Canadian Commercial Corporation
Corporation Commerciale Canadienne

Canadian Commercial Corporation

2019-2020 Third Quarter
Financial Report
(Unaudited)

For the period ended
December 31, 2019

Canada

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MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PREPARATION AND DISCLOSURE

The following management's discussion and analysis ("MD&A") was prepared in accordance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations and is not intended to be a full MD&A. It should be read in conjunction with the Corporation's Annual Report and the audited annual financial statements for the year ended March 31, 2019. All amounts presented are in Canadian dollars unless otherwise specified.

This document contains projections and other forward-looking statements regarding future events. Such statements require management to make assumptions that are subject to risk and uncertainty. Consequently, actual results may differ materially from expectations expressed in forward-looking statements. These risks and uncertainties are discussed in the risk section following the financial analysis.

Non-GAAP measures and relevant information, such as the value of contracts signed ("VCS") and Commercial Trading Transactions ("CTT"), are presented in the MD&A, including a description of how these items are measured.

Historically, large contracts have materially affected the financial statements of Canadian Commercial Corporation ("CCC" or the "Corporation"), causing significant variations in certain year-over-year amounts on the Statement of Financial Position and the Statement of Comprehensive Income (Loss). The most significant of these contracts is the multi-billion-dollar multi-year Armoured Brigades Program ("ABP") contract. Due to the magnitude of this contract, the ABP has been presented separately in certain sections of the MD&A.

Accounting Disclosures

International Financial Reporting Standard 15 – Revenue from contracts with customers ("IFRS 15"), became effective on April 1, 2018 and was reflected in the Corporation's audited financial statements for the year ended March 31, 2019. While the Corporation's operations and contractual responsibilities have not changed, the adoption of IFRS 15 has materially impacted the way transactions and results are measured and reported. Therefore, the results for the comparative period December 31, 2018 have been restated to comply with IFRS 15 with details in Note 4 of the Condensed Interim Financial Statements.

BUSINESS REPORTING STRUCTURE

CCC's international contracting business supports Canadian exporters in pursuing sales to foreign government buyers in markets around the world. CCC's Canadian exporter base includes a substantial proportion of Canadian small and medium enterprises ("SMEs").

CCC classifies its business activities by five priority sectors. CCC's activities support a wide range of Canadian industrial sectors including Aerospace, Clean Technology ("Cleantech"), Construction & Infrastructure, Defence and Information and Communications Technology ("ICT"). Canadian exporters are internationally recognized as leaders in Aerospace and have specialized Cleantech expertise in areas of public utilities and transportation and water management systems. Additionally, Canadian exporters contract with CCC in the Construction and Infrastructure sector for international projects in emerging and developing markets, the Defence sector largely under the Defence Production Sharing Agreement ("DPSA") and the ICT sector which includes Lotteries generating good cause revenues used to relieve poverty and support social programs abroad.

In addition to the five priority sectors, CCC also manages contracts classified as Other Sector related to the supply of products for agriculture, the provision of goods and services to support sugar and tourism industries in Cuba and Other Government Department initiatives.

The gestation period for international contracting is long, and is directly impacted by foreign political, economic and geo-political events that have budgetary implications for sovereign governments (including elections, natural disasters, etc.). This results in a business cycle that is difficult to predict accurately and repeat, with consistent year-over-year business being the exception rather than the rule. During the contracting process, CCC's involvement in a transaction provides a force-multiplier effect for Canadian exporters, as they benefit from market knowledge, risk mitigation, relationships with foreign governments, a robust responsible business conduct approach, and decades of international contracting experience that CCC brings to bear on every business pursuit.

The DPSA program is an important Public Policy program for Canada, which provides equal access for Canadian exporters and other competitors to the U.S. Department of Defence ("DoD") market and generates hundreds of millions in exports annually from Canada. The accompanying jobs and economic benefits that flow from these exports are significant. CCC signed over $800 million of export contracts under the DPSA in 2018-19. CCC is not compensated for its costs to provide services under the DPSA.

VALUE OF CONTRACTS SIGNED

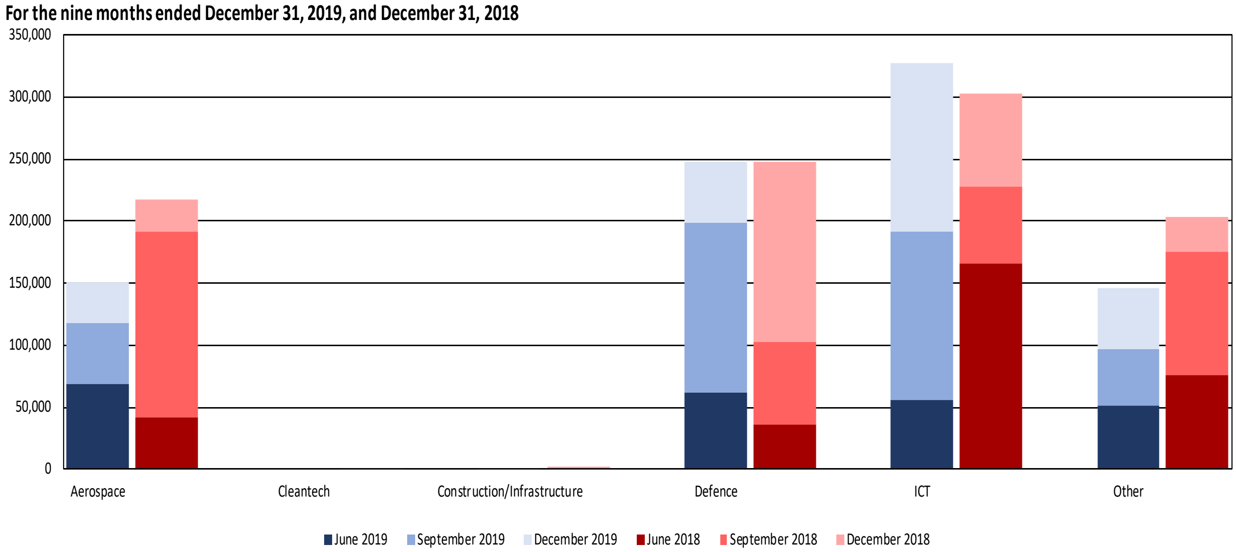
VCS is a non-GAAP measure used by the Corporation that represents the value of contracts and amendments signed in a given period. It measures the total value of goods or services to be delivered over the entire duration of a contract and hence, represents the full contract value when the contract is signed.

The table and graph below present the VCS by sector for the three and nine months ended December 31, 2019 and 2018.

	For the three months ended December 31,				For the nine months ended December 31,				% of Total	
VCS by sector ($000's)	**2019**	2018	$ Change	% Change	**2019**	2018	$ Change	% Change	**2019**	2018
Aerospace	**$ 32,883**	$ 25,182	$ 7,701	31%	**$ 150,619**	$ 216,896	$ (66,277)	(31%)	**17%**	22%
Cleantech	**-**	-	-	0%	**-**	419	(419)	(100%)	**0%**	<1%
Construction / Infrastructure	**78**	1,644	(1,566)	(95%)	**78**	1,644	(1,566)	(95%)	**<1%**	<1%
Defence	**49,066**	145,456	(96,389)	(66%)	**247,796**	248,238	(442)	(0%)	**28%**	26%
ICT	**135,101**	74,456	60,645	81%	**326,837**	302,654	24,184	8%	**38%**	31%
Other	**49,596**	28,175	21,421	76%	**146,201**	202,986	(56,785)	(28%)	**17%**	21%
Total	**$ 266,725**	$ 274,913	$ (8,188)	(3%)	**$ 871,531**	$ 972,836	$ (101,305)	(10%)	**100%**	100%

For the nine months ending December 31, VCS decreased by $101.3 million or 10% compared to the prior year. The decrease was the net result of $125.5 million in lower contracts signed across all sectors except for the ICT sector which had an increase of $24.2 million.

VCS by sector ($000's)
For the nine months ended December 31, 2019, and December 31, 2018



The results in the Aerospace sector include VCS from the DPSA (83%) and from international contracts (17%). The results in the Defence sector are primarily from the DPSA, and the ICT sector VCS is primarily from DPSA and Lottery contracts. The Other sector includes VCS related to DPSA contracts (72%), primarily for the supply of manufactured goods and machinery, contracts for the supply of goods and services to support the sugar and tourism industries in Cuba (25%), and the supply of other goods and services (3%).

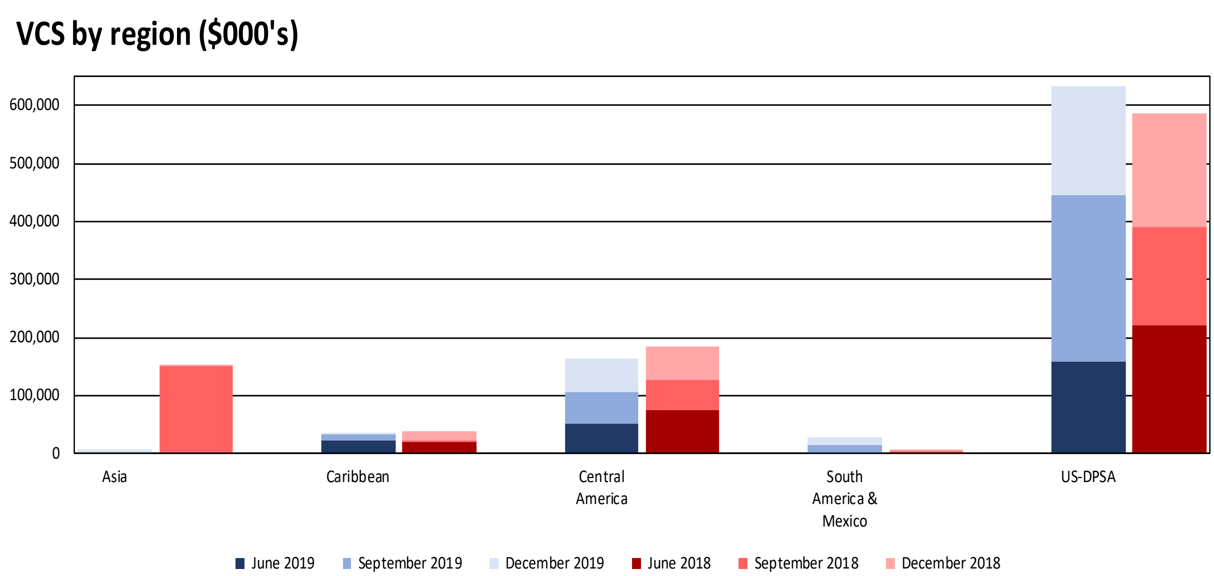
The table below presents the VCS by region and sector for the nine months ended December 31, 2019.

VCS by region/sector ($000's)	Aerospace	Cleantech	Construction / Infrastructure	Defence	ICT	Other	Total	% of Total
Africa	$ -	$ -	$ -	$ -	$ -	$ 56	**$ 56**	**<1%**
Asia[1]	577	-	-	-	6,756	897	**8,230**	**<1%**
Caribbean	-	-	-	201	-	36,408	**36,610**	**4%**
Central America	-	-	-	-	163,629	-	**163,629**	**19%**
Europe	-	-	-	-	-	-	**-**	**-**
Canada & US	-	-	-	-	1,328	64	**1,392**	**<1%**
South America & Mexico	24,517	-	-	-	-	4,012	**28,529**	**3%**
US-DPSA	125,525	-	78	247,595	155,124	104,764	**633,087**	**73%**
Total	**$ 150,619**	**$ -**	**$ 78**	**$ 247,796**	**$ 326,837**	**$ 146,201**	**$ 871,531**	**100%**
% of Total	**17%**	**0%**	**<1%**	**28%**	**38%**	**17%**	**100%**	

[1]Asia includes the Middle East

Of the total VCS of $871.5 million, $633.1 million or 73% of contracts signed were under the US-DPSA across the Aerospace, Defence, ICT, Construction/Infrastructure and the Other sectors. Additionally, there was $163.6 million or 19% of VCS in Central America (Nicaragua and Honduras) in the ICT sector related to Lottery and Security contracts and $36.6 million or 4% of contracts were signed in the Caribbean, primarily in Cuba, in the Other sector.

The graph below presents a comparison of changes in VCS by region for the nine months ended December 31, 2019 and December 31, 2018.



For the nine months ended December 31, 2019, the most significant VCS increase compared to prior year was related to US-DPSA contracts of $46.1 million with additional increases in South America & Mexico of $23.0 million. These increases were offset by a reduction in contracts signed in Asia of $146.0 million and Central America of $22.4 million.

Contract obligations remaining as at December 31, 2019

As prime contractor, the Corporation is contractually obligated to complete contracts with foreign buyers ensuring that the terms of the contracts are fulfilled regardless of performance by the Canadian exporter. The value of the Corporation's total contract portfolio remaining to be fulfilled as at December 31, 2019 is $12.0 billion (March 31, 2019 - $14.3 billion), of which approximately 90% (March 31, 2019 – 89%) relates to the ABP contract.

COMMERCIAL TRADING TRANSACTIONS

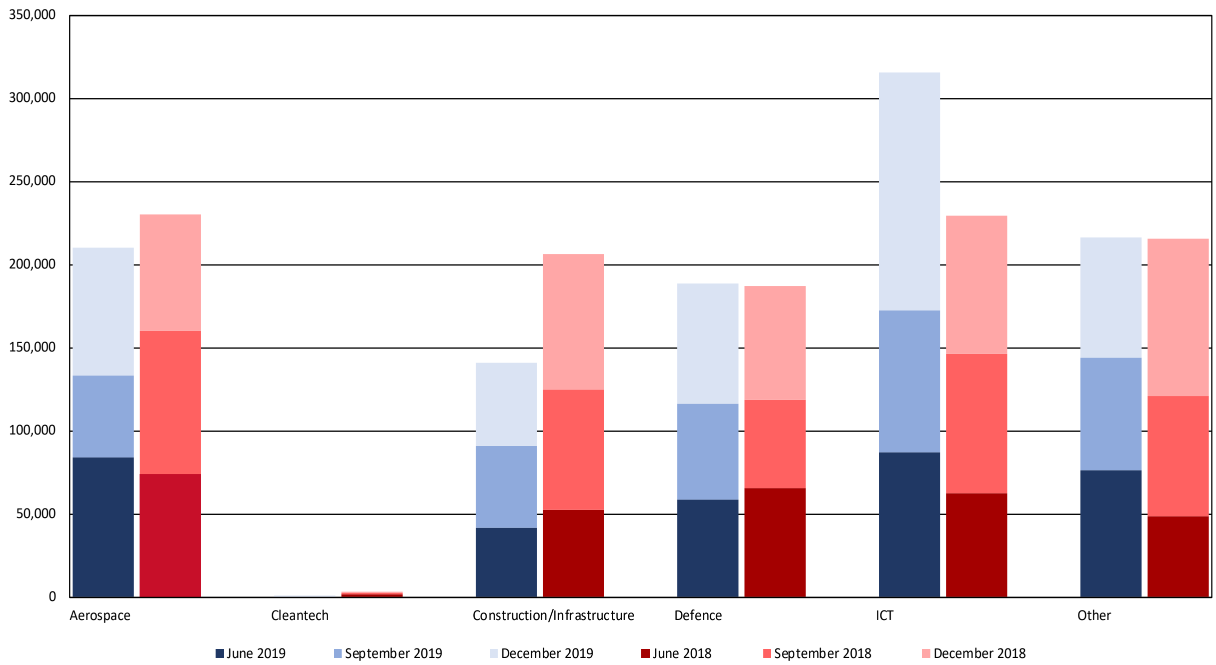
Commercial Trading Transactions ("CTT") is a non-GAAP measure used by the Corporation that represents the value of contract deliveries during the reporting period (i.e. an economic activity measure). Given CCC's agent status for reporting under International Financial Reporting Standards, CTT is not recognized as revenue. CCC continues to capture CTT data since this is a measure of CCC's impact on the Canadian economy.

The table and graph below reflect CTT by sector for the three and nine months ended December 31, 2019 and 2018.

	For the three months ended December 31,				For the nine months ended December 31,					
									% of Total	
CTT by sector ($000's)	**2019**	2018 (Restated)	$ Change	% Change	**2019**	2018 (Restated)	$ Change	% Change	**2019**	2018
Aerospace	**$ 76,399**	$ 70,244	$ 6,155	9%	**$ 209,986**	$ 230,172	$ (20,186)	(9%)	**8%**	8%
Cleantech	**176**	69	106	153%	**176**	2,196	(2,020)	(92%)	**<1%**	<1%
Construction/Infrastructure	**49,524**	81,188	(31,664)	(39%)	**140,751**	205,989	(65,238)	(32%)	**5%**	7%
Defence	**71,959**	68,014	3,945	6%	**188,283**	186,742	1,541	<1%	**7%**	6%
ICT	**142,930**	82,688	60,242	73%	**315,630**	229,337	86,294	38%	**12%**	8%
Other	**72,525**	94,335	(21,810)	(23%)	**216,551**	215,295	1,256	<1%	**8%**	7%
Total excluding ABP	**$ 413,513**	$ 396,539	$ 16,974	4%	**$ 1,071,378**	$ 1,069,731	$ 1,647	<1%	**42%**	36%
ABP	**969,977**	938,815	31,162	3%	**1,500,307**	1,937,197	(436,890)	(23%)	**58%**	64%
Total including ABP	**$ 1,383,489**	$ 1,335,354	$ 48,136	4%	**$ 2,571,685**	$ 3,006,928	$ (435,243)	(14%)	**100%**	100%

For the nine months ending December 31st, CTT decreased by $435.2 million or 14% compared to the prior year. The decrease was the net result of lower CTT from the ABP program of $436.9 million and $87.4 million across all sectors except for the Defence, ICT and Other sectors which had a combined increase of $89.1 million.

CTT by sector ($000's), excluding ABP
for the nine months ended December 31, 2019 and December 31, 2018



The results for the nine months ending December 31, 2019 in the Aerospace sector include CTT from DPSA (57%) and international (43%) contracts. The Construction/Infrastructure sector CTT are primarily from international contracts, and the Defence sector CTT are primarily from DPSA contracts. The ICT sector includes CTT from Lotteries (52%), DPSA (44%) and other (4%) contracts. The Other sector includes CTT from DPSA (68%), the supply of goods and services to support sugar and tourism industries in Cuba (23%) and other (9%) contracts.

CTT trends in a similar direction to VCS for contracts related to the DPSA, Lotteries and Cuba. This is due to the more regular and consistent year-over-year VCS results for these contracts. In contrast, given the irregular nature of international contracts, these CTT will often trend in different directions than VCS signed in the same year.

The table below presents the CTT by region and sector for the nine months ended December 31, 2019, excluding ABP.

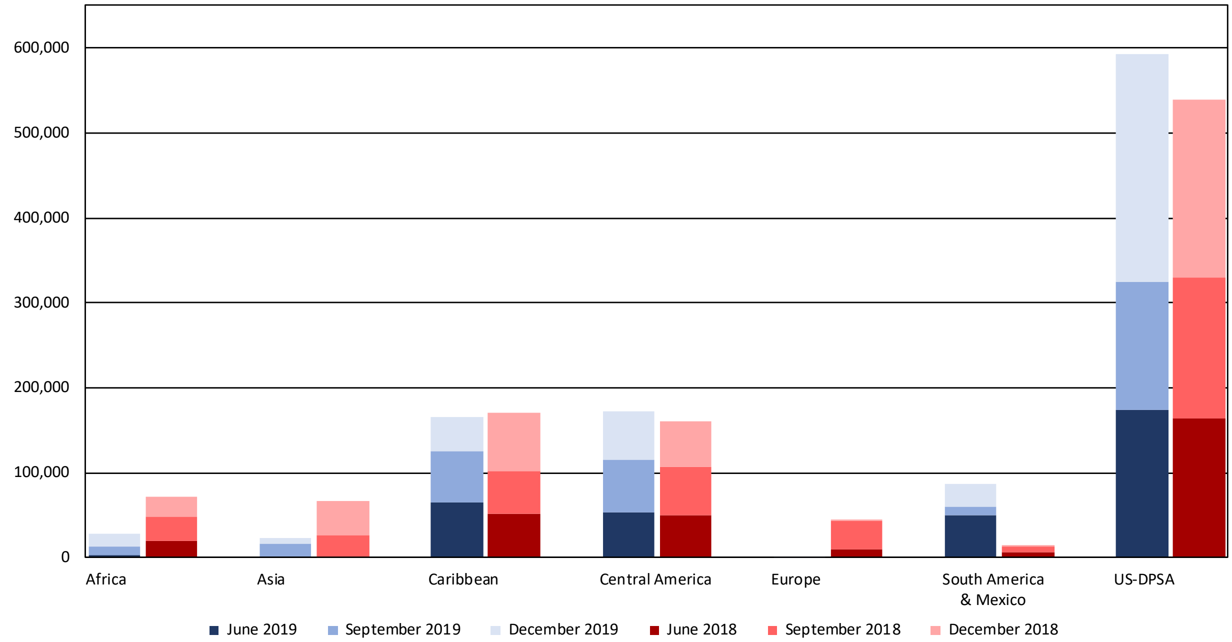
CTT by region/sector ($000's)	Aerospace	Cleantech	Construction / Infrastructure	Defence	ICT	Other	Total	% of Total
Africa	$ -	$ -	$ 23,824	$ 3,620	$ -	$ 101	**$ 27,544**	**3%**
Asia[1]	8,609	-	-	705	701	12,698	**22,713**	**2%**
Caribbean	-	176	114,483	354	-	50,571	**165,584**	**15%**
Central America	-	-	-	-	172,462	-	**172,462**	**16%**
Europe	-	-	-	2	-	-	**2**	**<1%**
Canada & US	-	-	-	888	2,764	49	**3,702**	**<1%**
South America & Mexico	80,704	-	-	-	-	5,845	**86,549**	**8%**
US-DPSA	120,674	-	2,444	182,713	139,704	147,286	**592,821**	**55%**
Total	**$ 209,986**	**$ 176**	**$ 140,751**	**$ 188,283**	**$ 315,630**	**$ 216,551**	**$ 1,071,378**	**100%**
% of Total	**20%**	**<1%**	**13%**	**18%**	**29%**	**20%**	**100%**	

[1]Asia includes the Middle East

Of the total CTT of $1,071.4 million (excluding ABP), CTT from the US-DPSA was $592.8 million or 55% across the Aerospace, Defence, ICT, Construction/Infrastructure and the Other sectors. The Aerospace sector had CTT of $80.7 million related to the upgrade and supply of aircraft in South America. The ICT sector had $172.5 million of CTT related to Lottery and Security contracts in Nicaragua, Honduras and Panama and the Other sectors had $50.6 million of CTT related to contracts in Cuba and $12.7 million of CTT primarily related to the supply of potash to Asia. Additionally, there was $114.5 million of CTT in the Construction/Infrastructure sector in the Caribbean related to progress on the expansion and rehabilitation of the L.F. Wade International Airport in Bermuda and construction of an Oasis Class cruise ship pier in St-Kitts and Nevis and $23.8 million in Africa related to the development of a parking complex in the Port of Tema, Ghana.

The graph below presents a comparison of the significant changes in CTT by region for the nine months ended December 31, 2019 and December 31, 2018, excluding ABP.

CTT by region ($000's)



For the nine months ended December 31, 2019, there was a total increase in CTT of $1.6 million, excluding the decrease of $436.9 million from the ABP. This increase was the net result of a combined increase of $138.1 million from existing contacts under management in the US-DPSA, Central America and South America & Mexico regions offset by a combined decrease of $136.5 million in the other regions.

CTT by sector and region have variation when comparing year-over-year results, which is reflective of the timing of specific contract requirements and associated delivery schedules.

SUMMARY OF FINANCIAL RESULTS

A discussion of CCC's financial highlights for the period ended December 31, 2019 follows.

Statement of Comprehensive Income discussion

	For the three months ended December 31,				For the nine months ended December 31,			
Net profit (loss) ($000's)	**2019**	2018 (Restated)	$ Change	% Change	**2019**	2018 (Restated)	$ Change	% Change
Revenues	**$ 9,226**	$ 9,894	$ (668)	(7%)	**$ 22,455**	$ 25,150	$ (2,695)	(11%)
Expenses	**6,758**	6,867	(109)	(2%)	**20,643**	20,628	15	<1%
Gain (loss) on foreign exchange	**(235)**	358	(593)	(166%)	**(252)**	473	(725)	(153%)
Net profit	**$ 2,233**	$ 3,385	$ (1,152)	(34%)	**$ 1,560**	$ 4,995	$ (3,435)	(69%)

For the nine month period ended December 2019, the Corporation recorded a net profit of $1.6 million, a decrease of $3.4 million, from the prior year net profit of $5.0 million. This result was due to $2.7 million of lower revenues and the effect of changes in foreign exchange of $725 thousand compared to prior year and expenses held to prior year levels.

CCC has a natural hedge against foreign exchange gains or losses that would otherwise impact the net results of operations and comprehensive income. Unhedged foreign exchange balances are monitored and managed to negligible levels.

Revenues

	For the three months ended December 31,				For the nine months ended December 31,					
									% of Total	
Revenues ($000's)	**2019**	2018 (Restated)	$ Change	% Change	**2019**	2018 (Restated)	$ Change	% Change	**2019**	2018
Fees for service	**$ 8,973**	$ 9,492	$ (519)	(5%)	**$ 18,893**	$ 23,167	$ (4,274)	(18%)	**84%**	92%
Transfers from government of Canada	**-**	-	-	0%	**2,500**	-	2,500	0%	**11%**	0%
Other income	**54**	182	(128)	(70%)	**333**	1,532	(1,199)	(78%)	**1%**	6%
Finance income, net	**199**	220	(21)	(10%)	**729**	451	278	62%	**3%**	2%
Total	**$ 9,226**	$ 9,894	$ (668)	(7%)	**$ 22,455**	$ 25,150	$ (2,695)	(11%)	**100%**	100%

For the nine months ended December 31, 2019, total revenues of $22.5 million were $2.7 million or 11% lower compared to the same period last year. The period-over-period decrease is due to lower fees for service of $4.3 million and other income of $1.2 million. These reductions were partially offset by a transfer from the Government of Canada of $2.5 million to fund operations and an increase in finance income of $278 thousand.

Fees for service by sector

	For the three months ended December 31,				For the nine months ended December 31,					
									% of Total	
Fees for service by sector ($000's)	**2019**	2018 (Restated)	$ Change	% Change	**2019**	2018 (Restated)	$ Change	% Change	**2019**	2018
Aerospace	**$ 335**	$ 13	$ 322	2435%	**$ 1,312**	$ 1,180	$ 132	11%	**7%**	5%
Cleantech	**8**	3	5	153%	**8**	105	(96)	(92%)	**<1%**	<1%
Construction/Infrastructure	**1,374**	2,158	(785)	(36%)	**3,789**	5,713	(1,923)	(34%)	**20%**	25%
Defence	**15**	73	(58)	(79%)	**45**	120	(75)	(62%)	**<1%**	<1%
ICT	**282**	290	(8)	(3%)	**997**	1,161	(164)	(14%)	**5%**	5%
Other	**752**	1,365	(613)	(45%)	**3,139**	3,307	(168)	(5%)	**17%**	14%
Total excluding ABP	**$ 2,765**	$ 3,903	$ (1,137)	(29%)	**$ 9,291**	$ 11,585	$ (2,294)	(20%)	**49%**	50%
ABP	**6,208**	5,589	619	11%	**9,602**	11,582	(1,980)	(17%)	**51%**	50%
Total including ABP	**$ 8,973**	$ 9,492	$ (518)	(5%)	**$ 18,893**	$ 23,167	$ (4,275)	(18%)	**100%**	100%

The Corporation charges fees for service on all contracts, except the DPSA. Fees are generally calculated as a percentage of the contract value. Fees are negotiated on a contract-by-contract basis, and, within an acceptable range, are generally reflective of a project's risk profile and competitive market conditions. Fees are recognized as revenue when the Corporation has completed its performance obligation pursuant to each contract, and are generally commensurate with CTT.

For the nine months ended December 31, 2019, total Fees for service of $18.9 million were $4.3 million or 18% lower compared to the same period last year. The period-over-period decrease was due to lower Fees for service of $2.0 million from the ABP program and a combined decrease of $2.4 million in all other sectors except for the Aerospace sector which had an increase of $132 thousand.

The table below presents the Fees for service by region and sector for the nine months ended December 31, 2019, excluding ABP.

Fees for service by region/sector ($000's)	Aerospace	Cleantech	Construction/ Infrastructure	Defence	ICT	Other	Total	% of Total
Africa	$ (10)	$ -	$ 861	$ -	$ -	$ 10	$ 861	9%
Asia[1]	167	-	-	-	56	861	1,084	12%
Caribbean	-	8	2,929	-	-	1,390	4,327	47%
Central America	-	-	-	-	866	-	866	9%
Europe	-	-	-	-	-	-	-	-
Canada & US	-	-	-	45	74	754	873	9%
South America & Mexico	1,156	-	-	-	-	124	1,280	14%
US-DPSA	-	-	-	-	-	-	-	-
Total	**$ 1,312**	**$ 8**	**$ 3,789**	**$ 45**	**$ 997**	**$ 3,139**	**$ 9,291**	**100%**
% of Total	**14%**	**<1%**	**41%**	**<1%**	**11%**	**34%**	**100%**	

[1]Asia includes the Middle East

Of the total Fees for service from contracts under management of $9.3 million (excluding ABP), $4.3 million or 47% was in the Construction & Infrastructure and Other sector in the Caribbean. The remaining $5.0 million is primarily from the Aerospace sector in South American & Mexico of $1.2 million, the ICT sector in Central America of $866 thousand, the Construction & Infrastructure in Africa of $861 thousand and the Other sector in Asia and Canada & U.S. of $1.6 million.

Expenses

Administrative expenses

	For the three months ended December 31,				For the nine months ended December 31,				% of Total	
Administrative expenses ($000's)	**2019**	2018 (Restated)	$ Change	% Change	**2019**	2018 (Restated)	$ Change	% Change	**2019**	2018
Workforce compensation and related expenses	$ **4,796**	$ 4,648	$ 148	3%	$ **14,207**	$ 14,024	$ 183	1%	**69%**	68%
Contract management services	**661**	662	(1)	(0%)	**1,984**	1,984	-	0%	**10%**	10%
Rent and related expenses	**421**	447	(26)	(6%)	**1,228**	1,041	187	18%	**6%**	5%
Travel and hospitality	**338**	348	(10)	(3%)	**969**	1,100	(131)	(12%)	**5%**	5%
Consultants	**244**	368	(124)	(34%)	**920**	942	(22)	(2%)	**4%**	5%
Software, hardware and support	**20**	60	(40)	(67%)	**547**	522	25	5%	**3%**	3%
Depreciation	**102**	113	(11)	(10%)	**305**	339	(34)	(10%)	**1%**	2%
Communications	**82**	88	(6)	(7%)	**260**	311	(51)	(16%)	**1%**	2%
Other expenses	**94**	133	(39)	(29%)	**223**	365	(142)	(39%)	**1%**	2%
Total	$ **6,758**	$ 6,867	$ (109)	(2%)	$ **20,643**	$ 20,628	$ 15	<1%	**100%**	100%

For the nine months ended December 31, 2019, administrative expenses of $20.6 million were held to prior year levels.

Administrative expenses may vary quarterly compared to prior years as CCC continuously assesses staff levels to achieve cost efficiencies where possible. It does this by reviewing and improving its alignment between the Corporation's resources and operational activities. Budgets are set with assumptions regarding capacity required to deliver the Corporation's forecasted contract activities. Budgets are managed with a view to controlling expenditures relative to revenues earned throughout the year. CCC continues to strengthen its culture of continuous improvement, implementing process changes to improve efficiencies and allow resources to be redistributed, resulting in an increase of overall capacity.

Contract remediation expenses

Contract remediation expenses are recorded as actual amounts are incurred or can be reasonably estimated. For the three and nine months ended December 31, 2019 and December 31, 2018, no contract remediation expenses were incurred. This result is a reflection of the Corporation's due diligence processes, robust contract management and Enterprise Risk Management ("ERM") practices.

Statement of Financial Position discussion

Assets and liabilities include amounts received from a foreign buyer that have not yet been transferred to the Canadian exporter, or where the Corporation has made payments to Canadian exporters before collecting from foreign buyers.

Statement of Financial Position items such as Cash and cash equivalents, Accounts receivable and Accounts payable represent amounts at a specific point in time. These balances can fluctuate widely on a daily basis and at times, tens of millions of dollars can be received one day and paid the next or vice versa.

It is notable that although the financial results are presented on an agent basis, CCC remains the primary obligor on its contracts with foreign buyers, and remains liable for contractual performance in accordance with contractual terms. As the prime contractor, the Corporation is contractually obligated to complete contracts with foreign buyers ensuring that the terms of the contract are fulfilled regardless of performance by the Canadian exporter.

Assets

Assets ($000's)					% of Total	
As at	**December 31, 2019**	March 31, 2019	$ Change	% Change	**December 31, 2019**	March 31, 2019
Cash and cash equivalents	**$ 65,783**	$ 58,481	$ 7,302	12%	**63%**	66%
Accounts receivable	**34,281**	27,603	6,678	24%	**33%**	31%
Other assets	**1,069**	403	666	165%	**1%**	<1%
Property and equipment	**2,486**	2,645	(159)	(6%)	**2%**	3%
Total assets	**$ 103,619**	$ 89,132	$ 14,487	16%	**100%**	100%

As at December 31, 2019, total assets of $103.6 million increased by $14.5 million or 16% from the March 31, 2019 year end. This is primarily driven by increases in cash and cash equivalents of $7.3 million and accounts receivable by $6.7 million.

Accounts receivable include uncollected fees for service and amounts due from foreign buyers that have already been paid to Canadian exporters under the Accounts payable early payment discounting program.

Liabilities

Liabilities ($000's)					% of Total	
As at	**December 31, 2019**	March 31, 2019	$ Change	% Change	**December 31, 2019**	March 31, 2019
Accounts payable and accrued liabilities	$ **39,896**	$ 35,456	$4,440	13%	**49%**	52%
Holdbacks and deferred revenue	**10,910**	7,228	3,682	51%	**14%**	11%
Advances	**25,021**	20,076	4,945	25%	**31%**	30%
Employee benefits	**1,726**	1,667	59	4%	**2%**	2%
Deferred lease incentives	**3,157**	3,356	(199)	(6%)	**4%**	5%
Total liabilities	$ **80,710**	$ 67,783	$ 12,927	19%	**100%**	100%

As at December 31, 2019, total liabilities of $80.7 million increased by $12.9 million or 19% from the March 31, 2019 year end. This is primarily driven by increases in accounts payable and accrued liabilities by $4.4 million, in holdbacks and deferred revenue by $3.7 million and in advances by $4.9 million.

The similar increases in both total assets and liabilities reflects the nature of the contracts under management and the effect on balances due to the timing of receipts and payments.

Statement of Cash Flows discussion

	For the three months ended December 31,				For the nine months ended December 31,				% of Total	
Cash flows ($000's)	**2019**	2018 (Restated)	$ Change	% Change	**2019**	2018 (Restated)	$ Change	% Change	**2019**	2018
Operating activities	**$ (4,496)**	$(36,980)	$ 32,484	(88%)	**$ 8,266**	$(17,306)	$ 25,572	(148%)	**113%**	101%
Investing activities	**(127)**	-	(127)	0%	**(146)**	-	(146)	0%	**(2%)**	0%
Effect of exchange rate changes on cash and cash equivalents	**(753)**	442	(1,195)	(270%)	**(818)**	226	(1,044)	(462%)	**(11%)**	(1%)
Changes in cash and cash equivalents	**$ (5,376)**	$(36,538)	$ 31,162	(85%)	**$ 7,302**	$(17,080)	$ 24,382	(143%)	**100%**	100%

For the nine months ended December 31, 2019, there was a net increase in cash and cash equivalents of $24.4 million or 143% compared to prior year results. The net increase compared to prior year was mostly due to normal operating activities, which was offset by the effect of fluctuations in exchange rates and the purchases of property and equipment.

Cash and cash equivalents represent a momentary view at a specific point in time. The Corporation's cash balances fluctuate widely on a daily basis as, at times, tens of millions of dollars can be received one day and paid the next or vice versa. It is notable that although cash flows reported reflect reporting as an agent, CCC also receives significant amounts from foreign buyers for payment to Canadian exporters as contractual performance obligations are fulfilled.

On contracts outside of the DPSA program, the Corporation generally pays its Canadian exporters within five business days after CCC receives payment from the foreign buyer (i.e. pay when paid). Under the DPSA program, the Corporation generally pays its Canadian exporters within thirty days of receipt of an invoice. The Corporation may use its own funds to pay Canadian exporters on or before the 30th day in instances where payment has not yet been received from the DPSA buyer. Depending on the timing differences between receipt and payment, these transactions can span across reporting periods and can cause variations in cash flows from one period to the next, with receivables being paid to the Corporation at the end of one period and payments being made to the Canadian exporter early in the next.

Comparison of financial results to budget in the Corporate Plan

The 2019-20 to 2023-24 Corporate Plan has been approved by the Corporation's Board of Directors but has not yet been approved by the Government of Canada.

The financial results for the nine month period ended December 31, 2019 are compared to the budget contained in the CCC 2019-20 to 2023-24 Corporate Plan.

Net profit ($000's) **For the nine months ended December 31, 2019**	Actual	Budget	$ Change	% Change
Revenues				
Fees for service	**$ 18,893**	$ 21,370	$ (2,477)	(12%)
Transfers from Government of Canada	**2,500**	-	2,500	-
Other income	**333**	425	(92)	(22%)
Finance income, net	**729**	464	265	57%
	$ 22,455	$ 22,259	$ 196	<1%
Administrative expenses	**20,643**	22,705	2,062	9%
	1,812	(446)	2,258	(506%)
Loss on foreign exchange	**(252)**	-	(252)	-
Net profit (loss)	**$ 1,560**	$ (446)	$ 2,006	(450%)

For the nine months ended December 31, the Corporation recorded a net profit of $1.6 million, which was an increase of $2.0 million over the Corporate Plan budget loss of $446 thousand. The net result was due to an unfavourable variance related to Fees for service of $2.5 million which was offset by Transfers from the Government of Canada of $2.5 million, net favourable variance in Finance and Other income of $173 thousand and a favourable variance in Administrative expenses of $2.1 million.

The unfavourable variance related to Fees for service of $2.5 million compared to budget is mostly due to lower than anticipated billing activity related to the ABP and lower levels of fees recorded from international contracts as several contract pursuits have been delayed, a consistent challenge with predicting government-to-government contract activity.

The favourable variance related to Finance income, net of $265 thousand compared to budget was due to higher investment rates and an increase in amounts available for investment.

The favourable variance of $2.1 million in administrative expenses is due to: (1) lower workforce compensation expenses ($1.2 million), stemming from vacancies related to retirements and attrition; (2) lower than planned level of travel and hospitality ($436 thousand) through the first nine months of the fiscal year; and (3) several other expenditures being lower than planned ($391 thousand). Expense budgets are set based on capacity requirement assumptions related to the Corporation's forecasted contract activity. Expenditures are managed in a prudent manner and are controlled to the extent possible relative to revenues earned throughout the year.

2019-20 FORECAST

In 2019-20, net revenues are forecasted to be lower than 2018-19. This is primarily due to the lower level of fee generating contracts signed in 2018-19 and delays in contract signing that are persisting in 2019-20. In addition, large infrastructure contracts currently in the delivery stage are winding down as they near completion, resulting in lower levels of CTT and Fees for service.

In 2019-20, administrative expenses are forecasted to increase in relation to 2018-19, largely due to:

- Increased workforce compensation and related expenses in accordance with CCC's collective bargaining agreement;
- Incremental resources in support of the 2019-20 Corporate Plan initiatives; and
- Investments in organizational development and systems to drive diversification results.

CCC'S COMMITMENT TO RISK MANAGEMENT

CCC manages entity-wide, corporate and transactional risks as it undertakes to fulfill its mandate of promoting and facilitating international trade on behalf of Canadian exporters. The strategy for managing these risks is discussed in detail in the Corporation's 2018-19 Annual Report and 2017-18 Corporate Plan Summary.

Management continues to align its responsible business conduct framework with that of the Government of Canada. Collaboration with other Government stakeholders ensures that a consistent approach and decision-making process is in place when assessing Canadian exporters on issues related to bribery and corruption as well as determining the risk of adverse human rights impacts in reference to a transaction.

Cyber risk is an ongoing threat, as cyber-attacks appear to be the new reality. Numerous improvements to CCC's information systems were implemented during the past year and the Corporation continues to evolve its approach to cyber risk management.

With the emergence of the coronavirus (COVID-19) in December 2019, management is closely monitoring events and proactively developing action plans to minimize risks to the Corporation.

Except for the changes mentioned above, there are no other significant changes, new risks or uncertainties identified during the period ended December 31, 2019, as compared to those previously reported or discussed.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as Management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements. These quarterly financial statements have not been audited or reviewed by an external auditor.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

C. Marcotte

Carl Marcotte
President and Chief Executive Officer

Ernie Briard
Chief Financial Officer

Ottawa, Canada
February 14, 2020

(IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Statement of Financial Position (Unaudited)

As at	Notes	December 31, 2019	March 31, 2019	December 31, 2018 (Restated - Note 4)
ASSETS				
Current assets				
Cash and cash equivalents	5	**$ 65,783**	$ 58,481	$ 26,275
Accounts receivable	6 , 11	**34,281**	27,603	43,283
Other assets	7	**1,069**	403	917
		101,133	86,487	70,475
Non-current assets				
Property and equipment		**2,486**	2,645	2,757
Total assets		**$ 103,619**	$ 89,132	$ 73,232
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	8 , 11	**$ 39,896**	$ 35,456	$ 19,471
Holdbacks	16	**10,602**	6,147	6,279
Advances		**25,021**	20,076	19,277
Deferred revenue	9	**308**	1,081	894
Deferred lease incentives		**265**	265	265
Employee benefits		**1,592**	1,454	1,398
		77,684	64,479	47,584
Non-current liabilities				
Deferred lease incentives		**2,892**	3,091	3,157
Employee benefits		**134**	213	264
		3,026	3,304	3,421
Total liabilities		**80,710**	67,783	51,005
EQUITY				
Contributed capital		**10,000**	10,000	10,000
Retained earnings		**12,909**	11,349	12,227
Total equity		**22,909**	21,349	22,227
Total liabilities and equity		**$ 103,619**	$ 89,132	$ 73,232
Contingencies	16			

The accompanying notes are an integral part of the financial statements.
Authorized for issue on February 14, 2020

Carl Marcotte
President and Chief Executive Officer

Ernie Briard
Chief Financial Officer

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

Statement of Comprehensive Income (Unaudited)

	Notes	For the three months ended December 31 2019	For the three months ended December 31 2018 (Restated - Note 4)	For the nine months ended December 31 2019	For the nine months ended December 31 2018 (Restated - Note 4)
REVENUES					
Fees for service	12	**$ 8,973**	$ 9,492	**$ 18,893**	$ 23,167
Transfers from Government of Canada	13	**-**	-	**2,500**	-
Other income		**54**	182	**333**	1,532
Finance income, net		**199**	220	**729**	451
		9,226	9,894	**22,455**	25,150
ADMINISTRATIVE EXPENSES	14	**6,758**	6,867	**20,643**	20,628
		2,468	3,027	**1,812**	4,522
Gain (loss) on foreign exchange		**(235)**	358	**(252)**	473
NET PROFIT		**$ 2,233**	$ 3,385	**$ 1,560**	$ 4,995
OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT (LOSS)					
Actuarial gain (loss) on employee benefits obligation		**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME		**$ 2,233**	$ 3,385	**$ 1,560**	$ 4,995

The accompanying notes are an integral part of the financial statements.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

Statement of Changes in Equity (Unaudited)

For the three and nine months ended December 31, 2019	**Notes**	**Contributed Capital**	**Retained Earnings**	**Total**
BALANCE SEPTEMBER 30, 2019		**$ 10,000**	**$ 10,676**	**$ 20,676**
Net profit			**2,233**	**2,233**
BALANCE DECEMBER 31, 2019		**$ 10,000**	**$ 12,909**	**$ 22,909**
BALANCE MARCH 31, 2019		**$ 10,000**	**$ 11,349**	**$ 21,349**
Net profit			**1,560**	**1,560**
BALANCE DECEMBER 31, 2019		**$ 10,000**	**$ 12,909**	**$ 22,909**

For the three and nine months ended December 31, 2018	**Notes**	**Contributed Capital**	**Retained Earnings**	**Total**
BALANCE SEPTEMBER 30, 2018 (Restated)		$ 10,000	$ 8,842	$ 18,842
Net profit	4		3,385	3,385
BALANCE DECEMBER 31, 2018 (Restated)	4	$ 10,000	$ 12,227	$ 22,227
BALANCE MARCH 31, 2018 (Restated)		$ 10,000	$ 7,232	$ 17,232
Net profit	4		4,995	4,995
BALANCE DECEMBER 31, 2018 (Restated)	4	$ 10,000	$ 12,227	$ 22,227

The accompanying notes are an integral part of the financial statements.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

Statement of Cash Flows (Unaudited)

	Notes	For the three months ended December 31 2019	2018 (Restated - Note 4)	For the nine months ended December 31 2019	2018 (Restated - Note 4)
OPERATING ACTIVITIES					
Net profit		**$ 2,233**	$ 3,385	**$ 1,560**	$ 4,995
Adjustments to determine net cash from (used in) operating activities:					
Depreciation		**102**	113	**305**	339
Deferred lease incentives		**(67)**	(67)	**(199)**	(199)
Employee benefit expense		**52**	50	**154**	148
Employee benefit payments		**-**	(28)	**(95)**	(28)
(Gain) loss on foreign exchange		**753**	(442)	**818**	(226)
Change in working capital from:					
Accounts receivable	6 , 11	**(8,705)**	(2,061)	**(6,678)**	6,031
Other assets	7	**(69)**	(77)	**(666)**	(733)
Accounts payable and accrued liabilities	8 , 11	**11,286**	(9,403)	**4,440**	(8,203)
Holdbacks	16	**(219)**	338	**4,455**	352
Advances		**(9,465)**	(28,533)	**4,945**	(19,691)
Deferred revenue	9	**(397)**	(255)	**(773)**	(91)
Cash provided (used in) by operating activities		**(4,496)**	(36,980)	**8,266**	(17,306)
INVESTING ACTIVITIES					
Acquisitions of property and equipment		**(127)**	-	**(146)**	-
Cash used in investing activities		**(127)**	-	**(146)**	-
Effect of exchange rate changes on cash and cash equivalents		**(753)**	442	**(818)**	226
Net increase (decrease) in cash and cash equivalents		**(5,376)**	(36,538)	**7,302**	(17,080)
Cash and cash equivalents at the beginning of the period		**71,159**	62,813	**58,481**	43,355
Cash and cash equivalents at the end of the period		**$ 65,783**	$ 26,275	**$ 65,783**	$ 26,275

The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. NATURE, ORGANIZATION AND FUNDING

The Canadian Commercial Corporation (the "Corporation") was established in 1946 by the *Canadian Commercial Corporation Act* ("CCC Act"). The Corporation is wholly owned by the Government of Canada and is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act* ("FAA"). The Corporation is domiciled in Canada with a head office located at 350 Albert Street, Ottawa, Ontario. The Corporation operates primarily in Canada with representation in Asia and South America.

The Corporation acts as the prime contracting agency for Canadian exporters when foreign governments, international organizations, or foreign private sector buyers wish to purchase products and services from Canada through the Government of Canada. The Corporation enters into prime contracts with these foreign buyers and into corresponding domestic contracts with Canadian exporters. Additionally, the Corporation enters into certain sourcing services agreements to procure goods and services for international end users on behalf of the Government of Canada and foreign governments.

The Corporation's operations are funded primarily by fees for service, supplemented by transfers from Government of Canada.

In September 2008, the Corporation, together with a number of other Crown corporations, was issued a directive (P.C. 2008-1598) pursuant to Section 89 of the FAA, entitled *Order giving a direction to parent Crown corporations involved in commercial lending to give due consideration to the personal integrity of those they lend to or provide benefits to in accordance with Government's policy to improve the accountability and integrity of federal institutions*. The Corporation implemented the directive effective January 1, 2010 and has remained compliant with the directive since then.

In July 2015, the Corporation was issued a directive (P.C. 2015-1110) pursuant to section 89 of the FAA to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation implemented the directive in August 2016 and has remained compliant with the directive since then.

The Corporation is not subject to the provisions of the *Income Tax Act*.

2. BASIS OF PREPARATION

(a) Compliance with International Financial Reporting Standards (IFRS)

These condensed interim financial statements have been prepared in accordance with the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations* using the International Financial Reporting Standards ("IFRS") accounting policies adopted in the Corporation's audited annual financial statements as at and for the year ended March 31, 2019. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation's Annual Report and audited financial statements for the year ended March 31, 2019.

As permitted by the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations*, management has elected to reflect the changes from the adoption of *IFRS 16 - Leases* (IFRS 16) in the Corporation's audited financial statements for the year ending March 31, 2020. This constitutes a departure from generally accepted accounting principles for the initial application of IFRS 16 as the quarterly financial statements for the current period do not include the impact of the new accounting standard.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for as permitted by IFRS and to the extent material, the following items:

- Derivative financial instruments are measured at fair value through profit or loss.
- Accrued employee benefit liabilities for post-employment and other long term employee benefit plans are recognized at the present value of the defined benefit obligations.

(c) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ significantly from estimates resulting in significant differences in the related financial statement balances.

Estimates and underlying assumptions are reviewed on an ongoing basis and in detail as at the date of the financial statements. Any changes in estimates are reflected in the financial statements in the period in which they become known and in any future periods affected.

Management has used estimates to determine the useful lives of property and equipment, to account for employee benefits liabilities, provisions, lease commitments and contingencies and used judgment in determining whether a provision for contract remediation expenses should be recognized or disclosed, the amount and timing of revenue recognition and the accounting for cost recovery transactions.

Additional information about areas where management has exercised judgment and made significant use of estimates and assumptions are included in the following notes:

- Note 12 (b) – Revenue from contracts with customers
- Note 16 – Contingencies

(d) Functional and presentation currency

The Corporation's functional and presentation currency is the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those disclosed in the Corporation's audited annual financial statements for the year ended March 31, 2019. In addition to accounting policies disclosed previously, the Corporation applies the following accounting policy related to Transfers from the Government of Canada.

Transfers from Government of Canada
A transfer from the Government of Canada that is not in the nature of contributed surplus is recorded when the government has authorized the transfer and is recognized as revenue in the period when the related expenses are incurred.

A transfer related to expenses of future periods is deferred and recognized as revenue in the period when the related expenses are incurred. A transfer designated for the purchase of property and equipment is deferred and amortized on the same basis as the related asset.

4. ACCOUNTING CHANGES

As permitted by the Treasury Board of Canada *Standard on Quarterly Financial Reports for Crown Corporations*, management elected to reflect the changes from the adoption of *IFRS 15 – Revenue from contracts with customers* (IFRS 15) in the Corporation's audited financial statements for the year end March 31, 2019. Therefore, restated comparative financial information as at December 31, 2018 and for the three and nine months ended December 31, 2018 is presented below.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

A complete description of the impacts resulting from the implementation of IFRS 15 is provided in note 4 (a) of the Corporation's audited annual financial statements for the year ended March 31, 2019.

Reconciliation of comparative balances as at December 31, 2018

Statement of Financial Position (Unaudited)

As at	**December 31, 2018**	**Reclassification (*)**	**IFRS 15 Adjustments**	**December 31, 2018**
IAS 18 / IFRS 15 Description	(As previously reported)			**(Restated - Note 4)**
ASSETS				
Current assets				
Cash and cash equivalents	$ 26,275			**$ 26,275**
Trade receivables / Accounts receivable	2,071,183	(891)	(2,027,009)	**43,283**
/ Other assets		891	26	**917**
Advances to Canadian exporters	663,476		(663,476)	**-**
Progress work by Canadian exporters	5,539,848		(5,539,848)	**-**
	8,300,782			**70,475**
Non-current assets				
Property and equipment	2,757			**2,757**
Total assets	$ 8,303,539			**$ 73,232**
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities/Accounts payable and accrued liabilities	$ 2,053,023	(12,017)	(2,021,535)	**$ 19,471**
/ Holdbacks		6,895	(616)	**6,279**
Advances from foreign buyers and others / Advances	682,935	(182)	(663,476)	**19,277**
Progress work for foreign buyers	5,539,848		(5,539,848)	**-**
/ Deferred revenue		5,304	(4,410)	**894**
/ Deferred lease incentives		265		**265**
Employee benefits	206	1,192		**1,398**
	8,276,012			**47,584**
Non-current liabilities				
Deferred lease incentives	3,422	(265)		**3,157**
Employee benefits	1,456	(1,192)		**264**
	4,878			**3,421**
Total liabilities	8,280,890			**51,005**
EQUITY				
Contributed capital	10,000			**10,000**
Retained earnings	12,649		(422)	**12,227**
Total equity	22,649			**22,227**
Total liabilities and equity	$ 8,303,539			**$ 73,232**

* The reclassifications are as follows:

- From Trade receivables ($891) to Other assets $891.
- From Trade payables and accrued liabilities ($12,017) and Advances from foreign buyers and others ($182) to Holdbacks $6,895 and Deferred revenue $5,304.
- From Deferred lease incentives – non-current ($265) to Deferred lease incentives – current $265.
- From Employee benefits – non-current ($1,192) to Employee benefits – current $1,192.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

Reconciliation of Comprehensive Income (Loss) for the three months ended December 31, 2018

Statement of Comprehensive Income (Loss) (Unaudited)

For the three months ended December 31	Notes		2018	Reclassification (*)	IFRS 15 Adjustments	2018
			(As previously reported)			**(Restated - Note 4)**
REVENUES						
Commercial trading transactions - prime contracts			$ 515,279		(515,279)	**$ -**
Less: cost of commercial trading transactions - prime contracts			(515,279)		515,279	**-**
Fees for service	12		5,440		4,052	**9,492**
Other income			182			**182**
Finance income, net			220			**220**
Gain on foreign exchange (*)			568	(568)		**-**
			6,410	(568)	4,052	**9,894**
ADMINISTRATIVE EXPENSES	14		7,477		(610)	**6,867**
			(1,067)	(568)	4,662	**3,027**
Gain on foreign exchange (*)				568	(210)	**358**
			(1,067)	-	4,452	**3,385**
SOURCING SERVICES FOR SUPPORT OF INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS						
Sourcing services transactions		$ 5,458			(5,458)	**-**
Less: cost of sourcing services transactions		(5,458)			5,458	**-**
			-	-	-	**-**
NET PROFIT (LOSS)			$ (1,067)	-	4,452	**$ 3,385**
OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT (LOSS)						
Actuarial gain (loss) on employee benefits obligation			-			**-**
TOTAL COMPREHENSIVE INCOME (LOSS)			$ (1,067)			**$ 3,385**

* The reclassification is as follows:

- Gain on foreign exchange of $568 previously included in the revenue section has been reclassified to a standalone line item.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

Reconciliation of Comprehensive Income (Loss) for the nine months ended December 31, 2018

Statement of Comprehensive Income (Loss) (Unaudited)

For the nine months ended December 31	Notes		2018	Reclassification (*)	IFRS 15 Adjustments	2018
			(As previously reported)			**(Restated - Note 4)**
REVENUES						
Commercial trading transactions - prime contracts			$ 1,806,632		(1,806,632)	**$ -**
Less: cost of commercial trading transactions - prime contracts			(1,806,632)		1,806,632	**-**
Fees for service	12		18,870		4,297	**23,167**
Other income			1,532			**1,532**
Finance income, net			451			**451**
Gain on foreign exchange (*)			687	(687)		**-**
			21,540	(687)	4,297	**25,150**
ADMINISTRATIVE EXPENSES	14		22,462		(1,834)	**20,628**
			(922)	(687)	6,131	**4,522**
Gain on foreign exchange (*)				687	(214)	**473**
			(922)	-	5,917	**4,995**
SOURCING SERVICES FOR SUPPORT OF INTERNATIONAL GOVERNMENT ASSISTANCE PROGRAMS						
Sourcing services transactions		$ 13,686			(13,686)	**-**
Less: cost of sourcing services transactions		(13,686)			13,686	**-**
			-	-	-	**-**
NET PROFIT (LOSS)			$ (922)	-	5,917	**$ 4,995**
OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT (LOSS)						
Actuarial gain (loss) on employee benefits obligation			-			**-**
TOTAL COMPREHENSIVE INCOME (LOSS)			$ (922)			**$ 4,995**

* The reclassification is as follows:

- Gain on foreign exchange of $687 previously included in the revenue section has been reclassified to a standalone line item.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

Reconciliation of the Statement of Cash Flows for the three months ended December 31, 2018

Statement of Cash Flows (Unaudited)

For the three months ended December 31	2018	Reclassification (*)	IFRS 15 Adjustments	2018
IAS 18 / IFRS 15 Description	(As previously reported)			**(Restated - Note 4)**
OPERATING ACTIVITIES				
Net profit (loss)	$ (1,067)	-	4,452	**$ 3,385**
Adjustments to determine net cash from (used in) operating activities:				
Depreciation	113			**113**
Deferred lease incentives	(67)			**(67)**
Employee benefit expense	50			**50**
Employee benefit payments	(28)			**(28)**
Gain on foreign exchange	(442)			**(442)**
Change in working capital from:				
Trade receivables / Accounts receivable	(210,358)	129	208,168	**(2,061)**
/ Other assets		(129)	52	**(77)**
Advances to Canadian exporters	(524,322)		524,322	**-**
Trade payables and accrued liabilities / Accounts payable and accrued liabilities	203,320	(2,738)	(209,985)	**(9,403)**
/ Holdbacks		389	(51)	**338**
Advances from foreign buyers and others / Advances	495,821	(32)	(524,322)	**(28,533)**
Deferred revenue		2,381	(2,636)	**(255)**
Cash used in operating activities	(36,980)	-	-	**(36,980)**
Effect of exchange rate changes on cash and cash equivalents	442			**442**
Net decrease in cash and cash equivalents	(36,538)			**(36,538)**
Cash and cash equivalents at the beginning of the period	62,813			**62,813**
Cash and cash equivalents at the end of the period	$ 26,275			**$ 26,275**

* The reclassifications are as follows:

- From Trade receivables $129 to Other assets ($129).
- From Trade payables and accrued liabilities ($2,738) to Holdbacks $389 and Deferred revenue $2,349.
- From Advances from foreign buyers and others ($32) to Deferred revenue $32.

The adoption of IFRS 15 has also impacted the following notes:

- Note 12 (a) – Disaggregation of fees for service revenue
- Note 14 – Administrative expenses

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

Reconciliation of the Statement of Cash Flows for the nine months ended December 31, 2018

Statement of Cash Flows (Unaudited)

For the nine months ended December 31	2018	Reclassification (*)	IFRS 15 Adjustments	2018
IAS 18 / IFRS 15 Description	(As previously reported)			**(Restated - Note 4)**
OPERATING ACTIVITIES				
Net profit (loss)	$ (922)	-	5,917	**$ 4,995**
Adjustments to determine net cash from (used in) operating activities:				
Depreciation	339			**339**
Deferred lease incentives	(199)			**(199)**
Employee benefit expense	148			**148**
Employee benefit payments	(28)			**(28)**
Gain on foreign exchange	(226)			**(226)**
Change in working capital from:				
Trade receivables / Accounts receivable	(858,471)	674	863,828	**6,031**
/ Other assets		(674)	(59)	**(733)**
Advances to Canadian exporters	(519,182)		519,182	**-**
Trade payables and accrued liabilities / Accounts payable and accrued liabilities	861,701	(2,675)	(867,229)	**(8,203)**
/ Holdbacks		407	(55)	**352**
Advances from foreign buyers and others / Advances	499,534	(43)	(519,182)	**(19,691)**
Deferred revenue		2,311	(2,402)	**(91)**
Cash used in operating activities	(17,306)	-	-	**(17,306)**
Effect of exchange rate changes on cash and cash equivalents	226			**226**
Net decrease in cash and cash equivalents	(17,080)			**(17,080)**
Cash and cash equivalents at the beginning of the period	43,355			**43,355**
Cash and cash equivalents at the end of the period	$ 26,275			**$ 26,275**

* The reclassifications are as follows:

- From Trade receivables $674 to Other assets ($674).
- From Trade payables and accrued liabilities ($2,675) to Holdbacks $407 and Deferred revenue $2,268.
- From Advances from foreign buyers and others ($43) to Deferred revenue $43.

The adoption of IFRS 15 has also impacted the following notes:

- Note 12 (a) – Disaggregation of fees for service revenue
- Note 14 – Administrative expenses

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents had the following balances by currency as at:

	December 31, 2019			March 31, 2019		
	Original currency		**Canadian dollars**	Original currency		Canadian dollars
U.S. dollars	**29,056**	**$**	**37,703**	18,802	$	25,123
Canadian dollars	**27,355**		**27,355**	29,985		29,985
Chinese renminbi	**3,892**		**725**	4,901		975
Euros	**-**		**-**	1,600		2,398
		$	**65,783**		$	58,481

The components of cash and cash equivalents were as follows as at:

		December 31, 2019		March 31, 2019
Cash	**$**	**38,789**	$	29,421
Short term investments		**16,575**		18,819
Notice deposits		**10,419**		10,241
Cash and cash equivalents	**$**	**65,783**	$	58,481

Cash and cash equivalents balances include advances received from foreign buyers and others not yet paid to Canadian exporters and amounts held back from Canadian exporters to be remitted at later dates in accordance with the terms and conditions of contracts.

6. ACCOUNTS RECEIVABLE

Accounts receivable include amounts that are due to the Corporation for fees for service invoiced and yet to be collected, amounts due from foreign buyers related to amounts already paid to Canadian exporters and other amounts primarily from Canadian government organizations. These amounts are based on normal international trade terms and are generally non-interest bearing.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

The Corporation's accounts receivable consisted of the following as at:

	December 31, 2019	March 31, 2019
Accounts receivable	**$ 34,281**	$ 27,563
Accrued receivables	**-**	40
	$ 34,281	$ 27,603

The currency profile of the Corporation's accounts receivable was as follows as at:

	December 31, 2019		March 31, 2019	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
U.S. dollars	**25,127**	**$ 32,604**	19,095	$ 25,515
Canadian dollars	**1,674**	**1,674**	2,088	2,088
Chinese renminbi	**16**	**3**	-	-
		$ 34,281		$ 27,603

7. OTHER ASSETS

The Corporation's other assets included the following as at:

	December 31, 2019	March 31, 2019
Prepaid expenses	**$ 652**	$ 304
Unbilled revenues	**417**	99
	$ 1,069	$ 403

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represent amounts due related to the Corporation's administrative and operating expenses, amounts due to Canadian exporters from amounts received from foreign buyers and other miscellaneous amounts due. These amounts are due on normal trade terms.

The Corporation's accounts payable and accrued liabilities consisted of the following as at:

	December 31, 2019	March 31, 2019
Accounts payable	**$ 36,972**	$ 32,819
Accrued liabilities	**2,924**	2,637
	$ 39,896	$ 35,456

The currency profile of the Corporation's accounts payable and accrued liabilities was as follows as at:

	December 31, 2019		March 31, 2019	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
U.S. dollars	**27,727**	**$ 35,979**	21,629	$ 28,900
Canadian dollars	**3,890**	**3,890**	4,041	4,041
Chinese renminbi	**147**	**27**	587	117
Euros	**-**	**-**	1,600	2,398
		$ 39,896		$ 35,456

Credit, market and liquidity risks related to accounts receivable and accounts payable and accrued liabilities are disclosed in Note 11.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

9. DEFERRED REVENUE

The change in the Corporation's liability of deferred revenue was as follows during the period ended:

		December 31, 2019		March 31, 2019
Balance at the beginning of the year	**$**	**1,081**	$	985
Plus: additional deferred revenue, net of refunds		**222**		594
Less: amounts recognized as Fees for service		**(783)**		(523)
Impact of netting unbilled and deferred revenue from same contract		**(212)**		25
Balance at the end of the period	**$**	**308**	$	1,081

10. CAPITAL MANAGEMENT

The Corporation's objective with respect to capital is to preserve and strengthen its capital base through prudent risk management. This objective ensures that capital is available to facilitate investments in people and processes and to mitigate any potential losses related to corporate activities, transactional exposures due to exporter non-performance and buyer credit risk.

The Corporation defines capital as its contributed capital and retained earnings. The Corporation's contributed capital consists of the capital contributed by the Government of Canada. The Corporation's capital allocation model determines the capital required across three risk areas: Corporate risk, exporter performance risk, and buyer credit risk.

The Corporation is not subject to externally imposed capital requirements.

Key strategies used by the Corporation to manage its capital base include: minimizing contract remediation expenses, balancing smart growth with operating expenses, minimizing foreign exchange exposure and optimizing interest income. The Corporation may be required to return to the Government of Canada any part of capital deemed to be in excess of the amount required for the purposes for which the Corporation was constituted.

The Corporation's breakdown of supply of capital was as follows as at:

		December 31, 2019		March 31, 2019
Contributed capital	**$**	**10,000**	$	10,000
Retained earnings		**12,909**		11,349
	$	**22,909**	$	21,349

11. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

As described in the Corporation's Annual Report and audited financial statements for the year ended March 31, 2019, the Corporation is exposed to credit risk, market risk and liquidity risk as a result of holding financial instruments. The following section is a description of the most significant risks associated with financial instruments and how the Corporation manages its risk exposure.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk arises principally from the Corporation's cash and cash equivalents, unbilled revenue and accounts receivable which includes fees for service due to the Corporation. The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk.

Cash and cash equivalents
The Corporation invests surplus funds to earn investment income with the objective of maintaining safety of principal and providing adequate liquidity to meet cash flow requirements. The Corporation's exposure to credit risk from investing cash and cash equivalents is minimized through compliance with the Corporation's Board of Directors approved investment policy, which specifies approved investment instruments and portfolio limits. The Corporation invests cash and cash equivalents in highly liquid demand deposits and temporary investments with a Canadian chartered bank. Investments must maintain credit ratings at or above thresholds identified from at least two of the agencies listed below:

- Moody's rating of P1
- Standard and Poor's ("S&P") rating of A1
- Dominion Bond Rating Service ("DBRS") rating of R1 (low)

Accounts receivable
The Corporation has credit risk related to accounts receivable which includes fees for service revenues. At times, the Corporation may agree to pay DPSA and non-DPSA invoices at the request of Canadian exporters prior to receiving funds from the US Department of Defence or other foreign buyers.

Since the DPSA foreign buyer is rated AAA by recognized rating agencies the credit exposure is minimized to acceptable levels. For non-DPSA foreign buyers, the Corporation assesses the credit risk to ensure it is also minimized to acceptable levels.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

As at December 31, 2019, 33% (March 31, 2019 - 48%) of the Corporation's accounts receivable were from AAA credit rated foreign buyers.

The maximum exposure to credit risk for accounts receivable by geographic region was as follows as at:

	December 31, 2019	March 31, 2019
Asia *	**$ 22,389**	$ 12,872
United States	**9,417**	12,680
Canada	**1,804**	542
Central America and Caribbean	**561**	894
South America	**108**	66
Africa	**2**	327
Europe	**-**	222
	$ 34,281	$ 27,603

* Includes Middle East

The maturity profile of the Corporation's accounts receivable was as follows as at:

	December 31, 2019	March 31, 2019
< 1 year	**$ 34,281**	$ 27,603
	$ 34,281	$ 27,603

Accounts receivable are considered past due when the payer has failed to make the payment by the contractual due date. The ageing profile of the Corporation's past due accounts receivable was as follows as at:

	December 31, 2019	March 31, 2019
< 30 days	**$ 3,591**	$ 4,247
> 30 days and < 180 days	**11,706**	8,790
> 180 days	**15,624**	8,136
	$ 30,921	$ 21,173

The past due accounts receivable are mostly attributable to the Armoured Brigades Program contract. All overdue accounts receivable are considered fully collectable and no allowance for credit losses has been recorded by the Corporation as at December 31, 2019. In January 2020, the past due accounts receivable amount was reduced by a payment received by the Corporation related to the Armoured Brigades Program contract.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Corporation is not exposed to significant currency risk, interest rate risk or other price risk. The Corporation has no significant derivatives or embedded derivatives that require recognition as an asset or liability on the Statement of Financial Position.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is minimized through compliance with the Corporation’s investment policy whereby cash and cash equivalents are invested in highly liquid demand deposits and temporary investments with a Canadian financial institution in order to meet financial obligations on a timely basis.

A potential claim for damages for non-performance of outstanding contracts could create liquidity risk for the Corporation. To mitigate this risk, the Corporation has contractual recourse that consists of, in all material respects, back-to-back contractual obligations from Canadian exporters in an amount equal to the value of the contract. In addition, in order to further mitigate its overall liquidity risk exposure from non-performance on contracts, depending upon the results of its due diligence, the Corporation may supplement this recourse by requiring the Canadian exporter to provide commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees and shareholder cash to be held in trust with the Corporation.

Under contract terms, other than DPSA related contracts, payments to Canadian exporters are usually not made in advance of receipt of payment from foreign buyers, and therefore do not expose the Corporation to liquidity risks.

The CCC Act permits the Corporation to borrow from the Consolidated Revenue Fund or enter into other credit arrangements or indemnities from other sources for an amount not to exceed $90.0 million.

The Corporation has a revolving credit facility providing access to funds in the amount of $40.0 million (March 31, 2019 - $40.0 million) Canadian or its U.S. dollar equivalent.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

As per contractual terms of DPSA contracts, the Corporation commits to payments to Canadian exporters within thirty days on most contracts. For the International contracts, the Corporation commits to payments within two to five business days from receipt of payments from the foreign buyer. At times, collection of amounts from the foreign buyer on DPSA contracts can take more than thirty days. This can occasionally result in the Corporation using the credit facility in the normal course of operations. Indebtedness under this agreement is unsecured and this credit facility has no expiry date. As at December 31, 2019, the draw on this line of credit was nil (March 31, 2019 — nil).

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are due on normal trade terms. The maturity profile of the Corporation's accounts payable and accrued liabilities was as follows as at:

	December 31, 2019	March 31, 2019
< 1 year	**$ 39,896**	$ 35,302
> 1 and < 3 years	**-**	154
	$ 39,896	$ 35,456

There are no onerous contracts identified as at December 31, 2019 or March 31, 2019.

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of Fee for service revenue

For the three and nine month periods ended December 31, the sources of the Corporation's Fees for service revenues were as follows:

	For the three months ended December 31		**For the nine months ended December 31**	
	2019	**2018** (Restated - Note 4)	**2019**	**2018** (Restated - Note 4)
International business	**$ 8,160**	$ 8,747	**$ 16,611**	$ 20,887
Lottery programs	**229**	206	**620**	585
	$ 8,389	$ 8,953	**$ 17,231**	$ 21,472
Government of Canada initiatives	**584**	539	**1,662**	1,695
	$ 8,973	$ 9,492	**$ 18,893**	$ 23,167

Quarterly Financial Report (in thousands of Canadian dollars, unless otherwise indicated)

(b) Unsatisfied (or partially unsatisfied) performance obligations

Unsatisfied, or partially unsatisfied, contractual performance obligations are mostly due to services which are yet to be provided by the Corporation over the remaining duration of the contract. The following table sets out the estimated transaction prices allocated to unsatisfied, or partially unsatisfied contracted performance obligations of the Corporation to be met in the future and the estimated timing of revenue recognition. Actual amounts may differ from these estimates due to a variety of factors, including the unpredictable nature of customer behaviour, industry regulation and the economic and political environments in which the Corporation operates.

The following table represents fees for service revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at:

	December 31, 2019	March 31, 2019
< 1 year	**$ 18,821**	$ 20,393
> 1 year	**32,431**	41,554
	$ 51,252	$ 61,947

As transaction prices do not include estimated amounts of variable consideration that are constrained, such amounts are also excluded from the unsatisfied performance obligations disclosure.

13. TRANSFERS FROM GOVERNMENT OF CANADA

During the nine month period ended December 31, 2019, the Corporation recognized revenue of $2.5 million received from the Government of Canada for operational expenditures. There were no Government of Canada transfers during the three month period ended December 31, 2019 or in the previous year.

In January 2020, the Government of Canada authorized an additional transfer of $2.0 million. The funds were received and recognized as revenue in January 2020.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

14. ADMINISTRATIVE EXPENSES

Administrative expenses for the three and nine month periods ended December 31 are as follows:

	For the three months ended December 31		For the nine months ended December 31	
	2019	2018 (Restated - Note 4)	**2019**	2018 (Restated - Note 4)
Workforce compensation and related expenses	**$ 4,796**	$ 4,648	**$ 14,207**	$ 14,024
Contract management services	**661**	662	**1,984**	1,984
Rent and related expenses	**421**	447	**1,228**	1,041
Travel and hospitality	**338**	348	**969**	1,100
Consultants	**244**	368	**920**	942
Software, hardware and support	**20**	60	**547**	522
Depreciation	**102**	113	**305**	339
Communications	**82**	88	**260**	311
Other expenses	**94**	133	**223**	365
	$ 6,758	$ 6,867	**$ 20,643**	$ 20,628

15. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties, and as such the transactions approximate fair value.

16. CONTINGENCIES

(a) Collateral

To manage performance risk of outstanding deliverables, the Corporation has contractual recourse that consists, in all material respects, of corresponding deliverables from Canadian exporters in the same amount. The collateral pledged by Canadian exporters is to mitigate counterparty risk to the deliverables of the Corporation in the event of non-performance claims against the Corporation for reasons related to the Canadian exporter failing to perform per the terms and conditions of contracts. In addition, to further mitigate the overall exposure to potential damage claims for non-performance, and depending upon the results of its due diligence, the Corporation may supplement this recourse by requiring the Canadian exporter to provide commercial securities including holdbacks, bank guarantees, surety bonds, parent guarantees, insurance assignments, property liens, personal guarantees and shareholder cash held in trust with the Corporation.

QUARTERLY FINANCIAL REPORT (IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

The value of the Corporation's outstanding performance obligations as at December 31, 2019 was $11,988,628 (March 31, 2019 - $14,340,651). Commercial securities that have been pledged to the Corporation as collateral by Canadian exporters in the unlikely event of their contractual non-performance were as follows as at:

	December 31, 2019	March 31, 2019
Holdbacks	**$ 10,602**	$ 6,147
Bank guarantees	**$ 20,879**	$ -
Parent guarantees	**$ 11,321,949**	$ 13,460,218

The above amounts approximate the fair values of collateral held.

(b) Other contingent liabilities

As part of the normal course of business, management assesses the likelihood of any contingent liabilities. There were no contingent liabilities to be disclosed as of December 31, 2019 or March 31, 2019.