2016
(expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	As At August 31, 2017	As At August 31, 2016
	\$	\$
<i>Balances with related parties</i>		
Amounts due to Branim Consulting Corp	Nil	Nil
Amounts due to Labarge Weinstein LLP	Nil	Nil

Balances with related parties are due upon demand and included with accounts payable and accrued liabilities.

- i. The Board of Directors instituted a Board of Directors fee of \$24,000 per annum per board member commencing December 2, 2012 and is paid quarterly.
- ii. The Company has a 5-year lease commitment with 718133 Ontario Ltd. which ends July 2019 for office and warehouse space.
- iii. The Company purchases financial consulting services from Branim Consulting Corp. and the Company's Chief Financial Officer is a director of this company.
- iv. The Company retains a business law firm in Ottawa, Canada to provide legal services and advice. The Company's secretary is a partner of this firm.