C-COM SATELLITE SYSTEMS INC.

INTERIM CONDENSED FINANCIAL STATEMENTS

FIRST QUARTER FINANCIAL REPORT
FOR THE THREE-MONTH PERIOD ENDED FEBRUARY 28, 2022 AND FEBRUARY 28, 2021 (as amended and restated)

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.

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INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED FEBRUARY 28, 2022 AND FEBRUARY 28, 2021 (as amended and restated)

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 28, 2022

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C-COM SATELLITE SYSTEMS INC.

Unaudited Interim Condensed Statements of Financial Position

As at February 28, 2022 and November 30, 2021
(Canadian dollars)

	Notes	Feb. 28, 2022 (unaudited)	Nov. 30, 2021 (audited)
ASSETS			
Cash		$ 9,366,044	$ 8,882,927
Marketable securities		8,199,957	8,190,686
Accounts receivable		1,269,548	1,277,407
Non-refundable investment tax credits		-	126,333
Inventory		7,841,618	7,735,265
Prepaid expenses		179,927	67,912
Total current assets		26,857,094	26,280,530
Equipment		56,382	58,413
Application software		2,804	3,378
Total non-current assets		59,186	61,791
TOTAL ASSETS		$ 26,916,280	$ 26,342,321
LIABILITIES & SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	*11*	$ 1,625,438	$ 1,410,047
Tax payable		285,807	271,242
Deferred revenue		724	2,209
Total current liabilities		1,911,969	1,683,498
NON-CURRENT LIABILITIES			
Deferred tax liability		130,334	130,023
Other non-current liabilities		125,555	-
Total non-current liabilities		255,889	130,023
TOTAL LIABILITIES		2,167,858	1,813,521
SHAREHOLDERS' EQUITY			
Share capital	*9*	14,759,321	14,759,321
Contributed surplus		1,676,423	1,541,108
Retained earnings		8,312,678	8,228,371
TOTAL SHAREHOLDERS' EQUITY		24,748,422	24,528,800
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 26,916,280	$ 26,342,321

See accompanying notes to the financial statements

Unaudited Interim Condensed Statements of Changes in Equity

For the three-month period ended February 28, 2022 and February 28, 2021 (amended and restated)
(Canadian dollars)

	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	-	-	593,575	593,575
Dividends declared	-	-	(509,268)	(509,268)
Exercised options	-	-	-	-
Stock based compensation expense	-	135,315	-	135,315
Reclassification of contributed surplus on exercised options	-	-	-	-
Balance February 28, 2022	$ 14,759,321	$ 1,676,423	$ 8,312,678	$ 24,748,422

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
				see Note 13
Balance December 1, 2020 (as amended and restated)	$ 12,770,526	$ 1,229,492	$ 8,815,504	$ 22,815,522
Net loss and comprehensive loss	-	-	1,487,047	1,487,047
Dividends declared	-	-	(493,597)	(493,597)
Exercised options	283,801	-	-	283,801
Stock based compensation expense	-	77,638	-	77,638
Reclassification of contributed surplus on exercised options	-	-	-	-
Balance February 28, 2021	$ 13,054,327	$ 1,307,131	$ 9,808,954	$ 24,170,411

Unaudited Interim Condensed Statements of Net Earnings and Comprehensive Income

For the three-month period ended February 28, 2022 and February 28, 2021 (amended and restated)
(Canadian dollars)

	Notes	Three Months Ended: Feb. 28, 2022 (unaudited)	Feb. 28, 2021 *see Note 13* (unaudited)
REVENUE	*8*	$ 3,000,052	$ 4,719,279
COST OF SALES		1,175,332	1,541,174
GROSS PROFIT		1,824,720	3,178,105
EXPENSES			
General and administrative		587,538	392,355
Research and development		188,276	293,012
Sales and marketing		246,044	308,344
		1,021,858	993,711
INCOME BEFORE OTHER INCOME AND INCOME TAX		802,862	2,184,394
OTHER INCOME			
Investment income		21,628	18,159
Foreign exchange loss		(17,409)	(233)
		4,219	17,926
INCOME BEFORE INCOME TAX		807,081	2,202,320
INCOME TAX		213,506	715,273
NET INCOME AND COMPREHENSIVE INCOME		$ 593,575	$ 1,487,047
Basic earnings per share		$ 0.01	$0.04
Basic weighted average number of common shares outstanding	*10*	40,471,400	39,567,188
Diluted earnings per share		$ 0.01	$0.04
Diluted weighted average number of common shares outstanding	*10*	42,010,076	41,902,914

See accompanying notes to the financial statements

Unaudited Interim Condensed Statements of Cash Flows

For the three-month period ended February 28, 2022 and February 28, 2021 (amended and restated)
(Canadian dollars)

	Three Months Ended: Feb. 28, 2022 (unaudited)	Three Months Ended: Feb. 28, 2021 *See note 13* (unaudited)
OPERATING ACTIVITIES		
Net Income / (Loss)	$ 593,575	$ 1,487,047
Items not affecting cash:		
Investment income	(21,628)	(18,159)
Income tax expense	213,506	715,273
Scientific research and experimental development tax credit	(72,297)	(94,500)
Amortization	4,669	7,817
Unrealized foreign exchange loss	940,248	840,166
Stock-based compensation	135,315	77,638
	1,793,388	3,015,282
Changes in non-cash working capital:		
Accounts receivable	(397,771)	(222,719)
Inventory	(106,353)	139,602
Prepaid expenses	(112,015)	(41,721)
Accounts payable and accrued liabilities	(227,095)	(534,931)
Deferred revenue	(1,485)	(23,780)
	(844,719)	(683,549)
Investment income received	15,403	59,390
Income tax paid	-	-
Cash flow provided by / (used in) operating activities	964,072	2,391,123
INVESTING ACTIVITY		
Acquisition of marketable securities	1,030,565	3,229,156
Disposal of marketable securities	(1,021,294)	(3,228,461)
Acquisition of capital assets	(2,065)	-
Cash flow provided by / (used in) used investing financing activities	7,206	695
FINANCING ACTIVITY		
Dividends paid to owners of Company	(509,268)	(493,597)
Options exercised	-	283,801
Cash flow provided by / (used in) used in financing activities	(509,268)	(209,796)
Foreign exchange gain/(loss) on cash	21,106	82,227
INCREASE / (DECREASE) IN CASH FLOW	483,117	2,264,249
CASH - beginning of period	8,882,927	6,783,758
CASH - end of period	$ 9,366,044	$ 9,048,007

See accompanying notes to the financial statements

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month periods ended February 28, 2022 and February 28, 2021 (as amended and restated)
(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 28, 2022, were authorized for issuance by the Board of Directors on April 18, 2022.

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, 2021 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, 2021. These unaudited interim condensed financial statements do not include all of the information required in annual financial statements.

Some of the fiscal 2021 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 2022.

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

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

a) During 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 in 2020. The Contribution agreement started July 1, 2020 and is to be completed June 30, 2023. NRC-IRAP has 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, 2022 the Company credited $52,419 in this NRC funding against its research and development expense (Q1, 2021 – $61,534). 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 quarter end.

b) 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. The Contribution agreement started July 10, 2020 and is to be completed by December 31, 2022. The CSA has 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. During Q1, 2022 the Company credited $196,272 in this CSA funding against its research and development expense (Q1, 2021 – $Nil). 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 quarter end.

c) During Q1, 2021 the Company had applied for the following financial support from the Canadian Government related to COVID-19 relief:

    i) The Canadian Emergency Wage Subsidy ("CEWS") program: during Q1 2021, the Company applied for and received a total of $117,664 in CEWS funding – all of which was applied to the Company's General & Administrative and R&D expense categories in Q1, 2021. The Company did not apply for or receive any CEWS funding during Q1, 2022.

(Expressed in Canadian Dollars)

5. GOVERNMENT GRANTS (CONTINUED)

i) The Canadian Emergency Rent Subsidy ("CERS") program: during Q1, 2021, the Company applied for and accrued a total of $14,407 in CERS funding – all of which has been credited to general and administration expenses in Q1, 2021. The Company did not apply for or receive any CERS funding during Q1, 2022.

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 28, 2022	3 months ended February 28, 2021
	$	$
Canada	44,722	53,931
United States	1,404,123	349,198
Australia	729,316	nil
Europe	273,338	485,012
Middle East	271,562	141,198
Rest of the World	276,991	3,689,940
	3,000,052	4,719,279

8. OPERATING SEGMENT INFORMATION (CONTINUED)

Capital assets

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

Major Customers

For the quarter ended February 28, 2022, the Company had three customers who accounted for more than 10% of revenues with $1,828,570, or 61% of total revenues (for the quarter ending February 28, 2021 – the Company had one customer account for more than 10% of revenues, generating $3,565,662 or 75.6% of total revenues).

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. On May 1, 2020, 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 20, 2020. A total of 7,618,320 common shares are authorized for issuance under the plan, of which 287,870 are available to be granted as of February 28, 2022 (1,481,870 as of Feb. 28, 2021). No consideration is payable on the grant of an option with options generally vesting after one year from the date of grant.

As of February 28, 2022, there were 4,725,650 options outstanding, of which 3,407,650 were exercisable.

Outstanding share capital

On February 28, 2022, there were 40,741,400 common shares of the Company outstanding, (February 28, 2021 – 39,612,750).

10. NET EARNINGS PER SHARE

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

(Expressed in Canadian Dollars)

10. NET EARNINGS PER SHARE (CONTINUED)

	3 months ended February 28, 2022	3 months ended February 28, 2021
Weighted average number of shares – basic	40,741,400	39,567,188
Addition to reflect the dilutive effect of employee stock options	1,268,676	2,335,726
Weighted average number of shares – diluted	42,010,076	41,902,914

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 ending February 28, 2022, 1,767,500 options were excluded from the above calculation (February 28, 2021 – no anti-dilutive options were excluded from the above calculation).

Net income is the measure of profit and loss used to calculated 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 28, 2022	3 months ended February 29, 2021
		$	$
Board of Directors:			
Board of Director fees	(i)	24,000	24,000
Transactions with 718133 Ontario Inc.:			
Rental of office and warehouse space	(ii)	87,510	91,015
Transactions with Rampart International Corp.:			
Miscellaneous purchases	(iii)	1,634	Nil
Transactions with Art Slaughter, CPA Professional Corp.:			
Purchase of consulting services	(iv)	1,300	20,850

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

		3 months ended February 28, 2022	3 months ended February 29, 2021
		$	$
Transactions with other parties:			
Legal fees and expenses	(v)	4,116	3,772
Balances with related parties			
Amounts due to LaBarge Weinstein LLP		2,100	1,600
Amounts due to 718133 Ontario Inc.		Nil	5,489

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 has a 1-year lease commitment with 718133 Ontario Ltd. which ends July 31st, 2022, 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(s) is a director of this company(s).
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 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

COVID-19 has caused heightened uncertainty and volatility in the global economy. If economic growth slows further or if a recession develops, customers may not have the financial means to purchase the Company's products, thereby potentially having a negative impact on the Company's financial performance. Since the impact of COVID-19 is ongoing, the effect of the COVID-19 outbreaks and the related impact on the global economy may not be fully reflected in the Company's financial statements until future periods. Further, volatility in the capital markets may continue, which may cause declines in the price of the Company's shares and may also affect its ability to raise working capital through equity or debt transactions.

(Expressed in Canadian Dollars)

12. IMPACT OF THE COVID-19 PANDEMIC (CONTINUED)

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Company's operations and financial position is not known at this time. An estimate of the financial effect of the pandemic on the Company is not practicable at this time.

13. RESTATEMENT OF PRIOR PERIOD FINANCIAL RESULTS

In late 2021 the Company's management determined that its methodology of identifying component parts to be designated as inventory was incorrect. Historically, it was only the parts designated as being a component of an active system bill of materials that were considered to be inventory. This left out other parts that were still saleable items. These other parts would eventually be destined for a complete system or key component or could be sold as an individual part for customer repairs.

These other parts that were not captured as inventory were originally expensed through the Company's Cost of Sales during the year that such parts were purchased. The Company's Cost of Sales can be found in the 2021 Annual Report's Statement of Net Earnings and Comprehensive Income.

Accordingly, management determined that a correction to the Company's prior period financial statements was required. This correction resulted in the restatement of the Company's 2020 financial statements.

Furthermore, the Company's 2021 unaudited quarterly financial statements also contained the impact of this error. The Company's management presents below its estimate of corrections to 2021's previously published interim financial statements:

	Quarter Ended February 28, 2021	Quarter Ended May 31, 2021	Quarter Ended August 31, 2021
Inventory Understatement	$ 785,971	$ 785,971	$ 948,502
Cost of Sales Overstatement	$ 27,847	$ Nil	$ 162,531
Income Tax Expense Understatement	$ 7,379	$ Nil	$ 43,071
Net Income Understatement	$ 20,467	$ Nil	$ 119,460

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three-month period ended February 28, 2022

Date of Report – April 18, 2022

The following Management Discussion and Analysis of C-COM Satellite Systems Inc. ("C-COM" or the "Company") for the three- month period ended February 28, 2022, should be read in conjunction with the financial statements and notes for the first quarter of 2022, and with the Management Discussion and Analysis in the 2021 annual report. All figures are presented in Canadian dollars in accordance with IFRS.

The following discussion of the financial condition, changes in financial condition and results of operations of C-COM is for the quarter ended February 28, 2022 and 2021. Historical results of operations, percentage relationships and any trends that may be inferred there from are not necessarily indicative of the operating results of future periods. Unless otherwise stated all amounts are in Canadian dollars following the requirements of the International Financial Reporting Standards ("IFRS"). The information contained herein is dated as of April 18, 2022, and is current to that date, unless otherwise stated. Management is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made in the annual filings. Our Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed this MD&A and the accompanying financial statements.

The Chief Executive Officer and Chief Financial Officer, in accordance with National Instrument 52-109 ("NI52-109"), have both certified that they have reviewed the annual financial statements and this MD&A ("the annual Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the annual Filings do not contain any untrue statement of a 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 was made with respect to the period covered by the annual Filings; and (b) the annual financial statements together with the other financial information included in the annual Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the dates and for the periods presented in the annual Filings.

Investors should be aware that the inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost-effective basis, Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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. Statements made in this Management Discussion and Analysis relating to: the Company's intention to continue quarterly dividends; management's beliefs about the sufficiency of cash resources; short and long term sources of funding for operations and innovation and development; the Company's intention to continue developing and innovating for various markets and technologies; anticipated new products and technology including the types of products and technology , the expected features and performance of such products and technology and the timing of their release; the ability of new projects to provide the Company with patentable technology; methods of selling of new products; the impact COVID-19 may have on the Company; expected sales of new products including the new Manpack series; the ability for the Company to generate incremental revenue from the new vertical market for tracking LEO's, Smallsats and CubeSats; the Company's ability to maintain its perceived market advantages and future positioning of the Company in the markets in which it operates. 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 results of research and development efforts, 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 of April 18, 2022 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. Please refer to the heading "Risk Factors" in the Company's Management Discussion and Analysis for the year ended November 30, 2021, which is available at www.SEDAR.com for details about the risk factors related to the Company. 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.

Restatement of Prior Period Financial Results

In late 2021 the Company's management determined that its methodology of identifying component parts to be designated as inventory was incorrect. Historically, it was only the parts designated as being a component of an active system bill of materials that were considered to be inventory. This left out other parts that were still saleable items. These other parts would eventually be destined for a complete system or key component or could be sold as an individual part for customer repairs.

These other parts that were not captured as inventory were originally expensed through the Company's Cost of Sales during the year that such parts were purchased. The Company's Cost of Sales can be found in its 2021 Annual Report's Statement of Net Earnings and Comprehensive Income.

Accordingly, management determined that a correction to the Company's prior period financial statements was required.

This correction resulted in the restatement of the Company's 2020 financial statements.

Furthermore, the Company's 2021 unaudited quarterly financial statements also contained the impact of this error. The Company's management presents below its estimate of corrections to 2021's previously published interim financial statements:

	Quarter Ended February 28, 2021	Quarter Ended May 31, 2021	Quarter Ended August 31, 2021
Inventory Understatement	$ 785,971	$ 785,971	$ 948,502
Cost of Sales Overstatement	$ 27,847	$ Nil	$ 162,531
Income Tax Expense Understatement	$ 7,379	$ Nil	$ 43,071
Net Income Understatement	$ 20,467	$ Nil	$ 119,460

Selected Quarterly Information

	Three-Months Ended February 28, 2022	Three-Months Ended February 28, 2021	Three-Months Ended February 29, 2020
Revenue	$ 3,000,052	$ 4,719,279	$ 1,240,630
Cost of Sales	$ 1,175,332	$ 1,541,174	$ 318,389
Gross Profit	$ 1,824,720	$ 3,178,105	$ 922,241
Basic Earnings per Share	$ 0.01	$ 0.04	$ 0.00
Diluted Earnings per Share	$ 0.01	$ 0.04	$ 0.00
Total assets	$ 26,916,280	$ 25,776,288	$ 22,651,947
Total Non-Current Liabilities	$ 255,889	$ 200,972	$ 104,882

Results of Operations

The Q1, 2022 income before other income and income tax was $802,862, compared with a record Q1 operating income of $2,184,394 in 2021. The Company completed the quarter with $17,566,001 of cash and marketable securities, compared to $17,073,613 on November 30, 2021 ($17,177,562 as of February 28, 2021).

Revenues

	Three-Months Ended February 28, 2022	Three-Months Ended February 28, 2021	Change $	Change %
Revenue – Hardware and Airtime	$ 3,000,052	$ 4,719,279	$ 1,719,227	36.4%

The decrease in hardware revenue in the first quarter of 2022 compared to 2021 is due to a large Manpack antenna order received in October 2020 and delivered in Q1 2021.

Cost of Sales and Gross Profit

	Three-Months Ended February 28, 2022	Three-Months Ended February 28, 2021	Change $	Change %
Cost of Sales	$ 1,172,892	$ 1,536,560	$ 363,668	23.7%
Allocation of amortization expense	$2,440	$4,614	$,2174	47.1%
Combined Cost of Sales	$ 1,175,332	$ 1,541,174	$ 365,842	23.7%
As a percentage of revenue	39.2%	32.7%		
Gross Profit	$ 1,824,720	$ 3,178,105	$ 1,353,385	42.6%
As a percentage of revenue	60.8%	67.3%		

The cost of sales percentage on hardware increased to 39.2% (2021 – 32.7%). The increase in cost of sales is mainly due to higher input costs and product sales mix.

Expenses

	Three-Months Ended February 28, 2022	Three-Months Ended February 28, 2021	Change $	Change %
General and Administrative	$ 587,538	$ 392,355	$ 195,183	49.7%
As a percentage of revenues	19.6%	8.3%		
Research and Development	$ 188,276	$ 293,012	$ 104,736	35.7%
As a percentage of revenues	6.3%	6.2%		
Sales and Marketing	$ 246,044	$ 308,344	$ 62,300	20.2%
As a percentage of revenues	8.2%	6.5%		

General and Administrative

General and administrative expenses increased $195,183 or 49.8% for the three-month period ended February 28, 2022, as compared to the same period last year. This was primarily due to no COVID relief wage and rent subsidy payments being made in Q1, 2022, as well as higher stock option costs.

Research and Development

Research and development expense decreased $104,736 or 35.7% compared to the same period last year. This was mostly due to a $187,157 increase in R&D funding from the NRC and CSA in 2022 (refer Note 5). Excluding the impact of this funding, gross R&D investment actually grew $60,812 in Q1 2022.

Sales and Marketing

Sales and marketing expenses decreased $62,300 or 20.2% compared the same period last year. The decrease was driven by lower advertising costs and lower commissions paid to employees and dealers.

Investment Income

Investment income for the quarter of $21,628 ($18,159 for Q1, 2021) is comprised of interest earned on the Company's cash balances and guaranteed investment certificates. The 19.1% increase in investment income is primarily due to higher interest rates and higher average balances in the Company's GIC's and savings accounts. However, since the 2021 year-end, the Company's total cash and marketable securities grew 2.9% to $17,566,001.

Income Tax Expense

The Company reports its results on a fully taxed basis. The provision for income tax for Q1, 2022 was $213,506 (equivalent to 26.5% of income before income tax), compared to a tax expense provision of $715,273 in Q1, 2021. The effective tax rate for 2022, prior to considering the impact of non-taxable transactions, is expected to be approximately 26.5% (the same as 2021).

Income Tax Expense

	Three-Months Ended	Three-Months Ended	Change	
	February 28, 2022	February 28, 2021	$	%
2021 year-end ITC and estimated quarterly ITC used	$ 52,297	$ 411,198	$ 358,901	87.3%
Change in future income tax liability for the quarter	$ 311	$ (12,305)	$ 12,616	97.5%
Q1 estimated income tax provision	$ 160,898	$ 309,001	$ 148,103	47.9%
Income Tax Expense	$ 213,506	$ 707,894	$ 494,388	69.8%

Summary of Quarterly Financial Data

Quarter Ended:	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20	Q3/20	Q2/20	Q1/20
Revenue	$3,000,052	$2,584,918	$1,011,055	$836,734	$4,719,279	$2,379,420	$1,773,918	1,061,665	$1,240,630
Operating Income (Loss)	$802,862	$(32,748)	$(96,047)	$(98,250)	$2,184,395	$(50,035)	$443,341	($687,318)	($21,933)
Net Income (Loss)	$593,575	$193,228	$(38,251)	$(219,203)	$1,487,046	$(27,680)	$249,964	($438,384)	$2,708
Dividends Paid	$509,268	$507,955	$504,927	$503,476	$493,597	$490,035	$480,576	$477,045	$474,586
Dividend Rate /Share	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125
Basic EPS	$0.01	$0.00	$0.00	($0.01)	$0.04	$0.00	$0.01	($0.01)	($0.00)
Diluted EPS	$0.01	$0.00	$0.00	($0.01)	$0.04	$0.00	$0.01	($0.01)	($0.00)

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 February 28, 2022	Three-Months Ended February 28, 2021	Change $	Change %
Cash	$ 9,366,044	$ 9,048,007	$ 318,037	3.5%
Marketable securities	$ 8,199,957	$ 8,129,555	$ 70,402	0.9%
Working capital surplus	$ 24,945,125	$23,480,029	$ 1,465,096	6.2%
Net cash provided by (used in):				
Operating activities	$ 964,072	$ 2,391,122	$ 1,427,050	59.7%
Investing activities	$ 7,206	$ 695	$ 6,511	936.8%
Financing activities	$ (509,268)	$ (209,796)	$ 299,472	142.7%
Increase/decrease in cash	$ 483,117	$ 2,264,249	$ 1,781,132	78.7%

Working Capital Surplus

The $1,465,096 year-over-year increase in working capital surplus is due mainly to an increase in cash at quarter-end. Current assets as of February 28, 2022 were $26,857,094 (February 28, 2021 - $25,694,069) and current liabilities for the same periods were $1,911,969 (February 28, 2021 - $1,107,020).

Contractual Obligations

The Company has a non-cancellable lease agreement for office space with a term extending into fiscal 2021. The aggregate minimum rental payments under this arrangement is as follows:

Contractual Obligations:	Payments Due by Period				
	Total	Less Than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Operating Lease	$143,818	$143,818	Nil	Nil	Nil

Operating Activities

Cash flow from operating activities for the three-month period ended February 28, 2022 were $964,072 compared to $2,391,122 in 2021. This year's decrease in cash-flow from operations is mostly due to a $893,472 decrease in net income for the quarter.

Investing Activities

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

	As At February 28, 2022	As At February 28, 2021
Guaranteed investment certificates	$ 8,199,956	$ 8,129,555

Financing Activities

Dividend

On January 24, 2022, the Company declared a dividend of $0.0125 per common share payable on February 23, 2022. This amounted to $509,268 compared to Q1 2021 when the Company paid $493,597 in dividends (also $0.0125 per share). The Company intends to continue with its quarterly dividend policy for the foreseeable future.

Capital Resources

On February 28, 2022 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 of February 28, 2022 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 98% of its business derived from non-Canadian sources as compared to 99% 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

There were no off-balance sheet arrangements on February 28, 2022.

Critical Accounting Estimates

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 in Q1 2022. There are no required or contemplated future changes in the Company's accounting policies.

Risk Factors

The company is subject to a number of risks and uncertainties that could significantly affect the Company's financial condition and future results of operations. Risk management is an integral part of how the Company plans and monitors the business strategies and results and we have embedded risk management activities in the operational responsibilities of management, and made them an integral part of overall governance, organizational and accountability structure. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following risks actually occur, the Company's business may be harmed, and its financial condition and results of operations may suffer significantly.

The Company is exposed to risks and uncertainties in its business, including the risk factors set forth below:

- Continued impact of the COVID-19 pandemic.
- The recent delays in the global supply chain and scarcity of materials may impact the Company's ability to secure the materials and components required to meet customers' needs and contractual obligations.
- Inflationary prices may also cause a decrease in end-user spending which would negatively impact future sales.
- The Company's success depends on the engagement and contributions of senior management personnel, including the Company's CEO. Any changes to the management team, including the hiring or departing of executives, could be disruptive to the business.
- Competitive conditions in the Company's industry, including new products, product announcements and incentive pricing offered by its competitors.
- The Company's business is often dependent on performance by third parties and subcontractors in connection with manufacturing of the Company's products.
- The Company's ability to hire, train and retain sufficient technical, sales, and professional services staff.
- The Company's ability to maintain existing relationships with its dealers and to create new relationships with potential dealers and manufacturing partners.
- Varying size, timing and contractual terms of orders for the Company's products.
- The nature of the end-user purchase and budget cycles and changes in their budgets for, and timing of, equipment and related purchases.
- The length and variability of the sales cycles for the Company's products.
- Order cancellations.
- Market acceptance of new and enhanced versions of the Company's products.
- Strategic decisions by the Company or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy.
- General weakening of the economy resulting in a decrease in the overall demand for the Company's products.
- The geographical mix of the Company's sales, together with fluctuations in foreign currency exchange rates.
- Changes in the Company's pricing policies and the pricing policies of its competitors.
- The timing of product development and new product initiatives.

Many of these risk factors can affect the Company's financial performance and are also outside of the Company's control. The nature of many these risks is expanded upon in the commentary below.

Impact of the COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From March 11, 2020 to the date of approval of these financial statements, C-COM implemented the following actions in relation to the COVID-19 pandemic:

- Cancellation of various trade shows, investor presentations, sales conferences and business travel. In early 2022 the Company resumed attendance at in-person trade shows.
- Adopted a 4-day workweek throughout 2020 and early 2021. Note: the Company's workforce has since returned to a regular work week.
- Applied for and received financial assistance under the Canadian Government's Emergency Wage Subsidy ("CEWS") program. This support program has since closed.

Management may take further actions that alter business operations as may be required by various levels of government, or that it determines are in the best interest of the Company's employees, customers, partners, suppliers, and shareholders. However, there is no certainty that such measures will be sufficient to mitigate the direct and indirect effects of COVID-19 and the Company's financial condition and results of operations could be affected. The degree to which COVID-19 will affect results and operations will depend on future developments that are highly uncertain and cannot currently be predicted, including, but not limited to, the duration, extent and severity of the COVID-19 pandemic, actions taken to contain COVID-19, the impact of the pandemic and related restrictions on economic activity and the extent of the impact of these and other factors on the Company employees, partners, suppliers and customers.

Impact of COVID-19 on financial risks:

The COVID-19 pandemic has impacted the financial risks of the Company as follows:

i. Demand: The weakening of the economy resulting in a decrease in the overall demand for the Company's products.
ii. Credit risk: The Company's customers will likely experience increased financial stress as a result of COVID-19. Therefore, credit risk will increase. However, the Company's conservative internal sales and credit granting processes should adequately mitigate this increased risk.
iii. Market risk: Market risk has increased due to significant volatility in financial markets as discussed below:
    - Currency risk: The Company is exposed to foreign currency fluctuations on its cash balance, accounts receivable, accounts payable and future cash flows related to sales and expenses denominated in a foreign currency. The Company does not use foreign currency forward contracts to minimize the short-term impact of currency fluctuations on foreign currency receivables and payables. Since early March there has been heightened risk due to significant fluctuations in currency markets and the uncertainty in market valuations for currencies due to the pandemic. However, there has been no change in the Company's traditional currency mix and weightings: most sales transactions are in US dollars and most Company disbursements are denominated in Canadian dollars.
    - Interest rate risk: In general, interest rates have dropped since the pandemic was announced. Interest income from the Company's market investments is impacted by current and future volatility in interest rates.

COVID-19 has caused heightened uncertainty and volatility in the global economy, including supply chain stress and inflationary pressure. If economic growth slows further or if a recession develops, customers may not have the financial means to purchase the Company's products, thereby potentially having a negative impact on the Company's financial performance. Since the impact of COVID-19 is ongoing, the effect of the COVID-19 outbreaks and the related impact on the global economy may not be fully reflected in the Company's financial statements until future periods. Further,

volatility in the capital markets may continue, which may cause declines in the price of the Company's shares and may also affect its ability to raise working capital through equity or debt transactions.
The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Company's operations and financial position is not known at this time. An estimate of the financial effect of the pandemic on the Company is not practicable at this time.

Reliance on resellers

The Company currently relies on resellers for a significant portion of its revenues. An adverse change in the Company's relationship with any resellers could reduce the Company's sales and harm its business and prospects. If the Company is unable to retain and expand its business with key resellers on favourable terms, or develop new relationships with resellers, then the business, financial condition and results of operations of the Company could be adversely affected.

Furthermore, because the Company's quarterly revenue could be dependent upon a relatively small number of large customer deployments, even minor variations in the rate and timing of conversion of its sales prospects into revenue could cause the Company to plan or budget inaccurately, and those variations could adversely affect its financial results.

The Company's business may be harmed if it does not continue to penetrate markets and continue to grow

If the Company fails to further penetrate its core markets and existing geographic markets, or to successfully expand its business into new markets or through the right sales channels, the growth in sales of the Company's products, along with its operating results, could be negatively impacted. Some of the Company's competitors are larger and better capitalized and as a result, they may be better able to expand more quickly and through more sales channels. Some of the Company's competitors provide end-to-end solutions. If the various core markets in which the Company's products are offered fail to grow, or grow more slowly than the Company currently anticipates, or if the Company is unable to establish new markets for its products, the Company's business, operating results and financial condition could be materially adversely affected.

The Company's success depends on its ability to develop new products and enhance its existing products

The markets for the Company's products are competitive and are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To keep pace with the technological developments, satisfy increasingly sophisticated customer requirements and achieve market acceptance, the Company must enhance and improve existing products and it must continue to introduce new products. Currently, the Company's products embody complex technology and are designed to be compatible with current and evolving industry standards. If the Company is unable to successfully develop new products or enhance and improve its existing products or if it fails to position and/or price its products to meet market demand, the Company's business and operating results will be adversely affected. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development that could adversely affect its operating results. Further, any new products the Company develops could require an investment of significant resources, long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue. The Company may determine that certain new products do not have sufficient potential to warrant the continued allocation of resources and may elect to terminate one or more new product candidates. If a new product is terminated in which the Company has invested significant resources, the Company's prospects may suffer since resources were expended on a project that did not yield a return on the Company's investment and it missed the chance to allocate such resources to potentially more productive uses and this may negatively impact the Company's business, financial condition and operating results. In addition, as the Company develops new products, they may render some of its older products redundant or obsolete. As the Company discontinues the sale of these older products, it must manage the reseller commitments and customer expectations. If the Company is unable to properly manage the possible discontinuation of these older products, it could have a material adverse effect on its business, financial condition and results of operations.

Failure to manage the Company's growth successfully may adversely impact its operating results

The growth of the Company's operations places a strain on managerial, financial and human resources. The Company's ability to manage future growth depends upon a number of factors, including its ability to rapidly:

- Build and train sales and marketing staff and resellers to create an expanding presence in the evolving marketplace for the Company's products, and to keep staff and resellers informed regarding the technical features, issues and key selling points of its products.
- Attract and retain qualified technical personnel in order to continue to develop reliable and saleable products and services that respond to evolving customer needs.
- Expand its distribution channels to ensure that resellers across multiple industry and geographic segments will perceive the Company as a credible market participant and reliable supplier that will enable the profitable growth of their business.
- Develop customer support capacity as sales increase, so that the Company can deliver cost-effective scalable support services to support its sales efforts in a manner that does not divert resources from product development efforts.
- Expand the Company's internal management, financial and IT controls significantly, so that it can maintain control over its operations and provide support to other functional areas within the Company's business as the number of personnel and size of its business increases.

Any failure to manage the Company's growth or achieve profitability could have a material adverse effect on its business, financial condition or results of operations.

The Company may lose sales, or sales may be delayed, due to the long sales and implementation cycle for its products

The Company's customers typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to purchase the Company's products. Generally, the larger the potential sale, the more time, money and other resources will be invested. As a result, it may take many months after the Company's first contact with a customer before a sale can actually be completed. The Company may invest significant sales and other resources in a potential customer that may not generate revenue for a substantial period of time, if at all. The time required for implementation of the Company's products varies among its customers and may last several months, depending on its customers' needs, the resources they apply to a project and the products deployed. During these long sales and implementation cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled. For example:

- Purchasing decisions may be postponed, or large purchases reduced, during periods of economic uncertainty.
- The Company or its competitors may announce or introduce new products.
- The customer's own budget and purchasing priorities may change.

If these events were to occur, sales of the Company's products may be cancelled or delayed, which would reduce its revenue.

If the Company is required to change its pricing models to compete successfully, its margins and operating results may be adversely affected

The highly competitive market in which the Company conducts its business may require the Company to reduce its prices. If the Company's competitors offer discounts on certain products in an effort to recapture or gain market share of other products, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such change would likely reduce its margins and could adversely affect its operating results. Some of the Company's competitors may bundle other products that compete with the Company for promotional purposes or as a long-term pricing strategy or provide guarantees of prices and product implementations. These practices could, over time, limit the prices that the Company can charge for its products. If the Company cannot offset price reductions with a corresponding increase in the number of sales or with lower spending, then the reduced revenue resulting from lower prices would adversely affect its margins and operating costs.

<u>The financial condition of third parties may adversely affect the Company</u>

The Company relies on third party suppliers to provide it with components and services necessary for the completion and delivery of its products. The Company also relies on third party resellers for significant portion of its sales and revenues. In addition, the Company periodically outsources limited aspects of the development and testing of its products to third parties and a significant increase in the price of the services provided by these third parties, or delays in their deliveries, could have a material adverse effect on the Company's business, financial condition and results of operations. In the event that any of the third parties with whom the Company has significant relationships, including its channel partners and third party suppliers, files a petition in or is assigned into bankruptcy or becomes insolvent, or makes an assignment for the benefit of creditors or makes any arrangements or otherwise becomes subject to any proceedings under bankruptcy or insolvency laws with a trustee, or a receiver is appointed in respect of a substantial portion of its property, or such third party liquidates or winds up its daily operations for any reason whatsoever, then the Company's business, financial position and results of operations may be materially and adversely affected.

The Corporation and its suppliers, partners and customers are exposed to potential interruption and damage, and partial or full loss, resulting from environmental disasters and other catastrophic events. There can be no assurance that in the event of an earthquake, hurricane, tornado, fire, flood, ice storm, tsunami, typhoon, terrorist attack, cyber-attack, act of war or other natural, manmade or technical catastrophe, all or some parts of the operations of the Corporation or its suppliers, partners or customers will not be disrupted. The occurrence of a significant event which disrupts the ability of the Corporation or its suppliers or partners to sell the Corporation's products for an extended period, including events which reduce customer demand for the Corporation's products, could have a material negative impact on the Corporation's business.

Climate change is predicted to lead to increased frequency and intensity of weather events and related impacts such as storms, wildfires, flooding and storm surge. Extreme weather events create a risk of physical damage to the operations of the Corporation or its suppliers, partners and customers which may not be recoverable through insurance, legal, regulatory cost recovery or other processes and could materially affect the Corporation's business, results of operations and cash flows, including its reputation with customers, regulators, governments and financial markets.

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the outbreak of the novel coronavirus known as COVID-19, or a fear of any of the foregoing, could adversely impact the Corporation by causing operating, supply chain and project development delays and disruptions, labour shortages, reduced product demand, travel disruption and shutdowns (including as a result of government regulation and prevention measures), and increased costs to the Corporation.

<u>The Company's success depends in part on its ability to protect its rights in its intellectual property</u>

The Company relies on various intellectual property protections, including contractual provisions, patents, copyright, trade secrets, trademarks and know-how to preserve its intellectual property rights. Although it currently has patents and patent applications, some of the Company's core technology is primarily protected by trade secrets and copyright. The Company typically enters into agreements with its employees, consultants, customers, channel partners and vendors in an effort to control ownership of its intellectual property and access to and distribution of its software, documentation and other proprietary information. Although the Company believes that the steps it has taken are reasonable, the steps the Company takes may not prevent misappropriation of its intellectual property, and the agreements it enters into may not be enforceable. It may also be possible for third parties to obtain and use the Company's intellectual property without its authorization. Policing unauthorized use of intellectual property is difficult, time-consuming and costly. Further, some foreign laws do not protect proprietary rights to the same extent as the laws of Canada or the United States. Additionally, the absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of the Company's proprietary rights. To protect its intellectual property, the Company may become involved in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays, materially disrupt the conduct of its business or adversely affect its revenue, financial condition and results of operations.

Intellectual property claims brought against the Company could be time consuming, costly to defend and disruptive to its business

The Company cannot determine with certainty whether any existing third-party patents or the issuance of any third-party patent would require the Company to alter its technology, obtain licenses or cease certain activities. The Company may become subject to claims by third parties that its technology infringes their property rights due to the growth of software products in the Company's target markets, the overlap in functionality of these products and the prevalence of software products. The Company may become subject to these claims either directly or through indemnities against these claims that it routinely provides to its customers. Litigation may be necessary to determine the scope, enforceability and validity of such third-party proprietary rights or to establish the Company's proprietary rights. Some of the Company's competitors have substantially greater resources than it does, and those competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than the Company. Regardless of their merit, any such disputes could:

- Be time consuming.
- Be expensive to defend.
- Divert management's attention and focus away from the Company's business.
- Subject the Company to significant liabilities.
- Require the Company to enter into costly royalty or licensing agreements or to modify or stop using the infringing technology.

Further, if the Company is found to have infringed any patents, trademarks or other intellectual property rights, a court could award significant damages and enjoin the Company from distributing its products that infringe the patents, trademarks or other intellectual property in jurisdictions in which such rights are affected. This could result in a material adverse effect on the Company's business, results of operations and financial condition.

The Company may be liable to its customers or third parties and may lose customers if it is unable to collect data or it otherwise loses data.

Because of the large amount of data that the Company collects and manages, it is possible that errors in the Company's systems or in third party systems used by the Company to deliver its service could cause the information that it collects to be incomplete or contain inaccuracies that the Company's customers or third parties regard as significant. Furthermore, the Company's ability to collect and report data may be interrupted by a number of factors, including its inability to access the Internet, the failure of its network or software systems or third-party network or software systems relied upon by the Company, security breaches or computer viruses. The Company may be liable to its customers or third parties for damages they may incur resulting from such events. In addition, if the Company supplies inaccurate or incomplete information or experiences interruptions in its ability to capture, store and supply information in real time or at all, the Company's reputation could be harmed, and it could lose customers.

Cyber Risks

The Company faces cyber risks that include, but are not limited to data breaches, unauthorized access and denial of service attacks as well as associated financial, reputational and business interruption risks. In its business, the Company collects and stores personal information and despite necessary precautions taken by the Company there is a risk of unauthorized access or security breaches resulting from third-party action, employee error, malfeasance or otherwise, which can lead to the loss of information, litigation, indemnity obligations and other significant liabilities. The Company could also be exposed to regulatory penalties for the unauthorized release of confidential information. Furthermore, the Company could face reputational harm relating to a negative perception of the Company's products which could result in the loss of customers. The Company monitors for these such risks and is committed to cyber security with a goal of maintaining and protecting its overall data security. However, despite such efforts by the Company, it may not be able to fully mitigate such cyber security risks given the evolving methods used to comprise data security, which are generally not identified until they are launched against a target.

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.

Supply Chain Risk

Significant supplier capacity constraints, supplier or customer production disruptions, supplier quality and sourcing issues or price increases can increase the Company's operating costs and adversely impact the competitive positions of the Company's products. The Company's reliance on third-party suppliers, contract manufacturers and service providers to secure parts, components and sub-systems used in the Company's products exposes it to volatility in the prices and availability of these materials, parts, components, systems and services. As the Company's supply chains extend into many different countries and regions around the world, it is also subject to global economic and geopolitical dynamics and risks associated with exporting components manufactured in particular countries. In connection with effects related to the COVID-19 pandemic, C-COM is operating in a supply-constrained environment and are facing, and may continue to face, supply-chain shortages, inflationary pressures, logistics challenges and manufacturing disruptions that impact the Company's revenues, profitability and timeliness in fulfilling customer orders. In addition, some of the Company's suppliers or their sub-suppliers are limited (or sole source suppliers). Disruptions in deliveries, capacity constraints, production disruptions up-stream, price increases, or decreased availability of parts and supplies, including as a result of war, natural disasters, actual or threatened public health emergencies or other business continuity events, adversely affect the Company's operations and, depending on the length and severity of the disruption, can limit the Company's ability to meet its commitments to customers or significantly impact the Company's operating profit or cash flows.

Inflationary Risk

C-COM's products are sold and used all around the world. The Company's operations and the execution of its business plans and strategies are subject to the effects of global economic trends, geopolitical risks and demand or supply shocks from events that could include war, a major terrorist attack, natural disasters or actual or threatened public health emergencies (such as COVID-19). They are also affected by international, local and regional economic environments and policies, including interest rates, monetary policy, inflation, economic growth, recession, commodity prices, currency volatility, currency controls or other limitations on the ability to expatriate cash, sovereign debt levels and actual or anticipated defaults on sovereign debt. For example, changes in local economic conditions or outlooks, such as lower rates of investment or economic growth in key markets, affect the demand for or profitability of its products.

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 February 28, 2022 would have decreased (increased) net earnings by approximately $641,268 (2021 – $516,398).

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 arise 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 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 its long-time customers. Over the past five years the company has not suffered any significant credit related 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.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall 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 February 28, 2022, the Company had a cash balance of $9,366,044 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 February 28, 2022, the Company had not borrowed on the credit facility during fiscal 2022. All of the Company's financial liabilities have contractual maturities of less than 30 days.

The Company's share price will fluctuate

The trading price of the Company's common shares is subject to change and could in the future fluctuate significantly. The fluctuations could be in response to numerous factors beyond the Company's control, including: quarterly variations in results of operations; announcements of technological innovations or new products by the Company, its customers or competitors; changes in securities analysts' recommendations; announcements of acquisitions; changes in earnings estimates made by independent analysts; general fluctuations in the stock market; or revenue and results of operations below the expectations of public market securities analysts or investors. Any of these could result in a sharp decline in the market price of the common shares. In addition, stock markets have occasionally experienced extreme price and volume fluctuations. The market prices for high-technology companies have been particularly affected by these market fluctuations and such effects have often been unrelated to the opening performance of such companies. These broad market fluctuations may cause a decline in the market price of the common shares.

The Company's significant shareholders will have the ability to control certain corporate actions

The Company's significant shareholders may be in a position to exercise significant influence over all matters requiring shareholder approval, including the election of directors, determination of significant corporate actions, amendments to the Company's articles and by-laws and the approval of any business combinations.

Dividends

The Company currently pays a quarterly dividend on its common shares. The Company's dividend policy will be reviewed from time to time by the board of directors of the Company in the context of its earnings, financial condition and other relevant factors. Depending on the results of that review, the Company may decide to cease paying dividends in the future or may lower the dividend rate. If the Company does cease paying a dividend or lowers the dividend, its shareholders will not be able to receive a return on the Company's common shares in the form of dividends at the historical rate or at all.

Key Management Personnel

If the Company fails to attract and retain key employees, the development and commercialization of its products may be adversely affected. The Company is highly dependent on the key members of its management staff. If the Company loses any of these people, its business and ability to develop products could suffer. The Company's future success will also depend in large part on its ability to attract and retain other highly qualified scientific, sales and management personnel. Failure to retain and attract personnel with the appropriate skills could have a negative impact on the Company's ability to conduct business and on its financial results.

Facilities

The Company leases a 25,380 square foot office and warehouse facility located at 2574 Sheffield Rd. in Ottawa, Ontario. The Company has a lease for these premises with a related party, 718133 Ontario Inc. The lease term is for one year and matures on July 31, 2022. Lease payments are made monthly.

Summary of Outstanding Share Data

As of February 28, 2022 the Company had 40,741,400 Common shares issued and outstanding (2021 – 39,612,750).

As of April 18, 2022 the Company had 40,741,400 common shares issued and outstanding.

During Q1 of fiscal 2022 the Company granted no options to purchase common shares (2021 – Nil) to employees and directors and recorded an expense and contributed surplus of nil (2021 - Nil).

During Q1 of fiscal 2022, no options were exercised, and no shares were issued (Q1, 2021 – 280,000 options were exercised, and 280,000 shares were issued).

Climate Change

The Company does not perceive any risks (e.g., 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.

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 28, 2022	3 months ended February 29, 2021
		$	$
Board of Directors:			
Board of Director fees	(i)	24,000	24,000
Transactions with 718133 Ontario Inc.:			
Rental of office and warehouse space	(ii)	87,510	91,015
Transactions with Rampart International Corp.:			
Miscellaneous purchases	(iii)	1,634	Nil
Transactions with Art Slaughter, CPA Professional Corp.:			
Purchase of consulting services	(iv)	1,300	20,850
Transactions with other parties:			
Legal fees and expenses	(v)	4,116	3,772
Balances with related parties			
Amounts due to LaBarge Weinstein LLP		2,100	1,600
Amounts due to 718133 Ontario Inc.		Nil	5,489

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 has a 1-year lease commitment with 718133 Ontario Ltd. which ends July 31st, 2022, 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(s) is a director of this company(s).
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.

Directors and Officers Compensation

During the three-month period ended February 28, 2022, 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	$ 223,055	$ 6,000	Nil	Nil
Art Slaughter	Chief Financial Officer	$40,803	Nil	$1,300	Nil
Bilal Awada	Chief Technology Officer	$ 55,000	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.

Outlook

The Company's Q1 2022 revenues were the third highest Q1 sales generated over the past ten years.
Although Q1 revenues of $3 million were lower than last year's sales for the same period, we were still encouraged by what we considered to be a continued recovery in demand following two years of the pandemic.

Our gross margin performance of 61% was also viewed as healthy, particularly since C-COM has not been immune from the cost pressures brought about by the worldwide supply chain issues. This is because C-COM was fortunate to enter 2022 with a strong inventory position, having had the foresight to build up a robust level of fast selling products which made it possible to meet the rebounding market demand. Many of the C-COM products use common parts and we were able to capitalize on this by swapping parts from less in demand products to build products with high demand.

Despite the continuing challenges of the pandemic and related headwinds, we expect to weather these conditions because of our healthy balance sheet and inventory on hand.

We remain cautiously optimistic about future demand given these existing market conditions:

- The increasing need for emergency communications and cellular backhaul.
- An improved commodities sector (especially oil and gas exploration).

- Demand for access to new bandwidths and 5G performance.
- The roll-out of COVID vaccination programs worldwide.

2022 will mark the first year since 2019 that we will attend a full slate of international trade shows face-to-face. Feedback at our recent attendance at the “Satellite2022” show in Washington DC confirmed that our market is ready to re-engage. There was also impressive feedback to our revolutionary Electronically Steered Phased Array antenna that was exhibited at this show. In development for more than 5 years, this prototype antenna passed several successful GEO satellite tests over the Telesat Anik F3 satellite during 2021.

C-COM remains committed to its extensive R&D effort to develop the next generation antenna technologies in conjunction with the University of Waterloo and our involvement with the Canadian/European EUREKA/PENTA alliance. Several patents from the Waterloo research project have already been filed and others are being filed. Our ultimate goal is to produce a revolutionary, patentable Ka-band antenna technology to be used for commercial applications with the growing number of HTS (LEO, MEO and GEO) constellations being launched in the next several years. This intelligent, scalable and conformal antenna technology is designed to be mass producible at a reasonable price and be compatible with 5G and other developing millimeter wave technologies.
It will be deployed for use in vehicles, trains, plains, long distance busses as well for maritime vessels.

The market size for Phased Array Electronically Steered antennas (ESA) is expected to grow over 1.2 billion dollars over the next 3-5 years and C-COM will be benefiting from this massive growth opportunity.

The Company has designed over 20 different antenna systems to support GEO and LEO satellites operating in Ka, Ku, C and X-band services, with several further variations in various stages of design and production. C-COM is seeing strong demand for lightweight, transportable Ka/Ku and X-band Flyaway antennas for a variety of vertical worldwide markets such as satellite news gathering, cellular backhaul, military and disaster management.

C-COM is going to encounter significant competition on its development path. Ease of use, worldwide distribution, effective customer support, attractive pricing, and mass production capabilities coupled with high reliability are mandatory product goals to be the market leader. To date, C-COM maintains a strong technological and historical advantage over its COTP competition, as well as a price and design advantage over other established players in this marketplace. The Company over its 25 years of operation has carved out a significant worldwide market presence for its niche products.

If C-COM can maintain price, availability and technology leadership, the Company is confident that it holds a distinct advantage over others presently in this market segment or considering entering it. This is due to the many years of software development, refined hardware design, advanced product development and an impressive global base of loyal customers with over 10,000 antenna systems deployed in over 100 countries and supported by a worldwide reseller network of 600+ dedicated resellers and systems integrators.

In addition, C-COM has a compelling 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. If the Company can develop a strong COTM product line, based on its new phased array antenna technology, which will complement its existing COTP family of products, C-COM will be the only mobile satellite antenna company in the world having achieved such success in both of these markets.

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.

Board of Directors:

Arunas Slekys*

Eli Fathi*

Dr. Leslie Klein, CEO

Ronald Leslie*

** Members of Compensation Committee and Audit Committee*

Executives and Officers

Dr. Leslie Klein
Chief Executive Officer

Bilal Awada
Chief Technology Officer

Art Slaughter
Chief Financial Officer

Stock Exchange Listings

TSXV: CMI
OTC QB: CYSNF

Principal Office

2574 Sheffield Rd., Ottawa, Ontario, Canada, K1B 3V7
Toll Free: 1-877-463-8886
Website: http://www.c-comsat.com/

Auditors

Welch LLP
Ottawa, Ontario, Canada

Transfer Agent

Computershare Investor Services Inc.
100 University Ave., 8th Floor
Toronto, Ont., Canada, M5J 2Y1

Corporate Secretary

Shane McLean, Managing Partner
LaBarge Weinstein LLP
Ottawa, Ont., Canada

Legal Counsel

LaBarge Weinstein LLP
515 Legget Drive, Suite 800
Ottawa, Ont., K2K 3G4