TOTAL TELCOM INC.
Condensed Interim Consolidated Financial Statements

For the three and six months ended December 31, 2019
(Unaudited)

Notice to Reader

The following condensed interim consolidated financial statements and notes have not been reviewed by the Company’s auditors but have been reviewed and approved by the Company’s Audit Committee and Board of Directors.

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TOTAL TELCOM INC.
Condensed Interim Consolidated Balance Sheets

	December 31, 2019 (unaudited)	June 30, 2019 (audited)
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 1,314,028**	$ 1,448,344
Trade and other receivables	**159,530**	148,101
Inventories	**174,643**	146,716
Prepaid expenses	**10,776**	4,877
	1,658,977	1,748,038
RENTAL EQUIPMENT (Note 4)	**172,794**	191,899
PRODUCT DEVELOPMENT (Note 5)	**842,687**	678,024
PROPERTY, PLANT AND EQUIPMENT (Note 6)	**4,431**	4,928
RIGHT OF USE ASSET (Note 7)	**308,945**	-
	$ 2,987,834	$ 2,622,889
LIABILITIES		
CURRENT		
Trade and other payables	**$ 92,654**	$ 148,156
Deferred revenue	**49,836**	51,300
Current portion of lease liability (Note 8)	**63,848**	-
	206,338	199,456
LEASE LIABILITY (Note 8)	**249,556**	-
	455,894	**199,456**
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**1,984,288**	1,984,288
Contributed surplus	**137,530**	137,530
Retained earnings	**410,122**	301,615
	2,531,940	2,423,433
	$ 2,987,834	$ 2,622,889

TOTAL TELCOM INC.
Condensed Interim Consolidated Statements of Income and Comprehensive Income
Unaudited

	Three months ended December 31		Six months ended December 31	
	2019	2018	**2019**	2018
SALES	**$ 272,293**	$ 401,337	**$ 692,640**	748,097
COST OF SALES (Note 4)	**155,070**	195,464	**351,078**	357,218
GROSS PROFIT	**117,223**	205,873	**341,562**	390,879
GENERAL AND ADMINISTRATIVE EXPENSES	**81,525**	117,006	**171,304**	229,842
INTEREST ON LEASE LIABILITY (Note 8)	**4,842**	-	**9,966**	-
AMORTIZATION OF RIGHT OF USE ASSET (Note 7)	**17,488**	-	**34,975**	-
AMORTIZATION OF PRODUCT DEVELOPMENT COSTS (Note 5)	**12,600**	7,825	**24,300**	15,650
DEPRECIATION (Note 6)	**537**	223	**1,030**	445
	116,992	125,054	**241,575**	245,937
INCOME FROM OPERATIONS	**231**	80,819	**99,987**	144,942
OTHER ITEMS				
Foreign exchange gains (losses)	**(5,362)**	25,449	**3,170**	9,432
Finance income	**2,881**	2,144	**5,350**	3,870
	(2,481)	27,593	**8,520**	13,302
INCOME (LOSS) BEFORE INCOME TAXES	**(2,250)**	108,412	**108,507**	158,244
PROVISION FOR INCOME TAXES				
Current	**(1,000)**	29,000	**27,000**	42,000
Application of income tax losses carried forward	**1,000**	(29,000)	**(27,000)**	(42,000)
	-	-	**-**	-
NET INCOME AND COMPREHENSIVE INCOME	**$ (2,250)**	$ 108,412	**$ 108,507**	$ 158,244
EARNINGS PER SHARE (Note 10)				
Basic	**$ (0.000)**	$ 0.004	**$ 0.004**	$ 0.006
Diluted	**$ (0.000)**	$ 0.004	**$ 0.004**	$ 0.006
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	**24,965,014**	24,965,014	**24,965,014**	24,965,014

TOTAL TELCOM INC.
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
Unaudited

	2019								
	Number of shares		**Share Capital**		**Contributed Surplus**		**Retained Earnings**		**Total Shareholders' Equity**
Balance at June 30, 2019	24,965,014	$	1,984,288	$	137,530	$	301,615	$	2,423,433
Net income for the six months ended December 31, 2019			-		-		108,507		108,507
Balance at December 31 2019	**24,965,014**	**$**	**1,984,288**	**$**	**137,530**	**$**	**410,122**	**$**	**2,531,940**

	2018								
	Number of shares		**Share Capital**		**Contributed Surplus**		**Retained Earnings (Deficit)**		**Total Shareholders' Equity**
Balance at June 30, 2018	24,965,014	$	11,362,583	$	389,337	$	(9,630,102)	$	2,121,818
Reduction of stated share capital			(9,378,295)				9,378,295		-
Reduction of stated contributed surplus					(251,807)		251,807		-
Net income for the six months ended December 31, 2018			-		-		158,244		158,244
Balance at December 31, 2018	**24,965,014**	**$**	**1,984,288**	**$**	**137,530**	**$**	**158,244**	**$**	**2,280,062**

TOTAL TELCOM INC.
Condensed Interim Consolidated Statements of Cash Flows
Unaudited

	Three months ended December 31		Six months ended December 31	
	2019	2018	**2019**	2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net income (loss) for the period	**$ (2,250)**	$ 108,412	**$ 108,507**	$ 158,244
Items not affecting cash:				
Amortization of rental equipment	**21,231**	18,883	**42,513**	37,766
Loss (gain) on disposal of rental equipment	**-**	-	**757**	5,746
Amortization of right of use asset	**17,488**	-	**34,975**	-
Amortization of product development costs	**12,600**	7,825	**24,300**	15,650
Depreciation of equipment	**537**	223	**1,030**	445
	49,606	135,343	**212,082**	217,851
Net change in non-cash working capital	**(128,342)**	(89,467)	**(102,221)**	-123,179
CASH PROVIDED BY OPERATING ACTIVITIES	**(78,736)**	45,876	**109,861**	94,672
FINANCING				
Lease liability principal payments	**(15,399)**	-	**(30,516)**	-
INVESTING				
Product development cost	**(95,164)**	(98,316)	**(188,963)**	(193,277)
Purchase of rental equipment	**-**	-	**(24,165)**	-42,679
Purchase of equipment	**(533)**	-	**(533)**	0
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(95,697)**	(98,316)	**(213,661)**	(235,956)
Net increase (decrease) in cash and cash equivalents	**(189,832)**	(52,440)	**(134,316)**	(141,284)
CASH, BEGINNING OF PERIOD	**1,503,860**	1,417,035	**1,448,344**	1,505,879
CASH, END OF PERIOD	**$ 1,314,028**	$ 1,364,595	**$ 1,314,028**	$ 1,364,595
SUPPLEMENTAL CASH FLOW INFORMATION				
Interest received	**$ 2,881**	$ 2,144	**$ 5,350**	$ 3,870
Interest paid on lease liability	**$ 4,842**	$ -	**$ 9,966**	$ -

1. NATURE OF OPERATIONS

Total Telcom Inc. (the "Company"), through its wholly owned subsidiary ROM Communications Inc. is a developer and provider of remote asset monitoring and tracking products and services primarily in North America.

The Company is incorporated under the Business Corporations Act of Alberta. The Company's head office is located at #540, 1632 Dickson Avenue, Kelowna, British Columbia V1Y 7T2. The Company's common shares are traded on the TSX Venture Exchange under the symbol TTZ.

2. BASIS OF PRESENTATION

These financial statements for the six months ended December 31, 2019 have been prepared in accordance with International Financial Accounting Standard ("IAS") 34 *Interim Financial Reporting* on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the fiscal year ended June 30, 2019. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") have been omitted or condensed. These financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended June 30, 2019.

These condensed consolidated interim financial statements include the accounts of Total Telcom Inc. and its wholly owned subsidiary ROM Communications Inc. All intercompany balances and transactions have been eliminated.

These financial statements have been prepared on the historical cost basis except for cash and cash equivalents and share-based payment arrangements that have been measured at fair value.

All amounts are reported in Canadian dollars, unless otherwise noted.

These financial statements were approved and authorized for issue by the Board of Directors on February 27, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of interim financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended June 30, 2019 except that the Company adopted IFRS 16 effective July 1, 2019.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, leases are capitalized by recognizing the present value of the lease payments and showing them as a Right of Use Asset. If lease payments are made over time, the Company also recognizes a Lease Liability representing its obligations to make future lease payments.

The Company applied the modified retrospective approach on transition to IFRS 16. Under this approach, the Right of Use Asset was recorded at the amount equal to the Lease Liability as of the date of initial application being July 1, 2019. No restatement of opening retained earnings was required under this approach and comparative figures have not been restated to reflect the full retrospective application of IFRS 16.

4. RENTAL EQUIPMENT

		Rental Units
Cost or deemed cost		
Balance at June 30, 2019	$	316,325
Additions		24,165
Disposals		(808)
Balance at December 31, 2019	**$**	**339,682**
Depreciation and impairment losses		
Balance at June 30, 2019	$	124,426
Amortization		42,513
Disposals		(51)
Balance at December 31, 2019	**$**	**166,888**
Carrying amounts		
At June 30, 2019	$	191,899
At December 31, 2019	**$**	**172,794**

Cost of sales includes amortization of rental equipment in the amounts of $21,231 (2018 - $18,883) and $42,513 (2018 - $37,766) for the three and six months ended December 31, 2019 and losses on disposal of rental units of $nil (2018 - $nil) and $757 (2018 – $5,746) for the three and six months ended December 31, 2019.

5. PRODUCT DEVELOPMENT

		Product Development Costs
Cost or deemed cost		
Balance at June 30, 2019	$	709,314
Additions		188,963
Disposals		-
Balance at December 31, 2019		**898,277**
Depreciation and impairment losses		
Balance at June 30, 2019		31,290
Amortization		24,300
Disposals		-
Balance at December 31, 2018		**55,590**
Carrying amounts		
At June 30, 2019	$	678,024
At December 31, 2019	**$**	**842,687**

6. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Equipment and furniture	Mobile equipment	Leasehold improvements	Total
Cost or deemed cost					
Balance at June 30, 2019	$ 64,299	$ 36,913	$ 15,896	$ 35,000	$ 152,108
Additions	533	-		-	533
Balance at December 31, 2019	**$ 64,832**	**$ 36,913**	**$ 15,896**	**$ 35,000**	**$ 152,641**
Depreciation and impairment losses					
Balance at June 30, 2019	$ 59,371	$ 36,913	$ 15,896	$ 35,000	$ 147,180
Depreciation	1,030	-	-	-	1,030
Balance at December 31, 2019	**$ 60,401**	**$ 36,913**	**$ 15,896**	**$ 35,000**	**$ 148,210**
Carrying amounts					
At June 30, 2019	$ 4,928	$ -	$ -	$ -	$ 4,928
Balance at December 31, 2019	**$ 4,431**	**$ -**	**$ -**	**$ -**	**$ 4,431**

7. RIGHT OF USE ASSET

		Right Of Use Asset
Cost or deemed cost		
Balance at June 30, 2019	$	-
Additions		343,920
Disposals		-
Balance at December 31, 2019	**$**	**343,920**
Depreciation and impairment losses		
Balance at June 30, 2019	$	-
Amortization		34,975
Disposals		-
Balance at December 31, 2019	**$**	**34,975**
Carrying amounts		
At June 30, 2019	$	-
At December 31, 2019	**$**	**308,945**

The Company is obligated under an operating lease for rented premises that expire in May, 2024 (see Note 8). The Company has recognized a Right of Use Asset equal to the Lease Liability at July 1, 2019. This Right of Use Asset is amortized on a straight line basis over the remaining term of the lease.

8. LEASE LIABILITY

	December 31 2019	June 30 2019
Lease Liability for occupied premises requiring monthly payments of $6,747 including interest at the Company's incremental borrowing rate of 6% per annum until May 2024.	$ 313,404	$ -
Less principal amounts due within one year	63,848	-
	$ 249,556	$ -

The future minimum payments required under the lease are as follows:

	Principal	Interest	Total
2020	$ 63,848	$ 17,115	$ 80,963
2021	67,838	13,125	80,963
2022	72,022	8,941	80,963
2023	76,464	4,499	80,963
2024	33,232	503	33,735
	$ 313,404	$ 44,183	$ 357,587

9. SHARE CAPITAL

During the three and six months ended December 31, 2019, no common shares were issued or repurchased by the Company.

10. EARNINGS PER SHARE

Earnings per share is calculated using the weighted average number of common shares outstanding during the period, which was 24,965,014 (2018 – 24,965,014).

11. SHARE-BASED COMPENSATION

Under the Total Telcom Inc. Employee Stock Option Plan, options to purchase common shares of the Company may be granted to key employees, independent contractors and directors of the Company that entitle the holder to purchase one common share at a subscription price of not less than 100% of the market value on the effective date of the grant. The holder has the right to exercise the options immediately after issue, but the resulting shares cannot be traded until four months after the date the options were granted. Options expire five years after being issued or 90 days after an employee ceases employment with the Company. The Board of Directors has the discretion to extend the expiration period on cessation of employment.

The maximum number of common shares authorized for issuance by the Board of Directors under the plan is limited to 10% of the total issued and outstanding common shares of the Company.

Under the Employee Stock Option Plan, certain key employees and directors have the following options to purchase common shares:

(a) 250,000 common shares at $0.10 per share – options expire February 18, 2021;
(b) 100,000 common shares at $0.10 per share – options expire May 31, 2021;
(c) 830,000 common shares at $0.10 per share – options expire November 30, 2021; and
(d) 250,000 common shares at $0.20 per share – options expire April 30, 2023

The average remaining contracted life of outstanding stock options is 2 years.

The following stock options were outstanding as at December 31, 2019:

Share options outstanding	Number of options	Weighted average exercise price
Balance at June 30, 2019	1,430,000	$ 0.12
Exercised	-	
Granted	-	
Expired	-	
Forfeited	-	
Balance, December 31, 2019	**1,430,000**	**$ 0.12**

At December 31, 2019 all stock options were exercisable.

The fair value of any stock options granted to directors, officers, employees and independent contractors is recorded in general and administrative expenses over the vesting period with the offset recorded to contributed surplus. During the period the Company did not issue any stock options nor did any stock options vest.

12. RELATED PARTY TRANSACTIONS

Transactions with related parties

General and administrative expenses for the three and six months ended December 31, 2019 include $7,500 (2018 - $7,500) and $15,000 (2018 - $15,000) respectively in management fees payable to a company controlled by a director.

Key management personnel compensation

Aggregate compensation to the directors and key management personnel of the Company during the period was as follows:

	Three months ended December 31,		Six months December 31,	
	2019	2018	**2019**	2018
Salareies and short-term employee benefits	**$ 32,550**	$ 32,550	**$ 65,100**	$ 65,100
Management fees	**7,500**	7,500	**15,000**	15,000
Director fees	**2,500**	2,500	**5,000**	5,000
	$ 42,550	$ 42,550	**$ 85,100**	$ 85,100

Salaries and short-term employee benefits consist of salaries, bonuses, directors' fees, and all other short-term monetary and non-monetary benefits. Share-based payment benefits consist of the fair value of share-option awards expensed in the period. There were no share-based benefits paid in the three or six months ended December 31, 2019 or 2018. No long-term, post-employment or termination benefits were recognized in the three or six months ended December 31, 2019 or 2018.

13. SEGMENTED INFORMATION

The Company operates within a single operating segment - the development and sale of remote asset monitoring and tracking products and services. Management assesses performance and makes resource decisions based on the consolidated results of operations in this operating segment.

The Company operates in the following geographical segments. Revenue is attributed to these geographical segments based on the country to which the product sales or service are delivered.

	Three months ended December 31,		Six months ended December 31,	
	2019	2018	**2018**	2018
Revenue				
United States	$ **167,873**	$ 218,146	$ **445,327**	$ 454,664
Canada	**104,420**	181,930	**247,313**	290,949
Other	**-**	1,261	**-**	2,484
	$ **272,293**	$ 401,337	$ **692,640**	$ 748,097

The Company's revenue is broken down into the following products and services:

	Three months ended December 31,		Six months ended December 31,	
	2019	2018	**2019**	2018
Revenue				
Communications	$ **206,186**	$ 206,292	$ **407,048**	$ 413,212
Equipment rental	**16,903**	68,686	**167,775**	182,518
Hardware sales, development and installation	**49,204**	126,359	**117,817**	152,367
	$ **272,293**	$ 401,337	$ **692,640**	$ 748,097

During the three and six months ended December 31, 2019, the Company had two customer (2018 – two customers) that accounted for more than 10% of the Company's total revenue. The total revenue from these customers for the three months ended December 31, 2019 was $180,300 (2018 – $228,381) and $336,015 (2018 – $349,377) for the six months ended December 31, 2019.

Non-current assets consists equipment, right of use asset and rental equipment. The equipment and right of use asset are located in entirely in Canada, but the location of the rental equipment varies depending on where the units are being used. For the six months ended December 31, 2019, the rental equipment was used exclusively in the United States.