MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the three-month and six-month periods ended May 31, 2016

Date of Report – July 18, 2016

The following Management Discussion and Analysis of C-COM Satellite Systems Inc. ("C-COM" or the "Company") for the three-month and six-month periods ended May 31, 2016 should be read in conjunction with the financial statements and notes for the second quarter of 2016, and with the Management Discussion and Analysis in the 2015 annual report. All figures are presented in Canadian dollars in accordance with IFRS.

Forward Looking Statements

The Company cautions that the forward-looking statements in the following Management Discussion and Analysis are based on certain assumptions made by the Company that may prove inaccurate. Forward-looking statements include those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend", and similar expressions to the extent that they relate to the Company or its management. These forward-looking statements are not historical facts, but reflect the Company's current expectations and assumptions regarding future results or events. Assumptions made include customer demand for the Company's products or services, the Company's ability to maintain and enhance customer relationships, as well as the Company's ability to bring to market its products or services. Furthermore, the Company cautions that the forward-looking statements in the following Management Discussion and Analysis are based on current expectations as at July 18, 2016 that are subject to change and to risks and uncertainties. Actual results may differ due to facts such as customer demand, customer relationships, new service offerings, delivery schedules, revenue mix, competition, pricing pressure, foreign currency fluctuations, and uncertainty in the markets in which the company conducts business. Additional information identifying risks and uncertainties is contained in the Company's filings with the various provincial securities regulators. Readers should not place undue reliance on the company's forward-looking statements.

Overview

C-COM Satellite Systems Inc. is a leader in the development and deployment of commercial grade mobile auto-deploying satellite-based technology for the delivery of two-way high-speed Internet, VoIP and Video services into vehicles. C-COM has developed a unique proprietary Mobile auto-deploying (iNetVu) antenna that allows the delivery of high-speed satellite based Internet services into vehicles while stationary virtually anywhere where one can drive. The iNetVu Mobile antenna has also been adapted to be deployable from transportable platforms. The Company's satellite-based products and services deliver high-quality, cost-effective solutions for both fixed and mobile applications throughout the world. More information is available at: www.c-comsat.com

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Selected Quarterly Information

	Three-Months Ended May 31, 2016	Three-Months Ended May 31, 2015	Three-Months Ended May 31, 2014
Revenue	$ 1,804,131	$ 3,101,579	$ 3,754,738
Net Income	$ 15,811	$ 313,201	$ 782,188
Basic Earnings per Share	$ 0.00	$ 0.01	$ 0.02
Diluted Earnings per Share	$ 0.00	$ 0.01	$ 0.02
Total assets	$ 20,555,301	$ 20,560,728	$ 20,250,788
Total Non-Current Liabilities	$ 157,847	$ 131,083	$ 167,051

Q2 Results of Operations

Income before other income and income tax was $147,419 compared with $403,975 in 2015. The Company completed the quarter with $15,091,021 of cash and marketable securities compared to $14,431,169 at May 2015.

Revenues

	Three-Months Ended May 31, 2016	Three-Months Ended May 31, 2015	Change $	Change %
Revenue – Airtime	$ 33,340	$ 34,256	$ 916	2.7%
Revenue – Hardware	$ 1,770,791	$ 3,067,323	$ 1,296,532	42.3%
Total Revenue	$ 1,804,131	$ 3,101,579	$ 1,297,448	41.8%

Airtime revenue continues to drop year over year as the Company is no longer actively marketing these services. The airtime business has a significant number of large airtime providers who compete in this market place. The Company made a conscious decision to discontinue efforts to grow the airtime business in order to allow the Company to concentrate all of its efforts in the mobile VSAT antenna market. The profit margins in the airtime business are significantly smaller and require far more support than the mobile business.

The decrease in hardware revenue in 2016 compared to 2015 is mostly due to an increase in revenues from Asia $842,637 (2015 – $365,673) offset by a drop in revenues from customers in North America, Oman, and Mexico $605,093 (2015 - $2,105,083). The increase in hardware revenue from Asia is a result of pent up demand in the Asian market place that seems to be releasing. The slowdown in North American and Middle East purchases is a direct result of the oil and gas exploration companies slowing their exploration and purchasing.

Cost of Sales and Gross Profit

	Three-Months Ended May 31, 2016	Three-Months Ended May 31, 2015	Change $	Change %
Gross Profit – Airtime	$ 3,196	$ 1,055	$ 2,141	203%
As a percentage of Airtime revenue	9.6%	3.1%		
Gross Profit – Hardware	$ 1,033,254	$ 1,775,647	$ 742,393	41.8%
As a percentage of Hardware revenue	58.3%	57.9%		
Allocation of amortization expense	$ (4,508)	$ (5,441)	$ 933	17.1%
Combined Gross Profit	$ 1,031,942	$ 1,771,261	$ 739,319	41.7%
As a percentage of combined revenue	57.2%	57.1%		

The cost of sales percentage on airtime decreased to 90.4% for the three-month period ended May 31, 2016 compared to the same period last year (2015 – 96.9%). In 2015 a one-time billing adjustment of $3,800 was made, if that adjustment had not been made the cost of sales percentage would have been 87.3%.

The cost of sales percentage on hardware decreased to 41.7% for the three-month period ended May 31, 2016 (2015 – 42.1%) showing consistency in our pricing and purchasing models. The small decrease in the cost of sales percentage is a result of the USD exchange rate relative to the Canadian dollar increasing to $1.31 at May 31, 2016 (2015 – $1.24) which affects the Companies USD denominated revenue. The favorable foreign currency effect is offset by the Companies willingness to offer more discounts to customers to win bids during this slow economic period.

Expenses

	Three-Months Ended	Three-Months Ended	Change	
	May 31, 2016	May 31, 2015	$	%
General and Administrative	$ 395,640	$ 540,113	$ 144,473	26.8%
As a percentage of revenues	21.9%	17.4%		
Research and Development	$147,596	$ 455,967	$308,371	67.6%
As a percentage of revenues	8.2%	14.7%		
Sales and Marketing	$341,287	$371,206	$ 29,919	8.1%
As a percentage of revenues	18.9%	12.0%		

General and Administrative

General and administrative expenses decreased $144,473 or 26.8% for the three-month period ended May 31, 2016 compared to the same period last year primarily due to a lower amount of overhead allocated from the inventory and warehouse applied to general and administrative expenses and a reduction in payroll expenses.

Research and Development

Research and development expense decreased $308,371 or 67.6% compared to the same period last year. This is due mostly to reductions in fees paid to sub-contractors and by decreases in spending on parts and supplies.

Sales and Marketing

Sales and marketing expenses decreased $29,919 or 8.1% over the same period last year. There were increases in commissions paid to dealers, travel costs and salaries paid to the sales and marketing staff were offset by a decrease in trade show expenses and advertising.

Investment Income

Investment income for the year is comprised of interest earned on the Company's cash balances, guaranteed investment certificates and the gains on the money market fund. The decrease is primarily due to lower interest rates on the Company's GIC's and savings accounts, as well as lower returns on the money market fund.

Income Tax Expense

The Company reports its results on a fully taxed basis. The provision for income tax for the second quarter was $100,472 or 86% of income before income tax compared to $187,916 or 37.5% of income before income tax in 2015. The tax rate is higher in Q2 2016 due to the quarterly recording of the expected Investment Tax Credits to be used in fiscal 2016 to reduce the tax payable. The effective tax rate for 2016, prior to considering the impact of non-taxable transactions, is expected to be approximately 26.5%.

Summary of Quarterly Financial Data

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Quarter Ended	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14	Q3/14
Revenue	$1,804,131	$2,433,713	$2,272,798	$2,798,793	$3,101,579	$2,201,578	$4,137,945	$2,935,311
Operating Income	$147,419	$525,321	$232,714	$565,061	$403,975	$314,722	$1,009,032	$580,147
Net Income	$15,811	$308,548	$419,245	$487,802	$313,201	$376,432	$1,160,949	$410,500
Dividend Paid	$455,557	$452,369	$452,182	$451,932	$451,744	$450,619	$450,619	$450,544
Dividend Rate /Share	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125
Basic EPS	$0.00	$0.01	$0.01	$0.01	0.01	$0.01	$0.04	$0.01
Diluted EPS	$0.00	$0.01	$0.01	$0.01	0.01	$0.01	$0.04	$0.01

The Company's operations are subject to some quarterly seasonality due to the timing of vacation periods and statutory holidays. Typically the Company's first and third quarters will be negatively impacted as a result of Christmas season and summer vacation period.

Liquidity and Capital Resources

	Three-Months Ended	Three-Months Ended	Change	
	May 31, 2016	May 31, 2015	$	%
Cash	$ 7,263,917	$ 11,369,333	$ 4,105,416	36.1%
Marketable securities	$ 7,827,104	$ 3,061,836	$ 4,765,268	155.6%
Working capital surplus	$ 19,922,385	$ 19,983,993	$ 61,608	0.31%
Net cash provided by (used in):				
Operating activities	$ 74,996	$ 208,485	$133,489	64.0%
Investing activities	$ (5,000,000)	$ 735,017	$ 5,735,017	780.3%
Financing activities	$ (344,982)	$ (420,595)	$ 75,613	18.0%
(Decrease)/Increase in cash	$ (5,251,731)	$ 510,090	$ 5,761,821	1129.6%

Working Capital Surplus

The decrease in working capital surplus is due mainly to the distribution of dividends being greater than the net profit before taxes of the Company. Current assets as at May 31, 2016 were $20,430,026 (2015 - $20,411,369) and current liabilities for the same periods were $507,641 (2015 - $427,376).

Operating Activities

Cash flows from operating activities for the three-month period ended May 31, 2016 were $74,996 compared to $208,485 in 2015. This year's decrease is mainly a result of a decrease in the net after tax profit.

Investing Activities

The marketable securities consist of the following investments, which are all held at major Canadian financial and insurance institutions:

	Three-Months Ended May 31, 2016	Three-Months Ended May 31, 2015
Money market fund	$ 2,827,104	$ 1,561,836
Guaranteed investment certificates	$ 5,000,000	$ 1,500,000
	$ 7,827,104	$ 3,061,836

Financing Activities

Dividend

As a result of continued earnings and a strong cash position, the Company continued to pay dividends in the second quarter of 2016. The Company paid quarterly dividends totaling $455,557 or $0.0125 per share compared to 2015 when the Company paid $451,744 in dividends or $0.0125 per share. The Company intends to continue with its quarterly dividend policy for the foreseeable future.

Capital Resources

At May 31, 2016 the Company had an overdraft protection facility of $750,000 with a Canadian chartered bank that bears interest at prime plus 0.5%, is secured by a general security agreement providing a first charge over all company assets including accounts receivable, inventory and equipment. As at May 31, 2016 the Company had not borrowed on the credit facility. Management believes that C-COM has sufficient cash resources to continue to finance its working capital requirements.

The Company operates internationally with approximately 91% of its business derived from non-Canadian sources as compared to 81% for the same period last year. All of the Company's international business is denominated in United States dollars and therefore the Company's results from operations are affected by exchange rate fluctuations of the United States dollar relative to the Canadian dollar. The Company did not use foreign currency forward contracts in its management of foreign currency exposure.

In the short term, the Company will continue to fund operations through cash generated from the continued profitability of the sales of its core products and services. In the longer term, additional financing may be required to fund further innovation and development of the next generation of products and services. At this time, the Company does not have plans to pursue additional sources of financing and there can be no assurance that any additional financing that may be required will be available to the Company when needed, on commercially reasonable terms, or at all. In addition, any equity financing may involve substantial dilution to the Company's existing shareholders.

Off-Balance Sheet Arrangements

The Company is committed under an agreement for the rental of office space at a monthly rate of $23,247 until July 2019 and for a rental of VoIP hardware until August 2019.

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.

Contractual Obligations:	Payments Due by Period				
	Total	Less Than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Operating Leases	$ 885,740	$ 139,484	$ 745,080	$ 1,176	Nil
	$ 885,740	$ 139,484	$ 745,080	$ 1,176	Nil

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 of 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
Transactions with other parties:			
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 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.

Critical Accounting Estimates

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The preparation of financial statements of the Company requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Among other things, estimates are used in the accounting for allowances for bad debts, stock-based compensation, inventory obsolescence, product warranty, useful lives of assets and impairment of property and equipment. The reported amounts and note disclosures are determined using management's best estimates based on the assumptions that reflect the most probable set of economic conditions and planned course of action. Actual results could differ from the estimates used in these financial statements and such differences could be material.

Adoption of New Accounting Rules and Impact on Financial Results

The Company did not adopt any new accounting policies this quarter.

Summary of Outstanding Share Data

As at May 31, 2016 the Company had 36,444,550 Common shares issued and outstanding (2015 – 36,144,550).

As at July 18, 2016 the Company had 36,444,550 common shares issued and outstanding.

During Q2 of fiscal 2016 the Company issued 244,000 options to purchase common shares (2015 – 76,000) to employees and directors and recorded an expense and contributed surplus of $62,577 (2015 - $52,932).

During Q2 of fiscal 2016, 255,000 options were exercised and 255,000 shares were issued (2015 – 95,000 options were exercised and 95,000 shares were issued).

Climate Change

The Company does not perceive any risks; Physical, Regulatory, Reputational or Litigation, as a result of global climate changes. On the contrary, following the Katrina disaster and the devastating earthquake and tsunami in Japan, the Company experienced a surge in sales to accommodate the demand for communications in the stricken areas. The Company made the decision to increase inventory levels to enable it to be ready for the increased demand caused by climate changes. In addition to this, the Company is developing new products that will utilize solar energy to power the iNetVu Flyaway and Transportable antenna systems.

Directors and Officers Compensation

During the three-month period ended May 31, 2016, C-COM's officers and directors received the following compensation:

		Salary & Bonus	Board of Director Fees	Contractor Fees	Stock Options Granted
Leslie Klein	President, C.E.O. and Director	$ 95,000	$ 6,000	Nil	Nil
Jim Fowles	Chief Financial Officer	Nil	Nil	$ 12,200	Nil
Bilal Awada	Chief Technology Officer	$ 44,125	Nil	Nil	Nil
Shane McLean	Corporate Secretary	Nil	Nil	Nil	Nil
Eli Fathi	Director	Nil	$ 6,000	Nil	Nil
Ronald Leslie	Director	Nil	$ 6,000	Nil	Nil
Arunas Slekys	Director	Nil	$ 6,000	Nil	Nil

For further information about our management compensation practices and policies please refer to the management information circular for our most recent annual meeting of shareholders which is available at www.sedar.com.

Additional information relating to C-COM may be found at www.sedar.com.

Outlook

The Company continues to develop new products for new emerging markets. Some of these products have been introduced in 2015 with others scheduled for launch in 2016 and beyond. There are also a number of longer-range R&D projects that are ongoing and will target specific new vertical markets, which C-COM is presently not addressing. The iNetVu® Mobile products continue to gain worldwide acceptance and are operating reliably from the very Northern areas of Canada and Russia to the deserts of Australia and Saudi Arabia.

C-COM was one of the first in 2012 to enter into a new vertical market, using Ka band satellites. These High Throughput Satellites (HTS) make it possible to deliver 20Mbps down and 10Mbps up using a small 75cm antenna. C-COM is one of the first antenna manufacturers in the world to have received type approval for these new generation antenna systems from all of the existing HTS satellite providers and continues to develop new products, which are being approved for use over newly deployed HTS satellites worldwide. During 2015 and 2016, C-COM shipped a quantity of these new antenna systems to existing and new integrators in North America, Europe, the Middle East, Australia and Africa. We have designed a total of 17 antenna systems to support HTS Ka-band satellites, which are able to deliver 100 times the throughput of existing in service Ku-band satellites. A number of these new Ka-band antenna systems are part of a series of a family of Flyaway and light transportable Ka-band antennas which we expect to be in great demand for satellite news gathering, military and disaster management. These new Flyaway products have already started contributing to our revenue stream.

C-COM entered into an agreement with Viasat in 2014 to jointly develop a low cost vehicle based in-motion antenna system for the commercial market place. Assuming successful completion of development in 2016, C-COM will be the manufacturer of this new product which is being designed to be fully compatible with the Viasat Excede Ka-band service as well as with the Eutelsat KaSat offering and later with all other Ka band services deployed around the world. Viasat will also be able to sell this new in-motion antenna system through its distribution channels worldwide. C-COM intends to deliver this product through its international reseller network of 700+ resellers/integrators based in over 100 countries worldwide. This new COTM product (communications on the move) is expected to make it possible for passenger and commercial vehicles, buses, trains, barges as well as stabilized oil platforms to receive and transmit at speeds of 20Mbps down and 10Mbps up while in motion. A Ku version of the same antenna is also being developed and expected to be available the 4th quarter of 2016.

The company is also involved in extensive research and development of next generation antenna technologies in conjunction with the University of Waterloo and has already filed the first of a number of forthcoming patent applications from this development. This project should provide C-COM with new revolutionary patentable Ka-band antenna technology to be used on the next generation Ka-band in–motion antenna systems. This intelligent antenna technology will be designed to be compatible with 5G and will support frequencies all the way up to 100GHz.

C-COM is going to encounter more and more competitors on its way to the new vertical markets mentioned above, some of which have already failed in their attempt to keep pace with new developments. Others are retrenching to address niche markets which they feel more comfortable in. Ease of use, effective customer support, attractive pricing and mass production capabilities coupled with high reliability of the product are mandatory if one wants to remain a market leader. We expect competition to become more intense and the mobile VSAT markets to attract new competitors. We also expect some that are in it today to bow out. To date we are managing to keep a significant technological advantage as well as a price advantage over other established players in this market place and have managed to carve out a significant worldwide market presence for our products.

As long as we can maintain our price/availability and technology leadership and continue to remain profitable as we have for the past 11 consecutive years, we feel that we have a significant advantage over anyone presently in the market place or considering entering it. This is due to the many years of software development, refined and improved hardware design, new and advanced product development and an impressive base of loyal resellers and their customers around the globe. In addition to this, C-COM has created and continues to maintain a solid reputation for delivering highly reliable, cost effective and well supported products to the mobile VSAT customer base in time frames that are unmatched in the industry.

The foregoing outlook constitutes forward looking information. Please refer to the information under the heading "Forward Looking Information" on this first page of this MD&A.