



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

2018

Annual Report
(Amended)

C-COM Satellite Systems Inc.

The attached financial statements have been amended to change the date of the independent auditor's report. Such amendment had no impact on any other element of the financial statements or notes.

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, 2018 and 2017 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, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 25, 2019
Ottawa, Ontario



November 30, 2018

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Statements of Financial Position

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

	Notes	2018	2017
ASSETS			
Cash	23	\$ 4,302,834	\$ 3,465,578
Marketable securities	23	11,804,495	11,625,543
Accounts receivable	7 & 23	2,245,809	2,147,031
Refundable investment tax credit	14	-	55,455
Inventory	8	3,540,907	3,258,367
Prepaid expenses	9	95,732	105,638
Income tax recoverable	14	-	89,770
Total current assets		21,989,777	20,747,382
Capital assets	10	62,173	77,846
Application software	11	6,364	21,604
		68,537	99,450
TOTAL ASSETS		\$ 22,058,314	\$ 20,846,832
LIABILITIES & SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	12	\$ 971,796	\$ 1,034,350
Income tax payable	14	343,443	-
Deferred revenue	13	93,599	27,212
		1,408,838	1,061,562
NON-CURRENT LIABILITIES			
Deferred revenue	13	136,808	217,282
Deferred tax liabilities	14	110,619	92,732
		247,427	310,014
TOTAL LIABILITIES		1,656,265	1,371,576
SHAREHOLDERS' EQUITY			
Share capital	15	9,244,731	8,937,450
Contributed surplus	15	1,753,693	1,581,804
Retained earnings		9,403,625	8,956,002
TOTAL SHAREHOLDERS' EQUITY		20,402,049	19,475,256
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 22,058,314	\$ 20,846,832

See accompanying notes to the financial statements

Statements of Changes in Equity

For the years ended November 30, 2018 and 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	-	-	2,299,501	2,299,501
Dividends declared	-	-	(1,851,878)	(1,851,878)
Exercised options	284,300	-	-	284,300
Stock based compensation expense	-	194,870	-	194,870
Reclassification of contributed surplus on exercised and cancelled options	22,981	(22,981)	-	-
Balance November 30, 2018	<u>\$ 9,244,731</u>	<u>\$ 1,753,693</u>	<u>\$ 9,403,625</u>	<u>\$ 20,402,049</u>
	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 and cancelled options	(10,784)	10,784	-	-
Balance November 30, 2017	<u>\$8,937,450</u>	<u>\$ 1,581,804</u>	<u>\$ 8,956,002</u>	<u>\$ 19,475,256</u>

See accompanying notes to the financial statements

Statements of Net Earnings and Comprehensive Income

For the years ended November 30, 2018 and 2017
(Canadian dollars)

	Notes	2018	2017
REVENUE	21	\$ 13,527,368	\$ 10,282,319
COST OF SALES	8	6,039,687	4,534,911
GROSS PROFIT		7,487,681	5,747,408
EXPENSES			
General and administrative		1,674,252	1,615,924
Research and development	20	1,579,426	1,482,992
Sales and marketing	19	1,313,766	1,156,917
		4,567,444	4,255,833
INCOME BEFORE OTHER INCOME AND INCOME TAX		2,920,237	1,491,575
OTHER INCOME			
Investment income		230,231	158,832
Foreign exchange gain/(loss)		56,255	(145,689)
		286,486	13,143
INCOME BEFORE INCOME TAX		3,206,723	1,504,718
INCOME TAX	14	907,222	468,974
NET INCOME AND COMPREHENSIVE INCOME		\$ 2,299,501	\$ 1,035,744
Basic earnings per share		\$ 0.06	\$ 0.03
Basic weighted average number of common shares	17	36,988,153	36,652,975
Diluted earnings per share		\$ 0.06	\$ 0.03
Diluted weighted average number of common shares	17	37,322,037	36,955,814

See accompanying notes to the financial statements

Statements of Cash Flows

For the years ended November 30, 2018 and 2017
(Canadian dollars)

	2018	2017
OPERATING ACTIVITIES		
Net income	\$ 2,299,501	\$ 1,035,744
<i>Items not affecting cash:</i>		
Investment income	(230,231)	(158,832)
Income tax	907,222	468,974
Scientific research and experimental development tax credit	(400,667)	(384,959)
Loss on disposal of fixed assets	793	-
Amortization	39,372	48,143
Unrealized foreign exchange loss	513,570	469,479
Stock-based compensation	194,870	244,361
	3,324,430	1,722,910
<i>Changes in non-cash working capital</i>		
Accounts receivable	(462,112)	(1,458,702)
Refundable investment tax credit	55,455	(55,455)
Inventory	(282,540)	263,792
Prepaid expenses	9,906	109,627
Accounts payable and accrued liabilities	(218,813)	36,081
Deferred revenue	(14,087)	(18,744)
	(912,191)	(1,123,401)
Investment income received	196,532	113,975
Cash flow from operating activities	2,608,771	713,484
INVESTING ACTIVITY		
Acquisition of marketable securities	(11,804,495)	(12,658,528)
Disposal of marketable securities	11,625,544	11,114,115
Acquisition of capital assets	(9,251)	(26,264)
Cash flow used in investing activities	(188,202)	(1,570,677)
FINANCING ACTIVITIES		
Dividends paid to owners of Company	(1,851,878)	(1,833,978)
Options exercised	284,300	93,500
Cash flow used in financing activities	(1,567,578)	(1,740,478)
Foreign exchange (loss)/ gain on cash	(15,735)	21,474
INCREASE/(DECREASE) IN CASH FLOW	837,256	(2,576,197)
CASH – beginning of year	3,465,578	6,041,775
CASH – end of year	\$ 4,302,834	\$ 3,465,578

See accompanying notes to the financial statements



NOTES TO THE FINANCIAL STATEMENTS

For the years ended November 30, 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.

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, 2018 were authorized for issuance by the Board of Directors on March 20, 2019.

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 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, 2018 and 2017
(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 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 translated at the spot rates prevailing each reporting period. 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 included in equipment and amortized over the useful life of the asset.

Government grants and investment tax credits

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. 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 the fair value of the 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 over the term of the lease. The Company does not have any finance leases.



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2018 and 2017
(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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



NOTES TO THE FINANCIAL STATEMENTS For the years ended November 30, 2018 and 2017 (expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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 or 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.



NOTES TO THE FINANCIAL STATEMENTS For the years ended November 30, 2018 and 2017 (expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.



NOTES TO THE FINANCIAL STATEMENTS

For the years ended November 30, 2018 and 2017

(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. Financial assets are subsequently measured at amortized costs, fair value through profit and loss or fair value through other comprehensive income. IFRS 9 is effective for the Company's annual periods beginning on December 1, 2018. The Company does not expect a material impact on the classification and measurement of its financial assets, as the majority are currently classified and measured at amortized cost.

IFRS 9 replaces the incurred loss model from IAS 39 by introducing a new 'expected credit loss' model for calculating impairment of financial assets. IFRS 9 specifies different approaches for measuring and recognizing expected credit losses, by considering only defaults in the next 12 months and/or the full remaining life of the financial asset. The expected credit loss model required a credit loss to be reflected in profit and loss immediately after an asset or receivable is acquired, with subsequent changes in expected credit losses at each reporting date recorded to reflect any change in credit risk. IFRS 9



NOTES TO THE FINANCIAL STATEMENTS

For the years ended November 30, 2018 and 2017

(expressed in Canadian Dollars)

5. FUTURE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

provides a simplified approach for certain trade receivables and IFRS 15 contract assets. The Company has completed an analysis of its historical credit losses and expects minimal impact on the financial statements as a result of the expected credit loss or lifetime credit losses to be recognized on transition to IFRS 9.

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 the Company’s annual periods beginning on December 1, 2018. The new guidance permits two methods of adoption: retrospective to each prior period presented (full retrospective method), or with the cumulative effect of initially applying the guidance recognized at the date of the initial application (modified retrospective).

The Company has compared the current standard to the new standard, has identified potential differences and is currently completing its assessment of how these differences could impact the Company. The Company has developed an implementation plan, which includes a review of changes to internal controls and processes to manage the new standard on a go forward basis as contracts are signed, and revenue is recognized. 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 expects its revenue recognition practices to remain largely unchanged, however, some impacts may result. The Company generates revenue from extended warranties sold to customers. There is a difference in the timing of the cash receipts on these extended warranties and the provision of warranty services. IFRS 15 requires an entity to adjust the promised amount of consideration for the effects of the time value of money if the timing of the payments agreed to by the parties to the contract provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. The Company does not expect a material impact to result from measuring and recognizing a financing component on deferred warranty revenue.

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 the Company’s annual period 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.

The following are the areas of significant estimation uncertainty and management judgement in the Company’s financial statements.

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.



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2018 and 2017
(expressed in Canadian Dollars)

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

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.

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.

Determination of functional currency

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

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, forfeitures and volatility. The valuations of these share options and the assumptions used are further outlined in note 16.

Research and development

The Company’s research and development claims are subject to audit and adjustment by the Canada Revenue Agency, the Company’s management has not recorded a provision for potential reversal of research and development claims based on its experience and history of claiming research and development costs.

7. ACCOUNTS RECEIVABLES

	Nov. 30, 2018	Nov. 30, 2017
	\$	\$
Trade receivables	1,913,803	1,789,311
Accounts receivable – other	8,021	14,668
HST recoverable	189,849	242,792
Interest receivable	136,358	102,659
Allowance for bad debts	(2,222)	(2,399)
	2,245,809	2,147,031



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2018 and 2017
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7. ACCOUNTS RECEIVABLES (CONTINUED)

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 \$9,213 in bad debt losses.

The ageing of the Company's trade receivables at November 30, 2018:

	Nov. 30, 2018	Nov. 30, 2017
	\$	\$
Not yet overdue	1,761,405	1,516,047
Less than one month overdue	150,137	259,386
Between one and two months overdue	2,261	15,873
Greater than two months overdue	-	(1,995)
	1,913,803	1,789,311

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

8. INVENTORY AND COST OF SALES

	Nov. 30, 2018	Nov. 30, 2017
	\$	\$
Component parts	1,781,476	1,272,483
Finished goods	1,759,431	1,985,884
Total Inventory	3,540,907	3,258,367

	Nov. 30, 2018	Nov. 30, 2017
	\$	\$
Value of inventory expensed in the year	5,873,686	4,416,618
Un-recovered freight charges	144,245	94,303
Allocation of amortization	21,756	23,990
Total Cost of Sales	6,039,687	4,534,911

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, 2018	Nov. 30, 2017
	\$	\$
Prepaid insurance	-	6,010
Prepaid licenses	3,360	6,962
Prepaid trade show deposits	72,312	77,800
Prepaid operating expenses	20,060	14,866
	95,732	105,638



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10. CAPITAL ASSETS

	Nov. 30, 2018					
	Amortization Expense	Opening Carrying Value	Additions	Disposals	Accumulated Amortization	Closing Carrying Value
	\$	\$	\$	\$	\$	\$
Computer equipment	7,241	80,004	3,285	-	72,796	10,493
Leasehold improvements	4,294	194,173	-	-	182,650	11,523
Furniture and equipment	7,763	309,580	5,966	8,208	273,304	34,034
Production mould	2,209	13,255	-	-	13,255	-
Vehicle	2,624	30,000	-	-	23,877	6,123
	24,131	627,012	9,251	8,208	565,882	62,173

	Nov. 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

Amortization expense of capital assets and application software has been allocated and grouped with the following expenses categories.

	Nov. 30, 2018	Nov. 30, 2017
	\$	\$
Cost of sales	21,756	23,990
General and administrative	6,031	9,364
Research and development	6,852	9,485
Sales and marketing	4,733	5,304
	39,372	48,143

11. APPLICATION SOFTWARE

	Nov. 30, 2018					
	Amortization Expense	Opening Carrying Value	Additions	Disposals	Accumulated Amortization	Closing Carrying Value
	\$	\$	\$	\$	\$	\$
Application software	15,241	184,891	-	-	178,527	6,364
	15,241	184,891	-	-	178,527	6,364



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11. APPLICATION SOFTWARE (CONTINUED)

	Nov. 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

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Nov. 30, 2018	Nov. 30, 2017
	\$	\$
Trade payables	656,681	802,066
Accrued liabilities	288,586	192,562
Goods received not invoiced	4,495	4,029
Credit cards payable	22,034	35,693
	971,796	1,034,350

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, 2018	Nov. 30, 2017
	\$	\$
Deferred warranty revenue	226,118	237,257
Prepaid airtime contract revenue	4,289	7,237
	230,407	244,494
Current	93,599	27,212
Long-term	136,808	217,282
	230,407	244,494

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, 2018	Nov. 30, 2017
	\$	\$
Statutory tax rate	26.5%	26.5%
Income before income tax	3,206,723	1,504,718



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14. INCOME TAX (CONTINUED)

	Nov. 30, 2018	Nov. 30, 2017
	\$	\$
Tax provision at the combined basic Canadian federal and provincial income tax rates	849,782	398,750
Increase (decrease) resulting from:		
Stock-based compensation and other permanent differences	59,842	73,563
Effect of changes in future rates	- k+-	(4,339)
Other	(2,402)	1,000
Income tax expense	907,222	468,974

The movements of deferred tax liabilities are shown below:

	Nov. 30, 2018		
	Tax Reserve	Capital Assets and Software Application	Total
	\$	\$	\$
Deferred tax liability at December 1, 2017	(87,029)	(5,703)	(92,732)
Debited to income statement	(20,416)	2,529	(17,887)
Deferred tax liability at November 30, 2018	(107,445)	(3,174)	(110,619)

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

The Company has recognized management's best estimate of the value of available investment tax credits to be realized in future years as \$nil (2017 - \$55,455). 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

Issued capital

Authorized: Unlimited number of common shares, no par value



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15. ISSUED CAPITAL (CONTINUED)

Issued:

	Nov. 30, 2018		Nov. 30, 2017	
	Common Shares	Amount	Common Shares	Amount
		\$		\$
Balance, beginning of year	36,754,550	8,937,450	36,534,550	8,854,734
Shares issued under stock option plan	466,000	284,300	220,000	93,500
Reclassification of stock-based compensation on exercised options	-	22,981	-	(10,784)
Issued Capital	37,220,550	9,244,731	36,754,550	8,937,450

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. 19, 2018	Feb. 5, 2018	Feb. 19, 2018	\$0.0125	\$ 459,432
Apr. 24, 2018	May 8, 2018	May 22, 2018	\$0.0125	\$ 463,182
July 26, 2018	Aug. 13, 2018	Aug. 27, 2018	\$0.0125	\$ 464,569
Oct. 15, 2018	Oct. 29, 2018	Nov. 12, 2018	\$0.0125	\$ 464,694
				\$1,851,878

Dividends declared in 2017 were as follows:

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
				\$1,833,978

Subsequent to the date of the statement of financial position, on January 23, 2019 the Company declared a dividend of \$0.0125 per common share payable on February 21, 2019.

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 and cancelled options resulted in a decrease in contributed surplus this year \$22,981 (2017 – increase of \$10,784). During the year there were 13,000 options forfeited and 155,000 options that expired compared to previous years (2017 – nil and 166,000 respectively). The forfeiting and expiring of options resulted in the reversal of previously recorded stock option amortization \$63,071 (2017 - \$46,994) which increased contributed surplus. During the year there were 466,000 options exercised compared to the previous year (2017 – 220,000). The exercising of options resulted in a decrease in contributed surplus of \$86,052 (2017 - \$36,210)



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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 826,000 are issued at November 30, 2018. At November 30, 2018 there are 5,694,000 options outstanding of which 5,096,000 are exercisable. No consideration is payable on the grant of an option.

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 April 18, 2013 to Nov. 30, 2015	283,000	April 18, 2013 to Nov. 30, 2015	Apr. 18, 2019 to Nov. 30, 2021	\$0.76 to \$1.00
Issued April 23, 2015 to Oct. 16, 2015	696,000	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. 21, 2014	1,277,000	July 11, 2013 to Oct. 21, 2014	July 11, 2019 to Oct. 21, 2020	\$1.26 to \$1.50
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	1,132,000	Oct. 14, 2016 to April 17, 2017	Apr. 17, 2023 to April 17, 2023	\$0.76 to \$1.00
Issued May 12, 2016 to November 16, 2018	2,273,000	May 12, 2016 to Nov. 16, 2018	May 12, 2022 to Nov. 16, 2024	\$1.01 to \$1.25

The weighted average fair value of options granted during the year ended November 30, 2018 was \$0.16 (2017 - \$0.18) 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.



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16. SHARE-BASED COMPENSATION (CONTINUED)

Stock Options (continued)

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

	<u>Nov. 30, 2018</u>		<u>Nov. 30, 2017</u>
Grant date share prices	\$ 1.11 to \$ 1.18	Grant date share prices	\$ 1.00 to \$ 1.10
Exercise prices	\$ 1.11 to \$ 1.18	Exercise prices	\$ 1.00 to \$ 1.10
Expected price volatility	22.92% to 28.46%	Expected price volatility	30.26% to 36.02%
Expected option life	5 years	Expected option life	5 years
Expected dividend yield	4.42% to 4.76%	Expected dividend yield	4.67% to 5.00%
Risk free interest rate	2.10% to 2.18%	Risk free interest rate	0.94% to 1.63%
Forfeiture rate	0%	Forfeiture rate	0%

	<u>Nov. 30, 2018</u>		<u>Nov. 30, 2017</u>	
	Number of	Weighted	Number of	Weighted
	Options	Avg. Exercise Price	Options	Avg. Exercise Price
Outstanding, beginning of year	5,480,000	\$ 1.12	4,731,000	\$ 1.11
Exercised	(466,000)	\$ 0.61	(220,000)	\$ 0.43
Expired	(155,000)	\$ 1.72	(166,000)	\$ 1.46
Forfeited	(13,000)	\$ 1.16	-	-
Granted	848,000	\$ 1.15	1,135,000	\$ 1.07
Outstanding, end of year	5,694,000	\$ 1.15	5,480,000	\$ 1.12

At November 30, 2018 there were 5,694,000 options outstanding with a weighted average remaining contractual life of 3.34 years or 40 months of which 5,096,000 were exercisable at a weighted average price of \$1.15 (2017 - \$1.18).

17. EARNINGS PER SHARE

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

	<u>Nov. 30, 2018</u>	<u>Nov. 30, 2017</u>
Weighted average number of common shares – basic	36,988,153	36,652,975
Additions to reflect the dilutive effect of employee stock options	333,884	302,842
Weighted average number of common shares – diluted	37,322,037	36,955,814

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 2018, 2,339,000 (2017 – 2,722,000) options were excluded from the above computation of diluted weighted average number of common shares because they were anti-dilutive.



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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:

2019	\$ 187,520
2020	980
<u>Total</u>	<u>\$ 188,500</u>

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.

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

The Company completed 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 \$8,847 (2017 - \$5,898) was received during the year and credited to trade show expense which is part of sales and marketing expense.

The Company completed a non-refundable agreement with the 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 (2017 - \$nil) was received during the year and credited to trade show expense which is part of sales and marketing expense.

The Company commenced and completed a non-refundable agreement with the CanExport Program of the Department of Global Affairs and the National Research Council Canada which commenced on December 4, 2017 and ended July 31, 2018. The CanExport Program agreed to contribute up to a maximum of \$37,500 towards the costs incurred by the Company of which \$36,957 (2017 - \$nil) was received during the year and credited to trade show expense which is part of sales and marketing expense.

20. RESEARCH AND DEVELOPEMENT

	Nov. 30, 2018	Nov. 30, 2017
	\$	\$
Research and development expenses	1,973,241	1,858,466
Less: Investment tax credits, Federal and Provincial	(400,667)	(384,959)
Allocation of amortization	6,852	9,485
	<u>1,579,426</u>	<u>1,482,992</u>



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20. RESEARCH AND DEVELOPMENT (CONTINUED)

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. In the past five years the Company has not had a claim audited by the Canada Revenue Agency and the Company has not recorded a provision for unaudited claims.

21. OPERATING SEGMENT INFORMATION

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, 2018	Nov. 30, 2017
	\$	\$
Canada	1,306,504	435,020
United States	3,964,862	3,061,048
Africa	2,035,663	171,645
Asia	1,972,918	2,160,021
Saudi Arabia	1,592,939	1,509,769
Europe	1,434,027	1,762,087
Rest of world	1,220,455	1,182,729
	13,527,368	10,282,319

Property and equipment

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

Major Customers

For the year ended November 30, 2018 the Company had two customers account for more than 10% of revenues, generating \$1,773,284 and \$1,552,992 respectively (2017 - one customer accounted for more than 10% of revenue, generating \$1,342,567).

22. 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., Boyd Moving and Storage Ltd., 718133 Ontario Inc., Rampart International Corp. and Branin Consulting Corp.



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22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

		Nov. 30, 2018	Nov. 30, 2017
		\$	\$
<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)	4,944	3,236
<i>Transactions with 718133 Ontario Inc.:</i>			
Rental of office and warehouse space	(iii)	295,240	314,203
<i>Transactions with Branim Consulting Corp.:</i>			
Purchase of consulting services	(iv)	50,614	45,240
<i>Transactions with other parties:</i>			
Legal fees and expenses	(v)	24,743	23,294
		As At	As At
		Nov. 30, 2018	Nov. 30, 2017
		\$	\$
<i>Balances with related parties</i>			
Amounts receivable from Rampart International Corp.		nil	347
Amounts due to Labarge Weinstein LLP		3,390	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 Rampart International Corp.'s 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 2019 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 Corporate secretary is a partner of this firm.



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22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Compensation of key management personnel

The compensation of the directors and Chief Executive Officer is determined by the Compensation Committee of the Board of Directors 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. The compensation for directors and other members of key management during the year was as follows:

	Nov. 30, 2018	Nov. 30, 2017
	\$	\$
Short-term employee benefits	665,450	649,336
Share-based payments	43,100	90,000
	708,550	739,336

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, 2018 would have decreased (increased) net earnings by approximately \$279,000 (2017 - \$260,000).

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.



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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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.

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

	Nov. 30, 2018	Nov. 30, 2017
	\$	\$
Cash	4,302,834	3,465,578
Marketable securities	11,804,495	11,625,543
Accounts receivable	2,245,809	2,147,031
	18,353,138	17,238,152

Breakdown of marketable securities

	Nov. 30, 2018	Nov. 30, 2017
	\$	\$
Guaranteed investment certificate - redeemable	9,682,690	7,500,000
Guaranteed investment certificate – non-redeemable	2,121,805	4,125,543
	11,804,495	11,625,543

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, 2018, the Company has a cash balance of \$4,302,834 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, 2018, 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.



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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	Nov. 30, 2018			
	Level 1	Level 2	Level 3	Total
Cash and marketable securities	\$ 4,302,834	\$ 11,804,495	\$ -	\$ 16,107,329
	Nov. 30, 2017			
	Level 1	Level 2	Level 3	Total
Cash and marketable securities	\$ 3,465,578	\$ 11,625,543	\$ -	\$ 15,091,121