



C-COM SATELLITE SYSTEMS INC.

Audited Financial Statements

Years Ended November 30, 2023 and 2022

(In Canadian Dollars)



Fiscal Year Ended November 30, 2023

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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, 2023 and 2022 the statements of net earnings and comprehensive income, changes in equity and cash flows for the years 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, 2023 and 2022 and its financial performance and its cash flows for the years 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.

Key Audit Matters

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended November 30, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below to be the key audit matters to be communicated in our auditor's report.

*Inventory*Description of matter

As detailed in financial statement note 3, the Company records inventory at the lower of cost and net realizable value on a first in first out basis with net realizable value based on the selling price less any costs to completion and disposal costs. Inventory at November 30, 2023 totalled \$8,843,459 net of a provision for obsolete inventory of \$505,416 as disclosed in note 8. Inventory cost includes third party input costs and allocated labour and overhead. The Company completed a count of its inventory at year end, prepared an analysis of the allocation of labour and overhead to the recorded inventory costs and prepared an analysis of the aging of inventory to assist with their estimate of obsolete inventory.

Inventory - Cont'd.

Why the matter is a key audit matter

The year end inventory is a material balance that includes estimates when determining the cost amount and its net realizable value. Inventory requires accurate reporting of inventory movement on a first in first out basis. The estimation of cost and net realizable value require auditor judgement and the significant inventory balance requires auditor testing of the accuracy of year end inventory quantities and reported input costs.

How the matter was addressed in the audit

The primary procedures performed to address the key audit matter included the following:

We attended the year-end inventory count to verify the existence of inventory balances and to assess the accuracy of the Company's determination of excess and obsolete inventories. On a sample basis, we completed counts of inventory on hand and compared these test counts to the quantities reported in the Company's final inventory list. In executing our count procedures, the audit engagement team remained alert for indicators of obsolete, old, or outdated inventory items.

On a sample basis we agreed the inventory third party input costs to supporting documentation including vendor invoices to determine that inventory values were consistent with actual costs.

We evaluated the Company's labor and overhead analysis including key assumptions with respect to eligible costs and the method of allocation. We agreed eligible inventory costs to third party supporting documentation.

We evaluated the Company's process for determining its inventory obsolescence provision. We evaluated the accuracy of the Company's inventory ageing report. We performed inquiries of Company Officials regarding the Company's process for determining excess and obsolete inventory and we assessed the appropriateness of the key variables used to determine inventory obsolescence provisions. We compared the annual provisions against actual inventory write-offs and prior year inventory provisions. We also performed inquiries of Company Officials regarding the recoverability of inventory not included in the year-end inventory provision.

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 25, 2024.



Statements of Financial Position
As at November 30, 2023 and 2022
(Canadian dollars)

| | Notes | 2023 | 2022 |
|---|--------|----------------------|----------------------|
| ASSETS | | | |
| Cash | 23 | \$ 5,482,360 | \$ 10,130,841 |
| Marketable securities | 23 | 9,958,482 | 8,720,657 |
| Accounts receivable | 7 & 23 | 2,051,679 | 1,080,338 |
| Inventory | 8 | 8,843,459 | 6,718,321 |
| Prepaid expenses | 9 | 103,719 | 143,718 |
| Income tax recoverable / (payable) | 14 | 31,553 | (302,149) |
| Total current assets | | 26,471,252 | 26,491,726 |
| Equipment | 10 | 144,792 | 75,043 |
| Application software | 11 | 8,960 | 1,081 |
| Total non-current assets | | 153,752 | 76,124 |
| TOTAL ASSETS | | \$ 26,625,004 | \$ 26,567,850 |
| LIABILITIES & SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | 12 | \$ 893,751 | \$ 1,122,726 |
| Deferred revenue | 13 | - | 2,495 |
| Total current liabilities | | 893,751 | 1,125,221 |
| NON-CURRENT LIABILITIES | | | |
| Deferred revenue | 13 | 93,603 | 93,603 |
| Deferred tax liability | 14 | 103,211 | 130,583 |
| Other non-current liabilities | 12 | - | - |
| Total non-current liabilities | | 196,814 | 224,186 |
| TOTAL LIABILITIES | | 1,090,566 | 1,349,407 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 15 | 16,486,919 | 15,991,711 |
| Contributed surplus | 15 | 2,160,352 | 1,918,151 |
| Retained earnings | | 6,887,168 | 7,308,581 |
| TOTAL SHAREHOLDERS' EQUITY | | 25,534,439 | 25,218,443 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 26,625,004 | \$ 26,567,850 |

Statements of Changes in Equity
For the years ended November 30, 2023 and 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/(loss) and comprehensive income/(loss) | - | - | 1,672,907 | 1,672,907 |
| Dividends declared | - | - | (2,094,320) | (2,094,320) |
| Exercised options | 424,000 | - | - | 424,000 |
| Stock based compensation expense | - | 313,409 | - | 313,409 |
| Reclassification of contributed surplus on exercised options | 71,208 | (71,208) | - | - |
| Balance November 30, 2023 | \$ 16,486,919 | \$ 2,160,352 | \$ 6,887,168 | \$ 25,534,439 |
| | 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 | - | - | 1,139,655 | 1,139,655 |
| Dividends declared | - | - | (2,059,445) | (2,059,445) |
| Exercised options | 1,021,200 | - | - | 1,021,200 |
| Stock based compensation expense | - | 588,233 | - | 588,233 |
| Reclassification of contributed surplus on exercised options | 211,190 | (211,190) | - | - |
| Balance November 30, 2022 | \$ 15,991,711 | \$ 1,918,151 | \$ 7,308,581 | \$ 25,218,443 |

Statements of Net Earnings and Comprehensive Income

For the years ended November 30, 2023 and 2022

(Canadian dollars)

| | Notes | 2023 | 2022 |
|--|--------|--------------|---------------|
| REVENUE | 21 | \$ 8,294,957 | \$ 11,646,934 |
| COST OF SALES | 8 | 2,563,152 | 5,818,908 |
| | | 5,731,805 | 5,828,026 |
| EXPENSES | | | |
| General and administrative | | 1,862,111 | 2,394,452 |
| Research and development | 19, 20 | 1,330,188 | 911,806 |
| Sales and marketing | 19 | 1,009,516 | 1,110,030 |
| | | 4,201,815 | 4,416,288 |
| INCOME BEFORE OTHER INCOME AND INCOME TAX | | 1,529,990 | 1,411,738 |
| OTHER INCOME | | | |
| Investment income | | 694,520 | 180,888 |
| Foreign exchange (loss) / gain | | 25,145 | 274,555 |
| | | 719,665 | 455,443 |
| INCOME BEFORE INCOME TAX | | 2,249,655 | 1,867,181 |
| INCOME TAX | 14 | 576,748 | 727,526 |
| NET INCOME AND COMPREHENSIVE INCOME | | \$ 1,672,907 | \$ 1,139,655 |
| Basic earnings per share | | \$0.04 | \$0.03 |
| Basic weighted average number of common shares | 17 | 41,888,318 | 41,144,414 |
| Diluted earnings per share | | \$0.04 | \$0.03 |
| Diluted weighted average number of common shares | 17 | 41,914,396 | 41,922,269 |



Statements of Cash Flows
For the years ended November 30, 2023 and 2022
(Canadian dollars)

| | 2023 | 2022 |
|---|--------------|---------------|
| OPERATING ACTIVITIES | | |
| Net income / (loss) | \$ 1,672,907 | \$ 1,139,655 |
| <i>Items not affecting cash:</i> | | |
| Investment income | (694,520) | (180,888) |
| Income tax expense | 576,748 | 727,526 |
| Scientific research and experimental development tax credit | (422,404) | (298,482) |
| Gain on disposal of fixed assets | (230) | - |
| Amortization | 46,548 | 25,530 |
| Unrealized foreign exchange loss | 1,110,654 | 1,179,939 |
| Bad debt expense | 74,220 | - |
| Stock-based compensation | 313,409 | 588,233 |
| | 2,677,332 | 3,181,513 |
| <i>Changes in non-cash working capital:</i> | | |
| Accounts receivable | (1,580,168) | (183,181) |
| Refundable investment tax credits | - | 126,333 |
| Inventory | (2,125,138) | 1,016,944 |
| Prepaid expenses | 39,999 | (75,806) |
| Accounts payable and accrued liabilities | (481,523) | (862,804) |
| Deferred revenue | (2,495) | 93,889 |
| | (4,149,325) | 115,375 |
| Investment income received | 380,984 | 101,375 |
| Income tax paid | (522,334) | (271,242) |
| Cash flow provided by / (used in) operating activities | (1,613,343) | 3,127,021 |
| INVESTING ACTIVITY | | |
| Acquisition of marketable securities | (11,006,091) | (9,720,658) |
| Disposal of marketable securities | 9,768,267 | 9,190,686 |
| Proceeds on disposal of capital assets | 13,255 | - |
| Acquisition of capital assets | (124,177) | (39,863) |
| Cash flow from / (used in) investing activities | (1,348,746) | (569,835) |
| FINANCING ACTIVITY | | |
| Dividends paid to owners of Company | (2,094,320) | (2,059,445) |
| Options exercised | 424,000 | 1,021,200 |
| Cash flow from / (used in) financing activities | (1,670,320) | (1,038,245) |
| Foreign exchange gain / (loss) on cash | (16,072) | (271,027) |
| INCREASE / (DECREASE) IN CASH FLOW | (4,648,481) | 1,247,914 |
| CASH - beginning of period | 10,130,841 | 8,882,927 |
| CASH - end of period | \$ 5,482,360 | \$ 10,130,841 |



NOTES TO THE FINANCIAL STATEMENTS

For the years ended November 30, 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 Company sells its satellite communications equipment to a worldwide network of authorized dealers who re-sell the systems to end-users. The address of its registered office and principal 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, 2023, were authorized for issuance by the Board of Directors on March 25, 2024.

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. Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

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.



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2023, and 2022
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company generates substantially all 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.

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 rateably over the period the warranty service is provided. Revenue from long-term airtime contracts is recognized as the airtime 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.



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2023, and 2022
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. During fiscal 2023, the Company had two 12-month leases:

- i. A non-cancellable lease for its head office and warehouse and the space. The current term of this premises lease expires July 31, 2024.
- ii. In January 2023, the Company entered into a 12-month cancellable lease for its R&D lab space in Waterloo Ontario. This lease was renewed, and its term expires December 31, 2024.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities since these are short-term leases. Instead, it accounts for the lease components and any associated non-lease components as single lease components and recognizes the lease payments on a straight-line basis over the lease term. The gross base rent payments expensed in 2023 for both leases totalled \$256,814 (\$215,727 in 2022).



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2023, and 2022
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current monetary assets and liabilities

Accounts receivable and accounts payable and accrued liabilities are measured at amortized cost with interest accretion recorded in net earnings. Due to the short-term nature of these assets and liabilities, the carrying amounts approximate fair value.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in net earnings, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Current tax

The tax currently payable is based on taxable income for the period using tax rates enacted or substantively enacted as at each reporting period and any adjustments to tax payable related to previous years. Taxable income differs from income as reported in the statement of net earnings because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is recognized using the balance sheet method, providing for differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax basis 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 what the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2023, and 2022
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

Equipment, comprising leasehold improvements, furniture and equipment, computer equipment, production molds and vehicles are 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.

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.



NOTES TO THE FINANCIAL STATEMENTS
For the years ended November 30, 2023, and 2022
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 | Amortized cost |

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 likelihood that the borrower will enter bankruptcy or financial re-organization.



NOTES TO THE FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable are assessed for impairment individually at an amount equal to the lifetime expected credit loss. Objective evidence of impairment could include the Company's 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 except for trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in net earnings, if any. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net earnings to the extent that the carrying amount of the trade receivable at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

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

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.



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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 3: values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the Company's assessment of the lowest level input that is significant to the fair value measurement.

4. CHANGES IN ACCOUNTING POLICIES

There were no changes in the Company's accounting policies during its fiscal 2023 year.

5. FUTURE CHANGES IN ACCOUNTING POLICIES

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

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.

These estimates have been applied in a manner consistent with that in the prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in these financial statements. The estimates are impacted by many factors, some of which are highly uncertain.

The following are specific 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.



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

Income taxes

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

Accounting policy for capital assets

Management makes judgments in determining the most appropriate methodology for amortizing long-lived assets over their useful lives. The method chosen is intended to mirror, to the best extent possible, the consumption of the asset.

Determination of functional currency

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

Share options fair value

The valuation of the Company's share options involves the use of the Black-Scholes valuation model, which requires the company to estimate factors such as the risk-free interest rate, expected life in years, expected dividend yield, forfeitures and volatility. The valuations of these share options and the assumptions used are further outlined in note 16.

Research and development

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

7. ACCOUNTS RECEIVABLE

| | Nov. 30, 2023 | Nov. 30, 2022 |
|-----------------------------|----------------------|----------------------|
| | \$ | \$ |
| Trade receivables | 1,469,197 | 709,156 |
| Accounts receivable - other | 199,433 | 231,142 |
| HST recoverable | 97,719 | 118,002 |
| Interest receivable | 359,550 | 22,038 |
| Expected credit losses | (74,220) | - |
| | 2,051,679 | 1,080,338 |



NOTES TO THE FINANCIAL STATEMENTS
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7. ACCOUNTS RECEIVABLE (CONTINUED)

The ageing of the Company's trade receivables on November 30, 2023:

| | Nov. 30, 2023 | Nov. 30, 2022 |
|------------------------------------|------------------|----------------|
| | \$ | \$ |
| Not yet overdue | 1,331,496 | 701,821 |
| Less than one month overdue | 127,157 | 6,120 |
| Between one and two months overdue | (15,626) | - |
| Greater than two months overdue | 26,170 | 1,215 |
| | 1,469,197 | 709,156 |

The Company currently has one amount receivable that is past due and is considered impaired. It has been deducted from reported trade receivables under the Company's provision for expected credit losses.

8. INVENTORY AND COST OF SALES

| | Nov. 30, 2023 | Nov. 30, 2022 |
|-----------------|------------------|------------------|
| | \$ | \$ |
| Component parts | 6,580,836 | 4,721,876 |
| Finished goods | 2,262,623 | 1,996,445 |
| Total Inventory | 8,843,459 | 6,718,321 |

| | Nov. 30, 2023 | Nov. 30, 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| Value of inventory expensed in the year | 2,395,624 | 5,723,042 |
| Un-recovered freight and storage charges | 56,048 | 79,247 |
| Storage charges | - | 2,438 |
| Obsolete inventory increase/(decrease) | 94,688 | - |
| Allocation of amortization | 16,792 | 14,181 |
| Total Cost of Sales | 2,563,152 | 5,818,908 |

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, 2023, and 2022
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8. INVENTORY AND COST OF SALES (CONTINUED)

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. During fiscal 2023, \$94,688 worth of obsolete inventory was identified and charged to cost of goods sold (2022 – \$93,668), bringing the total value of obsolete goods expensed over time to \$505,416 (2022 - \$410,728):

| | Nov. 20 2023 | Nov. 30, 2022 | Change |
|--------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Inventory | 9,348,875 | 7,129,049 | 2,219,826 |
| Less: Obsolete inventory | (505,416) | (410,728) | (94,688) |
| Total Inventory | 8,843,459 | 6,718,321 | 2,125,138 |

9. PREPAID EXPENSES

| | Nov. 30, 2023 | Nov. 30, 2022 |
|-----------------------------|----------------|----------------|
| | \$ | \$ |
| Prepaid licenses | 9,618 | 18,515 |
| Prepaid trade show deposits | 73,302 | 29,678 |
| Prepaid operating expenses | 20,799 | 95,525 |
| | 103,719 | 143,718 |

10. CAPITAL ASSETS

| | Nov. 30, 2023 | | | | | |
|-------------------------|-------------------------|-----------------|----------------|---------------|-----------------------------|---------------------|
| | Amortization Expense | Opening Cost | Additions | Disposals | Accumulated Amortization | Closing Net Cost |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Computer equipment | 15,422 | 128,754 | 18,461 | - | 119,135 | 28,080 |
| Leasehold improvements | 3,688 | 212,614 | - | - | 208,651 | 3,963 |
| Furniture and equipment | 16,956 | 342,783 | 87,795 | - | 318,858 | 111,720 |
| Production mold | - | 13,255 | - | 13,255 | - | - |
| Vehicle | 441 | 30,000 | - | - | 28,971 | 1,029 |
| | 36,507 | 727,406 | 106,256 | 13,255 | 675,615 | 144,792 |



NOTES TO THE FINANCIAL STATEMENTS
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10. CAPITAL ASSETS (CONTINUED)

Nov. 30, 2022

| | Amortization Expense | Opening Cost | Additions | Disposals | Accumulated Amortization | Closing Net Cost |
|-------------------------|-------------------------|-----------------|---------------|-----------|-----------------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Computer equipment | 10,433 | 104,174 | 24,580 | - | 103,713 | 25,041 |
| Leasehold improvements | 3,601 | 210,550 | 2,065 | - | 204,964 | 7,651 |
| Furniture and equipment | 8,568 | 329,565 | 13,218 | - | 301,902 | 40,881 |
| Production molds | - | 13,255 | - | - | 13,255 | - |
| Vehicle | 630 | 30,000 | - | - | 28,530 | 1,470 |
| | 23,232 | 687,544 | 39,863 | - | 652,364 | 75,043 |

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

| | Nov. 30, 2023 | Nov. 30, 2022 |
|----------------------------|---------------|---------------|
| | \$ | \$ |
| Cost of sales | 16,792 | 13,638 |
| General and administrative | 12,199 | 4,467 |
| Research and development | 10,943 | 2,909 |
| Sales and marketing | 6,614 | 4,515 |
| | 46,548 | 25,529 |

11. APPLICATION SOFTWARE

| | Nov. 30, 2023 | | | | | |
|----------------------|-------------------------|--------------|-----------|-----------|-----------------------------|---------------------|
| | Amortization Expense | Opening Cost | Additions | Disposals | Accumulated Amortization | Closing Net Cost |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Application software | 10,040 | 205,926 | 17,920 | - | 214,886 | 8,960 |

| | Nov. 30, 2022 | | | | | |
|----------------------|-------------------------|--------------|-----------|-----------|-----------------------------|---------------------|
| | Amortization Expense | Opening Cost | Additions | Disposals | Accumulated Amortization | Closing Net Cost |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Application software | 2,297 | 205,926 | - | - | 204,845 | 1,081 |



NOTES TO THE FINANCIAL STATEMENTS
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12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | Nov. 30, 2023 | Nov. 30, 2022 |
|-----------------------------|----------------------|---------------|
| | \$ | \$ |
| Trade payables | 478,876 | 512,942 |
| Accrued liabilities | 384,233 | 595,664 |
| Goods received not invoiced | 7,464 | - |
| Credit cards payable | 23,178 | 14,120 |
| | 893,751 | 1,122,726 |

No liabilities noted above were classified as a long-term liability in 2023 (\$Nil in 2022).

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, 2023 | Nov. 30, 2022 |
|---|----------------------|---------------|
| | \$ | \$ |
| Deferred warranty revenue | - | - |
| Prepaid airtime contract revenue | - | 2,495 |
| Deferred revenue - customer antenna order | 93,603 | 93,603 |
| | 93,603 | 96,098 |
| Current | - | 2,495 |
| Long-term | 93,603 | 93,603 |
| | 93,603 | 96,098 |



NOTES TO THE FINANCIAL STATEMENTS
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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, 2023 | Nov. 30, 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Statutory tax rate | 26.5% | 26.5% |
| Income / (Loss) before income tax | 2,249,655 | 1,867,181 |
| Tax provision at the combined basic Canadian federal and provincial income tax rates | 596,159 | 494,803 |
| Increase (decrease) resulting from: | | |
| Stock-based compensation and other permanent differences | 100,638 | 200,628 |
| Effect of changes in future rates | (32,814) | (20,396) |
| Other | (87,235) | 52,491 |
| Income tax expense | 576,748 | 727,526 |

The movements of deferred tax liabilities are shown below for current and previous years:

| Deferred tax liability | Nov. 30, 2023 | | |
|--|---------------|---|----------------|
| | Tax Reserve | Capital Assets and Software Application | Total |
| | \$ | \$ | \$ |
| Deferred tax liability on December 1, 2022 | 125,848 | 4,735 | 130,583 |
| (Credited) / debited to income statement | (35,707) | 8,335 | (27,372) |
| Deferred tax liability on November 30, 2023 | 90,141 | 13,070 | 103,211 |

| Deferred tax liability | Nov. 30, 2022 | | |
|--|----------------|---|----------------|
| | Tax Reserve | Capital Assets and Software Application | Total |
| | \$ | \$ | \$ |
| Deferred tax liability on December 1, 2021 | 126,673 | 3,350 | 130,023 |
| (Credited) / debited to income statement | (825) | 1,385 | 560 |
| Deferred tax liability on November 30, 2022 | 125,848 | 4,735 | 130,583 |

The Company has recognized management's best estimate of the value of available investment tax credits to be realized in future years as \$Nil (2022 - \$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.



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15. ISSUED CAPITAL

Issued capital

Authorized: Unlimited number of common shares, no par value

Issued:

| | Nov. 30, 2023 | | Nov. 30, 2022 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Common Shares | Amount \$ | Common Shares | Amount \$ |
| Balance, beginning of year | 41,786,400 | 15,991,711 | 40,741,400 | 14,759,321 |
| Shares issued under stock option plan | 400,000 | 424,000 | 1,045,000 | 1,021,200 |
| Reclassification of stock-based compensation on exercised options | - | 71,208 | - | 211,190 |
| Issued Capital | 42,186,400 | 16,486,919 | 41,786,400 | 15,991,711 |

Dividends

The Company declared dividends at four different times during the year as outlined below:

| Date of Declaration | Date of Record | Date of Payment | Dividend per Share | Dividend |
|------------------------|-------------------|--------------------|-----------------------|---------------------|
| Jan. 19, 2023 | Feb. 3, 2023 | Feb. 17, 2023 | \$0.0125 | \$ 522,330 |
| Apr. 18, 2023 | May 2, 2023 | May 17, 2023 | \$0.0125 | \$ 522,330 |
| July 17, 2022 | Aug. 1, 2023 | Aug. 15, 2023 | \$0.0125 | \$ 522,330 |
| Oct. 17, 2022 | Nov. 1, 2023 | Nov. 15, 2023 | \$0.0125 | <u>\$ 527,330</u> |
| | | | | <u>\$ 2,094,320</u> |



NOTES TO THE FINANCIAL STATEMENTS
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15. ISSUED CAPITAL (CONTINUED)

Dividends declared in 2022 were as follows:

| Date of Declaration | Date of Record | Date of Payment | Dividend per Share | Dividend |
|---------------------|----------------|-----------------|--------------------|---------------------|
| Jan. 23, 2022 | Feb. 7, 2022 | Feb. 23, 2022 | \$0.0125 | \$ 509,268 |
| Apr. 18, 2022 | May 3, 2022 | May 17, 2022 | \$0.0125 | \$ 511,017 |
| July 19, 2022 | Aug. 3, 2022 | Aug. 17, 2022 | \$0.0125 | \$ 518,330 |
| Oct. 18, 2022 | Nov. 2, 2022 | Nov. 16, 2022 | \$0.0125 | <u>\$ 520,830</u> |
| | | | | <u>\$ 2,059,445</u> |

Subsequent to the date of the statement of financial position, on January 19, 2024, the Company declared a dividend of \$0.0125 per common share payable on February 16, 2024.

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 of \$71,208 (2022 – decrease of \$211,190). During the year there were 20,000 options forfeited and 240,000 options that expired (2022 – 133,500 and 20,000 respectively). During the year there were 400,000 options exercised (2022 – 1,045,000).

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. Under the plan, options granted to employees vest 1 year after the grant date. Options granted to the Company’s board members vest at time of the grant date.

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 2,237,130 options available to be granted as of November 30, 2023 (2,941,130 at 2022 year-end). On November 30, 2023, there are 4,524,150 options outstanding of which 3,670,150 are exercisable (vested). 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 at the end of the current fiscal year:



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16. SHARE-BASED COMPENSATION (CONTINUED)

| Option Series / Grant Date | Number | Expiry Date | Price |
|---|---------|-------------------|--------|
| <u>Options issued under revised plan dated April 27, 2016</u> | | | |
| Issued April 26, 2018 | 60,000 | April 26,2024 | \$1.13 |
| Issued July 30, 2018 | 10,000 | July 30, 2024 | \$1.11 |
| Issued October 17, 2018 | 280,000 | October 17,2024 | \$1.16 |
| Issued November 16, 2018 | 55,000 | November 16,2024 | \$1.18 |
| Issued April 25, 2019 | 45,000 | April 25,2025 | \$1.60 |
| <u>Options issued under revised plan dated May 1, 2019</u> | | | |
| Issued October 28, 2019 | 20,000 | October 28,2025 | \$1.61 |
| Issued November 27, 2019 | 75,000 | November 27,2025 | \$1.74 |
| Issued April 23, 2020 | 11,150 | April 23,2026 | \$1.96 |
| <u>Options issued under revised plan dated May 6, 2020</u> | | | |
| Issued May 22,2020 | 625,000 | May 22, 2026 | \$1.95 |
| Issued July 25, 2020 | 255,000 | July 25, 2026 | \$2.80 |
| Issued November 25, 2020 | 173,000 | November 25, 2026 | \$2.72 |
| Issued April 22, 2021 | 536,000 | April 22,2027 | \$3.65 |
| Issued July 22, 2021 | 160,000 | July 22,2027 | \$2.90 |
| Issued October 20, 2021 | 72,000 | October 20, 2027 | \$2.59 |
| Issued November 7, 2021 | 300,000 | November 7, 2027 | \$2.51 |
| Issued November 25, 2021 | 155,000 | November 25, 2027 | \$2.59 |
| Issued April 21, 2022 | 40,000 | April 21,2028 | \$2.00 |
| <u>Options issued under revised plan dated May 10, 2022</u> | | | |
| Issued May 31, 2022 | 150,000 | May 31, 2028 | \$1.45 |
| Issued October 21, 2022 | 83,000 | October 21, 2028 | \$1.50 |
| Issued November 3, 2022 | 340,000 | November 3, 2028 | \$1.55 |
| Issued November 22, 2022 | 225,000 | November 22, 2028 | \$1.32 |
| Issued April 21, 2023 | 86,000 | April 21, 2029 | \$1.00 |
| Issued May 29, 2023 | 150,000 | May 29, 2029 | \$0.85 |
| Issued July 20, 2023 | 33,000 | July 20, 2029 | \$1.00 |
| Issued October 20, 2023 | 120,000 | October 20, 2029 | \$1.01 |
| Issued November 14, 2023 | 300,000 | November 14, 2029 | \$0.95 |
| Issued November 16, 2023 | 165,000 | November 16, 2029 | \$1.05 |



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16. SHARE-BASED COMPENSATION (CONTINUED)

The weighted average fair value of options granted during the year ended November 30, 2023 was \$0.29 (2022 - \$0.38) based on the Black-Scholes option pricing model. Where relevant, the expected life of the options was based on historical data and the estimated effects of non-transferability. The expected price volatility was based on historical share price volatility over the past 5 years. The following specific assumptions were used to determine the fair value of the options granted during the year:

| | Nov. 30, 2023 | Nov. 30, 2022 |
|---------------------------|--------------------|--------------------|
| Grant date share prices | \$ 0.85 to \$ 1.05 | \$ 1.32 to \$ 2.00 |
| Exercise prices | \$ 0.85 to \$ 1.05 | \$ 1.32 to \$ 2.00 |
| Expected price volatility | 39.98% to 46.16% | 32.55% to 37.79% |
| Expected option life | 5 years | 5 years |
| Expected dividend yield | 4.10% to 4.40% | 2.70% to 3.90% |
| Risk free interest rate | 3.44% to 3.64% | 2.72% to 3.18% |
| Forfeiture rate | 0% | 0% |

Stock Options:

| | Nov. 30, 2023 | | Nov. 30, 2022 | |
|--------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|
| | Number of Options | Weighted Avg. Exercise Price | Number of Options | Weighted Avg. Exercise Price |
| Outstanding, beginning of year | 4,330,150 | \$ 2.05 | 4,680,650 | \$ 1.92 |
| Exercised | (400,000) | \$ 1.06 | (1,045,000) | \$ 0.98 |
| Expired | (240,000) | \$ 1.18 | (20,000) | \$ 0.97 |
| Forfeited | (20,000) | \$ 0.75 | (133,500) | \$ 2.66 |
| Granted | 854,000 | \$ 0.97 | 848,000 | \$ 1.49 |
| Outstanding, end of year | 4,524,150 | \$ 1.98 | 4,330,150 | \$ 2.05 |

On November 30, 2023 there were 4,524,150 options outstanding with a weighted average remaining contractual life of 3.72 years or 44.7 months, of which 3,670,150 were exercisable at a weighted average price of \$2.22 (2022 - \$2.18).



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17. EARNINGS PER SHARE

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

| | Nov. 30, 2023 | Nov. 30, 2022 |
|--|----------------------|---------------|
| Weighted average number of common shares – basic | 41,888,318 | 41,144,414 |
| Additions to reflect the dilutive effect of employee stock options | 26,078 | 777,855 |
| Weighted average number of common shares – diluted | 41,914,396 | 41,922,269 |

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 2023, 3,755,150 options (2022 – 2,443,650) were excluded from the above computation of diluted weighted average number of common shares because they were anti-dilutive.

18. COMMITMENTS AND CONTINGENCIES

The Company has a twelve-month non-cancellable lease for its head office space and warehouse with a term that expires July 31, 2024. The Company has an additional twelve-month cancellable lease for R&D premises in Waterloo Ontario for a term that expires December 31, 2024. The aggregate minimum future rental payments under these two arrangements are as follows:

| | |
|-------------|-------------------|
| 2024 | <u>\$ 227,931</u> |
|-------------|-------------------|

The Company accounts for these leases as short-term lease obligations. The lease agreements do not contain any variable lease payments, concessions or unusual termination or extension options.

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 determinable.



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19. GOVERNMENT ASSISTANCE

In 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 undertaken during the year. The Contribution agreement started July 1, 2020 and is to be completed December 31, 2023. NRC-IRAP 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. The Company invoiced and accrued NRC \$103,090 (2022 – \$141,665) during fiscal 2023 which was credited to research and development expense. 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 2023 the Company booked \$14,786 from NRC (2022 – \$Nil), which was credited to research and development expense. 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 also commenced a non-repayable contribution agreement with the Canadian Space Agency (CSA) in 2020 to help fund the cost of a specific research and development project undertaken. The Contribution agreement started July 10, 2020 and is to be completed by March 31, 2024. The CSA 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 invoiced and accrued \$123,723 (2022 – \$471,209) in CSA funding during fiscal 2023 which was credited to research and development expense. CSA reserves the right to claim back all or part of its payments 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 period of the agreement. The Company received \$30,000 (2022 – \$20,000) in 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.

In late 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 started Nov. 1, 2023 and is to be completed by Oct. 31, 2025. The NRC agreed to contribute up to a maximum of \$815,845 over the period of the agreement with specific maximum contribution amounts allocated to each fiscal year. The Company invoiced and accrued \$29,671 (2022 – \$Nil) for this project's IRAP funding during fiscal 2023 which was credited to research and development expense. NRC reserves the right to claim back all or part of its payments from the Company under certain circumstances. No repayment has been requested for and no contingent liability has been accrued at year end.



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20. RESEARCH AND DEVELOPEMENT

| | Nov. 30, 2023 | Nov. 30, 2022 |
|---|----------------------|----------------|
| | \$ | \$ |
| Research and development expenses | 2,012,920 | 1,762,236 |
| Less: Investment tax credits claimed for current year | (422,404) | (240,363) |
| Less: Government R&D grant payments | (271,271) | (612,875) |
| Allocation of amortization | 10,943 | 2,808 |
| | 1,330,188 | 911,806 |

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.

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, 2023 | Nov. 30, 2022 |
|-------------------|----------------------|-------------------|
| | \$ | \$ |
| Canada | 323,016 | 82,727 |
| Saudi Arabia | 2,454,721 | 1,239,842 |
| Asia | 1,791,791 | 4,117,431 |
| United States | 1,180,982 | 2,567,832 |
| Kazakhstan | 875,678 | 1,214,173 |
| Europe | 857,541 | 577,280 |
| Rest of the World | 811,228 | 1,847,649 |
| | 8,294,957 | 11,646,934 |

Property and equipment

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

Major Customers

For the year ended November 30, 2023, the Company had one customer that generated more than 10% of the Company's total revenues (during fiscal 2022 one customer accounted for more than 10% of revenue). In 2023, the largest customer sales represented 15% of total revenues.



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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, 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 year:

| | | Nov. 30, 2023 | Nov. 30, 2022 |
|--|-------|------------------------|------------------------|
| | | \$ | \$ |
| <i>Board of Directors:</i> | | | |
| Board of Director fees | (i) | 144,000 | 96,000 |
| <i>Transactions with Rampart International Corp.:</i> | | | |
| Miscellaneous payments related to shared office space. | (ii) | 27,078 | 23,883 |
| <i>Transactions with 718133 Ontario Inc.:</i> | | | |
| Rental of office and warehouse space | (iii) | 355,609 | 357,084 |
| <i>Transactions with Art Slaughter CPA Pro. Corp.:</i> | | | |
| Purchase of consulting services | (iv) | 48,625 | 49,790 |
| <i>Transactions with LaBarge Weinstein LLP:</i> | | | |
| Legal fees and expenses | (v) | 31,732 | 50,882 |
| <i>Balances with related parties</i> | | | |
| | | As At Nov. 30, 2023 | As At Nov. 30, 2022 |
| | | \$ | \$ |
| Amounts due from Rampart International Corp. | | 4,411 | 2,178 |
| Amounts due to 718133 Ontario Inc. | | 4,136 | Nil |
| Amounts due to Art Slaughter CPA Pro. Corp. | | 989 | Nil |
| Amounts due to LaBarge Weinstein LLP | | 1,808 | Nil |



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22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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 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 the 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.

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 currently are the Chief Executive Officer, the Chief Financial Officer, and the Chief Technology Officer. The compensation for directors and these key members of management during the year was as follows:

| | Nov. 30, 2023 | Nov. 30, 2022 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Short-term employee benefits | 879,598 | 985,519 |
| Share-based payments | 121,500 | 191,500 |
| | 1,001,098 | 1,177,019 |

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Company's objective is to maintain a strong capital base 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.



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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 on November 30, 2023 would have decreased (increased) net earnings by approximately \$487,259 (2022 - \$562,865).

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, which 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'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. Almost all 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 \$77,277 in bad debt 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, 2023 | Nov. 30, 2022 |
|-----------------------|----------------------|---------------|
| | \$ | \$ |
| Cash | 5,482,360 | 10,130,841 |
| Marketable securities | 9,958,482 | 8,720,657 |
| Accounts receivable | 2,051,679 | 1,080,338 |
| | 17,492,521 | 19,931,836 |



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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Breakdown of marketable securities

| | Nov. 30, 2023 | Nov. 30, 2022 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Guaranteed investment certificate - redeemable | 4,031,482 | 8,220,657 |
| Guaranteed investment certificate – non-redeemable | 5,927,000 | 500,000 |
| | 9,958,482 | 8,720,657 |

Based on historic default rates and assessment of current balances, the Company believes that there is no requirement for an allowance for doubtful accounts.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company believes that interest rate risk is low as the majority of investments are made in fixed rate instruments. As of November 30, 2023, the Company has not drawn on the revolving demand credit facility as disclosed below.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become 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. On November 30, 2023, the Company has a cash balance of 5,842,360 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 of November 30, 2023, the Company had not borrowed on the credit facility. All of the Company's financial liabilities have contractual maturities of less than 30 days in 2023.

Fair value

The fair value of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturity.

The following table provides an analysis of financial instruments that are measured after initial recognition at fair value:

| | Nov. 30, 2023 | | | |
|--------------------------------|----------------------|-----------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Cash and marketable securities | 5,482,360 | 9,958,482 | - | 15,440,842 |



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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value

| | Nov. 30, 2022 | | | |
|--------------------------------|---------------|-----------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Cash and marketable securities | 10,130,841 | 8,720,657 | - | 18,851,498 |

24. 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.