



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



2019

Annual Report

C-COM Satellite Systems Inc.



C-COM SATELLITE SYSTEMS INC.

Financial Statements

Years Ended November 30, 2019 and 2018

(In Canadian Dollars)



November 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of

C-COM SATELLITE SYSTEMS INC.*Opinion*

We have audited the financial statements of C-COM Satellite Systems Inc. (the Company), which comprise the statement of financial position as at November 30, 2019, the statements of net earnings and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended November 30, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 25, 2019.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Bryan Haralovich.



Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
March 13, 2020.

Welch LLP®

An Independent Member of BKR International



Statements of Financial Position

As at November 30, 2019 and 2018

(Canadian dollars)

| | Notes | 2019 | 2018 |
|---|--------|----------------------|----------------------|
| ASSETS | | | |
| Cash | 23 | \$ 5,322,102 | \$ 4,302,834 |
| Marketable securities | 23 | 9,857,946 | 11,804,495 |
| Accounts receivable | 7 & 23 | 1,134,490 | 2,245,809 |
| Inventory | 8 | 6,763,299 | 3,540,907 |
| Prepaid expenses | 9 | 81,425 | 95,732 |
| Total current assets | | 23,159,262 | 21,989,777 |
| Capital assets | 10 | 87,272 | 62,173 |
| Application software | 11 | 7,402 | 6,364 |
| | | 94,674 | 68,537 |
| TOTAL ASSETS | | \$ 23,253,936 | \$ 22,058,314 |
| LIABILITIES & SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | 12 | \$ 482,153 | \$ 971,796 |
| Income tax payable | 14 | 221,440 | 343,443 |
| Deferred revenue | 13 | 72,300 | 93,599 |
| | | 775,893 | 1,408,838 |
| NON-CURRENT LIABILITIES | | | |
| Deferred revenue | 13 | 72,114 | 136,808 |
| Deferred tax liabilities | 14 | 98,270 | 110,619 |
| | | 170,384 | 247,427 |
| TOTAL LIABILITIES | | 946,277 | 1,656,265 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 15 | 10,302,261 | 9,244,731 |
| Contributed surplus | 15 | 1,640,714 | 1,753,693 |
| Retained earnings | | 10,364,684 | 9,403,625 |
| TOTAL SHAREHOLDERS' EQUITY | | 22,307,659 | 20,402,049 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 23,253,936 | \$ 22,058,314 |

See accompanying notes to the financial statements

Statements of Changes in Equity

For the years ended November 30, 2019 and 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 | - | - | 2,843,092 | 2,843,092 |
| Dividends declared | - | - | (1,882,033) | (1,882,033) |
| Exercised options | 851,981 | - | - | 851,981 |
| Stock based compensation expense | - | 92,570 | - | 92,570 |
| Reclassification of contributed surplus on exercised options | 205,549 | (205,549) | - | - |
| Balance November 30, 2019 | \$10,302,261 | \$ 1,640,714 | \$10,364,684 | \$ 22,307,659 |
| | 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 options | 22,981 | (22,981) | - | - |
| Balance November 30, 2018 | \$ 9,244,731 | \$ 1,753,693 | \$ 9,403,625 | \$ 20,402,049 |

See accompanying notes to the financial statements



Statements of Net Earnings and Comprehensive Income

For the years ended November 30, 2019 and 2018

(Canadian dollars)

| | Notes | 2019 | 2018 |
|--|-------|---------------|---------------|
| REVENUE | 21 | \$ 13,977,909 | \$ 13,527,368 |
| COST OF SALES | 8 | 5,864,203 | 6,039,687 |
| GROSS PROFIT | | 8,113,706 | 7,487,681 |
| EXPENSES | | | |
| General and administrative | | 1,465,629 | 1,674,252 |
| Research and development | 20 | 1,510,272 | 1,579,426 |
| Sales and marketing | 19 | 1,523,523 | 1,313,766 |
| | | 4,499,424 | 4,567,444 |
| INCOME BEFORE OTHER INCOME AND INCOME TAX | | 3,614,282 | 2,920,237 |
| OTHER INCOME | | | |
| Investment income | | 263,631 | 230,231 |
| Foreign exchange gain/(loss) | | 26,285 | 56,255 |
| | | 289,916 | 286,486 |
| INCOME BEFORE INCOME TAX | | 3,904,198 | 3,206,723 |
| INCOME TAX | 14 | 1,061,106 | 907,222 |
| NET INCOME AND COMPREHENSIVE INCOME | | \$ 2,843,092 | \$ 2,299,501 |
| Basic earnings per share | | \$ 0.08 | \$ 0.06 |
| Basic weighted average number of common shares | 17 | 37,564,816 | 36,988,153 |
| Diluted earnings per share | | \$ 0.07 | \$ 0.06 |
| Diluted weighted average number of common shares | 17 | 38,945,856 | 37,322,037 |

See accompanying notes to the financial statements

Statements of Cash Flows

For the years ended November 30, 2019 and 2018

(Canadian dollars)

| | 2019 | 2018 |
|---|--------------|--------------|
| OPERATING ACTIVITIES | | |
| Net income | \$ 2,843,092 | \$ 2,299,501 |
| <i>Items not affecting cash:</i> | | |
| Investment income | (263,631) | (230,231) |
| Income tax | 1,061,106 | 907,222 |
| Scientific research and experimental development tax credit | (418,767) | (400,667) |
| Loss on disposal of fixed assets | - | 793 |
| Amortization | 26,980 | 39,372 |
| Unrealized foreign exchange loss | 512,417 | 513,570 |
| Stock-based compensation | 92,570 | 194,870 |
| | 3,853,767 | 3,324,430 |
| <i>Changes in non-cash working capital</i> | | |
| Accounts receivable | 752,576 | (462,112) |
| Refundable investment tax credit | - | 55,455 |
| Inventory | (3,222,392) | (282,540) |
| Prepaid expenses | 14,307 | 9,906 |
| Accounts payable and accrued liabilities | (642,107) | (218,813) |
| Deferred revenue | (85,993) | (14,087) |
| | (3,183,609) | (912,191) |
| Investment income received | 261,413 | 196,532 |
| Income tax paid | (776,691) | - |
| Cash flow from operating activities | 154,880 | 2,608,771 |
| INVESTING ACTIVITY | | |
| Acquisition of marketable securities | (9,857,996) | (11,804,495) |
| Disposal of marketable securities | 11,804,546 | 11,625,544 |
| Acquisition of capital assets | (53,118) | (9,251) |
| Cash flow from/(used in) investing activities | 1,893,432 | (188,202) |
| FINANCING ACTIVITIES | | |
| Dividends paid to owners of Company | (1,882,033) | (1,851,878) |
| Options exercised | 851,981 | 284,300 |
| Cash flow used in financing activities | (1,030,052) | (1,567,578) |
| Foreign exchange gain/(loss) on cash | 1,008 | (15,735) |
| INCREASE IN CASH FLOW | 1,019,268 | 837,256 |
| CASH – beginning of year | 4,302,834 | 3,465,578 |
| CASH – end of year | \$ 5,322,102 | \$ 4,302,834 |

See accompanying notes to the financial statements



NOTES TO THE FINANCIAL STATEMENTS

For the years ended November 30, 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.

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, 2019 were authorized for issuance by the Board of Directors on March 13, 2020.

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

Revenue is recognized upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services. This is achieved through applying the following five-step model:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligation in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligation in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company generates substantially all of its revenue from contracts with customers, whether formal or implied from equipment sales.

Revenue from equipment sales and the related freight recovery are recognized when control of the goods is transferred to the customer which occurs at a point in time typically upon shipment to the customer. Generally, the Company requires partial customer payment in advance of shipment with the amounts reported as deferred revenue until shipment occurs and revenue is recognized.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2019 and 2018
(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Warranty obligations associated with the sale of equipment are assurance-type warranties and therefore do not represent a distinct performance obligation. The Company records a provision for assurance-type warranties at the time equipment sales are recognized as revenue.

Revenue from extended warranties represent distinct performance obligations and are recognized ratably over the period the warranty service is provided. Revenue from long-term airtime contracts is recognized as the air-time is consumed by the customer. Amounts received in advance of revenue recognition is reported as deferred revenue.

Professional services may be provided for training and support. Professional services are typically billed on a time and material basis and revenue is recognized over time as the services are performed or delivered.

Generally, the Company's performance obligations have an expected duration of under one year and as such the Company has elected to apply the practical expedient available under IFRS 15 to not disclose information relating to remaining performance obligations.

If the contract contains a single performance obligation, the entire transaction price is attributed to that performance obligation. On occasion the Company contracts include multiple distinct performance obligations with a combination of equipment sales and services. The Company allocates the transaction price among the performance obligations in an amount that represents the standalone selling price of each performance obligation. Judgement may be required when allocating the selling price.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The Company applies the practical expedient available under IFRS 15 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less. The Company had no material contract assets or liabilities.

The Company has elected to apply the practical expedient to not adjust the total consideration over the contract term for the effect of a financing component if the period between the transfer of services to the customer and the customer's payment for these services is expected to be one year or less.

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 income 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.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2019 and 2018
(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2019 and 2018
(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital assets

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

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

- Leasehold improvements over the term of the lease
- Furniture and equipment 20% - declining-balance method
- Computer equipment 30% & 45% - declining-balance method
- Production mold 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.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2019 and 2018
(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 income.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2019 and 2018
(expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Effective interest method

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended November 30, 2019 and 2018

(expressed in Canadian Dollars)

4. CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial instruments

Effective December 1, 2018, the Company adopted IFRS 9, Financial Instruments (“IFRS 9”) and as permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. IFRS 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting. IFRS 9 replaces the ‘incurred loss’ model in IAS 39, Financial Instruments, with an ‘expected credit loss’ (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost under IFRS 9, credit losses are recognized earlier than under IAS 39.

- Cash, trade and other receivables classified as loans and receivables are not classified as Amortized cost.
- Financial liabilities classified as Amortized cost under IAS 39 continue to be classified as such under IFRS 9.

The adoption of IFRS 9 did not have a significant impact on the financial position and/or financial performance of the Company.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB released IFRS 15 – Revenue from Contracts with Customers. The Standard replaces IAS11 Construction Contracts and IAS18 Revenue, providing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of the new standard is recognizing revenue to depict fulfillment of performance obligations to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services.

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 November 1, 2018 retained earnings.

5. FUTURE 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.

NOTES TO THE FINANCIAL STATEMENTS
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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 recognizes a provision for slow-moving and obsolete items of inventory when inventory cost exceeds the net realizable value. Management's estimate of the net realizable value of such inventories is based primarily on sales prices in the forward order book and current market conditions.

Impairment of trade receivables

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

Income taxes

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2019 and 2018
(expressed in Canadian Dollars)

7. ACCOUNTS RECEIVABLES

| | Nov. 30, 2019 | Nov. 30, 2018 |
|-----------------------------|------------------|------------------|
| | \$ | \$ |
| Trade receivables | 736,056 | 1,913,803 |
| Accounts receivable – other | 21,899 | 8,021 |
| HST recoverable | 237,959 | 189,849 |
| Interest receivable | 138,576 | 136,358 |
| Allowance for bad debts | - | (2,222) |
| | 1,134,490 | 2,245,809 |

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 \$6,156 in bad debt losses.

The ageing of the Company's trade receivables at November 30, 2019:

| | Nov. 30, 2019 | Nov. 30, 2018 |
|------------------------------------|----------------|------------------|
| | \$ | \$ |
| Not yet overdue | 585,926 | 761,405 |
| Less than one month overdue | 142,104 | 150,137 |
| Between one and two months overdue | - | 2,261 |
| Greater than two months overdue | 8,026 | - |
| | 736,056 | 1,913,803 |

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, 2019 | Nov. 30, 2018 |
|-----------------|------------------|------------------|
| | \$ | \$ |
| Component parts | 2,679,528 | 1,781,476 |
| Finished goods | 4,083,771 | 1,759,431 |
| Total Inventory | 6,763,299 | 3,540,907 |

| | Nov. 30, 2019 | Nov. 30, 2018 |
|--|------------------|------------------|
| | \$ | \$ |
| Value of inventory expensed in the year | 5,748,773 | 5,873,686 |
| Un-recovered freight and storage charges | 100,644 | 144,245 |
| Allocation of amortization | 14,786 | 21,756 |
| Total Cost of Sales | 5,864,203 | 6,039,687 |

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.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2019 and 2018
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9. PREPAID EXPENSES

| | Nov. 30, 2019 | Nov. 30, 2018 |
|-----------------------------|---------------|---------------|
| | \$ | \$ |
| Prepaid licenses | 5,701 | 3,360 |
| Prepaid trade show deposits | 68,133 | 72,312 |
| Prepaid operating expenses | 7,591 | 20,060 |
| | 81,425 | 95,732 |

10. CAPITAL ASSETS

| | Nov. 30, 2019 | | | | | |
|-------------------------|-------------------------|-----------------|---------------|---------------|-----------------------------|-----------------|
| | Amortization Expense | Opening Cost | Additions | Disposals | Accumulated Amortization | Closing Cost |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Computer equipment | 5,386 | 83,289 | 2,955 | - | 78,182 | 8,062 |
| Leasehold improvements | 5,492 | 194,173 | 11,976 | - | 188,142 | 18,007 |
| Furniture and equipment | 10,106 | 307,338 | 32,989 | 10,000 | 273,410 | 56,917 |
| Production mold | - | 13,255 | - | - | 13,255 | - |
| Vehicle | 1,837 | 30,000 | - | - | 25,714 | 4,286 |
| | 22,821 | 628,055 | 47,920 | 10,000 | 578,703 | 87,272 |

| | Nov. 30, 2018 | | | | | |
|-------------------------|-------------------------|-----------------|--------------|--------------|-----------------------------|-----------------|
| | Amortization Expense | Opening Cost | Additions | Disposals | Accumulated Amortization | Closing Cost |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 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 mold | 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 |

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

| | Nov. 30, 2019 | Nov. 30, 2018 |
|----------------------------|---------------|---------------|
| | \$ | \$ |
| Cost of sales | 14,847 | 21,756 |
| General and administrative | 3,688 | 6,031 |
| Research and development | 4,612 | 6,852 |
| Sales and marketing | 3,834 | 4,733 |
| | 26,980 | 39,372 |



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2019 and 2018
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11. APPLICATION SOFTWARE

| Nov. 30, 2019 | | | | | | |
|----------------------|-------------------------|--------------|-----------|-----------|-----------------------------|--------------|
| | Amortization Expense | Opening Cost | Additions | Disposals | Accumulated Amortization | Closing Cost |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Application software | 4,159 | 184,891 | 5,197 | - | 182,687 | 7,402 |
| | 4,159 | 184,891 | 5,197 | - | 182,687 | 7,402 |

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

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | Nov. 30, 2019 | Nov. 30, 2018 |
|-----------------------------|---------------|---------------|
| | \$ | \$ |
| Trade payables | 307,006 | 656,681 |
| Accrued liabilities | 148,545 | 288,586 |
| Goods received not invoiced | 4,901 | 4,495 |
| Credit cards payable | 21,701 | 22,034 |
| | 482,153 | 971,796 |

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, 2019 | Nov. 30, 2018 |
|----------------------------------|---------------|---------------|
| | \$ | \$ |
| Deferred warranty revenue | 140,280 | 226,118 |
| Prepaid airtime contract revenue | 4,134 | 4,289 |
| | 144,414 | 230,407 |
| Current | 72,300 | 93,599 |
| Long-term | 72,114 | 136,808 |
| | 144,414 | 230,407 |

NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2019 and 2018
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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, 2019 | Nov. 30, 2018 |
|--|----------------------|----------------|
| | \$ | \$ |
| Statutory tax rate | 26.5% | 26.5% |
| Income before income tax | 3,904,198 | 3,206,723 |
| | Nov. 30, 2019 | Nov. 30, 2018 |
| | \$ | \$ |
| Tax provision at the combined basic Canadian federal and provincial income tax rates | 1,034,613 | 849,782 |
| Increase (decrease) resulting from: | | |
| Stock-based compensation and other permanent differences | 25,402 | 59,842 |
| Effect of changes in future rates | - | - |
| Other | 1,091 | (2,402) |
| Income tax expense | 1,061,106 | 907,222 |

The movements of deferred tax liabilities are shown below:

| Nov. 30, 2019 | | | |
|--|-----------------|---|-----------------|
| Deferred tax liability | Tax Reserve | Capital Assets and Software Application | Total |
| | \$ | \$ | \$ |
| Deferred tax liability at December 1, 2018 | (107,445) | (3,174) | (110,619) |
| Debited to income statement | 11,616 | 733 | 12,349 |
| Deferred tax liability at November 30, 2019 | (95,829) | (2,441) | (98,270) |

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

The Company has recognized management's best estimate of the value of available investment tax credits to be realized in future years as \$nil (2018 - \$nil). Any unutilized investment tax credits are eligible for a twenty-year carry-forward for credits earned in tax years that end after 1997. Investment tax credits recognized in the current year but earned in prior periods are recorded as a credit to income, rather than as a reduction of research and development expense.

NOTES TO THE FINANCIAL STATEMENTS
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15. ISSUED CAPITAL

Issued capital

Authorized: Unlimited number of common shares, no par value

Issued:

| | Nov. 30, 2019 | | Nov. 30, 2018 | |
|---|---------------|------------|---------------|-----------|
| | Common Shares | Amount | Common Shares | Amount |
| | | \$ | | \$ |
| Balance, beginning of year | 37,220,550 | 9,244,731 | 36,754,550 | 8,937,450 |
| Shares issued under stock option plan | 746,350 | 851,981 | 466,000 | 284,300 |
| Reclassification of stock-based compensation on exercised options | - | 205,549 | - | 22,981 |
| Issued Capital | 37,966,900 | 10,302,261 | 37,220,550 | 9,244,731 |

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. 24, 2019 | Feb. 7, 2019 | Feb. 21, 2019 | \$0.0125 | \$ 465,257 |
| Apr. 23, 2019 | May 9, 2019 | May 23, 2019 | \$0.0125 | \$ 470,894 |
| July 23, 2019 | Aug. 6, 2019 | Aug. 20, 2019 | \$0.0125 | \$ 472,466 |
| Oct. 24, 2019 | Nov. 7, 2019 | Nov. 21, 2019 | \$0.0125 | <u>\$ 473,416</u> |
| | | | | <u>\$ 1,882,033</u> |

Dividends declared in 2018 were as follows:

| Date of Declaration | Date of Record | Date of Payment | Dividend per Share | Dividend |
|---------------------|----------------|-----------------|--------------------|---------------------|
| Jan. 19, 2018 | Feb. 5, 2018 | Feb. 19, 2018 | \$0.0125 | \$ 459,433 |
| 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 | <u>\$ 464,694</u> |
| | | | | <u>\$ 1,851,878</u> |

Subsequent to the date of the statement of financial position, on January 23, 2020 the Company declared a dividend of \$0.0125 per common share payable on February 21, 2020.

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 \$205,549 (2018 - decrease of \$22,981). During the year there were 84,000 options forfeited and 58,000 options that expired compared to previous years (2018 - 13,000 and 155,000 respectively). The forfeiting and expiring of options resulted in the reversal of previously recorded stock option amortization \$nil (2018 - \$63,071) which decreased contributed surplus. During the year there were 746,350 options exercised compared to the previous year (2018 - 466,000).

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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 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 1,740,110 are available to be granted. At November 30, 2019 there are 5,255,650 options outstanding of which 4,822,650 are exercisable. No consideration is payable on the grant of an option with options generally vesting after one year from the date of grant.

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 November 30, 2015 | 70,000 | Nov. 30, 2015 | Nov. 30, 2021 | \$0.76 to \$1.00 |
| Issued April 23, 2015 to Oct. 16, 2015 | 613,000 | Apr. 23, 2015 to Oct. 16, 2015 | Apr. 23, 2021 to Oct. 16, 2021 | \$1.01 to \$1.25 |
| Issued April 17, 2014 to Oct. 21, 2014 | 1,057,350 | Apr. 17, 2014 to Oct. 21, 2014 | Apr. 17, 2020 to Oct. 21, 2020 | \$1.26 to \$1.50 |
| Options issued under revised plan dated April 27, 2016 | | | | |
| Issued October 14, 2016 to April 17, 2017 | 1,016,300 | Oct. 14, 2016 to Apr. 17, 2017 | Oct. 14, 2022 to Apr. 17, 2023 | \$0.76 to \$1.00 |
| Issued May 12, 2016 to November 16, 2018 | 2,066,000 | May 12, 2016 to Nov. 16, 2018 | May 12, 2022 to Nov. 16, 2024 | \$1.01 to \$1.25 |
| Issued April 25, 2019 | 253,000 | Apr. 25, 2019 | Apr. 25, 2025 | \$1.51 to \$1.75 |
| Options issued under revised plan dated May 1, 2019 | | | | |
| Issued July 25, 2019 to November 27, 2019 | 180,000 | July 25, 2019 to Nov. 27, 2019 | July 25, 2025 to Nov. 27, 2025 | \$1.51 to \$1.75 |

The weighted average fair value of options granted during the year ended November 30, 2019 was \$0.25 (2018 - \$0.16) 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.

NOTES TO THE FINANCIAL STATEMENTS
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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, 2019</u> | | <u>Nov. 30, 2018</u> |
|---------------------------|----------------------|---------------------------|----------------------|
| Grant date share prices | \$ 1.60 to \$ 1.74 | Grant date share prices | \$ 1.11 to \$ 1.18 |
| Exercise prices | \$ 1.60 to \$ 1.74 | Exercise prices | \$ 1.11 to \$ 1.18 |
| Expected price volatility | 22.49% to 22.99% | Expected price volatility | 22.92% to 28.46% |
| Expected option life | 5 years | Expected option life | 5 years |
| Expected dividend yield | 2.72% to 2.94% | Expected dividend yield | 4.42% to 4.76% |
| Risk free interest rate | 1.18% to 1.49% | Risk free interest rate | 2.10% to 2.18% |
| Forfeiture rate | 0% | Forfeiture rate | 0% |

| | <u>Nov. 30, 2019</u> | | <u>Nov. 30, 2018</u> | |
|---------------------------------|----------------------|------------------------------------|----------------------|------------------------------------|
| | Number of Options | Weighted Avg. Exercise Price | Number of Options | Weighted Avg. Exercise Price |
| Outstanding, beginning of year | 5,694,000 | \$ 1.15 | 5,480,000 | \$ 1.12 |
| Exercised | (746,350) | \$ 1.14 | (466,000) | \$ 0.61 |
| Expired | (58,000) | \$ 1.76 | (155,000) | \$ 1.72 |
| Forfeited | (84,000) | \$ 1.21 | (13,000) | \$ 1.16 |
| Granted | 450,000 | \$ 1.64 | 848,000 | \$ 1.15 |
| Outstanding, end of year | 5,255,650 | \$ 1.18 | 5,694,000 | \$ 1.15 |

At November 30, 2019 there were 5,255,650 options outstanding with a weighted average remaining contractual life of 3.2 years or 38 months of which 4,822,650 were exercisable at a weighted average price of \$1.14 (2018 - \$1.15).

17. EARNINGS PER SHARE

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

| | <u>Nov. 30, 2019</u> | <u>Nov. 30, 2018</u> |
|--|----------------------|----------------------|
| Weighted average number of common shares – basic | 37,564,816 | 36,988,153 |
| Additions to reflect the dilutive effect of employee stock options | 1,381,040 | 333,884 |
| Weighted average number of common shares – diluted | 38,945,856 | 37,322,037 |

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 2019, 33,000 (2018 - 2,339,000) 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:

2020 \$ 231,089

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 \$nil (2018 - \$8,847) 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 \$nil (2018 - \$36,957) 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, 2019 | Nov. 30, 2018 |
|--|----------------------|------------------|
| | \$ | \$ |
| Research and development expenses | 1,924,381 | 1,973,241 |
| Less: Investment tax credits, Federal and Provincial | (418,767) | (400,667) |
| Allocation of amortization | 4,658 | 6,852 |
| | 1,510,272 | 1,579,426 |

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.

NOTES TO THE FINANCIAL STATEMENTS
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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, 2019 | Nov. 30, 2018 |
|---------------|----------------------|-------------------|
| | \$ | \$ |
| Canada | 694,543 | 1,306,504 |
| Japan | 5,898,110 | 849,164 |
| Asia | 2,076,506 | 1,123,754 |
| Europe | 1,927,116 | 1,434,027 |
| United States | 1,538,588 | 3,964,862 |
| Middle East | 1,462,084 | 2,461,904 |
| Rest of world | 380,962 | 2,387,153 |
| | 13,977,909 | 13,527,368 |

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, 2019 the Company had one customer account for more than 10% of revenues, generating \$5,295,306 (2018 - two customers accounted for more than 10% of revenue, generating \$1,773,284 and \$1,552,992 respectively).

NOTES TO THE FINANCIAL STATEMENTS
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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 Branim Consulting Corp.

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

| | | Nov. 30, 2019 | Nov. 30, 2018 |
|---|-------|------------------------|------------------------|
| | | \$ | \$ |
| <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) | 4,425 | 4,944 |
| <i>Transactions with 718133 Ontario Inc.:</i> | | | |
| Rental of office and warehouse space | (iii) | 308,485 | 295,240 |
| <i>Transactions with Branim Consulting Corp.:</i> | | | |
| Purchase of consulting services | (iv) | 47,040 | 50,614 |
| <i>Transactions with other parties:</i> | | | |
| Legal fees and expenses | (v) | 25,259 | 24,743 |
| | | As At Nov. 30, 2019 | As At Nov. 30, 2018 |
| | | \$ | \$ |
| <i>Balances with related parties</i> | | | |
| Amounts receivable from Rampart International Corp. | | nil | nil |
| Amounts due to Labarge Weinstein LLP | | 1,500 | 3,390 |
| Amounts due to Branim Consulting Corp. | | 2,712 | 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 1-year lease commitment with 718133 Ontario Ltd. which ends July 2020 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.



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2019 and 2018
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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 management personnel are the Chief Executive Officer, the Chief Financial Officer, the Chief Technology Officer and the Vice-President of Business Development. The compensation for directors and other members of key management during the year was as follows:

| | Nov. 30, 2019 | Nov. 30, 2018 |
|------------------------------|----------------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 1,141,566 | 716,064 |
| Share-based payments | 36,000 | 43,100 |
| | 1,177,566 | 759,164 |

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, 2019 would have decreased (increased) net earnings by approximately \$237,000 (2018 - \$279,000).

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For the years ended November 30, 2019 and 2018
(expressed in Canadian Dollars)

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk

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

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

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

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

| | Nov. 30, 2019 | Nov. 30, 2018 |
|-----------------------|----------------------|-------------------|
| | \$ | \$ |
| Cash | 5,322,102 | 4,302,834 |
| Marketable securities | 9,857,946 | 11,804,495 |
| Accounts receivable | 1,134,490 | 2,245,809 |
| | 16,314,538 | 18,353,138 |

Breakdown of marketable securities

| | Nov. 30, 2019 | Nov. 30, 2018 |
|--|----------------------|-------------------|
| | \$ | \$ |
| Guaranteed investment certificate - redeemable | 5,657,502 | 9,682,690 |
| Guaranteed investment certificate – non-redeemable | 4,200,444 | 2,121,805 |
| | 9,857,946 | 11,804,495 |

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, 2019, the Company has a cash balance of \$5,322,102 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, 2019, the Company had not borrowed on the credit facility. All of the Company's financial liabilities have contractual maturities of less than 30 days.



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2019 and 2018
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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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.

| | Nov. 30, 2019 | | | |
|--------------------------------|----------------------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Cash and marketable securities | 5,322,102 | 9,857,946 | - | 15,180,048 |
| | Nov. 30, 2018 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Cash and marketable securities | 4,302,834 | 11,804,495 | - | 16,107,329 |