C-COM SATELLITE SYSTEMS INC.

INTERIM CONDENSED FINANCIAL STATEMENTS

SECOND QUARTER FINANCIAL REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED MAY 31, 2016 AND MAY 31, 2015

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 the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED MAY 31, 2016 AND MAY 31, 2015
UNAUDITED

Management's Responsibility for Financial Reporting

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

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

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

May 31, 2016

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Unaudited Interim Condensed Statements of Financial Position

As at May 31, 2016 and November 30, 2015
(Canadian dollars)

	Notes	May 31, 2016 (unaudited)	Nov. 30, 2015 (audited)
ASSETS			
Cash		$ 7,263,917	$ 12,329,621
Marketable securities		7,827,104	2,068,980
Accounts receivable		846,187	1,546,871
Inventory		4,003,220	4,222,473
Prepaid expenses		225,243	181,897
Tax recoverable		264,355	420,514
Total current assets		20,430,026	20,770,356
Equipment		90,061	100,574
Application software		35,214	40,531
Total non-current assets		125,275	141,105
TOTAL ASSETS		$ 20,555,301	$ 20,911,461
LIABILITIES & SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 461,155	$ 486,467
Deferred revenue		46,486	51,994
Total current liabilities		507,641	538,461
NON-CURRENT LIABILITIES			
Deferred revenue		53,341	48,321
Deferred tax liability		104,506	84,866
Total non-current liabilities		157,847	133,187
TOTAL LIABILITIES		665,488	671,648
SHAREHOLDERS' EQUITY			
Share capital	*7*	8,845,670	8,742,015
Contributed surplus		1,072,731	942,819
Retained earnings		9,971,412	10,554,979
TOTAL SHAREHOLDERS' EQUITY		19,889,813	20,239,813
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 20,555,301	$ 20,911,461

ON BEHALF OF THE BOARD:

_________________________ *Director* _________________________ *Director*

See accompanying notes to the financial statements

Unaudited Interim Condensed Statements of Changes in Equity

For the six-month period ended May 31, 2016 and May 31, 2015
(Canadian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance December 1, 2015	$ 8,742,015	$ 942,819	$ 10,554,979	$ 20,239,813
Net income and comprehensive income	-	-	324,359	324,359
Dividends declared	-	-	(907,926)	(907,926)
Exercised options	120,625	-	-	120,625
Stock based compensation expense	-	112,942	-	112,942
Reclassification of contributed surplus on exercised options	(16,970)	16,970	-	-
Balance May 31, 2016	$ 8,845,670	$ 1,072,731	$ 9,971,412	$ 19,889,813

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance December 1, 2014	$ 8,692,273	$ 626,096	$ 10,764,776	20,083,145
Net income and comprehensive income	-	-	689,633	689,633
Dividends declared	-	-	(902,364)	(902,364)
Exercised options	31,150	-	-	31,150
Stock based compensation expense	-	100,705	-	100,705
Reclassification of contributed surplus on exercised options	15,676	(15,676)	-	-
Balance May 31, 2015	$ 8,739,099	$ 711,125	$ 10,552,045	$ 20,002,269

Unaudited Interim Condensed Statements of Net Earnings and Comprehensive Income

For the three-month and six-month periods ended May 31, 2016 and May 31, 2015
(Canadian dollars)

	Three Months Ended:		Six Months Ended:	
	May 31, 2016 (unaudited)	May 31, 2015 (unaudited)	May 31, 2016 (unaudited)	May 31, 2015 (unaudited)
REVENUE	$1,804,131	$3,101,579	$4,237,844	$5,303,157
COST OF SALES	772,189	1,330,318	1,913,075	2,385,548
GROSS PROFIT	1,031,942	1,771,261	2,324,769	2,917,609
EXPENSES				
General and administrative	395,640	540,113	848,409	1,018,401
Research and development	147,596	455,967	303,978	628,582
Sales and marketing	341,287	371,206	499,642	551,929
	884,523	1,367,286	1,652,029	2,198,912
INCOME BEFORE OTHER INCOME AND INCOME TAX	147,419	403,975	672,740	718,697
OTHER INCOME				
Investment income	28,411	29,822	52,518	55,918
Foreign exchange (loss)/gain	(59,547)	67,320	(62,599)	341,043
	(31,136)	97,142	(10,081)	396,961
INCOME BEFORE INCOME TAX	116,283	501,117	662,659	1,115,658
INCOME TAX	100,472	187,916	338,300	426,025
NET INCOME AND COMPREHENSIVE INCOME	$ 15,811	$ 313,201	$ 324,359	$ 689,633
Basic earnings per share	$0.00	$0.01	$0.01	$0.02
Basic weighted average number of common shares outstanding	36,341,790	36,105,618	36,341,790	36,105,618
Diluted earnings per share	$0.00	$0.01	$0.01	$0.02
Diluted weighted average number of common shares outstanding	36,786,380	36,804,418	36,786,380	36,804,418

Unaudited Interim Condensed Statements of Cash Flows

For the three-month and six-month periods ended May 31, 2016 and May 31, 2015
(Canadian dollars)

	Three Months Ended:		Six Months Ended:	
	May 31, 2016 (unaudited)	May 31, 2015 (unaudited)	May 31, 2016 (unaudited)	May 31, 2015 (unaudited)
OPERATING ACTIVITIES				
Net income	$ 15,811	$ 313,201	$ 324,359	$ 689,633
Items not affecting cash:				
Investment income	(28,411)	(29,822)	(52,518)	(55,918)
Income tax expense	100,472	187,916	338,300	426,025
Scientific research and experimental development tax credit	(81,250)	(70,000)	(162,500)	(140,000)
Gain on disposal of fixed assets	-	-	-	(598)
Amortization	10,146	11,319	20,293	21,110
Unrealized foreign exchange loss (gain)	67,655	110,446	360,839	334,803
Stock-based compensation	62,577	52,932	112,942	100,705
	147,000	575,992	941,715	1,375,760
Changes in non-cash working capital:				
Accounts receivable	76,839	(257,884)	495,267	83,012
Inventory	(69,973)	(199,778)	219,253	(295,259)
Prepaid expenses	28,448	76,136	(43,346)	27,971
Accounts payable and accrued liabilities	(140,381)	(91,161)	(137,260)	(344,235)
Deferred revenue	9,838	21,922	(488)	15,729
	(95,229)	(450,765)	533,426	(512,782)
Investment income received	23,225	24,639	44,393	43,562
Income tax paid	-	58,619	-	(106,381)
Cash flow from operating activities	74,996	208,485	1,519,534	800,159
INVESTING ACTIVITY				
Acquisition of marketable securities	(5,000,000)	-	(6,250,000)	(500,000)
Disposal of marketable securities	-	750,000	500,000	1,250,000
Disposal of capital assets	-	-	-	5,958
Acquisition of capital assets	-	(14,983)	(4,463)	(26,442)
Cash flow used in investing activities	(5,000,000)	735,017	(5,754,463)	729,516
FINANCING ACTIVITY				
Dividends paid to owners of Company	(455,557)	(451,745)	(907,926)	(902,364)
Options exercised	110,575	31,150	120,625	31,150
Cash flow used in financing activities	(344,982)	(420,595)	(787,301)	(871,214)
Foreign exchange gain (loss) on cash	18,255	(12,817)	(43,474)	(117,879)
(DECREASE)/INCREASE IN CASH FLOW	(5,251,731)	510,090	(5,065,704)	540,582
CASH - beginning of period	12,515,648	10,859,243	12,329,621	10,828,751
CASH - end of period	$ 7,263,917	$ 11,369,333	$ 7,263,917	$ 11,369,333

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and six-month periods ended May 31, 2016 and 2015
(expressed in Canadian Dollars)

1. DESCRIPTION OF INCORPORATION AND OPERATIONS

C-COM Satellite Systems Inc. (the "Company") was federally incorporated under the Canadian Business Corporation 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 principle place of business is 2574 Sheffield Road, Ottawa, Ontario K1B 3V7.

These unaudited interim condensed financial statements for the three-month and six-month periods ended May 31, 2016 were authorized for issuance by the Board of Directors on July 18, 2016.

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, 2015 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, 2015. These unaudited interim condensed financial statements do not include all of the information required in annual financial statements.

These unaudited interim condensed financial statements have been prepared on a going concern basis using historical cost conventions.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

In April 2014, the IASB released IFRS 15 – Revenue from Contracts with Customers. The Standard replaces IAS11 Construction Contracts and IAS18 Revenue, providing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the adoption of this standard on its financial statements.

IFRS 9 Financial instruments ("IFRS 9")

IFRS 9 was issued by the IASB in November 2009 and October 2010, was amended in 2013 and finalized in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39")

IFRS 9 uses a single approach to determine whether a financial instrument is measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of those financial instruments. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the adoption of this standard on its financial statements.

3. FUTURE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases ("IFRS 16")

The IASB issued a new standard, IFRS 16 on January 13, 2016, which supersedes IAS 17, *Leases*. The new standard brings most leases on the balance sheet for lessees under a single model and eliminates the distinction between operating and finance leases. Lessor accounting remains largely unchanged. The new standard will come into effect for periods beginning on or after January 1, 2019. The Company has not yet assessed the impact of the adoption of this standard on its financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from those estimates.

There were no significant changes in estimates or approaches to determining estimates in the periods presented.

5. 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.

6. 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.

(expressed in Canadian Dollars)

6. OPERATING SEGMENT INFORMATION (CONTINUED)

Revenue by Geographic area

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

	3 months ended May 31, 2016	3 months ended May 31, 2015
	$	$
Canada	154,670	588,997
United States	444,763	828,182
China	617,034	274,558
Europe	267,258	201,840
Asia	225,602	91,115
Rest of the World	94,804	1,116,887
	1,804,131	3,101,579

Property and equipment

The location of property and equipment determines the geographic areas.

All property and equipment is located in Canada.

Major Customers

For the quarter ended May 31, 2016 the Company had 2 customers which accounted for more than 10% of revenues with $422,217 and $268,618 respectively (May 31, 2015 – the Company had two customers account for more than 10% of revenues, generating $536,038 and $381,125 respectively).

7. ISSUED CAPITAL

Stock options

The Company has an established stock option plan, which provides that the Board of Directors may grant stock options to eligible directors, officers and employees. Under the plan, eligible directors, officers and employees are granted the right to purchase shares of common stock at a price established by the Board of Directors on the date the options are granted but in no circumstances below fair market value of the shares at the date of grant. On April 27, 2016 the Company reset the option pool to 20% of the issued and outstanding common shares on that date. Formal approval for the reset was received from the TSXV on May 9, 2016. A total of 7,237,910 common shares are authorized for issuance under the plan, of which 50,000 are issued at May 31, 2016. At May 31, 2016 there are 3,767,000 options outstanding of which 3,047,000 are exercisable.

Outstanding share capital

At May 31, 2016 there were 36,444,550 common shares of the Company outstanding.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and six-month periods ended May 31, 2016 and 2015
(expressed in Canadian Dollars)

8. NET EARNINGS PER SHARE

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

	Six months ended May 31, 2016	**Six months ended May 31, 2015**
Weighted average number of shares – basic	36,341,790	36,105,618
Addition to reflect the dilutive effect of employee stock options	444,590	698,800
Weighted average number of shares – diluted	36,786,380	36,804,418

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 six-month period ending May 31, 2016 2,573,000 options were excluded from the above calculation (May 31, 2015 – 1,492,000 options were excluded from the above calculation).

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

9. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's management regards the members of the Board of Directors and their immediate families and the senior managers and their immediate families of C-COM Satellite Systems Inc., the senior managers and their immediate families Eurodata Inc., the senior managers of Boyd Moving and Storage Ltd. and their immediate families, the senior managers and their immediate families of 718133 Ontario Inc., the partners of Labarge Weinstein LLP and the senior managers and their immediate families of Branim Consulting Corp. as related parties.

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

		3 months ended May 31, 2016	3 months ended May 31, 2015
		$	$
Board of Directors:			
Board of Director fees	(i)	24,000	24,000
Transactions with Boyd Moving and Storage Ltd.:			
Purchase of storage capacity	(ii)	Nil	4,034
Transactions with 718133 Ontario Inc.:			
Rental of office and warehouse space	(iii)	78,551	78,551
Transactions with Branim Consulting Corp.:			
Purchase of consulting services	(iv)	12,200	9,120

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month and six-month periods ended May 31, 2016 and 2015
(expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with other parties:

		3 months ended May 31, 2016	3 months ended May 31, 2015
Legal fees and expenses	(v)	10,883	7,350

	As At May 31, 2016	As At May 31, 2015
	$	$
Balances with related parties		
Amounts due to Boyd Moving and Storage	Nil	Nil
Amounts due to Branim Consulting Corp	Nil	Nil
Amounts due to Labarge Weinstein LLP	Nil	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 $24,000 per annum per board member commencing December 2, 2012 and is paid quarterly.

ii. The Company purchases excess storage capacity from Boyd Moving and Storage Ltd. to warehouse inventory platforms.

iii. The Company has a 5-year lease commitment with 718133 Ontario Ltd. which ends July 2019 for office and warehouse space.

iv. The Company purchases financial consulting services from Branim Consulting Corp. and the Company's Chief Financial Officer is a director of this company.

v. The Company retains a business law firm in Ottawa, Canada to provide legal services and advice. The Company's secretary is a partner of this firm.