



C-COM SATELLITE SYSTEMS INC.

INTERIM CONDENSED FINANCIAL STATEMENTS

THIRD QUARTER FINANCIAL REPORT

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED AUGUST 31, 2023 AND AUGUST 31, 2022

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, 2023 AND AUGUST 31, 2022
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, 2023

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Unaudited Interim Condensed Statements of Financial Position

**As at August 31, 2023 and November 30, 2022
(Canadian dollars)**

	Notes	2023 (unaudited)	Nov. 30, 2022 (audited)
ASSETS			
Cash		\$ 6,065,504	\$ 10,130,841
Marketable securities		9,958,482	8,720,657
Accounts receivable		722,891	1,080,338
Non-refundable investment tax credits		78,500	-
Inventory	8	8,836,563	6,718,321
Prepaid expenses		83,554	143,718
Total current assets		25,745,494	26,793,875
Capital assets		148,415	75,043
Application software		16,235	1,081
Total non-current assets		164,650	76,124
TOTAL ASSETS		\$ 25,910,144	\$ 26,869,999
LIABILITIES & SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	11	\$ 1,774,961	\$ 1,122,726
Income tax payable (recoverable)		(289,988)	302,149
Deferred revenue		-	2,495
Total current liabilities		1,484,973	1,427,370
NON-CURRENT LIABILITIES			
Deferred tax liability		66,118	130,583
Other non-current liabilities		100,855	93,603
Total non-current liabilities		166,973	224,186
TOTAL LIABILITIES		1,651,946	1,651,556
SHAREHOLDERS' EQUITY			
Share capital	9	16,425,018	15,991,711
Contributed surplus		2,074,122	1,918,151
Retained earnings		5,759,058	7,308,581
TOTAL SHAREHOLDERS' EQUITY		24,258,198	25,218,443
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 25,910,144	\$ 26,869,999



Unaudited Interim Condensed Statements of Changes in Equity

**For the nine-month periods ended August 31, 2023 and August 31, 2022
(Canadian dollars)**

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance December 1, 2022	\$ 15,991,711	\$ 1,918,151	\$ 7,308,581	\$ 25,218,443
Net income and comprehensive income	-	-	17,467	17,467
Dividends declared	-	-	(1,566,990)	(1,566,990)
Exercised options	371,000	-	-	371,000
Stock based compensation expense	-	218,278	-	218,278
Reclassification of contributed surplus on exercised options	62,307	(62,307)	-	-
Balance August 31, 2023	<u>\$ 16,425,018</u>	<u>\$ 2,074,122</u>	<u>\$ 5,759,058</u>	<u>\$ 24,258,198</u>
	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance December 1, 2021	\$ 14,759,321	\$ 1,541,108	\$ 8,228,371	\$ 24,528,800
Net income and comprehensive income	-	-	1,196,033	1,196,033
Dividends declared	-	-	(1,538,615)	(1,538,615)
Exercised options	720,000	-	-	720,000
Stock based compensation expense	-	423,624	-	423,624
Reclassification of contributed surplus on exercised options	147,247	(147,247)	-	-
Balance August 31, 2022	<u>\$ 15,626,568</u>	<u>\$ 1,817,485</u>	<u>\$ 7,885,789</u>	<u>\$ 25,329,842</u>

See accompanying notes to the financial statements



Unaudited Interim Condensed Statements of Net Earnings and Comprehensive Income

**For the three-month and nine-month periods ended August 31, 2023 and August 31, 2022
(Canadian dollars)**

	Three Months Ended:		Nine Months Ended:	
	Aug. 31, 2023 (unaudited)	Aug. 31, 2022 (unaudited)	Aug. 31, 2023 (unaudited)	Aug. 31, 2022 (unaudited)
REVENUE	\$ 1,223,479	\$ 2,039,798	\$ 4,485,346	\$ 8,758,524
COST OF SALES	426,956	976,422	1,686,088	4,035,446
GROSS PROFIT	796,523	1,063,376	2,799,258	4,723,077
EXPENSES				
General and administrative	506,693	391,905	1,363,312	1,635,399
Research and development	425,471	175,907	1,172,739	540,567
Sales and marketing	158,551	246,860	687,568	937,479
	1,090,715	814,672	3,223,619	3,113,445
INCOME / (LOSS) BEFORE OTHER INCOME AND INCOME TAX	(294,192)	248,704	(424,361)	1,609,631
OTHER INCOME				
Investment income	147,709	51,184	475,769	100,829
Foreign exchange gain / (loss)	(64,854)	95,811	(16,419)	62,633
	82,855	146,995	459,350	163,462
INCOME BEFORE INCOME TAX	(211,337)	395,699	34,989	1,773,093
INCOME TAX	(63,202)	161,764	17,522	577,060
NET INCOME / (LOSS) AND COMPREHENSIVE INCOME	\$ (148,135)	\$ 233,935	\$ 17,467	\$ 1,196,033
Basic earnings per share	\$0.00	\$0.01	\$0.00	\$0.03
Basic weighted average number of common shares outstanding	41,883,249	41,130,605	41,883,249	41,130,605
Diluted earnings per share	\$0.00	\$0.01	\$0.00	\$0.03
Diluted weighted average number of common shares	41,935,960	41,973,944	41,935,960	41,973,944



Unaudited Interim Condensed Statements of Cash Flows

For the nine-month periods ended August 31, 2023 and August 31, 2022
(Canadian dollars)

	Nine Months Ended:	
	Aug. 31, 2023 (unaudited)	Aug. 31, 2022 (unaudited)
OPERATING ACTIVITIES		
Net income	\$ 17,467	\$ 1,196,033
<i>Items not affecting cash:</i>		
Investment income	(475,769)	(100,829)
Income tax expense	17,522	577,060
Scientific research and experimental development tax credit	(168,750)	(156,891)
Amortization	27,074	14,275
Unrealized foreign exchange loss	436,784	917,346
Stock-based compensation	218,278	423,624
	72,606	2,870,618
<i>Changes in non-cash working capital:</i>		
Accounts receivable	448,410	153,970
Inventory	(2,118,240)	145,526
Prepaid expenses	60,164	10,218
Accounts payable and accrued liabilities	320,097	(883,948)
Deferred revenue	(2,495)	341,433
	(1,292,064)	(232,801)
Investment income received	254,014	51,997
Income tax paid	(550,478)	(271,242)
Cash flow from/(used) in operating activities	(1,515,922)	2,418,572
INVESTING ACTIVITY		
Acquisition of marketable securities	(11,006,091)	(3,553,753)
Disposal of marketable securities	9,768,267	2,040,094
Disposal of capital assets	-	-
Acquisition of capital assets	(115,601)	(3,649)
Cash flow from/(used) in investing activities	(1,353,425)	(1,517,308)
FINANCING ACTIVITY		
Dividends paid to owners of Company	(1,566,990)	(1,538,615)
Options exercised	371,000	720,000
Cash flow from/(used) in financing activities	(1,195,990)	(818,615)
Foreign exchange gain / (loss) on cash	-	(82,448)
INCREASE/(DECREASE) IN CASH FLOW	(4,065,337)	201
CASH - beginning of period	10,130,841	8,882,927
CASH - end of period	\$ 6,065,504	\$ 8,883,128



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended August 31, 2023 and 2022
(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, 2023 were authorized for issuance by the Board of Directors on October 17, 2023.

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, 2022 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, 2022. These unaudited interim condensed financial statements do not include all 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

There were no changes in the Company's accounting policies during its fiscal 2022 year.

Also, there are no required or contemplated future changes in the Company's accounting policies for this year.

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.



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended August 31, 2023 and 2022
(expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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, 2022.

5. 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. The Contribution agreement started July 1, 2020 and is to be completed December 31, 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, 2023 the Company booked \$11,838 from NRC (Q3, 2022 – \$10,469), which was credited to research and development expense. The year-to-date total amount of IRAP funding credited in F2023 is \$88,648 (\$81,078 in F2022 YTD). 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 at year end.

During 2023, the Company commenced an additional 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. The Contribution agreement was completed on August 31, 2023. NRC-IRAP agreed to contribute up to a maximum of \$14,786 over the period of the agreement. In Q3, 2023 the Company booked \$14,786 from NRC (Q3, 2022 – \$Nil), which was credited to research and development expense. The year-to-date total amount of IRAP funding credited for this project in F2023 is \$14,786 (\$Nil in F2022 YTD). 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 at year end.

The Company 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 March 31, 2024. 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. During Q3, the Company reversed a Q2, 2023 accrued receivable of \$33,333 for a previously planned claim for CSA funding, which was charged to research and development expense. This compares to \$200,215 received from the CSA during Q3, 2022, which was credited to research and development expense. The year-to-date total amount of CSA funding credited in F2023 is \$73,723 (\$500,503 in F2022 YTD). 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 at year end.

The Company entered into a contribution agreement with the National Research Council Canada (NRC) in July, 2023 to reduce certain costs related to developing foreign trade via the CanExport Program during the year. This contribution agreement ends December 31, 2023. NRC agreed to contribute up to a maximum of \$30,000 over the



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended August 31, 2023 and 2022
(expressed in Canadian Dollars)

5. GOVERNMENT GRANTS (CONTINUED)

period of the agreement. The Company received \$30,000 (2022 – \$20,000) during Q3, 2023 which was credited to sales and marketing expense. NRC 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 at year end.

6. SEASONALITY

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full year. The Company’s revenues and earnings have historically been subject to some quarterly seasonality due to the timing of vacation periods and statutory holidays.

7. OPERATING SEGMENT INFORMATION

IFRS 8 “Operating Segments” defines an operating segment as (a) a component of an entity that engages in business activities from it which may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity’s chief decision maker to make decisions about resources to be allocated to the segment and to assess its performance and (c) for which discrete financial information is available. For managements purposes the Company’s activities are attributable to a single operating segment, engaged in the design and manufacture of auto-deploying mobile satellite antennas. Consequently, the group does not present any operating segment information.

Revenue by Geographic area

The location of the customer determines the geographic areas for revenue.

	3 months ended Aug. 31, 2023	3 months ended Aug. 31, 2022
	\$	\$
Canada	68,646	4,252
United States	508,002	278,380
Taiwan	186,938	141,361
Kazakhstan	159,073	555,404
Middle East	118,175	94,722
Rest of the World	182,645	965,679
	1,223,479	2,039,798



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended August 31, 2023 and 2022
(expressed in Canadian Dollars)

7. 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, 2023, the Company had three customers who accounted for more than 10% of revenues comprising a total of \$713,837 or 58% of total revenues (for the quarter ending August 31, 2022 – the Company had three customers who generated more than 10% of revenues for a total of \$947,883, or 46% of total revenues).

8. INVENTORY AND COST OF SALES

	August 31, 2023	Nov. 30, 2022	Change
	\$	\$	\$
Component parts	6,453,623	4,473,522	1,980,101
Finished goods	2,075,222	1,996,445	78,777
Other	307,718	248,354	59,364
Total	8,836,563	6,718,321	2,118,242

	August 31, 2023	August 31, 2022	Change
	\$	\$	\$
Value of inventory expensed in the period	407,387	948,250	540,863
Un-recovered freight and storage charges	12,421	25,652	13,231
Obsolete inventory increase/(decrease)	4,569	-	4,569
Allocation of amortization	2,580	2,520	60
Total Cost of Sales	426,957	976,422	549,465

The Company supplies its manufacturers with the component parts in conjunction with its purchase orders.

A provision for obsolescence for slow moving inventory items is estimated by management based on historical and expected future sales and is included in cost of sales. For the quarter ended August 31, 2023 the Company assessed potential charges to cost of sales for the write-down of slow moving and obsolete inventory, and adjustments to net realizable value. \$4,569 worth of obsolete goods was identified in Q3, 2023 that was charged to cost of goods sold (Q3, 2022 – \$Nil). The F2023 year-to-date total increase in obsolete goods is \$26,108:



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

8. INVENTORY AND COST OF SALES (CONTINUED)

	August 31, 2023	Nov. 30, 2022	Change
	\$	\$	\$
Inventory	9,273,399	7,129,049	2,144,350
Less: Obsolete inventory	(436,836)	(410,728)	26,108
Total Inventory	8,836,563	6,718,321	2,118,242

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 10, 2022, 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 June 17, 2022. A total of 8,176,280 common shares then became authorized for issuance under the plan.

There were 2,700,130 options available to be granted as of August 31, 2023. No consideration is payable on the grant of an option with options generally vesting after one year from the date of grant.

As of August 31, 2023 there were 4,221,150 options outstanding, of which 3,297,150 were exercisable.

Outstanding share capital

On August 31, 2023 there were 42,136,400 common shares of the Company outstanding (August 31, 2022 – 41,466,400).

10. NET EARNINGS PER SHARE

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



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended August 31, 2023 and 2022
(expressed in Canadian Dollars)

10. NET EARNINGS PER SHARE (CONTINUED)

	3 months ended Aug. 31, 2023	3 months ended Aug. 31, 2022
Weighted average number of shares – basic	41,883,249	41,130,605
Addition to reflect the dilutive effect of employee stock options	52,711	843,339
Weighted average number of shares – diluted	41,935,960	41,973,944

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, 2023, 3,680,150 options were excluded from the above calculation (August 31, 2022 – there were 2,403,650 anti-dilutive options excluded from the above calculation).

Net income represents the measure of profit and loss used to calculate 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:

		3 months ended Aug. 31, 2023	3 months ended Aug. 31, 2022
		\$	\$
<i>Board of Directors:</i>			
Board of Director fees	(i)	36,000	24,000
<i>Transactions with Rampart International Corp.:</i>			
Reimbursement of office and other expenses	(ii)	Nil	1,446
<i>Transactions with 718133 Ontario Inc.:</i>			
Rental of office and warehouse space	(iii)	89,589	89,947



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended August 31, 2023 and 2022
(expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with Art Slaughter CPA Pro. Corp.:

Purchase of consulting services	(iv)	8,188	10,000
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Transactions with LaBarge Weinstein LLP:

Legal fees and expenses	(v)	4,800	4,800
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	As At		As At
	Aug. 31, 2023		Aug. 31, 2022
	\$		\$
<i>Balances with related parties</i>			
Amounts due from Rampart International Corp.	Nil		1,446
Amounts due to 718133 Ontario Inc.	3,102		4,050
Amounts due to Art Slaughter CPA Pro. Corp.	Nil		Nil
Amounts due to LaBarge Weinstein LLP	1,808		Nil

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

- i. The Board of Directors instituted a Board of Directors fee of \$36,000 per annum per board member commencing November 3, 2022, 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 31st, 2024 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.

12. IMPACT OF THE RUSSIA/UKRAINE CONFLICT

Russia's attack on Ukraine on February 24, 2022 has created much uncertainty and its economic impact has been wide-ranging. The Company has experienced the effects of supply chain disruptions, shipping delays, inflationary price pressures and the inability to sell to its Russian based re-sellers as a result of this conflict. These and other risks may have an impact on the Company in the future. The extent that the conflict will continue to affect the Company's cannot be predicted at this time.