



**C-COM SATELLITE SYSTEMS INC.**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**THIRD QUARTER FINANCIAL REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED AUGUST 31, 2020 AND AUGUST 31, 2019**

**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 CPA Canada 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, 2020 AND AUGUST 31, 2019  
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.



**INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED AUGUST 31, 2020 AND AUGUST 31, 2019  
UNAUDITED**

**Contents**

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



**Unaudited Interim Condensed Statements of Financial Position**

**As at August 31, 2020 and November 30, 2019  
(Canadian dollars)**

	Notes	Aug. 31, 2020 (unaudited)	Nov. 30, 2019 (audited)
<b>ASSETS</b>			
Cash		\$ 5,735,397	\$ 5,322,102
Marketable securities		8,042,412	9,857,946
Accounts receivable		614,999	1,134,490
Inventory		7,483,522	6,763,299
Prepaid expenses		83,453	81,425
Tax recoverable		280,689	-
<b>Total current assets</b>		<b>22,240,472</b>	<b>23,159,262</b>
Capital assets		75,924	87,272
Application software		4,282	7,402
<b>Total non-current assets</b>		<b>80,206</b>	<b>94,674</b>
<b>TOTAL ASSETS</b>		<b>\$ 22,320,678</b>	<b>\$ 23,253,936</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	10	\$ 548,918	\$ 482,153
Income tax payable		-	221,440
Deferred revenue		71,318	72,300
<b>Total current liabilities</b>		<b>620,236</b>	<b>775,893</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred revenue		22,274	72,114
Deferred tax liability		54,649	98,270
Other non-current liabilities		125,556	-
<b>Total non-current liabilities</b>		<b>202,479</b>	<b>170,384</b>
<b>TOTAL LIABILITIES</b>		<b>822,715</b>	<b>946,277</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	11,487,390	10,302,261
Contributed surplus		1,520,743	1,640,714
Retained earnings		8,489,830	10,364,684
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>21,497,963</b>	<b>22,307,659</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 22,320,678</b>	<b>\$ 23,253,936</b>

**Unaudited Interim Condensed Statements of Changes in Equity**  
**For the nine-month periods ended August 31, 2020 and August 31, 2019**  
(Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
<b>Balance December 1, 2019</b>	\$ 10,302,261	\$ 1,640,714	\$ 10,364,684	\$ 22,307,659
Net income and comprehensive income	-	-	(442,646)	(442,646)
Dividends declared	-	-	(1,432,208)	(1,432,208)
Exercised options	951,649	-	-	951,649
Stock based compensation expense	-	113,509	-	113,509
Reclassification of contributed surplus on exercised options	233,480	(233,480)	-	-
<b>Balance August 31, 2020</b>	<u>\$ 11,487,390</u>	<u>\$ 1,520,743</u>	<u>\$ 8,489,830</u>	<u>\$ 21,497,963</u>

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
<b>Balance December 1, 2018</b>	\$ 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)	-	-
<b>Balance August 31, 2019</b>	<u>\$ 10,062,824</u>	<u>\$ 1,675,649</u>	<u>\$ 8,340,464</u>	<u>\$ 20,078,937</u>



**Unaudited Interim Condensed Statements of Net Earnings and Comprehensive Income**

**For the three-month and nine-month periods ended August 31, 2020 and August 31, 2019  
(Canadian dollars)**

	<b>Three Months Ended:</b>		<b>Nine Months Ended:</b>	
	<b>Aug. 31, 2020</b>	<b>Aug. 31, 2019</b>	<b>Aug. 31, 2020</b>	<b>Aug. 31, 2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>REVENUE</b>	\$ 1,773,918	\$ 1,453,446	\$ 4,076,213	\$ 6,968,292
<b>COST OF SALES</b>	633,995	675,813	1,675,397	3,156,715
<b>GROSS PROFIT</b>	1,139,923	777,633	2,400,816	3,811,577
<b>EXPENSES</b>				
General and administrative	177,509	522,770	1,289,372	1,206,536
Research and development	431,064	356,202	1,128,747	1,136,933
Sales and marketing	141,217	244,258	598,178	937,345
	749,790	1,123,230	3,016,297	3,280,814
<b>INCOME BEFORE OTHER INCOME AND INCOME TAX</b>	390,133	(345,597)	(615,481)	530,763
<b>OTHER INCOME</b>				
Investment income	34,663	68,014	148,062	206,160
Foreign exchange (loss)/gain	(107,152)	(101,448)	(45,569)	9,808
	(72,489)	(33,435)	102,493	215,968
<b>INCOME BEFORE INCOME TAX</b>	317,644	(379,031)	(512,988)	746,731
<b>INCOME TAX</b>	106,788	(32,741)	(70,342)	401,275
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	\$ 210,856	\$ (346,290)	\$ (442,646)	\$ 345,456
Basic earnings per share	\$0.01	-\$0.01	-\$0.01	\$0.01
Basic weighted average number of common shares outstanding	38,276,614	37,557,080	38,276,614	37,557,080
Diluted earnings per share	\$0.01	-\$0.01	-\$0.01	\$0.01
Diluted weighted average number of common shares outstanding	40,447,341	38,806,025	40,447,341	38,806,025



**Unaudited Interim Condensed Statements of Cash Flows**

**For the nine-month periods ended August 31, 2020 and August 31, 2019  
(Canadian dollars)**

	<b>Nine Months Ended:</b>	
	<b>Aug. 31, 2020</b>	<b>Aug. 31, 2019</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ (442,646)	\$ 345,456
<i>Items not affecting cash:</i>		
Investment income	(148,062)	(206,160)
Income tax expense	(70,342)	401,275
Scientific research and experimental development tax credit	(118,750)	(322,500)
Amortization	20,674	18,337
Unrealized foreign exchange loss (gain)	402,901	(13,186)
Stock-based compensation	113,509	68,783
	<u>(242,716)</u>	<u>292,005</u>
<i>Changes in non-cash working capital:</i>		
Accounts receivable	407,113	1,654,349
Inventory	(720,223)	(3,496,382)
Prepaid expenses	(2,028)	(29,926)
Accounts payable and accrued liabilities	(33,537)	621,420
Deferred revenue	(50,822)	(60,514)
	<u>(399,497)</u>	<u>(1,311,053)</u>
Investment income received	3,926	206,168
Income tax paid	(296,657)	(614,223)
<b>Cash flow used in operating activities</b>	<u>(934,944)</u>	<u>(1,427,103)</u>
<b>INVESTING ACTIVITY</b>		
Acquisition of marketable securities	(9,552,626)	(8,357,940)
Disposal of marketable securities	11,368,160	11,297,233
Disposal of capital assets	(2,478)	
Acquisition of capital assets	(8,685)	(40,294)
<b>Cash flow used in investing activities</b>	<u>1,804,371</u>	<u>2,898,999</u>
<b>FINANCING ACTIVITY</b>		
Dividends paid to owners of Company	(1,432,208)	(1,408,617)
Options exercised	951,649	671,266
<b>Cash flow used in financing activities</b>	<u>(480,559)</u>	<u>(737,351)</u>
Foreign exchange gain (loss) on cash	24,427	(9,528)
<b>INCREASE/(DECREASE) IN CASH FLOW</b>	413,295	725,017
<b>CASH - beginning of period</b>	5,322,102	4,302,834
<b>CASH - end of period</b>	<u>\$ 5,735,397</u>	<u>\$ 5,027,851</u>



**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three-month period ended August 31, 2020 and 2019**  
**(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 period ended August 31, 2020 were authorized for issuance by the Board of Directors on October 19, 2020.

**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, 2019 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, 2019. 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 16 Leases***

In January 2016, the IASB released IFRS 16 Leases which replaces IAS 17 Leases. IFRS 16 sets out a single lessee accounting model that requires a lessee to recognize assets and liabilities for all lease agreements unless the underlying asset has a low value or the lease term is twelve months or less. A lessee is required to recognize a right-of-use asset for the underlying leased asset and a lease liability representing the present value of payment obligations for the lease term. IFRS 16 is effective for the Company’s annual periods beginning on December 1, 2019.

The Company has assessed the new standard and reviewed its portfolio of lease contracts in order to identify leases under the scope of IFRS 16. The Company’s lease on its premises was renewed for a one-year period therefore the requirements of IFRS16 will not apply.

The Company did not adopt any new accounting policies in Q3, 2020.



## NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS For the three-month period ended August 31, 2020 and 2019 (expressed in Canadian Dollars)

### 4. IMPACT OF THE COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From March 11, 2020 to the date of approval of these financial statements, C-COM implemented the following actions in relation to the COVID-19 pandemic:

- Cancellation of various trade shows, investor presentations, sales conferences and business travel.
- Adopted a 4-day workweek.
- Applied and received financial assistance under the Canadian Government's Emergency Wage Subsidy ("CEWS") program.

#### Impact of COVID-19 on financial risks:

The COVID-19 pandemic has impacted the financial risks of the Company as follows:

- i. Demand: The weakening of the economy resulting in a decrease in the overall demand for the Company's products.
- ii. Credit risk: The Company's customers will likely experience increased financial stress as a result of COVID-19. Therefore, credit risk will increase. However, the Company's conservative internal sales and credit granting processes should mitigate the rise in such risks.
- iii. Market risk: Market risk has increased due to significant volatility in financial markets as discussed below:
  - Currency risk: The Company is exposed to foreign currency fluctuations on its cash balance, accounts receivable, accounts payable and future cash flows related to sales and expenses denominated in a foreign currency. The Company does not use foreign currency forward contracts to minimize the short-term impact of currency fluctuations on foreign currency receivables and payables. Since early March there has been heightened risk due to significant fluctuations in currency markets and the uncertainty in market valuations for currencies due to the pandemic. However, there has been no change in the Company's traditional currency mix and weightings: most sales transactions are in US dollars and most Company disbursements are denominated in Canadian dollars.
  - Interest rate risk: In general, interest rates have dropped since the pandemic was announced. Interest income from the Company's market investments are impacted by current and future volatility in interest rates.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Company's operations and financial position is not known at this time. These impacts could include a decline in future cash flows and profitability. An estimate of the financial effect of the pandemic on the Company is not practicable at this time.

### 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, 2019.



**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three-month period ended August 31, 2020 and 2019**  
**(expressed in Canadian Dollars)**

**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.

**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.

	<b>3 months ended Aug. 31, 2020</b>	3 months ended Aug. 31, 2019
	\$	\$
Canada	29,430	139,423
Europe	422,405	713,021
Australia	318,492	20,789
Italy	232,581	Nil
Asia	229,985	82,815
Philippines	208,319	86
Rest of the World	332,706	497,312
	<b>1,773,918</b>	<b>1,453,446</b>

*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, 2020, the Company had three customers who accounted for more than 10% of revenues comprising a total of \$693,486, or 39% of total revenues (for the quarter ending August 31, 2019 – the Company had two customers who generated more than 10% of revenues with \$170,992 and \$145,223).



**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three-month period ended August 31, 2020 and 2019**  
**(expressed in Canadian Dollars)**

**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 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, 2020, 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 20, 2020. A total of 7,618,320 common shares are authorized for issuance under the plan, of which 2,836,070 are available to be granted. At August 31, 2020 there are 5,365,850 options outstanding of which 4,185,350 are exercisable. No consideration is payable on the grant of an option with options generally vesting after one year from the date of grant.

*Outstanding share capital*

At August 31, 2020 there were 38,675,200 common shares of the Company outstanding (August 31, 2019 – 37,822,750).

**9. NET EARNINGS PER SHARE**

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

	<b>3 months ended Aug. 31, 2020</b>	3 months ended Aug. 31, 2019
Weighted average number of shares – basic	38,276,614	37,557,080
Addition to reflect the dilutive effect of employee stock options	2,170,727	1,248,945
<b>Weighted average number of shares – diluted</b>	<b>40,447,341</b>	<b>38,806,025</b>

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 three-month period ending August 31, 2020, no options were excluded from the above calculation (August 31, 2019 – 33,000 anti-dilutive 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, 718133 Ontario Inc., Rampart International Corp., Branim Consulting Corp. and Art Slaughter CPA Professional Corporation.



**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three-month period ended August 31, 2020 and 2019**  
**(expressed in Canadian Dollars)**

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

		<b>3 months ended August 31, 2020</b>	3 months ended August 31, 2019
		\$	\$
<i>Board of Directors:</i>			
Board of Director fees	(i)	24,000	24,000
<i>Transactions with Rampart International Corp.:</i>			
Reimbursement of common area expenses	(ii)	Nil	2,081
<i>Transactions with 718133 Ontario Inc.:</i>			
Rental of office and warehouse space	(iii)	89,947	77,121
<i>Transactions with Branim Consulting Corp.:</i>			
Purchase of consulting services	(iv)	Nil	9,490
<i>Transactions with Art Slaughter CPA Pro. Corp.:</i>			
Purchase of consulting services	(iv)	11,948	Nil
<i>Transactions with LaBarge Weinstein LLP:</i>			
Legal fees and expenses	(v)	3,200	5,866
		<b>As At August 31, 2020</b>	<b>As At August 31, 2019</b>
		\$	\$
<i>Balances with related parties</i>			
Amounts due from Rampart International Corp.		Nil	1,469
Amounts due to 718133 Ontario Inc.		Nil	Nil
Amounts due to Branim Consulting Corp		Nil	2,650
Amounts due to Art Slaughter CPA Pro. Corp.		1,600	Nil
Amounts due to LaBarge Weinstein LLP		1,600	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.



**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three-month period ended August 31, 2020 and 2019**  
**(expressed in Canadian Dollars)**

- 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 1-year lease commitment with 718133 Ontario Ltd. which ends July 31<sup>st</sup>, 2021 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 Art Slaughter CPA Professional Corporation. The Company's Chief Financial Officer is a director of this company(s).
- 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.