



C-COM SATELLITE SYSTEMS INC.

INTERIM CONDENSED FINANCIAL STATEMENTS

THIRD QUARTER FINANCIAL REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED AUGUST 31, 2018 AND AUGUST 31, 2017

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, 2018 AND AUGUST 31, 2017
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, 2018

Contents

Financial Statements	Page
Interim Condensed Statements of Financial Position - (unaudited)	1
Interim Condensed Statements of Changes in Equity - (unaudited)	2
Interim Condensed Statements of Net Earnings and Comprehensive Income - (unaudited)	3
Interim Condensed Statements of Cash Flows - (unaudited)	4
Notes To The Unaudited Interim Condensed Financial Statements	5

Unaudited Interim Condensed Statements of Financial Position

As at August 31, 2018 and November 30, 2017
(Canadian dollars)

	Notes	Aug. 31, 2018 (unaudited)	Nov. 30, 2017 (audited)
ASSETS			
Cash		\$ 3,573,525	\$ 3,465,578
Marketable securities		11,797,245	11,625,543
Accounts receivable		1,704,018	2,147,031
Refundable investment tax credits		132,955	55,455
Inventory		3,627,736	3,258,367
Prepaid expenses		81,582	105,638
Tax recoverable		-	89,770
Total current assets		20,917,061	20,747,382
Capital assets		66,532	77,846
Application software		10,174	21,604
Total non-current assets		76,706	99,450
TOTAL ASSETS		\$ 20,993,767	\$ 20,846,832
LIABILITIES & SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 1,071,154	\$ 1,034,350
Tax payable		205,930	-
Deferred revenue		68,645	27,212
Total current liabilities		1,345,729	1,061,562
NON-CURRENT LIABILITIES			
Deferred revenue		159,896	217,282
Deferred tax liability		101,635	92,732
Total non-current liabilities		261,531	310,014
TOTAL LIABILITIES		1,607,260	1,371,576
SHAREHOLDERS' EQUITY			
Share capital	7	9,196,973	8,937,450
Contributed surplus		1,679,879	1,581,804
Retained earnings		8,509,655	8,956,002
TOTAL SHAREHOLDERS' EQUITY		19,386,507	19,475,256
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 20,993,767	\$ 20,846,832

Unaudited Interim Condensed Statements of Changes in Equity
For the nine-month period ended August 31, 2018 and August 31, 2017
(Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance December 1, 2017	\$ 8,937,450	\$ 1,581,804	\$ 8,956,002	\$ 19,475,256
Net income and comprehensive income	-	-	940,836	940,836
Dividends declared	-	-	(1,387,183)	(1,387,183)
Exercised options	247,650	-	-	247,650
Stock based compensation expense	-	109,948	-	109,948
Reclassification of contributed surplus on exercised options	11,873	(11,873)	-	-
Balance August 31, 2018	\$ 9,196,973	\$ 1,679,879	\$ 8,509,655	\$ 19,386,507
	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	\$ 8,915,598	\$ 1,479,902	\$ 8,657,167	\$ 19,052,667



Unaudited Interim Condensed Statements of Net Earnings and Comprehensive Income

**For the three-month and nine-month periods ended August 31, 2018 and August 31, 2017
(Canadian dollars)**

	Three Months Ended:		Nine Months Ended:	
	Aug. 31, 2018 (unaudited)	Aug. 31, 2017 (unaudited)	Aug. 31, 2018 (unaudited)	Aug. 31, 2017 (unaudited)
REVENUE	\$ 4,002,223	\$ 2,341,016	\$ 8,540,278	\$ 6,856,925
COST OF SALES	1,980,762	981,399	4,031,436	3,008,412
GROSS PROFIT	2,021,461	1,359,617	4,508,842	3,848,513
EXPENSES				
General and administrative	342,882	348,809	1,095,995	1,097,875
Research and development	381,712	356,736	1,117,287	1,128,462
Sales and marketing	389,934	252,188	991,638	867,779
	1,114,528	957,733	3,204,920	3,094,116
INCOME BEFORE OTHER INCOME AND INCOME TAX	906,933	401,884	1,303,922	754,397
OTHER INCOME				
Investment income	59,937	41,606	164,491	112,984
Foreign exchange (loss)/gain	(11,739)	(175,708)	(11,724)	(152,717)
	48,198	(134,102)	152,767	(39,733)
INCOME BEFORE INCOME TAX	955,131	267,782	1,456,689	714,664
INCOME TAX	313,201	137,599	515,853	436,937
NET INCOME AND COMPREHENSIVE INCOME	\$ 641,930	\$ 130,183	\$ 940,836	\$ 277,727
Basic earnings per share	\$0.02	\$0.00	\$0.03	\$0.01
Basic weighted average number of common shares outstanding	36,983,755	36,651,399	36,983,755	36,651,399
Diluted earnings per share	\$0.02	\$0.00	\$0.03	\$0.01
Diluted weighted average number of common shares outstanding	37,371,776	36,991,470	37,371,776	36,991,470

See accompanying notes to the financial statements



Unaudited Interim Condensed Statements of Cash Flows

**For the nine-month periods ended August 31, 2018 and August 31, 2017
(Canadian dollars)**

	Nine Months Ended:	
	Aug. 31, 2018	Aug. 31, 2017
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net income	\$ 940,836	\$ 277,727
<i>Items not affecting cash:</i>		
Investment income	(164,491)	(112,984)
Income tax expense	515,853	436,937
Scientific research and experimental development tax credit	(288,750)	(288,495)
Amortization	29,895	36,107
Loss on disposal of capital assets	793	-
Unrealized foreign exchange loss (gain)	285,262	362,640
Stock-based compensation	109,948	138,107
	1,429,346	850,039
<i>Changes in non-cash working capital:</i>		
Accounts receivable	275,004	(523,595)
Inventory	(369,369)	439,824
Prepaid expenses	24,056	114,932
Accounts payable and accrued liabilities	(68,807)	(374,302)
Deferred revenue	(15,953)	(10,675)
	(155,069)	(353,816)
Investment income received	51,217	112,616
Cash flow used in operating activities	1,325,494	608,839
INVESTING ACTIVITY		
Acquisition of marketable securities	(4,090,428)	(11,125,543)
Disposal of marketable securities	4,032,000	10,080,274
Acquisition of capital assets	(7,944)	(26,263)
Cash flow used in investing activities	(66,372)	(1,071,532)
FINANCING ACTIVITY		
Dividends paid to owners of Company	(1,387,183)	(1,374,796)
Options exercised	247,650	76,000
Cash flow used in financing activities	(1,139,533)	(1,298,796)
Foreign exchange gain (loss) on cash	(11,642)	43,240
INCREASE/DECREASE IN CASH FLOW	107,947	(1,718,249)
CASH - beginning of period	3,465,578	6,041,775
CASH - end of period	\$ 3,573,525	\$ 4,323,526



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS For the three-month and nine-month periods ended August 31, 2018 and 2017 (expressed in Canadian Dollars)

1. DESCRIPTION OF INCORPORATION AND OPERATIONS

C-COM Satellite Systems Inc. (the “Company”) was federally incorporated under the Canadian Business Corporations 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-month periods ended August 31, 2018 were authorized for issuance by the Board of Directors on October 12, 2018.

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, 2017 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, 2017. 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. The core principle of the new guidance is that an entity should recognize revenue for the transfer of goods and services equal to an amount it expects to be entitled to receive for those goods and services. IFRS 15 is effective for the Company’s annual periods beginning on after December 1, 2018. The new guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application.

The Company has compared the current standard to the new standard, has identified the key differences and is currently completing its assessment of how these differences could potentially impact the Company. the Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients available under the new standard. Management of the Company reports its findings and progress to the Audit Committee on a frequent basis. The Company will provide further updates as it progresses in its assessment.



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS For the three-month and nine-month periods ended August 31, 2018 and 2017 (expressed in Canadian Dollars)

3. FUTURE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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 after December 1, 2018.

The Company has compared the current standard to the new standard, has identified the key differences and is currently completing its assessment of how these differences could potentially impact the Company. As well, the Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients available under the new standard. Management of the Company reports its findings and progress to the Audit Committee on a frequent basis. The Company will provide further updates as it progresses in its assessment.

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB released IFRS 16 Leases which replaces IAS 17 Leases. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. IFRS 16 is effective for annual periods beginning December 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 when compared to the estimates or approaches used in the annual financial statements for the year ended November 30, 2017

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 it which may earn revenues and incur expenses (including revenues and expenses relating to transactions with other



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and nine-month periods ended August 31, 2018 and 2017
(expressed in Canadian Dollars)

6. OPERATING SEGMENT INFORMATION (CONTINUED)

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.

Revenue by Geographic area

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

	3 months ended August 31, 2018	3 months ended August 31, 2017
	\$	\$
Canada	496,076	104,333
United States	1,836,186	944,533
Saudi Arabia	597,099	2,344
Asia	419,282	492,534
Rest of the World	653,580	797,272
	4,002,223	2,341,016

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, 2018 the Company had three customers which accounted for more than 10% of revenues with \$918,006, \$597,099 and \$448,387 respectively (August 31, 2017 – the Company had one customer account for more than 10% of revenues, generating \$321,755).

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



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and nine-month periods ended August 31, 2018 and 2017
(expressed in Canadian Dollars)

7. ISSUED CAPITAL (CONTINUED)

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 771,000 are issued at August 31, 2018. At August 31, 2018 there are 5,225,000 options outstanding of which 4,359,000 are exercisable.

Outstanding share capital

At August 31, 2018 there were 37,165,550 common shares of the Company outstanding. (August 31, 2017 – 36,724,550)

8. NET EARNINGS PER SHARE

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

	Nine months ended August 31, 2018	Nine months ended August 31, 2017
Weighted average number of shares – basic	36,983,755	36,651,399
Addition to reflect the dilutive effect of employee stock options	388,021	340,071
Weighted average number of shares – diluted	37,371,776	36,991,470

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, 2018, 2,220,000 options were excluded from the above calculation (August 31, 2017 – 2,722,000 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 Triton Inc., the senior managers and their immediate families of Boyd Moving and Storage Ltd., the senior managers and their immediate families of 718133 Ontario Inc., the senior managers and their immediate families of Rampart International Corp., the senior managers and their immediate families of Branin Consulting Corp. and the partners of Labarge Weinstein LLP as related parties.

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

		3 months ended August 31, 2018	3 months ended August 31, 2017
		\$	\$
<i>Board of Directors:</i>			
Board of Director fees	(i)	24,000	24,000



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and nine-month periods ended August 31, 2018 and 2017
(expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with Rampart International Corp.:

Reimbursement of common area expenses	(ii)	1,038	754
---------------------------------------	------	-------	-----

Transactions with 718133 Ontario Inc.:

Rental of office and warehouse space	(iii)	72,536	78,551
--------------------------------------	-------	--------	--------

Transactions with Branim Consulting Corp.:

Purchase of consulting services	(iv)	9,200	9,200
---------------------------------	------	-------	-------

Transactions with other parties:

Legal fees and expenses	(v)	4,500	4,506
-------------------------	-----	-------	-------

		As At	As At
		August 31, 2018	August 31, 2017
		\$	\$
<i>Balances with related parties</i>			
Amounts due from Rampart International Corp.		1,173	Nil
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 invoices Rampart International Corp. for their share of common area expenses incurred in the building for which the Company pays the entire bill and recovers Ramparts portion based on square footage.
- iii. The Company has a 5-year lease commitment with 718133 Ontario Ltd. which ends July 2019 for office and warehouse space.
- iv. The Company purchases financial consulting services from Branim Consulting Corp. and the Company's Chief Financial Officer is a director of this company.
- v. 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.

10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.