



C-COM SATELLITE SYSTEMS INC.

INTERIM CONDENSED FINANCIAL STATEMENTS

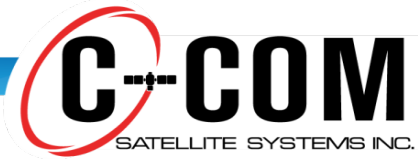
**FIRST QUARTER FINANCIAL REPORT
FOR THE THREE-MONTH PERIOD ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**

**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 PERIOD ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023

UNAUDITED

Management's Responsibility for Financial Reporting

Management has established processes, which are in place to provide them with 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 Company, 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 Company 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 Company. 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 Company for issuance to the shareholders.

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

February 29, 2024

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Unaudited Interim Condensed Statements of Financial Position

As at February 29, 2024 and November 30, 2023
(Canadian dollars)

	Notes	Feb. 29, 2024 (unaudited)	Nov. 30, 2023 (audited)
ASSETS			
Cash		\$ 6,770,892	\$ 5,482,360
Marketable securities		9,870,000	9,958,482
Accounts receivable		1,293,313	2,051,679
Inventory	8	8,673,645	8,843,459
Prepaid expenses		181,837	103,719
Total current assets		26,789,687	26,439,699
Equipment		135,348	144,792
Application software		6,720	8,960
Total non-current assets		142,068	153,752
TOTAL ASSETS		\$ 26,931,755	\$ 26,593,451
LIABILITIES & SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	11	\$ 1,190,862	\$ 893,751
Tax payable (recoverable)		97,181	(31,553)
Total current liabilities		1,288,043	862,198
NON-CURRENT LIABILITIES			
Deferred revenue		93,603	93,603
Deferred tax liability		102,064	103,211
Total non-current liabilities		195,667	196,814
TOTAL LIABILITIES		1,483,710	1,059,012
SHAREHOLDERS' EQUITY			
Share capital	9	16,486,919	16,486,919
Contributed surplus		2,210,061	2,160,352
Retained earnings		6,751,065	6,887,168
TOTAL SHAREHOLDERS' EQUITY		25,448,045	25,534,439
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 26,931,755	\$ 26,593,451

Unaudited Interim Condensed Statements of Changes in Equity

**For the three-month period ended February 29, 2024 and February 28, 2023
(Canadian dollars)**

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance December 1, 2023	\$ 16,486,919	\$ 2,160,352	\$ 6,887,168	\$ 25,534,439
Net income and comprehensive income	-	-	391,227	391,227
Dividends declared	-	-	(527,330)	(527,330)
Exercised options	-	-	-	-
Stock based compensation expense	-	49,709	-	49,709
Reclassification of contributed surplus on exercised options	-	-	-	-
Balance February 29, 2024	<u>\$ 16,486,919</u>	<u>\$ 2,210,061</u>	<u>\$ 6,751,065</u>	<u>\$ 25,448,045</u>
	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 loss and comprehensive loss	-	-	(176,135)	(176,135)
Dividends declared	-	-	(522,330)	(522,330)
Exercised options	-	-	-	-
Stock based compensation expense	-	66,342	-	66,342
Reclassification of contributed surplus on exercised options	-	-	-	-
Balance February 28, 2023	<u>\$ 15,991,711</u>	<u>\$ 1,984,493</u>	<u>\$ 6,610,116</u>	<u>\$ 24,586,320</u>

Unaudited Interim Condensed Statements of Net Earnings and Comprehensive Income

For the three-month period ended February 29, 2024 and February 28, 2023
(Canadian dollars)

	Notes	Three Months Ended:	
		Feb. 29, 2024 (unaudited)	Feb. 28, 2023 (unaudited)
REVENUE	8	\$ 2,628,037	\$ 683,949
COST OF SALES		978,089	216,873
GROSS PROFIT		1,649,948	467,076
EXPENSES			
General and administrative		518,924	461,953
Research and development		436,706	261,580
Sales and marketing		257,189	191,563
		1,212,819	915,096
INCOME (LOSS) BEFORE OTHER INCOME AND INCOME TAX		437,129	(448,020)
OTHER INCOME			
Investment income		187,420	159,993
Foreign exchange gain / (loss)		(697)	15,958
		186,723	175,951
INCOME BEFORE INCOME TAX		623,852	(272,069)
INCOME TAX		232,625	(95,934)
NET INCOME AND COMPREHENSIVE INCOME (LOSS)		\$ 391,227	\$ (176,135)
Basic earnings per share		\$0.01	\$0.00
Basic weighted average number of common shares outstanding	10	42,186,400	41,786,400
Diluted earnings per share		\$0.01	\$0.00
Diluted weighted average number of common shares outstanding	10	42,441,107	41,987,151

Unaudited Interim Condensed Statements of Cash Flows

For the three-month period ended February 29, 2024 and February 28, 2023
(Canadian dollars)

	Three Months Ended:	
	Feb. 29, 2024	Feb. 28, 2023
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net Income / (Loss)	\$ 391,227	\$ (176,135)
<i>Items not affecting cash:</i>		
Investment income	(187,420)	(159,993)
Income tax expense	232,625	(95,934)
Scientific research and experimental development tax credit	(105,039)	(76,750)
Amortization	11,685	7,099
Unrealized foreign exchange loss	786,454	834,112
Stock-based compensation	49,709	66,342
	1,179,241	398,741
<i>Changes in non-cash working capital:</i>		
Accounts receivable	295,549	319,618
Inventory	169,814	(1,055,251)
Prepaid expenses	(78,120)	2,605
Accounts payable and accrued liabilities	2,569	(256,690)
Deferred revenue	-	92,106
	389,812	(897,612)
Investment income received	330,355	122,256
Income tax paid	-	(522,334)
Cash flow provided by / (used in) operating activities	1,899,408	(898,949)
INVESTING ACTIVITY		
Acquisition of marketable securities	(5,588,482)	(6,625,550)
Disposal of marketable securities	5,500,000	5,443,342
Acquisition of capital assets	-	(26,389)
Cash flow provided by / (used in) used investing financing activities	(88,482)	(1,208,597)
FINANCING ACTIVITY		
Dividends paid to owners of Company	(527,330)	(522,330)
Options exercised	-	-
Cash flow provided by / (used in) used in financing activities	(527,330)	(522,330)
Foreign exchange gain / (loss) on cash	4,936	(43,114)
INCREASE / (DECREASE) IN CASH FLOW	1,288,532	(2,672,990)
CASH - beginning of period	5,482,360	10,130,841
CASH - end of period	\$ 6,770,892	\$ 7,457,851



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month periods ended February 29, 2024 and February 28, 2023
(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 February 29, 2024, were authorized for issuance by the Board of Directors on April 16, 2024.

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, 2023 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, 2023. These unaudited interim condensed financial statements do not include all of the information required in annual financial statements.

Some of the fiscal 2023 comparative figures may have been reclassified to conform to the current period's presentation.

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 in Q1, fiscal 2024.

Also, there are no required or contemplated future changes in the Company’s accounting policies.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Company’s management to make



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month periods ended February 29, 2024 and February 28, 2023
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4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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.

5. GOVERNMENT GRANTS

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 was 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. In Q1 2024 the Company accrued \$2,350 (2023 – \$52,662) for this funding 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 accrued no CSA funding during Q1 2024 (2023 – \$60,139). 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.

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. During Q1, the Company accrued \$147,759 (2023 – \$Nil) for this project's IRAP funding. 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.



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month periods ended February 29, 2024 and February 28, 2023
(Expressed in Canadian Dollars)

6. SEASONALITY

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

7. OPERATING SEGMENT INFORMATION

IFRS 8 "Operating Segments" defines an operating segment as (a) a component of an entity that engages in business activities from it which may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief decision maker to make decisions about resources to be allocated to the segment and to assess its performance and (c) for which discrete financial information is available.

For managements purposes the Company's activities are attributable to a single operating segment, engaged in the design and manufacture of auto-deploying mobile satellite antennas. Consequently, the group does not present any operating segment information.

Revenue by Geographic area

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

	3 months ended February 29, 2024	3 months ended February 28, 2023
	\$	\$
Canada	10,809	44,722
Bangladesh	845,823	-
Kazakhstan	768,474	-
Middle East	310,239	110,262
United States	294,795	194,320
Rest of the World	397,896	371,433
	2,628,037	683,949

Capital assets

The location of capital assets determines the geographic areas. All capital assets are located in Canada.



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month periods ended February 29, 2024 and February 28, 2023
(Expressed in Canadian Dollars)

7. OPERATING SEGMENT INFORMATION (CONTINUED)

Major Customers

For the quarter ended February 29, 2024, the Company had two customers who accounted for more than 10% of revenues with \$1,151,454 or 44% of total revenues (for the quarter ending February 28, 2023 – the Company had two customers account for more than 10% of revenues, generating \$343,754 or 50% of total revenues).

8. INVENTORY AND COST OF SALES

	Feb. 29, 2024	Nov. 30, 2023
	\$	\$
Component parts	6,684,189	6,580,836
Finished goods	1,989,456	2,262,623
Total	8,673,645	8,843,459

	Feb. 29, 2024	Feb. 28, 2023
	\$	\$
Value of inventory expensed in the period	960,893	174,225
Value of obsolete inventory in costs of sales	(21,528)	21,539
Un-recovered freight and storage charges	27,039	14,010
Allocation of amortization	11,685	7,099
Total Cost of Sales	978,089	216,873

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 February 29, 2024 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. A \$21,528 decrease in obsolete goods was assessed for Q1, 2024 which was credited to cost of goods sold (Q1, 2023 – a \$21,539 increase):

	Feb. 29, 2024	Change	Nov. 30, 2023
	\$	\$	\$
Inventory	9,157,533	(191,342)	9,348,875
Less: Obsolete inventory	(483,888)	21,528	(505,416)
Total Inventory	8,673,645	(169,814)	8,843,459



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
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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. Under the plan, options granted to employees vest 1 year after the grant date. Options granted to the Company's board members vest at the 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 February 29, 2024 (unchanged from 2023 year-end).

On February 29, 2024, there are 4,506,150 options outstanding of which 3,662,150 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.

Outstanding share capital

On February 29, 2024, there were 42,186,400 common shares of the Company outstanding, (February 28, 2023 – 40,786,400).

10. NET EARNINGS PER SHARE

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

	3 months ended February 29, 2024	3 months ended February 28, 2023
Weighted average number of shares – basic	42,186,400	41,786,400
Addition to reflect the dilutive effect of employee stock options	254,707	200,751
Weighted average number of shares – diluted	42,441,107	41,987,151

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



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month periods ended February 29, 2024 and February 28, 2023
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10. NET EARNINGS PER SHARE (CONTINUED)

ending February 29, 2024, 3,265,150 options were excluded from the above calculation (February 28, 2023 – 3,060,150 anti-dilutive options were excluded from the above calculation). Net income is 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., and 718133 Ontario Inc. and Rampart International Corp.

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

		3 months ended February 29, 2024	3 months ended February 28, 2023
		\$	\$
<i>Board of Directors:</i>			
Board of Director fees	(i)	36,000	36,000
<i>Transactions with 718133 Ontario Inc.:</i>			
Rental of office and warehouse space	(ii)	83,371	89,036
<i>Transactions with Rampart International Corp.:</i>			
Miscellaneous purchases	(iii)	4,344	Nil
<i>Transactions with Art Slaughter, CPA Professional Corp.:</i>			
Purchase of consulting services	(iv)	15,250	15,375
<i>Transactions with other parties:</i>			
Legal fees and expenses	(v)	5,242	5,242



NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month periods ended February 29, 2024 and February 28, 2023
(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Balances with related parties

Amounts due to LaBarge Weinstein LLP	4,800	2,308
Amounts due to Art Slaughter, CPA Professional Corp.	2,189	Nil
Amounts due from Rampart International Corp.	4,908	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 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.
- iii. The sole shareholder of Rampart International Corp. is related to the Chief Executive Officer of C-COM Satellite Systems Inc.
- 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.

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.