



SATELLITE SYSTEMS INC.

*Global Leader in Design and Development
of Mobile Satellite Antennas*



2017

Annual Report

C-COM Satellite Systems Inc.



C-COM SATELLITE SYSTEMS INC.

Financial Statements

Years Ended November 30, 2017 and 2016

(In Canadian Dollars)



November 30, 2017

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Independent Auditor's Report

To the Shareholders of C-Com Satellite Systems Inc.

We have audited the accompanying financial statements of C-Com Satellite Systems Inc., which comprise the statements of financial position as at November 30, 2017 and 2016 and the statements of changes in equity, statements of net earnings and comprehensive income, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of C-Com Satellite Systems Inc. as at November 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 20, 2018

Statements of Financial Position

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

	Notes	November 30, 2017	November 30, 2016
ASSETS			
Cash	23	\$ 3,465,578	\$ 6,041,775
Marketable securities	23	11,625,543	10,081,130
Accounts receivable	7	2,147,031	953,919
Refundable investment tax credit	14	55,455	-
Inventory	8	3,258,367	3,522,159
Prepaid expenses	9	105,638	215,265
Tax recoverable	14	89,770	210,437
Total current assets		20,747,382	21,024,685
Capital assets	10	77,846	92,818
Application software	11	21,604	28,511
		99,450	121,329
TOTAL ASSETS		\$ 20,846,832	\$ 21,146,014
LIABILITIES & SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	12	\$ 1,034,350	\$ 872,981
Deferred revenue	13	27,212	53,938
		1,061,562	926,919
NON-CURRENT LIABILITIES			
Deferred revenue	13	217,282	209,300
Deferred tax liabilities	14	92,732	74,166
		310,014	283,466
TOTAL LIABILITIES		1,371,576	1,210,385
SHAREHOLDERS' EQUITY			
Share Capital	15	8,937,450	8,854,734
Contributed surplus	15	1,581,804	1,326,659
Retained earnings		8,956,002	9,754,236
TOTAL SHAREHOLDERS' EQUITY		19,475,256	19,935,629
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 20,846,832	\$ 21,146,014

Statements of Changes in Equity

For the years ended November 30, 2017 and 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	-	-	1,035,744	1,035,744
Dividends declared	-	-	(1,833,978)	(1,833,978)
Exercised options	93,500	-	-	93,500
Stock based compensation expense	-	244,361	-	244,361
Reclassification of contributed surplus on exercised options	(10,784)	10,784	-	-
Balance November 30, 2017	\$ 8,937,450	\$ 1,581,804	\$ 8,956,002	\$ 19,475,256
	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	-	-	1,020,234	1,020,234
Dividends declared	-	-	(1,820,977)	(1,820,977)
Exercised options	151,125	-	-	151,125
Stock based compensation expense	-	345,434	-	345,434
Reclassification of contributed surplus on exercised options	(38,406)	38,406	-	-
Balance November 30, 2016	\$ 8,854,734	\$ 1,326,659	\$ 9,754,236	\$ 19,935,629

Statements of Net Earnings and Comprehensive Income

For the years ended November 30, 2017 and 2016
(Canadian dollars)

	Notes	2017	2016
REVENUE	21	\$ 10,282,319	\$ 9,267,750
COST OF SALES	8	4,534,911	4,093,811
GROSS PROFIT		5,747,408	5,173,939
EXPENSES			
General and administrative		1,770,191	1,943,365
Research and development	20	1,482,992	826,770
Sales and marketing	19	1,002,650	978,268
		4,255,833	3,748,403
INCOME BEFORE OTHER INCOME AND INCOME TAX		1,491,575	1,425,536
OTHER INCOME			
Investment income		158,832	116,913
Foreign exchange loss		(145,689)	(33,530)
		13,143	83,383
INCOME BEFORE INCOME TAX		1,504,718	1,508,919
INCOME TAX	14	468,974	488,685
NET INCOME AND COMPREHENSIVE INCOME		\$ 1,035,744	\$ 1,020,234
Basic earnings per share		\$ 0.03	\$ 0.03
Basic weighted average number of common shares	17	36,652,975	36,368,034
Diluted earnings per share		\$ 0.03	\$ 0.03
Diluted weighted average number of common shares	17	36,955,814	36,778,819

Statements of Cash Flows

For the years ended November 30, 2017 and 2016
(Canadian dollars)

	2017	2016
OPERATING ACTIVITIES		
Net income	\$ 1,035,744	\$ 1,020,234
<i>Items not affecting cash:</i>		
Investment income	(158,832)	(116,913)
Income tax	468,974	488,685
Scientific research and experimental development tax credit	(384,959)	(289,279)
Amortization	48,143	43,972
Unrealized foreign exchange loss	469,479	627,903
Stock-based compensation	244,361	345,434
	1,722,910	2,120,036
<i>Changes in non-cash working capital</i>		
Accounts receivable	(1,458,702)	291,712
Refundable investment tax credit	(55,455)	-
Inventory	263,792	700,314
Prepaid expenses	109,627	(33,368)
Accounts payable and accrued liabilities	36,081	110,835
Deferred revenue	(18,744)	162,923
	(1,123,401)	1,232,416
Investment income received	113,975	65,052
Cash flow from operating activities	713,484	3,417,504
INVESTING ACTIVITY		
Acquisition of marketable securities	(12,658,528)	(11,330,274)
Disposal of marketable securities	11,114,115	3,318,972
Acquisition of capital assets	(26,264)	(24,196)
Cash flow used in investing activities	(1,570,677)	(8,035,498)
FINANCING ACTIVITIES		
Dividends paid to owners of Company	(1,833,978)	(1,820,977)
Options exercised	93,500	151,125
Cash flow used in financing activities	(1,740,478)	(1,669,852)
Foreign exchange gain on cash	21,474	-
DECREASE IN CASH FLOW	(2,576,197)	(6,287,846)
CASH – beginning of year	6,041,775	12,329,621
CASH – end of year	\$ 3,465,578	\$ 6,041,775

See accompanying notes to the financial statements



NOTES TO THE FINANCIAL STATEMENTS For the years ended November 30, 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 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.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements are expressed in Canadian dollars, which is the Company's functional currency, and have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These financial statements were prepared using the accounting policies as described in Note 3 - Summary of significant accounting policies.

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

These financial statements for the year ended November 30, 2017 were authorized for issuance by the Board of Directors on March 19, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

Basis of presentation

The financial statements are presented at historical cost unless otherwise noted. Historical cost is generally based on the fair value of the consideration given in exchange for the asset or liability.

Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable.

Revenues from airtime usage, installation, training and service are recognized when the services are provided, a fixed price has been set and collection is reasonably assured.

Revenues from equipment sales and the related freight recovery are recognized upon shipment when all significant contractual obligations have been satisfied, significant risks and rewards of ownership and title have been passed, a fixed price has been set, collection is reasonably assured and the costs incurred in respect of the transaction can be reliably measured. Accruals for sales returns and other allowances at the time of shipment are based on contract terms and anticipated claims.

Revenue from extended warranties and long-term airtime contracts which extend beyond the current fiscal year end, or are greater than one year, are deferred and amortized to revenue over the term of the extended warranty or airtime contracts. Amounts received before the related warranty or airtime period occurs are included in the statement of financial position as deferred revenue.



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

These financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. Income and expense items are translated at the exchange rates at the dates of the transactions. At each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at each reporting period. Non-monetary items which are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in net earnings in the period in which they arise.

Research and development costs

Expenditures on research are recognized as expenses when incurred. Expenditures on development are recognized as an expense when incurred unless the criteria for recognition as an intangible asset under IAS 38 "Intangible Assets" are met. To date, no such costs have been capitalized. Expenditures for research and development equipment are recognized in equipment and amortized over the useful life of the asset.

Government grants and investment tax credits

Government grants are recognized when the Company has complied with the terms and conditions of the approved grant program. Government grants relating to operating expenses are credited against the expense when the conditions relating to the grant are fulfilled. Government grants relating to research and development expenditures are recorded as a reduction of the cost when the expenditures are incurred; investment tax credits are recorded as a reduction of related operating expenses or capital asset purchases. The benefits are recognized in the period in which these tax credits are considered reasonably assured to be recoverable and the Company has complied with the applicable tax legislation.

Share-based compensation

The Company has a stock option plan for executives and other key employees. The Company measures and recognizes compensation expense based on the grant date fair-value of the stock options issued using the Black-Scholes pricing model. The offsetting credit is recorded in contributed surplus. Compensation expense is recorded on a straight-line basis over the vesting period, based on the Company's estimate of stock options that will ultimately vest. At each reporting period, the Company revises its estimate of the stock options expected to vest. The impact of the change in estimate, if any, is recognized over the remaining vesting period. Consideration paid by employees on the exercise of options and related amounts of contributed surplus is recorded as issued capital when the shares are issued.

Operating leases

Leases entered into are classified as either finance or operating leases. Leases that transfer substantially all of the risks and rewards of ownership of property to the Company are accounted for as finance leases. For leases which are classified as operating leases, lease payments are recognized as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis. The Company does not have any finance leases.

Current monetary assets and liabilities

Accounts receivable and accounts payable and accrued liabilities are measured at amortized cost with interest accretion recorded in net earnings. Due to the short-term nature of these assets and liabilities, the carrying amounts approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net earnings, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Current tax

The tax currently payable is based on taxable income for the period using tax rates enacted or substantively enacted as at each reporting period and any adjustments to tax payable related to previous years. Taxable income differs from income as reported in the statement of net earnings because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is recognized using the balance sheet method, providing for differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Equipment

Equipment, comprising leasehold improvements, furniture and equipment, computer equipment, production mould and vehicles is stated at cost less accumulated depreciation and impairment losses, if any. The carrying value is net of related government assistance and investment tax credits.

Depreciation is recognized in net earnings on a declining balance and straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the term of the lease. The estimated useful lives and depreciation methods for the current and comparative periods are as follows:

- Leasehold improvements over the term of the lease
- Furniture and equipment 20% - declining-balance method
- Computer equipment 30% & 45% - declining-balance method
- Production mould 3 years - straight line method
- Vehicle 30% - declining-balance method

The estimated useful lives, residual values and depreciation methods are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Application software

Application software is measured at cost less accumulated depreciation and is amortized on a straight-line basis over its estimated useful life, not exceeding ten years. The amortization method and estimate of useful life is reviewed annually.

Impairment of equipment and application software

At each reporting period, management reviews the carrying amounts of its equipment and application software to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, management estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Inventory

Inventories are valued at the lower of cost and net realizable value using the first in first out cost basis. Net realizable value is estimated based on the selling price less any costs to completion and disposal costs.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company's financial assets are classified as follows:

Cash and marketable securities	Fair value through profit or loss (FVTPL)
Accounts receivable	Loans and receivables

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets as FVTPL are measured at fair value with changes in fair value recognized in net earnings.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and receivables

Accounts receivable are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Accounts receivable are assessed for impairment individually. Objective evidence of impairment could include the Company's past experience of collecting payments and an increase in the number of delayed payments past the average credit period.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Impairment losses, if any, are recognized in net earnings. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in net earnings, if any. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net earnings to the extent that the carrying amount of the trade receivable at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Company's accounts payables and accrued liabilities are classified as other financial liabilities and are initially measured at fair value. As these liabilities are all short-term liabilities with no stated interest rate they continue to be valued at the original invoice amounts. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset (or financial liability) and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (cash disbursements), including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value hierarchy

The Company's fair value hierarchy prioritizes the inputs to valuation techniques used to measure the fair value. The three levels of the fair value hierarchy are:

Level 1: values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the Company's assessment of the lowest level input that is significant to the fair value measurement.

4. CHANGES IN ACCOUNTING POLICIES

During the current year, the Company has made no changes to its accounting policies.

5. FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial instruments

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 December 1, 2018. The Company has not yet assessed the impact of the adoption of this standard on its financial statements.

IFRS 15 Revenue from Contracts with Customers

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 December 1, 2018. The Company has not yet assessed the impact of the adoption of this standard on its financial statements.

IFRS 16 Leases

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.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2017 and 2016
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5. FUTURE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

Estimation uncertainty:

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provisions against inventories

The Company's management reviews the condition of inventories at the end of each reporting period and recognises a provision for slow-moving and obsolete items of inventory when inventory cost exceeds the net realizable value. Management's estimate of the net realizable value of such inventories is based primarily on sales prices in the forward order book and current market conditions.

Impairment of trade receivables

The Company's management determines the estimated recoverability of trade receivables based on the evaluation and ageing of trade receivables, including the current creditworthiness and the past collection history of the customers and reviews these estimates at the end of each reporting period.

Income taxes

The Company records deferred income tax assets and liabilities related to deductible or taxable temporary differences. The Company assesses the value of these assets and liabilities based on the likelihood of the realization as well as the timing of reversal given management assessments of future taxable income.

Judgments:

Determination of functional currency

The Company's management has determined that the functional currency of the Company is the Canadian dollar.

Accounting policy for capital assets

Management makes judgments in determining the most appropriate methodology for amortizing long-lived assets over their useful lives. The method chosen is intended to mirror, to the best extent possible, the consumption of the asset.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Share options fair value

The valuation of the Company's share options involves the use of the Black-Scholes valuation model, which requires the company to estimate factors such as the risk free interest rate, expected life in years, expected dividend yield and volatility. The valuations of these share options and the assumptions used are further outlined in note 16.

Deferred income taxes

The Company's accounting policy with regards to income taxes is described in note 3. In applying this policy, judgments are made in determining the probability of whether deductions and tax credits can be utilized and related timing of such items.

Financial instruments

The Company's accounting policy with regards to financial instruments is described in note 3. In applying this policy, judgments are made in applying the criteria set out in IAS39 – *Financial Instruments: Recognition and Measurement*, to record financial instruments at fair value through profit and loss, and the assessments of the classification of financial instruments.

7. TRADE RECEIVABLES

	Nov. 30, 2017	Nov 30, 2016
	\$	\$
Trade receivables	1,789,311	741,016
Accounts receivable – other	14,668	9,744
HST recoverable	242,792	145,358
Interest receivable	102,659	57,801
Allowance for bad debts	(2,399)	-
	2,147,031	953,919

The Company's maximum exposure to credit risk in relation to trade receivables is equal to the carrying value of trade receivables. The Company does not hold any collateral or other credit enhancements as security over these balances. The majority of the Company's trade receivables are due from resellers with whom the Company has had a business relationship for many years. Over the last five years the Company has suffered \$2,399 bad debt losses.

The ageing of the Company's trade receivables at November 30, 2017:

	Nov. 30, 2017	Nov 30, 2016
	\$	\$
Not yet overdue	1,516,047	629,539
Less than one month overdue	259,386	95,625
Between one and two months overdue	15,873	1,678
Greater than two months overdue	(1,995)	14,174
	1,789,311	741,016

The Company has no amounts receivable whose terms have been renegotiated that would otherwise have been past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2017 and 2016
(expressed in Canadian Dollars)

8. INVENTORY AND COST OF SALES

	Nov. 30, 2017	Nov 30, 2016
	\$	\$
Component parts	1,272,483	1,449,959
Finished goods	1,985,884	2,072,200
Total Inventory	3,258,367	3,522,159
	Nov. 30, 2017	Nov 30, 2016
	\$	\$
Value of inventory expensed in the year	4,416,618	3,952,514
Un-recovered freight charges	94,303	118,987
Allocation of amortization	23,990	22,310
Total Cost of Sales	4,534,911	4,093,811

The Company made the decision to continue stocking component parts for the mobile antennas as a result of the long lead times for some of the parts. The Company supplies its manufacturers with the component parts in conjunction with its purchase orders.

9. PREPAID EXPENSES

	Nov. 30, 2017	Nov 30, 2016
	\$	\$
Prepaid insurance	6,010	-
Prepaid licenses	6,962	8,307
Prepaid trade show deposits	77,800	78,255
Prepaid operating expenses	14,866	128,703
	105,638	215,265

10. CAPITAL ASSETS

	November 30, 2017					
	Amortization Expense	Opening Carrying Value	Additions	Disposals	Accumulated Amortization	Closing Carrying Value
	\$	\$	\$	\$	\$	\$
Computer equipment	7,215	68,741	11,262	-	65,554	14,449
Leasehold improvements	3,805	192,978	1,195	-	178,355	15,818
Furniture and equipment	9,054	308,768	811	-	272,956	36,623
Production mould	4,418	13,255	-	-	11,046	2,209
Vehicle	3,749	30,000	-	-	21,253	8,747
	28,241	613,742	13,268	-	549,164	77,846

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10. CAPITAL ASSETS (CONTINUED)

	November 30, 2016					
	Amortization Expense	Opening Carrying Value	Additions	Disposals	Accumulated Amortization	Closing Carrying Value
	\$	\$	\$	\$	\$	\$
Computer equipment	5,227	60,716	8,025	-	58,340	10,401
Leasehold improvements	4,350	178,192	14,786	-	174,550	18,428
Furniture and equipment	11,217	308,768	-	-	263,902	44,866
Production mould	4,418	13,255	-	-	6,627	6,628
Vehicle	5,355	30,000	-	-	17,505	12,495
	30,567	590,931	22,811	-	520,924	92,818

Amortization expense has been allocated and grouped with the following expenses categories.

	Nov. 30, 2017	Nov 30, 2016
	\$	\$
Cost of sales	23,990	22,310
General and administrative	9,364	10,591
Research and development	9,485	5,739
Sales and marketing	5,304	5,332
	48,143	43,972

11. APPLICATION SOFTWARE

	November 30, 2017					
	Amortization Expense	Opening Carrying Value	Additions	Disposals	Accumulated Amortization	Closing Carrying Value
	\$	\$	\$	\$	\$	\$
Application software	19,902	171,896	12,995	-	163,287	21,604
	-	-	-	-	-	-

	November 30, 2016					
	Amortization Expense	Opening Carrying Value	Additions	Disposals	Accumulated Amortization	Closing Carrying Value
	\$	\$	\$	\$	\$	\$
Application software	13,405	170,511	1,385	-	143,385	28,511
	13,405	170,511	1,385	-	143,385	28,511

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12. ACCOUNTS PAYABLE

	Nov. 30, 2017	Nov 30, 2016
	\$	\$
Trade payables	802,066	708,028
Accrued liabilities	192,562	129,116
Goods received not invoiced	4,029	4,284
Credit cards payable	35,693	31,553
	1,034,350	872,981

13. DEFERRED REVENUE

Deferred revenue balances are created two ways. First, customers can purchase extended warranty plans which range anywhere from one to five years beyond the original 2 year manufacturer's warranty. Second, customers prepay airtime contracts which extend beyond the Company's year-end.

	Nov. 30, 2017	Nov 30, 2016
	\$	\$
Deferred warranty revenue	237,257	240,684
Prepaid airtime contract revenue	7,237	22,554
	244,494	263,238
Current	27,212	53,938
Long-term	217,282	209,300
	244,494	263,238

14. INCOME TAX

The following table reconciles the difference between the income taxes that would result solely by applying statutory tax rates to pre-tax income and the reported tax expense:

	Nov. 30, 2017	Nov 30, 2016
	\$	\$
Statutory tax rate	26.5%	26.5%
Income before income tax	1,504,718	1,508,919
Tax provision at the combined basic Canadian federal and provincial income tax rates	398,750	399,864
Increase (decrease) resulting from:		
Stock-based compensation and other permanent differences	73,563	95,327
Effect of changes in future rates	(4,339)	(4,472)
Other	1,000	(2,034)
Income tax expense	468,974	488,685

The effective income tax rate in the year was 26.5% compared to 26.5% in the prior year.

The movements of deferred tax liabilities are shown below:

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14. INCOME TAX (CONTINUED)

Deferred tax liability	November 30, 2017		
	Tax Reserve	Capital Assets and Software Application	Total
	\$	\$	\$
Deferred tax liability at December 1, 2016	(64,333)	(9,833)	(74,166)
Debited to income statement	(22,696)	4,130	(18,566)
Deferred tax liability at November 30, 2017	(87,029)	(5,703)	(92,732)

Deferred tax liability	November 30, 2016		
	Tax Reserve	Capital Assets and Software Application	Total
	\$	\$	\$
Deferred tax liability at December 1, 2015	(72,946)	(11,920)	(84,866)
Credited to income statement	8,613	2,087	10,700
Deferred tax liability at November 30, 2016	(64,333)	(9,833)	(74,166)

The Company has recognized management's best estimate of the value of available investment tax credits to be realized in future years as \$55,455 (2016 - \$nil). Any unutilized investment tax credits are eligible for a twenty year carry-forward for credits earned in tax years that end after 1997. Investment tax credits recognized in the current year but earned in prior periods are recorded as a credit to income, rather than as a reduction of research and development expense.

15. ISSUED CAPITAL AND RESERVES

Issued capital

Authorized: Unlimited number of common shares, no par value

Issued:

	Nov. 30, 2017		Nov. 30, 2016	
	Common Shares	Amount	Common Shares	Amount
		\$		\$
Balance, beginning of year	36,534,550	8,854,734	36,174,550	8,742,015
Shares issued under stock option plan	220,000	93,500	360,000	151,125
Balance, end of year				8,893,140
Reclassification of stock-based compensation on exercised options	-	(10,784)	-	(38,406)
Issued Capital	36,754,550	8,937,450	36,534,550	8,854,734

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15. ISSUED CAPITAL AND RESERVES (CONTINUED)

Dividends

The Company declared dividends at four different times during the year as outlined below;

Date of Declaration	Date of Record	Date of Payment	Dividend per Share	Dividend
Jan. 27, 2017	Feb. 10, 2017	Feb. 24, 2017	\$0.0125	\$ 456,682
Apr. 13, 2017	Apr. 27, 2017	May 11, 2017	\$0.0125	\$ 459,057
July 18, 2017	Aug. 3, 2017	Aug. 17, 2017	\$0.0125	\$ 459,057
Oct. 12, 2017	Oct. 30, 2017	Nov. 13, 2017	\$0.0125	\$ 459,182
				<u>\$1,833,978</u>

Dividends declared in 2016 were as follows:

Date of Declaration	Date of Record	Date of Payment	Dividend per Share	Dividend
Jan. 29, 2016	Feb. 12, 2016	Feb. 26, 2016	\$0.0125	\$ 452,369
Apr. 19, 2016	May 3, 2016	May 17, 2016	\$0.0125	\$ 455,557
July 19, 2016	Aug. 4, 2016	Aug. 18, 2016	\$0.0125	\$ 456,494
Oct. 12, 2016	Oct. 28, 2016	Nov. 11, 2016	\$0.0125	\$ 456,557
				<u>\$ 1,820,977</u>

Subsequent to the date of the statement of financial position, on January 19, 2018 the Company declared a dividend of \$0.0125 per common share payable on February 19, 2018.

Contributed surplus

Contributed surplus comprises the value of share-based compensation expense related to options granted that have not been exercised or have expired unexercised. The reclassification of contributed surplus on exercised options resulted in an increase in contributed surplus this year \$10,784 (2016 – increase of \$38,406). During the year there were no options forfeited and 166,000 options that expired compared to previous years (2016 – 200,000 and 110,000 respectively). The forfeiting and expiring of options results in the reversal of previously recorded stock option amortization \$46,994 (2016 - \$99,928) which created the increase in contributed surplus.

16. SHARE-BASED COMPENSATION

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 10, 2016. A total of 7,237,910 common shares are authorized for issuance under the plan, of which 360,000 are issued at November 30, 2017. At November 30, 2017 there are 5,480,000 options outstanding of which 4,595,000 are exercisable. No consideration is payable on the grant of an option.



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16. SHARE-BASED COMPENSATION (CONTINUED)

The following share-based payment arrangements were in existence during the current and comparative periods:

Option Series	Number	Grant Date	Expiry Date	Range of Exercise Prices
Issued May 23, 2012 to Nov. 27, 2012	470,000	May 23, 2012 to Nov. 27, 2012	May 23, 2018 to Nov. 27, 2018	\$0.51 to \$0.75
Issued April 18, 2013 to Nov. 30, 2015	283,000	April 18, 2013 to Nov. 30, 2015	Apr. 18, 2019 to Nov. 30, 2015	\$0.76 to \$1.00
Issued April 23, 2015 to Oct. 16, 2015	701,000	Apr. 23, 2015 to Oct. 16, 2015	Apr. 23, 2021 to Oct. 16, 2021	\$1.01 to \$1.25
Issued July 11, 2013 to Oct. 16, 2015	1,280,000	July 11, 2013 to Oct. 16, 2015	July 11, 2019 to Oct. 16, 2021	\$1.26 to \$1.50
Issued October 16, 2015	150,000	Oct. 16, 2015	Apr. 12, 2018	\$1.51 to \$1.75
Issued October 17, 2013	33,000	Oct. 17, 2013	Oct. 17, 2019	\$1.76 to \$2.00
Options issued under revised plan dated April 27, 2016				
Issued October 14, 2016 to April 17, 2017	1,135,000	Oct. 14, 2016	Apr. 17, 2023	\$0.76 to \$1.00
Issued May 12, 2016 to November 20, 2017	1,428,000	May 12, 2016 to Nov. 20, 2016	May 12, 2022 to Nov. 20, 2023	\$1.01 to \$1.25

The weighted average fair value of options granted during the year ended November 30, 2017 was \$0.18 (2016 - \$0.22) per option calculated using the Black-Scholes option pricing model. Where relevant, the expected life of the options was based on historical data for similar issuances and adjusted based on management's best estimate for the effects of non-transferability, restrictions and behavioral considerations. Expected volatility is based on historical price volatility over the past 5 years.

The following assumptions were used to determine the fair value of each series of options granted during the year:

	<u>Nov. 30, 2017</u>		<u>Nov. 30, 2016</u>
Grant date share prices	\$ 1.00 to \$ 1.10	Grant date share prices	\$ 0.93 to \$ 1.18
Exercise prices	\$ 1.00 to \$ 1.10	Exercise prices	\$ 0.93 to \$ 1.18
Expected price volatility	30.26% to 36.02%	Expected price volatility	39.72% to 41.03%
Expected option life	5 years	Expected option life	5 years
Expected dividend yield	4.67% to 5.00%	Expected dividend yield	4.31% to 5.38%
Risk free interest rate	0.94% to 1.63%	Risk free interest rate	0.66% to 1.00%
Forfeiture rate	0%	Forfeiture rate	0%



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16. SHARE-BASED COMPENSATION (CONTINUED)

	Nov. 30, 2017		Nov. 30, 2016	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Outstanding, beginning of year	4,731,000	\$ 1.11	3,940,000	\$ 1.11
Exercised	(220,000)	\$ 0.43	(360,000)	\$ 0.42
Expired	(166,000)	\$ 1.46	(110,000)	\$ 1.16
Forfeited	-	-	(200,000)	\$ 1.30
Granted	1,135,000	\$ 1.07	1,461,000	\$ 0.99
Outstanding, end of year	5,480,000	\$ 1.12	4,731,000	\$ 1.11

At November 30, 2017 there were 5,480,000 options outstanding with a weighted average remaining contractual life of 3.58 years or 43 months of which 4,595,000 were exercisable at a weighted average price of \$1.18 (2016 - \$1.17).

17. EARNINGS PER SHARE

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

	Nov. 30, 2017	Nov. 30, 2016
Weighted average number of common shares – basic	36,652,975	36,368,034
Additions to reflect the dilutive effect of employee stock options	302,842	410,785
Weighted average number of common shares – diluted	36,955,814	36,778,819

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 2017, 2,722,000 (2016 – 2,573,000) options were excluded from the above computation of diluted weighted average number of common shares because they were anti-dilutive.

18. COMMITMENTS AND CONTINGENCIES

The Company has non-cancellable lease agreements for office space and equipment with terms extending to the year 2020. The aggregate minimum rental payments under these arrangements are as follows:

2018	\$ 278,969
2019	187,142
2020	1,175
Total	\$ 467,286

The Company does not have any other significant off-balance sheet arrangements outside of indemnification clauses in customer contracts in the normal course of business. The Company has never recorded any liability associated with such indemnification and does not believe that any payment thereunder will be required.

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18. COMMITMENTS AND CONTINGENCIES (CONTINUED)

From time to time, the Company is involved in legal claims in the normal course of business. Management assesses such claims and where considered probable to result in a material exposure and, where the amount of the claim is quantifiable, provisions for loss are made based on management's assessment of the probable outcome. The Company does not provide for claims that are considered unlikely to result in a significant loss, claims for which the outcome is not determinable or claims where the amount of the losses cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable.

19. GOVERNMENT GRANTS

IAS 20 requires the "Income Approach" when recognizing government grants by including government grants in profit and loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs.

The Company completed a non-refundable agreement with the Ontario Chamber of Commerce (OCC) which commenced on March 8, 2016 and completed on September 13, 2016. The OCC agreed to contribute up to a maximum of \$30,000 towards the costs incurred by the Company of which \$18,000 (2016 - \$12,000) was received during the year and credited to trade show expense which is part of sales and marketing expense.

The Company completed a contribution agreement with the Global Markets Support Program (GMSP) which commenced April 21, 2017 and completed on April 28, 2017. The GSMP agreed to contribute up to a maximum of \$4,641 towards the costs incurred by the Company for a sales conference in Vienna Austria of which \$4,271 (2016 - nil) was received during the year and credited to travel expense which is part of sales and marketing expense. The GMSP agreed to reimburse the Company 75% of the costs incurred for the conference.

The Company commenced a non-refundable agreement with the Ontario Chamber of Commerce (OCC) which commenced on April 24, 2017 and ends April 24, 2018. The OCC agreed to contribute up to a maximum of \$14,745 towards the costs incurred by the Company of which \$5,898 (2016 - nil) was received during the year and credited to trade show expense which is part of sales and marketing expense.

20. RESEARCH AND DEVELOPMENT

	Nov. 30, 2017	Nov. 30, 2016
	\$	\$
Research and development expenses	1,858,466	1,226,975
Less: Investment tax credits, Federal and Provincial	(384,959)	(289,279)
Less: IRAP funding	-	(116,665)
Allocation of amortization	9,485	5,739
	1,482,992	826,770

The Company claims research and development deductions and related investment tax credits for income tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act of Canada. These claims are subject to audit by the Canada Revenue Agency.



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21. 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.

Revenue by Geographic area

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

	Nov. 30, 2017	Nov. 30, 2016
	\$	\$
Canada	435,020	353,197
United States	3,061,048	1,604,197
Asia	2,160,021	2,751,030
Europe	1,762,087	3,173,057
Saudi Arabia	1,509,769	122,352
Rest of world	1,354,374	1,263,917
	10,282,319	9,267,750

Property and equipment

The location of property and equipment determines the geographic areas. All property and equipment is located in Canada.

Major Customers

For the year ended November 30, 2017 the Company had one customer account for more than 10% of revenues, generating \$1,342,567 (2016 - no customer accounted for more than 10% of revenue).

22. 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 and 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, the senior managers and their immediate families of Rampart International Corp. and the senior managers and their immediate families of Branin Consulting Corp. as related parties.

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

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22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

		Nov. 30, 2017	Nov. 30, 2016
		\$	\$
<i>Board of Directors:</i>			
Board of Director fees	(i)	96,000	96,000
<i>Transactions with Rampart International Corp.:</i>			
Reimbursement of common area expenses	(ii)	3,236	4,510
<i>Transactions with 718133 Ontario Inc.:</i>			
Rental of office and warehouse space	(iii)	314,203	314,203
<i>Transactions with Branim Consulting Corp.:</i>			
Purchase of consulting services	(iv)	45,240	57,000
<i>Transactions with other parties:</i>			
Legal fees and expenses	(v)	23,294	28,887
		As At	As At
		Nov. 30, 2017	Nov. 30, 2016
		\$	\$
<i>Balances with related parties</i>			
Amounts receivable from Rampart International Corp.		\$347	nil
Amounts due to Labarge Weinstein LLP		nil	nil
Amounts due to Branim Consulting Corp.		nil	nil

Balances with related parties are due upon demand and are 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 1, 2012, 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 Branim Consulting Corp.
- 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.

Compensation of key management personnel:

The compensation for directors and other members of key management during the year was as follows: The compensation of the directors and Chief Executive Officer is determined by the compensation committee having regards to the performance of the Company. The compensation of other key executives is determined by the Chief Executive Officer. The key executives are the Chief Executive Officer, the Chief Financial Officer and the Chief Technology Officer.

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22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	Nov. 30, 2017	Nov. 30, 2016
	\$	\$
Short-term employee benefits	649,336	673,404
Share-based payments	90,000	119,000
	<u>739,336</u>	<u>792,404</u>

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business and provide the ability to continue as a going concern. The Company does not have any debt and, therefore, net earnings generated from operations are available for reinvestment in the Company or distribution to the Company's shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable profitable growth. The Board of Directors also reviews on a quarterly basis the level of dividends paid to the Company's shareholders. The Company does not have a defined share repurchase plan, buy and sell decisions are made on a specific transaction basis and depend on market prices and regulatory restrictions. There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income.

Foreign Currency Risk Related to Contracts

The Company is exposed to foreign currency fluctuations on its cash balance, accounts receivable, accounts payable and future cash flows related to contracts denominated in a foreign currency. Future cash flows will be realized over the life of the contracts. The Company does not use foreign currency forward contracts to minimize the short-term impact of currency fluctuations on foreign currency receivables and payables.

A 10% strengthening (weakening) of the Canadian dollar against the US dollar at November 30, 2017 would have decreased (increased) net earnings by approximately \$260,000 (2016 - \$285,325).

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers, which receive credit terms, are made up of both public companies and large private companies which we have established long-term relationships with. A significant portion of the Company's accounts receivable is from long-time customers. Over the last five years the Company has not suffered any significant credit related losses.

The Company limits its exposure to credit risks for cash and marketable securities by dealing only with major Canadian financial institutions. Management does not expect any of the institutions to fail to meet their obligations.



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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The Carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Nov. 30, 2017	Nov. 30, 2016
	\$	\$
Cash	3,465,578	6,041,775
Marketable securities	11,625,543	10,081,130
Accounts receivable	2,147,031	953,919
	<u>17,238,152</u>	<u>17,076,824</u>

Breakdown of Marketable Securities:

	Nov. 30, 2017	Nov. 30, 2016
	\$	\$
Guaranteed investment certificate - redeemable	7,500,000	8,000,856
Guaranteed investment certificate – non-redeemable	4,125,543	2,080,274
	<u>11,625,543</u>	<u>10,081,130</u>

Based on historic default rates, the Company believes that there are minimal requirements for an allowance for doubtful accounts.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity risk is to ensure, as far as possible in advance, that it will always have sufficient liquidity to meet liabilities when due. At November 30, 2017, the Company has a cash balance of \$3,465,578 and has a secured credit facility, subject to annual review. The credit facility permits the Company to borrow funds up to an aggregate of \$750,000 in either Canadian or US currency. The credit facility is secured by a general security agreement providing a first charge over all company assets including accounts receivable, inventory and equipment. As at November 30, 2017, the Company had not borrowed on the credit facility. All of the Company's financial liabilities have contractual maturities of less than 30 days.

Fair Value

The fair value of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term to maturity.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value.

	November 30, 2017			
	Level 1	Level 2	Level 3	Total
Cash and marketable securities	\$ 3,465,578	\$ 11,625,543	-	\$ 15,091,121



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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	November 30, 2016			
	Level 1	Level 2	Level 3	Total
Cash and marketable securities	\$ 6,041,775	\$ 10,081,130	-	\$ 16,122,905