



C-COM SATELLITE SYSTEMS INC.

INTERIM CONDENSED FINANCIAL STATEMENTS

**THIRD QUARTER FINANCIAL REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED AUGUST 31, 2019 AND AUGUST 31, 2018**

**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, 2019 AND AUGUST 31, 2018
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, 2019

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Unaudited Interim Condensed Statements of Financial Position

As at August 31, 2019 and November 30, 2018
(Canadian dollars)

	Notes	Aug. 31, 2019 (unaudited)	Nov. 30, 2018 (audited)
ASSETS			
Cash		\$ 5,027,851	\$ 4,302,834
Marketable securities		8,865,196	11,804,495
Accounts receivable		597,704	2,245,809
Inventory		7,037,289	3,540,907
Prepaid expenses		125,658	95,732
Tax recoverable		169,140	-
Total current assets		21,822,838	21,989,777
Capital assets		82,051	62,173
Application software		8,441	6,364
Total non-current assets		90,492	68,537
TOTAL ASSETS		\$ 21,913,330	\$ 22,058,314
LIABILITIES & SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 1,576,746	\$ 971,796
Income tax payable		-	343,443
Deferred revenue		76,657	93,599
Total current liabilities		1,653,403	1,408,838
NON-CURRENT LIABILITIES			
Deferred revenue		93,236	136,808
Deferred tax liability		87,754	110,619
Total non-current liabilities		180,990	247,427
TOTAL LIABILITIES		1,834,393	1,656,265
SHAREHOLDERS' EQUITY			
Share capital	7	10,062,824	9,244,731
Contributed surplus		1,675,649	1,753,693
Retained earnings		8,340,464	9,403,625
TOTAL SHAREHOLDERS' EQUITY		20,078,937	20,402,049
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 21,913,330	\$ 22,058,314

Unaudited Interim Condensed Statements of Changes in Equity

**For the nine-month period ended August 31, 2019 and August 31, 2018
(Canadian dollars)**

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance December 1, 2018	\$ 9,244,731	\$ 1,753,693	\$ 9,403,625	\$20,402,049
Net income and comprehensive income	-	-	345,456	345,456
Dividends declared	-	-	(1,408,617)	(1,408,617)
Exercised options	671,266	-	-	671,266
Stock based compensation expense	-	68,783	-	68,783
Reclassification of contributed surplus on exercised options	146,827	(146,827)	-	-
Balance August 31, 2019	<u>\$ 10,062,824</u>	<u>\$ 1,675,649</u>	<u>\$ 8,340,464</u>	<u>\$20,078,937</u>
	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	<u>\$ 9,196,973</u>	<u>\$ 1,679,879</u>	<u>\$ 8,509,655</u>	<u>\$19,386,507</u>

Unaudited Interim Condensed Statements of Net Earnings and Comprehensive Income

**For the three-month and nine-month periods ended August 31, 2019 and August 31, 2018
(Canadian dollars)**

	Three Months Ended:		Nine Months Ended:	
	Aug. 31, 2019 (unaudited)	Aug. 31, 2018 (unaudited)	Aug. 31, 2019 (unaudited)	Aug. 31, 2018 (unaudited)
REVENUE	\$ 1,453,446	\$ 4,002,223	\$ 6,968,292	\$ 8,540,278
COST OF SALES	675,813	1,980,762	3,156,715	4,031,436
GROSS PROFIT	777,633	2,021,461	3,811,577	4,508,842
EXPENSES				
General and administrative	522,770	342,882	1,206,536	1,095,995
Research and development	356,202	381,712	1,136,933	1,117,287
Sales and marketing	244,258	389,934	937,345	991,638
	1,123,230	1,114,528	3,280,814	3,204,920
INCOME/(LOSS) BEFORE OTHER INCOME AND INCOME	(345,597)	906,933	530,763	1,303,922
OTHER INCOME				
Investment income	68,014	59,937	206,160	164,491
Foreign exchange (loss)/gain	(101,448)	(11,739)	9,808	(11,724)
	(33,434)	48,198	215,968	152,767
INCOME/(LOSS) BEFORE INCOME TAX	(379,031)	955,131	746,731	1,456,689
INCOME TAX	(32,741)	313,201	401,275	515,853
NET INCOME/(LOSS) AND COMPREHENSIVE INCOME/(LOSS)	\$ (346,290)	\$ 641,930	\$ 345,456	\$ 940,836
Basic earnings per share	-\$0.01	\$0.02	\$0.01	\$0.03
Basic weighted average number of common shares outstanding	37,557,080	36,983,755	37,557,080	36,983,755
Diluted earnings per share	-\$0.01	\$0.02	\$0.01	\$0.03
Diluted weighted average number of common shares outstanding	38,806,025	37,371,776	38,806,025	37,371,776

Unaudited Interim Condensed Statements of Cash Flows

For the nine-month periods ended August 31, 2019 and August 31, 2018
(Canadian dollars)

	Nine Months Ended:	
	Aug. 31, 2019	Aug. 31, 2018
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net income	\$ 345,456	\$ 940,836
<i>Items not affecting cash:</i>		
Investment income	(206,160)	(164,491)
Income tax expense	401,275	515,853
Scientific research and experimental development tax credit	(322,500)	(288,750)
Amortization	18,337	29,895
Loss on disposal of capital assets	-	793
Unrealized foreign exchange loss (gain)	(13,186)	285,262
Stock-based compensation	68,783	109,948
	<u>292,005</u>	<u>1,429,346</u>
<i>Changes in non-cash working capital:</i>		
Accounts receivable	1,654,349	275,004
Inventory	(3,496,382)	(369,369)
Prepaid expenses	(29,926)	24,056
Accounts payable and accrued liabilities	621,420	(68,807)
Deferred revenue	(60,514)	(15,953)
	<u>(1,311,053)</u>	<u>(155,069)</u>
Investment income received	206,168	51,217
Income tax paid	(614,223)	-
Cash flow (used in)/provided by operating activities	<u>(1,427,103)</u>	<u>1,325,494</u>
INVESTING ACTIVITY		
Acquisition of marketable securities	(8,357,940)	(4,090,428)
Disposal of marketable securities	11,297,233	4,032,000
Acquisition of capital assets	(40,294)	(7,944)
Cash flow provided by/(used in) investing activities	<u>2,898,999</u>	<u>(66,372)</u>
FINANCING ACTIVITY		
Dividends paid to owners of Company	(1,408,617)	(1,387,183)
Options exercised	671,266	247,650
Cash flow used in financing activities	<u>(737,351)</u>	<u>(1,139,533)</u>
Foreign exchange gain (loss) on cash	(9,528)	(11,642)
INCREASE IN CASH FLOW	725,017	107,947
CASH - beginning of period	4,302,834	3,465,578
CASH - end of period	\$ 5,027,851	\$ 3,573,525



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS For the three-month and nine-month periods ended August 31, 2019 and 2018 (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, 2019 were authorized for issuance by the Board of Directors on October 23, 2019.

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, 2018 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, 2018. 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. CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments

Effective December 1, 2018, the Company adopted IFRS 9, which sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods 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 the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

Trade and other receivables that were classified as loans and receivables under IAS 39 are classified as financial assets measured at amortized cost. There is no change to the initial measurement of the Company’s financial assets. Impairment of financial assets is based on an expected credit loss (“ECL”) model under IFRS 9, rather than the incurred loss model under IAS39. The adoption of the ECL model had no impact on the Company’s financial assets.

The adoption of IFRS 9 has not had an effect on the Company’s accounting policies related to financial liabilities. The Company adopted IFRS 9 effective December 1, 2018 with no adjustments.



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and nine-month periods ended August 31, 2019 and 2018
(expressed in Canadian Dollars)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. The standard also provides guidance relating to recognition of customer contract acquisition and fulfilment costs.

Effective December 1, 2018, the Company adopted IFRS 15 using the cumulative effect method, with the effect of adopting this standard recognized on December 1, 2018, the date of initial application. Accordingly, the information presented for 2018 has not been restated. It remains as previously reported under IAS 18, IAS 11 and related interpretations.

In its adoption of IFRS 15, the Company has elected to apply the requirements of the new standard only to contracts that are incomplete at the date of initial application. The Company has also elected to apply the contract modification practical expedient and reflect the aggregate effect of all contract modifications prior to the transition date.

The adoption of IFRS 15 had no material impact on the Company's reporting of revenue and as such no adjustment is required to the Company's December 1, 2018 retained earnings.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

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. 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.

5. 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, 2018

6. 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.



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
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7. 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 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 Aug. 31, 2019	3 months ended Aug. 31, 2018
	\$	\$
Canada	139,423	496,076
Europe	351,273	37,096
United States	281,303	1,836,186
Russian Federation	190,755	241,266
France	170,993	90
Rest of the World	319,699	1,391,509
	1,453,446	4,002,223

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, 2019, the Company had two customers which accounted for more than 10% of revenues with \$170,992 and \$145,223 respectively (August 31, 2018 – the Company had three customers account for more than 10% of revenues, generating \$918,006, \$597,099 and \$448,387 respectively).

8. 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



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
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8. ISSUED CAPITAL (CONTINUED)

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 May 1, 2019 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, 2019. A total of 7,444,110 common shares are authorized for issuance under the plan, of which 304,200 are issued at August 31, 2019. At August 31, 2019 there are 5,288,800 options outstanding of which 4,735,800 are exercisable.

Outstanding share capital

At August 31, 2019 there were 37,822,750 common shares of the Company outstanding. (August 31, 2018 – 37,165,550)

9. NET EARNINGS PER SHARE

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

	3 months ended Aug. 31, 2019	3 months ended Aug. 31, 2018
Weighted average number of shares – basic	37,557,080	36,983,755
Addition to reflect the dilutive effect of employee stock options	1,248,945	388,021
Weighted average number of shares – diluted	38,806,025	37,371,776

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, 2019, 33,000 options were excluded from the above calculation (August 31, 2018 – 2,220,000 options were excluded from the above calculation).

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

10. RELATED PARTY TRANSACTIONS AND BALANCES

The Company regards the members of the Board of Directors, the partners of Labarge Weinstein LLP, and the senior managers and their immediate families of the following entities as related parties: C-COM Satellite Systems Inc, Triton Inc., 718133 Ontario Inc., Rampart International Corp. and Branim Consulting Corp.

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

		3 months ended Aug. 31, 2019	3 months ended Aug. 31, 2018
		\$	\$
<i>Board of Directors:</i>			
Board of Director fees	(i)	24,000	24,000



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
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(expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with Rampart International Corp.:

Reimbursement of common area expenses	(ii)	2,081	1,038
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Transactions with 718133 Ontario Inc.:

Rental of office and warehouse space	(iii)	77,121	72,536
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Transactions with Branim Consulting Corp.:

Purchase of consulting services	(iv)	9,490	9,200
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Transactions with other parties:

Legal fees and expenses	(v)	5,886	4,500
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	As At	As At
	Aug. 31, 2019	Aug. 31, 2018
	\$	\$
<i>Balances with related parties</i>		
Amounts due from Rampart International Corp.	1,469	1,173
Amounts due to Branim Consulting Corp	2,650	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. The sole shareholder of Rampart International Corp. is related to the Chief Executive Officer of C-COM Satellite Systems Inc.
- iii. The Company has a 5-year lease commitment with 718133 Ontario Ltd. which ends July 2024 for office and warehouse space. The Company and 718133 Ontario Ltd. have common ownership.
- 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.