



**C-COM SATELLITE SYSTEMS INC.**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**THIRD QUARTER FINANCIAL REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED AUGUST 31, 2021 AND AUGUST 31, 2020**

**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, 2021 AND AUGUST 31, 2020  
UNAUDITED**

**Management's Responsibility for Financial Reporting**

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

**AUGUST 31, 2021**

**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, 2021 and November 30, 2020  
(Canadian dollars)

	Notes	Aug. 31, 2021 (unaudited)	Nov. 30, 2020 (audited)
<b>ASSETS</b>			
Cash		\$ 8,365,260	\$ 6,783,758
Marketable securities		8,140,008	8,074,676
Accounts receivable		481,161	605,651
Non-refundable investment tax credits		76,250	316,698
Inventory		7,545,154	7,328,642
Prepaid expenses		50,587	41,468
<b>Total current assets</b>		<b>24,658,420</b>	<b>23,150,893</b>
Capital assets		64,414	80,092
Application software		5,628	9,944
<b>Total non-current assets</b>		<b>70,042</b>	<b>90,036</b>
<b>TOTAL ASSETS</b>		<b>\$ 24,728,462</b>	<b>\$ 23,240,929</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	11	\$ 656,313	\$ 825,864
Income tax payable / (recoverable)		265,166	(222,201)
Deferred revenue		15,516	74,267
<b>Total current liabilities</b>		<b>936,995</b>	<b>677,930</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred revenue		-	1,819
Deferred tax liability		77,217	87,722
Other non-current liabilities		-	125,555
<b>Total non-current liabilities</b>		<b>77,217</b>	<b>215,096</b>
<b>TOTAL LIABILITIES</b>		<b>1,014,212</b>	<b>893,026</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	14,621,430	12,770,526
Contributed surplus		1,157,269	1,229,492
Retained earnings		7,935,551	8,347,885
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>23,714,250</b>	<b>22,347,903</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 24,728,462</b>	<b>\$ 23,240,929</b>

**Unaudited Interim Condensed Statements of Changes in Equity**  
**For the nine-month periods ended August 31, 2021 and August 31, 2020**  
(Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
<b>Balance December 1, 2020</b>	\$ 12,770,526	\$ 1,229,492	\$ 8,347,885	\$ 22,347,903
Net income and comprehensive income	-	-	1,089,665	1,089,665
Dividends declared	-	-	(1,501,999)	(1,501,999)
Exercised options	1,395,494	-	-	1,395,494
Stock based compensation expense	-	383,187	-	383,187
Reclassification of contributed surplus on exercised options	455,410	(455,410)	-	-
<b>Balance August 31, 2021</b>	<u>\$ 14,621,430</u>	<u>\$ 1,157,269</u>	<u>\$ 7,935,551</u>	<u>\$ 23,714,250</u>
	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>

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

**For the three-month and nine-month periods ended August 31, 2021 and August 31, 2020  
(Canadian dollars)**

	<b>Three Months Ended:</b>		<b>Nine Months Ended:</b>	
	<b>Aug. 31, 2021</b>	<b>Aug. 31, 2020</b>	<b>Aug. 31, 2021</b>	<b>Aug. 31, 2020</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>REVENUE</b>	\$ 1,011,055	\$ 1,773,918	\$ 6,567,068	\$ 4,076,213
<b>COST OF SALES</b>	439,068	633,995	2,393,920	1,675,397
<b>GROSS PROFIT</b>	571,987	1,139,923	4,173,148	2,400,816
<b>EXPENSES</b>				
General and administrative	479,203	177,509	1,097,700	1,289,372
Research and development	207,070	431,064	642,163	1,128,747
Sales and marketing	144,292	141,217	633,565	598,178
	830,565	749,790	2,373,428	3,016,297
<b>INCOME/(LOSS) BEFORE OTHER INCOME AND INCOME</b>	(258,578)	390,133	1,799,720	(615,481)
<b>OTHER INCOME</b>				
Investment income	14,725	34,663	52,208	148,062
Foreign exchange (loss)/gain	164,455	(107,152)	(16,927)	(45,569)
	179,180	(72,489)	35,281	102,493
<b>INCOME / (LOSS) BEFORE INCOME TAX</b>	(79,398)	317,644	1,835,001	(512,988)
<b>INCOME TAX</b>	78,313	106,788	745,336	(70,342)
<b>NET INCOME/(LOSS) AND COMPREHENSIVE INCOME</b>	\$ (157,711)	\$ 210,856	\$ 1,089,665	\$ (442,646)
Basic earnings per share	\$0.00	\$0.01	\$0.03	-\$0.01
Basic weighted average number of common shares outstanding	40,069,005	38,276,614	40,069,005	38,276,614
Diluted earnings per share	\$0.00	\$0.01	\$0.03	-\$0.01
Diluted weighted average number of common shares outstanding	42,243,309	40,447,341	42,243,309	40,447,341



**Unaudited Interim Condensed Statements of Cash Flows**

**For the nine-month periods ended August 31, 2021 and August 31, 2020  
(Canadian dollars)**

	<b>Nine Months Ended:</b>	
	<b>Aug. 31, 2021</b>	<b>Aug. 31, 2020</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 1,089,665	\$ (442,646)
<i>Items not affecting cash:</i>		
Investment income	(52,208)	(148,062)
Income tax expense	745,336	(70,342)
Scientific research and experimental development tax credit	(195,477)	(118,750)
Amortization	24,756	20,674
Unrealized foreign exchange loss (gain)	728,620	402,901
Stock-based compensation	383,187	113,509
	<u>2,723,879</u>	<u>(242,716)</u>
<i>Changes in non-cash working capital:</i>		
Accounts receivable	(178,292)	407,113
Inventory	(216,512)	(720,223)
Prepaid expenses	(9,119)	(2,028)
Accounts payable and accrued liabilities	(666,375)	(33,537)
Deferred revenue	(60,570)	(50,822)
	<u>(1,130,868)</u>	<u>(399,497)</u>
Investment income received	82,803	3,926
Income tax paid	-	(296,657)
Cash flow from/(used) in operating activities	<u>1,675,814</u>	<u>(934,944)</u>
<b>INVESTING ACTIVITY</b>		
Acquisition of marketable securities	(5,565,660)	(9,552,626)
Disposal of marketable securities	5,500,327	11,368,160
Disposal of capital assets	-	(2,478)
Acquisition of capital assets	(4,762)	(8,685)
Cash flow from/(used) in investing activities	<u>(70,095)</u>	<u>1,804,371</u>
<b>FINANCING ACTIVITY</b>		
Dividends paid to owners of Company	(1,501,999)	(1,432,208)
Options exercised	1,395,494	951,649
Cash flow from/(used) in financing activities	<u>(106,505)</u>	<u>(480,559)</u>
Foreign exchange gain (loss) on cash	82,288	24,427
<b>INCREASE/(DECREASE) IN CASH FLOW</b>	<b>1,581,502</b>	<b>413,295</b>
<b>CASH - beginning of period</b>	<b>6,783,758</b>	<b>5,322,102</b>
<b>CASH - end of period</b>	<b>\$ 8,365,260</b>	<b>\$ 5,735,397</b>



## **NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

### **For the three-month period ended August 31, 2021 and 2020**

### **(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 principal 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, 2021 were authorized for issuance by the Board of Directors on October 15, 2021.

#### **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, 2020 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, 2020. 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 replaced IAS 17 Leases. IFRS 16 set 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, and then presented on a modified retroactive basis.

The Company 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. Accordingly, the Company opted for using the standard’s practical expedient method of reporting and does not recognize right-of-use assets that have a lease term of 12 months or less.

The Company has not adopted any new accounting policies during its fiscal year 2021.

There are no other required or contemplated future changes in the Company’s accounting policies.



## **NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

### **For the three-month period ended August 31, 2021 and 2020**

#### **(expressed in Canadian Dollars)**

#### **4. 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, 2020.

#### **5. 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.

COVID-19 has caused heightened uncertainty and volatility in the global economy. If economic growth slows further or if a recession develops, customers may not have the financial means to purchase the Company's products, thereby potentially having a negative impact on the Company's financial performance. Since the impact of COVID-19 is ongoing, the effect of the COVID-19 outbreaks and the related impact on the global economy may not be fully reflected in the Company's financial statements until future periods. Further, volatility in the capital markets may continue, which may cause declines in the price of the Company's shares and may also affect its ability to raise working capital through equity or debt transactions.

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. An estimate of the financial effect of the pandemic on the Company is not practicable at this time.

#### **6. GOVERNMENT GRANTS**

During 2020, the Company commenced a contribution agreement with the National Research Council Canada (NRC) – Industrial Research Assistance Program (IRAP) to reduce the cost of a specific research and development project that began in 2020. The Contribution agreement started July 1, 2020 and is to be completed June 30, 2023. NRC-IRAP has agreed to contribute up to a maximum of \$423,597 over the period of the agreement with specific maximum contribution amounts allocated to each fiscal year. In Q3, 2021 the Company received \$9,350 from NRC (Q3, 2020 – Nil), which was credited to research and development expense. The year-to-date total amount of funding received from IRAP in F2021 is \$107,069. NRC – IRAP reserves the right to claim back all or part of the grant plus interest from the Company under certain circumstances. No repayment has been requested for and no contingent liability has been accrued.

The Company also commenced a non-repayable contribution agreement with the Canadian Space Agency (CSA) in fiscal 2020 to help fund the cost of a specific research and development project. The Contribution agreement started July 10, 2020 and is to be completed by December 31, 2022. The CSA has agreed to contribute up to a maximum of \$1,000,000 over the period of the agreement with specific maximum contribution amounts allocated to each fiscal year. The Company applied for \$139,103 from the CSA related to Q3, 2021, which was credited to research and development expense. The year-to-date total amount of this CSA funding received and accrued for in F2021 is \$262,936. No payments were received from the CSA in 2020. The CSA reserves the right to claim back all or part of the grant plus interest from the Company under certain circumstances. No repayment has been requested for and no contingent liability has been accrued.



**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three-month period ended August 31, 2021 and 2020**  
**(expressed in Canadian Dollars)**

**6. GOVERNMENT GRANTS (CONTINUED)**

In addition, the Company applied for the following financial support from the Canadian Government related to COVID-19 relief:

- i) The Canadian Emergency Wage Subsidy (“CEWS”) program: during Q3 2021, the Company received and accrued a total of \$188,220 (\$102,553 in Q3, 2020) in CEWS funding – all of which has been applied to the Company’s General & Administrative and R&D expense categories. The year-to-date total amount of CEWS funding received and accrued in F2021 is \$462,496 (\$308,216 for F2020 year-to-date).
- ii) The Canadian Emergency Rent Subsidy (“CERS”) program: during Q3, 2021, the Company received and accrued a total of \$38,399 (Nil in Q3, 2020) in CERS funding – all of which has been credited to general and administration expenses. The year-to-date total amount of CERS funding received and accrued in F2021 is \$93,558 (Nil for F2020 year-to-date).

**7. 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.

**8. 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</b>	3 months ended
	<b>Aug. 31, 2021</b>	Aug. 31, 2020
	\$	\$
Canada	23,540	29,430
Russian Federation	298,424	127,697
Asia	197,812	438,304
Oman	165,883	620
Australia	141,149	318,493
Rest of the World	184,247	859,374
	<b>1,011,055</b>	<b>1,773,918</b>



**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three-month period ended August 31, 2021 and 2020**  
**(expressed in Canadian Dollars)**

**8. OPERATING SEGMENT INFORMATION (CONTINUED)**

*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, 2021, the Company had three customers who accounted for more than 10% of revenues comprising a total of \$603,368 or 60% of total revenues (for the quarter ending August 31, 2020 – the Company had three customers who generated more than 10% of revenues for a total of \$693,486, or 39% of total revenues).

**9. 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 were authorized for issuance under the plan, of which 820,870 are available to be granted as at August 31, 2021. No consideration is payable on the grant of an option with options generally vesting after one year from the date of grant.

As at August 31, 2021 there were 4,402,650 options outstanding, of which 3,481,650 were exercisable.

*Outstanding share capital*

At August 31, 2021 there were 40,486,400 common shares of the Company outstanding (August 31, 2020 – 38,675,200).

**10. NET EARNINGS PER SHARE**

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

	<b>3 months ended Aug. 31, 2021</b>	3 months ended Aug. 31, 2020
Weighted average number of shares – basic	40,069,005	38,276,614
Addition to reflect the dilutive effect of employee stock options	2,174,304	2,170,727
Weighted average number of shares – diluted	42,243,309	40,447,341

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, 2021, 576,000 options



**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three-month period ended August 31, 2021 and 2020**  
**(expressed in Canadian Dollars)**

were excluded from the above calculation (August 31, 2020 – there were no anti-dilutive options were excluded from the above calculation).

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

**11. RELATED PARTY TRANSACTIONS AND BALANCES**

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

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

		<b>3 months ended Aug. 31, 2021</b>	3 months ended Aug. 31, 2020
		\$	\$
<i>Board of Directors:</i>			
Board of Director fees	(i)	24,000	24,000
<i>Transactions with Rampart International Corp.:</i>			
Reimbursement of office and other expenses	(ii)	725	Nil
<i>Transactions with 718133 Ontario Inc.:</i>			
Rental of office and warehouse space	(iii)	89,947	89,947
<i>Transactions with Art Slaughter CPA Pro. Corp.:</i>			
Purchase of consulting services	(iv)	7,100	11,948
<i>Transactions with LaBarge Weinstein LLP:</i>			
Legal fees and expenses	(v)	4,800	3,200
		<b>As At Aug. 31, 2021</b>	<b>As At Aug. 31, 2020</b>
		\$	\$
<i>Balances with related parties</i>			
Amounts due from Rampart International Corp.		725	Nil
Amounts due to 718133 Ontario Inc.		Nil	Nil
Amounts due to Art Slaughter CPA Pro. Corp.		Nil	1,600
Amounts due to LaBarge Weinstein LLP		1,600	1,600

Balances with related parties are due upon demand and included with accounts payable and accrued liabilities.



**NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**For the three-month period ended August 31, 2021 and 2020**  
**(expressed in Canadian Dollars)**

- i. The Board of Directors instituted a Board of Directors fee of \$24,000 per annum per board member commencing December 2, 2012 and is paid quarterly.
- ii. The Company occupies the same building as Rampart International Corp. From time to time, they invoice each other for incidental costs. 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>, 2022 for office and warehouse space. The Company and 718133 Ontario Ltd. have common ownership.
- iv. The Company purchases financial consulting services from Art Slaughter CPA Professional Corporation. The Company's Chief Financial Officer is a director of this company.
- 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.