MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the year ended November 30, 2016

Date of Report – March 20, 2017

The following Management Discussion and Analysis of C-COM Satellite Systems Inc. ("C-COM" or the "Company") for the year ended November 30, 2016 should be read in conjunction with the financial statements and notes included in this 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 March 20, 2017 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 Annual Information

	Year Ended November 30, 2016	Year Ended November 30, 2015	Year Ended November 30, 2014
Revenue	$ 9,267,750	$ 10,374,748	$ 13,205,778
Net Income	$ 1,020,234	$ 1,596,680	$ 2,805,033
Basic Earnings per Share	$ 0.03	$ 0.04	$ 0.08
Diluted Earnings per Share	$ 0.03	$ 0.04	$ 0.08
Total assets	$ 21,146,014	$ 20,911,461	$ 20,929,381
Total Non-Current Liabilities	$ 283,466	$ 133,187	$ 129,694

Results of Operations

Income before other income and income tax was $1,425,536 compared with $1,516,472 in 2015. The Company completed the year with $16,122,905 of cash and marketable securities compared to $14,398,601 at the end of 2015.

Revenues

	Year Ended November 30, 2016	Year Ended November 30, 2015	Change $	Change %
Revenue – Airtime	$ 119,853	$ 161,367	$ 41,514	25.7%
Revenue – Hardware	$ 9,147,897	$ 10,213,381	$ 1,065,484	10.4%
Total Revenue	$ 9,267,750	$ 10,374,748	$ 1,106,998	10.7%

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 a drop in revenues from customers in North America, and the Middle East. Their combined revenues were $2,467,827 (2015 - $5,466,498). This is primarily due to the slowdown in purchases from oil and gas exploration companies as well as the general economic conditions in a number of other countries.

Cost of Sales and Gross Profit

	Year Ended November 30, 2016	Year Ended November 30, 2015	Change $	Change %
Gross Profit	$ 5,196,249	$ 5,590,277	$ 394,028	7.0%
As a percentage of revenue	56.1%	53.9%		
Allocation of amortization expense	$ (22,310)	$ (19,825)	$ 2,485	12.5%
Combined Gross Profit	$ 5,173,939	$ 5,570,452	$ 396,513	7.1%
As a percentage of revenue	55.8%	53.7%		

The cost of sales percentage on hardware decreased to 43.9% for the year ended November 30, 2016 (2015 – 46.1%) due primarily to the discontinuance of selling component parts to our contract manufacturers at cost. In 2015 the Company started to sell a significant amount of components parts held in inventory to our contract manufacturers at cost. Total component parts sold in fiscal 2016 was Nil

(2015 - $577,473). If the component parts revenues and costs were removed from the 2015 results, the resulting cost of goods sold percentage would have decreased by 3.2% bringing the cost of goods sold percentage down to 42.9% for fiscal 2015.

Expenses

	Year Ended November 30, 2016	Year Ended November 30, 2015	Change $	Change %
General and Administrative	$ 1,943,365	$ 1,995,879	$ 52,514	2.6%
As a percentage of revenues	21.0%	19.2%		
Research and Development	$ 826,770	$ 986,740	$ 159,970	16.2%
As a percentage of revenues	8.9%	9.5%		
Sales and Marketing	$ 978,268	$ 1,071,361	$ 93,093	8.7%
As a percentage of revenues	10.6%	10.3%		

General and Administrative

General and administrative expenses decreased $52,514 or 2.6% for the year ended November 30, 2016 compared to the same period last year primarily due to decreases in salaries and group benefits expenses.

Research and Development

Research and development expense decreased $159,970 or 16.2% compared to the same period last year. There were decreases in salaries paid to research & development staff, in spending on parts and supplies, fees paid to sub-contractors, and funding from the IRAP program.

Sales and Marketing

Sales and marketing expenses decreased $93,093 or 8.7% over the same period last year. There were increases in salaries paid to the sales and marketing staff and commissions paid to dealers and employees. These were offset by decreases in trade show expenses, advertising, promotional items, and travel expenses.

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 increase is primarily due to higher interest rates on the Company's GIC's and savings accounts. The Company has increased the amount invested in marketable securities during the year to $10,081,130 (2015 - $2,068,980).

Income Tax Expense

The Company reports its results on a fully taxed basis. The provision for income tax for fiscal 2016 was $488,685 or 32.4% of income before income tax compared to $696,922 or 30.4% of income before income tax in 2015. The effective tax rate for 2016, prior to considering the impact of non-taxable transactions, is expected to be approximately 26.5% (2015 – 26.5%).

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Summary of Quarterly Financial Data

Quarter Ended	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
Revenue	$2,935,196	$2,094,710	$1,804,131	$2,433,713	$2,272,798	$2,798,793	$3,101,579	$2,201,578
Operating Income	$538,604	$214,192	$147,419	$525,321	$232,714	$565,061	$403,975	$314,722
Net Income (Loss)	$666,296	$29,579	$15,811	$308,548	$419,245	$487,802	$313,201	$376,432
Dividend Paid	$456,557	$456,494	$455,557	$452,369	$452,182	$451,932	$451,744	$450,619
Dividend Rate /Share	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125	$0.0125
Basic EPS	$0.02	$0.00	$0.00	$0.01	$0.01	$0.01	0.01	$0.01
Diluted EPS	$0.02	$0.00	$0.00	$0.01	$0.01	$0.01	0.01	$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

	Year Ended November 30, 2016	Year Ended November 30, 2015	Change $	Change %
Cash	$ 6,041,775	$ 12,329,621	$ 6,287,846	51.0%
Marketable securities	$ 10,081,130	$ 2,068,980	$ 8,012,150	387.3%
Working capital surplus	$ 20,097,766	$ 20,231,895	$ 134,129	0.7%
Net cash provided by (used in):				
Operating activities	$ 3,417,504	$ 1,724,061	$ 1,693,443	98.2%
Investing activities	$ (8,035,498)	$ 1,695,524	$ 9,731,022	573.9%
Financing activities	$ (1,669,852)	$ (1,765,477)	$ 95,625	5.4%
Increase (decrease) in cash	$ (6,287,846)	$ 1,500,870	$ (7,788,716)	519.0%

Working Capital Surplus

The decrease in working capital surplus is due mainly to an increase in accounts payable at November 30, 2016. Current assets as at November 30, 2016 were $21,024,685 (2015 - $20,770,356) and current liabilities for the same periods were $926,919 (2015 - $538,461).

Operating Activities

Cash flows from operating activities for the year ended November 30, 2016 were $3,417,504 compared to $1,724,061 in 2015. This year's increase is mainly a result of a decrease in inventory, an increase in collection of accounts receivable, an increase in accounts payable and a reduction in income tax paid.

Investing Activities

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

	Year Ended November 30, 2016	Year Ended November 30, 2015
Money market fund	$ nil	$ 1,568,980
Guaranteed investment certificates	$ 10,081,130	$ 500,000
	$ 10,081,130	$ 2,068,980

Financing Activities

Dividend

As a result of continued earnings and a strong cash position, the Company continued to pay dividends in fiscal 2016. The Company paid quarterly dividends totaling $1,820,977 or $0.05 annually per share compared to 2015 when the Company paid $1,806,477 in dividends or $0.05 annually per share. The Company intends to continue with its quarterly dividend policy for the foreseeable future.

Capital Resources

At November 30, 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 November 30, 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 96% of its business derived from non-Canadian sources as compared to 89% 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 to agreements for the rental of office space at a monthly rate of $22,673 until July 2019 and for the rental of VoIP hardware at a combined monthly rate of $574 until August 2019 and May 2020.

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	$746,255	$278,969	$467,286	Nil	Nil
	$746,255	$278,969	$467,286	Nil	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 year.

		Nov. 30, 2016	Nov. 30, 2015
		$	$
Board of Directors:			
Board of Director fees	(i)	96,000	96,000
Transactions with Boyd Moving and Storage Ltd.:			
Purchase of storage capacity	(ii)	nil	7,801
Transactions with 718133 Ontario Inc.:			
Rental of office and warehouse space	(iii)	314,203	311,754
Transactions with Branim Consulting Corp.:			
Purchase of consulting services	(iv)	57,000	46,120
Transactions with other parties:			
Legal fees and expenses	(v)	28,887	26,079

	November 30, 2016	November 30, 2015
	$	$
Balances with related parties		
Amounts due to Labarge Weinstein LLP	Nil	1,500
Amounts due to Branim Consulting Corp.	Nil	5,198

Balances with related parties are due upon demand and included with accounts payable and accrued liabilities.

All related party transactions are measured based on the dollar value of the underlying invoices and/or lease contract.

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 purchased excess storage capacity from Boyd Moving and Storage Ltd. to warehouse inventory platforms. Transactions are measured based on a fixed charge rate per skid stored and are approved by the Director of Customer Support and System Integration. The Company ceased renting excess storage capacity December 2014.

iii. The Company has a 5 year lease commitment with 718133 Ontario Ltd. which ends July 2019 for office and warehouse space. Each new lease is based on commercially competitive rates as determined by the controller of the Company

iv. The Company purchases financial consulting services from Branim Consulting Corp. and the Company's Chief Financial Officer is a director of this company. Transactions with Branim Consulting Corp are measured based on a per diem rate of $800 which has been approved by the CEO.

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. Transactions with legal counsel are measured based on a fixed monthly retainer rate which was negotiated and approved by the CEO. Additional legal work and invoicing is approved the CEO prior to the work commencing.

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 this year.

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.

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.

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 at November 30, 2016 would have decreased (increased) net earnings by approximately $285,325 (2015 – $249,768).

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, and arises 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 tern relationships with. A significant portion of the Company's accounts receivable is from its from 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, that it will have sufficient liquidity to meet liabilities when due. At November 30, 2016 the Company has a cash balance of $6,041,775 (2015 – $12,329,621) 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 at November 30, 2016 the Company had not borrowed on the credit facility. All of the Company's financial liabilities have contractual maturities of less than 30 days, with the exception of one vendor who has a contractual maturity of less than 105 days.

Summary of Outstanding Share Data

As at November 30, 2016 the Company had 36,534,550 Common shares issued and outstanding (2015 – 36,174,550).

As at March 20, 2017, the Company had 36,534,550 common shares issued and outstanding.

During fiscal 2016 the Company issued 1,461,000 options to purchase common shares (2015 – 1,169,000) to employees and directors and recorded an expense and contributed surplus of $345,434 (2015 - $325,465).

During fiscal 2016, 360,000 options were exercised and 360,000 shares were issued (2015 – 125,000 options were exercised and 125,000 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 year ended November 30, 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	$ 412,654	$ 24,000	Nil	400,000
Jim Fowles	Chief Financial Officer	Nil	Nil	$ 57,000	Nil
Bilal Awada	Chief Technology Officer	$ 179,750	Nil	Nil	150,000
Shane McLean	Corporate Secretary	Nil	Nil	Nil	100,000
Eli Fathi	Director	Nil	$ 24,000	Nil	100,000
Ronald Leslie	Director	Nil	$ 24,000	Nil	100,000
Arunas Slekys	Director	Nil	$ 24,000	Nil	100,000

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.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Outlook

2016 was an exceptionally challenging year, not just for niche manufacturers like C-COM, but for the larger players in the SATCOM industry as well. While there are always a few bright spots, many major satellite operators, service providers, and hardware manufacturers suffered significant slowdowns in revenue. A 15 year high for the US Dollar also priced C-COM hardware out of the budget for many burgeoning customers around the world. Weak Oil & Gas prices also led to slower sales specifically in North America and the Middle East. A ‘wait and see’ approach for many governments and militaries around the world, as they awaited the results of the US Election, was also a factor in project delays. C-COM faced desperate price related competition from a number of manufacturers who have since gotten out of the business and liquidated their assets at fire sale prices, as well as from those singularly focused on a failing vertical (Oil & Gas).

The Company continues to develop new products for new emerging markets. Some of these products have been introduced in 2016 with others scheduled for launch in 2017 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 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 2017, 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 in the 2nd quarter of 2017.

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 12 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.