Canadian Commercial Corporation
Corporation Commerciale Canadienne

Canadian Commercial Corporation

2021-2022 First Quarter
Financial Report (Unaudited)

For the period ended
June 30, 2021

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 of Canada's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports and is not intended to be a full MD&A. It should be read in conjunction with the Corporation's Annual report and audited annual financial statements and accompanying notes for the year ended March 31, 2021. 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.

The financial statements have been prepared in accordance with International Financial Reporting standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as reference for Generally Accepted Accounting Principles ("GAAP"). In the following discussion, the Corporation also uses certain non-GAAP financial measures, such as the Value of Contracts Signed ("VCS") and Commercial Trading Transactions ("CTT"), to evaluate its performance. Non-GAAP measures are defined and qualified when presented.

Historically, large contracts have materially affected the Corporation's financial statements, 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-year, multi-billion-dollar 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.

BUSINESS LINE REPORTING STRUCTURE

CCC has three business lines which engage the exporting capabilities of small, medium, and large Canadian companies from across diverse sectors of the economy. Through these business lines, the Corporation supports the pursuit of business deals in government procurement markets around the world. The Corporation delivers value through government-to-government ("G2G") contracting arrangements, where CCC enters into a prime contract with an international government buyer - guaranteeing delivery of goods and services - and enters into a domestic contract with a Canadian company to supply and fulfill the contractual terms and conditions. The Corporation conducts all performance oversight and financial administration of these arrangements and helps to mitigate the buyers' risk, thereby providing an added incentive to procure from Canada. The Corporation also assists Government of Canada departments and agencies to fulfill complex purchasing needs related to various international commitments and programs.

International Prime Contracting (IPC)

The Corporation's International Prime Contracting ("IPC") business line is a fee-based service involving the establishment of G2G contracts with foreign government buyers.

The Corporation works with Canadian exporters of all sizes, across a diversified number of Canadian industrial sectors and focuses its efforts in five priority sectors: Aerospace, Clean Technology ("Cleantech"), Construction & Infrastructure, Defence and Information and Communications Technology ("ICT"). These growth sectors reflect priority areas for foreign buyers and align with the Government of Canada's progressive trade and investment agenda. The goal of these business activities is to increase the number of exporters that CCC serves while also supporting a wide range of Government of Canada priorities. Canadian exporters are internationally recognized as leaders in Aerospace and have specialized Cleantech expertise in areas of public utilities, transportation, and water management systems. Construction and Infrastructure is focused on international projects in emerging and developing markets and Defence relates to the export of goods and services for global defence and security. ICT includes Concessions contracts which include the establishment of lotteries by a Canadian exporter on behalf of foreign governments to generate revenues used to help relieve poverty and support social programs abroad. The business activities from all other industries are classified as Other which includes the export of agricultural products.

Defence Production Sharing Agreement (DPSA)

CCC supports significant Canadian export activity under the Defence Production Sharing Agreement ("DPSA"). The DPSA is CCC's core public policy mandate, which enables Canadian exporters to compete for contracts as part of the U.S. Department of Defense ("DoD") domestic supply base. Enabling access in this manner provides Canadian exporters with business opportunities which drive exports and jobs in Canada, while generating economic benefits in both Canada and the U.S. CCC does not charge fees for services provided under the DPSA.

Sourcing

CCC assists Government of Canada departments and agencies in efficiently and effectively fulfilling urgent and complex procurement needs. This involves sourcing goods and services to meet a variety of international commitments or programming needs. CCC charges a fee to cover its costs to manage these programs.

Additionally, on behalf of Global Affairs Canada ("GAC"), CCC manages 10 Canadian Trade Offices in China. These offices, located in China's rapidly developing second-tier cities, provide support to Canadian companies as they seek to enter the Chinese market, while also providing a cost-effective trade representation solution for GAC. CCC recovers all of its costs from this program and charges a fee to GAC for its services.

Small and medium sized enterprises (SMEs)

Small-and-medium-enterprises ("SMEs") from across Canadian industrial sectors are an important part of CCC's IPC, DPSA, and Sourcing activities. CCC supports the development of trade between SME exporters and foreign government buyers by forging connections, lowering transactional risks and providing access to new and emerging international markets. Consistent with Global Affairs Canada, CCC defines SMEs as Canadian companies with less than 500 employees. Where appropriate, comparative SME figures have been reclassified to align with this definition.[1]

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 sales cycle for international government contracting is often measured in years, and can be directly impacted by foreign political, economic and geo-political events beyond the control of CCC. This results in a business cycle that is difficult to predict accurately and repeat consistently.

The tables below present the VCS by business line for the three months ended June 30, 2021 and 2020.

	For the three months ended June 30,				% of Total	
VCS by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020
IPC						
Core IPC	**7,263**	(5,536)	12,799	>100%	**3%**	(3%)
Concessions	**60,231**	22,479	37,752	>100%	**25%**	11%
DPSA	**173,113**	173,556	(443)	(0%)	**72%**	88%
Sourcing	**30**	7,431	(7,401)	(100%)	**<1%**	4%
Total	**$ 240,637**	$ 197,930	$ 42,707	22%	**100%**	100%

The above figures include VCS with SMEs as follows:

	For the three months ended June 30,				% of Total	
SME VCS by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020
IPC						
Core IPC	**$ 6,485**	$ 3,631	$ 2,854	79%	**5%**	5%
DPSA	**130,583**	65,128	65,455	>100%	**95%**	85%
Sourcing	**(3)**	7,431	(7,434)	<(100%)	**(0%)**	10%
Total	**$ 137,065**	$ 76,190	$ 60,875	80%	**100%**	100%

[1] Prior to fiscal year 2021-2022, SMEs were defined as Canadian companies with <500 employees, <$50 million in revenue, and with a SME parent (if applicable).

Total VCS increased by $42.7 million or 22% compared to the prior year. The increase was the net result of:

- $50.6 million increase in contract signings in the IPC business line which was primarily attributable to a $37.8 million increase in Concessions from the ICT sector, and a $12.8 million increase in Core IPC, mainly from the Construction and Infrastructure and Other sectors
- A decrease of $443 thousand in the DPSA business line, which was the result of increases in the Aerospace sector of $5.9 million and ICT sector of $78.2 million, offset by decreases in Construction and Infrastructure of $57 thousand, Other sector of $618 thousand, and the Defence sector of $83.4 million
- A decrease in VCS of $7.4 million in the Sourcing business line, primarily in the Other sector

VCS with SMEs increased by $60.9 million or 80%. This was driven by:

- Increased contract signings by SMEs in the Core IPC, Other sector of $2.9 million
- Increased contract signings in the DPSA ICT sector of $80.1 million and the Other sector of $10.8 million, offset by decreases in the Defense sector of $12.9 million and the Aerospace sector of $13.6 million
- Decreased contract signings in Sourcing of $7.4 million

The table below presents the VCS by business line and sector for the three months ended June 30, 2021.

VCS by business line/sector ($000's)	Aerospace	Cleantech	Construction/ Infrastructure	Defence	ICT	Other	**Total**	**% of Total**
IPC								
Core IPC	$ -	$ -	$ 71	$ 283	$ 424	$ 6,485	**$ 7,263**	**3%**
Concessions	-	-	-	-	60,231	-	**60,231**	**25%**
DPSA	47,255	-	(57)	12,732	82,612	30,571	**173,113**	**72%**
Sourcing	-	-	-	(3)	-	33	**30**	**<1%**
Total	**$ 47,255**	**$ -**	**$ 14**	**$ 13,012**	**$ 143,267**	**$ 37,089**	**$ 240,637**	**100%**
% of Total	**20%**	**0%**	**<1%**	**5%**	**60%**	**15%**	**100%**	

Of the total VCS of $240.6 million, Core IPC contributed $7.3 million, or 3%, across Construction and Infrastructure, Defence, ICT and Other sectors. Concessions contributed $60.2 million, or 25%, in the ICT sector. DPSA contributed $173.1 million, or 72%, across Aerospace, Defence, ICT and Other sectors, with a net descoping of contract activity in the Construction and Infrastructure sector. Sourcing contributed $30 thousand, or less than 1% of VCS, primarily in the Other sector.

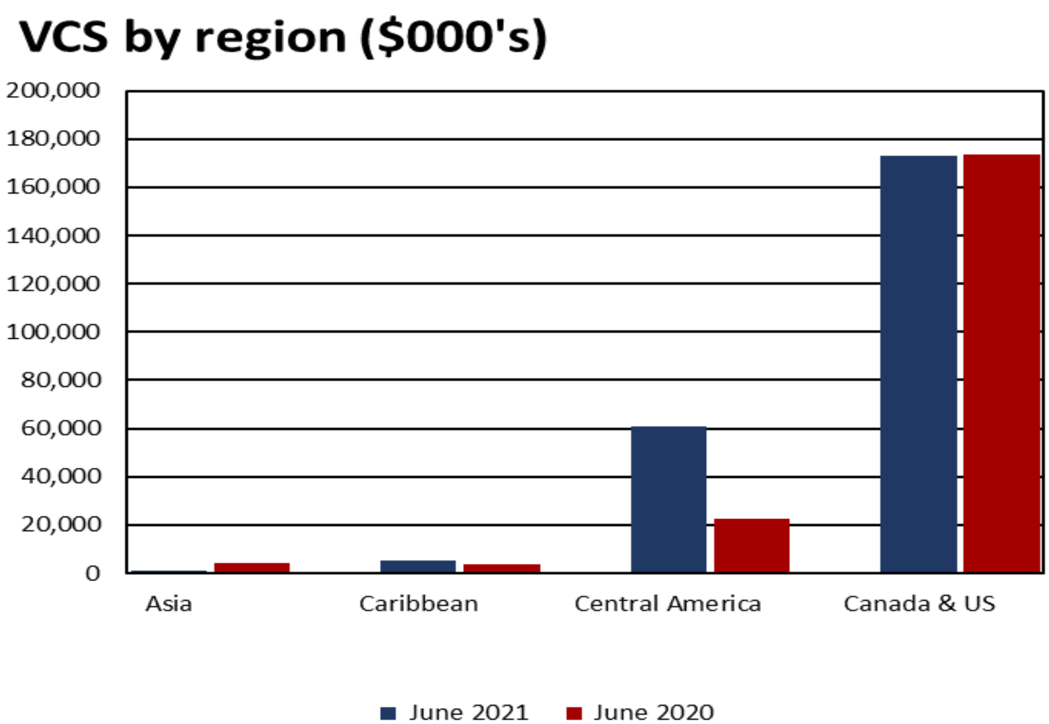
The table below presents the VCS by business line and region for the three months ended June 30, 2021.

VCS by business line/region ($000's)	Asia[1]	Caribbean	Central America	Canada & US	South America & Mexico	Total	% of Total
IPC							
Core IPC	$ 1,254	$ 5,302	$ 424	$ -	$ 283	**$ 7,263**	**3%**
Concessions	-	-	60,231	-	-	**60,231**	**25%**
DPSA	-	-	-	173,113	-	**173,113**	**72%**
Sourcing	-	-	-	(3)	33	**30**	**<1%**
Total	**$ 1,254**	**$ 5,302**	**$ 60,655**	**$ 173,110**	**$ 316**	**$ 240,637**	**100%**
% of Total	**<1%**	**2%**	**25%**	**72%**	**<1%**	**100%**	

[1]Asia includes the Middle East

Of the total VCS of $240.6 million, $1.3 million was from Asia related to the sale of potash in the Core IPC Other sector. $5.3 million from the Caribbean was in Core IPC, primarily related to business activities in support of the agricultural sector. $60.7 million from Central America was primarily related to Concession contracts in the ICT sector. 72% of VCS in the quarter, $173.1 million, was from Canada & U.S. related to DPSA contracts across the Aerospace, Defence, ICT and Other sectors. Finally, VCS of $316 thousand in South America & Mexico were mainly from the Core IPC Defence sector.

The graph below presents a comparison of significant changes in VCS by region for the three months ended June 30, 2021 and 2020.



For the three months ended June 30, 2021, the most significant year over year increase in VCS was $38.1 million from Central America, primarily related to Concessions. For both years, contract signings from Canada & U.S. under the DPSA program were the largest contributors to total VCS, representing 72% and 88% respectively.

Contract obligations remaining as at June 30, 2021

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 June 30, 2021 is $9.2 billion (March 31, 2021 - $9.4 billion), of which approximately 85% (March 31, 2021 – 85%) 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 goods and services delivered under contract during the reporting period (i.e., an economic activity measure). Given the Corporation's status as an agent for reporting under International Financial Reporting Standards, CTT is not recognized as revenue. The Corporation continues to capture CTT data since this is a measure of the Corporation's impact on the Canadian economy.

The tables below reflect CTT by business line for the three months ended June 30, 2021 and 2020.

	For the three months ended June 30,					
					% of Total	
CTT by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020
IPC						
Core IPC	**$ 28,139**	$ 38,086	$ (9,947)	(26%)	**10%**	13%
Concessions	**60,231**	22,479	37,752	>100%	**21%**	8%
DPSA	**195,644**	209,512	(13,868)	(7%)	**67%**	74%
Sourcing	**7,894**	328	7,566	>100%	**3%**	<1%
Total excluding ABP	**$ 291,908**	$ 270,405	$ 21,503	8%	**100%**	96%
ABP	**-**	12,005	(12,005)	(100%)	**0%**	4%
Total including ABP	**$ 291,908**	$ 282,410	$ 9,498	3%	**100%**	100%

The above figures include CTT with SMEs as follows:

	For the three months ended June 30,					
					% of Total	
SME CTT by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020
IPC						
Core IPC	**$ 25,239**	$ 4,575	$ 20,664	>100%	**23%**	6%
DPSA	**77,634**	74,912	2,722	4%	**71%**	94%
Sourcing	**6,624**	295	6,329	>100%	**6%**	<1%
Total	**$ 109,497**	$ 79,782	**$ 29,715**	37%	**100%**	100%

Total CTT increased by $9.5 million or 3% in 2021 compared to prior year. The increase was the net result of:

- Increases in CTT of $37.8 million from Concessions and $7.6 million from Sourcing
- Lower CTT of $9.9 million from the Core IPC business line primarily as a result of a decrease in CTT from Construction and Infrastructure ($33.3 million), which was partially offset by a net increase in CTT of $23.3 million in Aerospace, Defence, ICT and Other sectors
- Lower CTT of $13.9 million from DPSA
- Lower CTT of $12.0 million from the ABP program

CTT with SMEs increased by $29.7 million or 37% compared to prior year. This was the result of a increases in CTT in Core IPC, DPSA and Sourcing, with the largest increases occurring in the Core IPC Aerospace sector ($10.9 million increase), Core IPC Construction and Infrastructure sector ($9.7 million increase) and the Sourcing Other sector ($6.3 million increase).

Overall, CTT trends in a similar direction to VCS for contracts related to the DPSA and Concessions. 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, CTT in the Core IPC and Sourcing business lines will often trend in different directions than VCS signed in the same year.

The table below presents the CTT by business line and sector for the three months ended June 30, 2021.

CTT by business line/sector ($000's)	Aerospace	Cleantech	Construction / Infrastructure	Defence	ICT	Other	**Total**	**% of Total**
IPC								
Core IPC	$ 10,947	$ -	$ -	$ 2,475	$ 424	$ 14,293	**$ 28,139**	**10%**
Concessions	-	-	-	-	60,231	-	**60,231**	**21%**
DPSA	33,502	-	1,022	70,241	46,775	44,105	**195,645**	**67%**
Sourcing	-	-	-	198	-	7,696	**7,894**	**3%**
Total	**$ 44,449**	**$ -**	**$ 1,022**	**$ 72,914**	**$ 107,430**	**$ 66,094**	**$ 291,908**	**100%**
% of Total	**15%**	**0%**	**<1%**	**25%**	**37%**	**23%**	**100%**	

Of the total CTT of $291.9 million, CTT from Core IPC was $28.1 million or 10% across the Aerospace, Defence, ICT and Other sectors. Concessions contributed $60.2 million or 21% from the ICT sector. DPSA contributed $195.6 million or 67% across Aerospace, Construction and Infrastructure, Defence, ICT and Other. Sourcing contributed $7.9 million or 3% primarily across the ICT and Other sectors.

The table below presents the CTT by business line and region for the three months ended June 30, 2021.

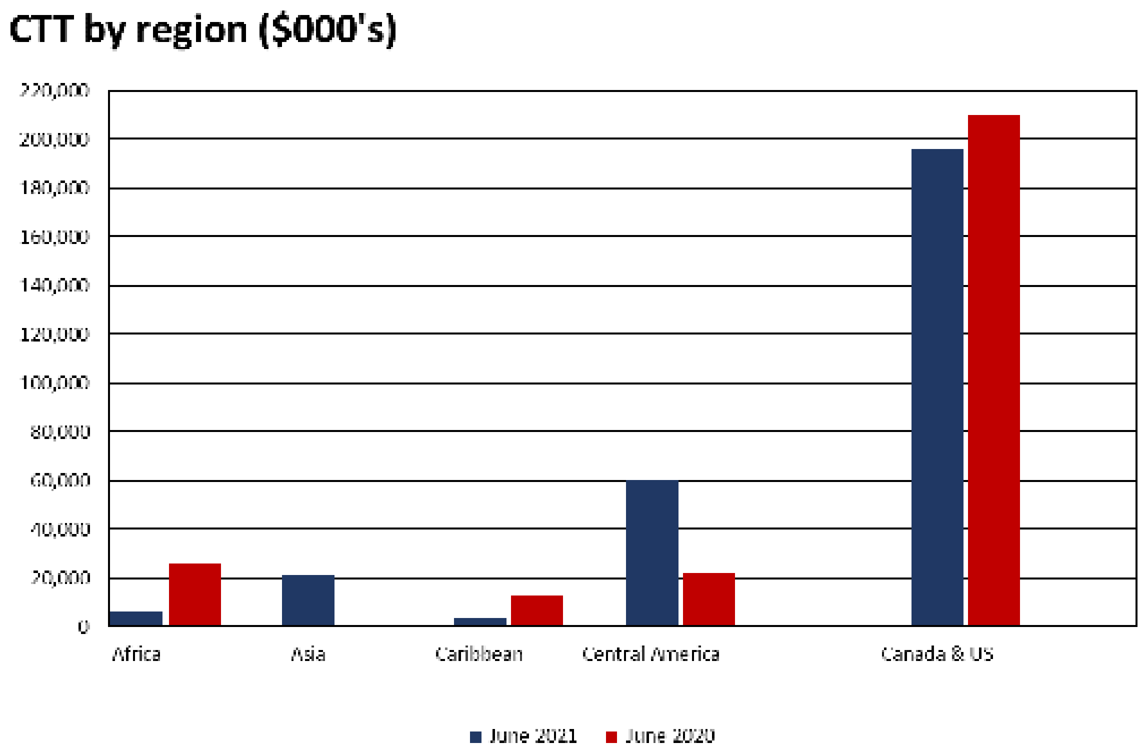
CTT by business line/region ($000's)	Africa	Asia[1]	Caribbean	Central America	Europe	Canada & US	South America & Mexico	Total	% of Total
IPC									
Core IPC	$ -	$ 21,395	$ 3,845	$ 424	$ 2,475	$ -	$ -	**$ 28,139**	**10%**
Concessions	-	-	-	60,231	-	-	-	**60,231**	**21%**
DPSA	-	-	-	-	-	195,644	-	**195,644**	**67%**
Sourcing	6,385	42	-	-	-	198	1,269	**7,894**	**3%**
Total	**$ 6,385**	**$ 21,437**	**$ 3,845**	**$ 60,655**	**$ 2,475**	**$ 195,842**	**$ 1,269**	**$ 291,908**	**100%**
% of Total	**2%**	**7%**	**1%**	**21%**	**<1%**	**67%**	**<1%**	**100%**	

[1]Asia includes the Middle East

Of the total CTT of $291.9 million:

- $6.4 million was in Africa related to Sourcing primarily for the provision of personal protective equipment in response to COVID-19.
- $21.4 million was in Asia, primarily from Core IPC sales in the Other sector for the supply of agricultural products as well as sales in the Aerospace sector.
- $3.8 million was in the Caribbean primarily from Core IPC Other sector related to business activities in support of the agricultural and tourism sectors.
- $60.7 million was in Central America from Concessions sales in the ICT sector primarily related to regional lotteries.
- $2.4 million was in Europe related to Core IPC Defense sector contracts
- $195.8 million was in Canada & US region primarily related to DPSA contracts spanning industry sectors.
- $1.3 million in South America & Mexico related to Sourcing for procurement services performed on behalf of the Government of Canada

The graph below presents a comparison of the significant changes in CTT by region for the three months ended June 30, 2021 and 2020, excluding ABP.



There was a total increase in CTT of $21.5 million in the three months ended June 30, 2021 compared to prior year, excluding the decrease of $12.0 million from the ABP. This decrease was due to a combined increase of $63.1 million in Asia, Central America, Europe and South American & Mexico, which was partially offset by a decrease of $41.6 million in Africa, Caribbean, Canada & US regions.

CTT by business line and region have variations when comparing year-over-year results, which is reflective of the timing of specific contract requirements and associated delivery schedules. Furthermore, CTT for fiscal 2020-2021 were impacted by the Coronavirus 2019 (COVID-19) pandemic as some activities and deliveries were delayed due to disruptions in the supply chain and foreign buyers focusing on their domestic response to COVID-19.

SUMMARY OF FINANCIAL RESULTS

The April 2021 budget release from the Government of Canada included annual funding of $13.0 million for CCC to cover the costs of delivering Canada's commitment under the Canada-US Defence Production Sharing Agreement (DPSA) commencing in fiscal year 2021-2022. The funding will assist CCC to maximize both the number of exporters served and economic value of transactions to Canada related to the DPSA.

A discussion of CCC's financial highlights for the three months ended June 30, 2021, follows.

Statement of Comprehensive Income discussion

	For the three months period ended June 30,			
Net loss ($000's)	**2021**	2020	$ Change	% Change
Revenues	**$ 1,440**	$ 1,702	$ (262)	(15%)
Government funding	**3,003**	-	3,003	100%
Expenses	**6,205**	6,215	(10)	(0%)
Loss on foreign exchange	**(217)**	(96)	(121)	<(100%)
Net loss	**$ (1,979)**	$ (4,609)	$ 2,630	57%

For the three months ended June 30, 2021, the Corporation recorded a net loss of $2.0 million, an improvement of $2.6 million from the prior year net loss of $4.6 million. This result was due to a decrease in revenues of $262 thousand and an increase of $121 thousand in foreign exchange losses offset by $3.0 million in funding from the Government of Canada.

CCC's contracts with foreign buyers and Canadian exporters are generally in the same currency, resulting in a natural hedge against foreign exchange gains or losses that would otherwise impact the net results of operations and comprehensive income (loss). However, there is foreign exchange risk exposure resulting from timing differences between the recognition of Fees for service revenue and actual receipt of cash from certain contracts.

Revenues

	For the three months period ended June 30,					
					% of Total	
Revenues ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020
Fees for service	**$ 1,342**	$ 1,586	$ (244)	(15%)	**94%**	93%
Other income	**49**	78	(29)	(37%)	**3%**	5%
Finance income	**49**	38	11	29%	**3%**	2%
Total	**$ 1,440**	$ 1,702	$ (262)	(15%)	**100%**	100%

For the three months ended June 30, 2021, total revenues of $1.4 million were $262 thousand, or 15%, lower compared to prior year. This decrease is due to lower Fees for service of $244 thousand, lower other income of $29 thousand, partially offset by increased finance income of $11 thousand.

Fees for service by business line

	For the three months ended June 30,				% of Total	
Fees for service by business line ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020
IPC						
Core IPC	**$ 590**	$ 916	$ (326)	(36%)	**44%**	58%
Concessions	**230**	123	107	87%	**17%**	8%
Sourcing	**522**	440	82	19%	**39%**	28%
Total excluding ABP	**$ 1,342**	$ 1,479	$ (137)	(9%)	**100%**	93%
ABP	**-**	107	(107)	(100%)	**0%**	7%
Total including ABP	**$ 1,342**	$ 1,586	$ (244)	(15%)	**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 three months ended June 30, 2021, total Fees for service of $1.3 million were $244 thousand or 15% lower compared to prior year. The period-over-period decrease was due to a decrease of $107 thousand in Fees for service from ABP and a combined decrease of $137 thousand from all other business lines.

The table below presents the Fees for service by business line and sector for the three months ended June 30, 2021.

Fees for service by business line/sector ($000's)	Aerospace	Cleantech	Construction / Infrastructure	Defence	ICT	Other	**Total**	**% of Total**
IPC								
Core IPC	$ 183	$ -	$ -	$ 95	$ 24	$ 288	**$ 590**	**44%**
Concessions	-	-	-	-	230	-	**230**	**17%**
Sourcing	-	-	-	-	-	522	**522**	**39%**
Total	**$ 183**	**$ -**	**$ -**	**$ 95**	**$ 254**	**$ 810**	**$ 1,342**	**100%**
% of Total	**14%**	**0%**	**0%**	**7%**	**19%**	**60%**	**100%**	

Of the total Fees for service from contracts under management of $1.3 million, Core IPC contributed $590 thousand or 44% across the Aerospace, Defence, ICT and Other sectors. Concessions contributed $230 thousand or 17% from the ICT sector. Sourcing contributed $522 thousand or 39% from the Other Sector.

The table below presents the Fees for service by business line and region for the three months ended June 30, 2021.

Fees for service by business line/region ($000's)	Africa	Asia[1]	Caribbean	Central America	Europe	Canada & US	South America & Mexico	Total	% of Total
IPC									
Core IPC	$ 183	$ 183	$ 105	$ 24	$ 80	$ 15	$ -	**$ 590**	**44%**
Concessions	-	-	-	230	-	-	-	**230**	**17%**
Sourcing	-	210	-	-	-	302	10	**522**	**39%**
Total	**$ 183**	**$ 393**	**$ 105**	**$ 254**	**$ 80**	**$ 317**	**$ 10**	**$ 1,342**	**100%**
% of Total	**14%**	**29%**	**8%**	**19%**	**6%**	**24%**	**<1%**	**100%**	

[1]**Asia includes the Middle East**

Of the total Fees for service from contracts under management of $1.3 million (excluding ABP):
- $183 thousand was from Africa from the Core IPC Aerospace sector.
- $393 thousand was from Asia from Core IPC sales of agricultural products in the Other sector and Sourcing services related to trade offices in China.
- $105 thousand was from the Caribbean from Core IPC activities in the support of the agricultural and tourism sectors.
- $254 thousand was from Central America primarily from Concessions in the ICT sector.
- $80 thousand was from Europe related to sales in the Core IPC Defence sector.
- $317 thousand was from the Canada & US region primarily related to Sourcing services.
- $10 thousand was from South America & Mexico.

Expenses

Administrative expenses

	For the three months ended June 30				% of Total	
Administrative expenses ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020
Workforce compensation and related expenses	**$ 4,418**	$ 4,590	$ (172)	(4%)	**74%**	76%
Contract management services	**650**	640	10	2%	**11%**	10%
Consultants	**378**	99	279	>100%	**6%**	2%
Rent and related expenses	**258**	337	(79)	(23%)	**4%**	5%
Software, hardware and support	**198**	218	(20)	(9%)	**3%**	4%
Depreciation	**148**	186	(38)	(20%)	**2%**	3%
Communications	**55**	23	32	>100%	**<1%**	<1%
Travel and hospitality	**1**	15	(14)	(93%)	**<1%**	<1%
Other expenses	**50**	55	(5)	(9%)	**<1%**	<1%
Total	**$ 6,156**	$ 6,163	$ (7)	>(1)%	**100%**	100%

For the three months ended June 30, 2021, administrative expenses of $6.2 million were $7 thousand, or less than 1%, lower compared to prior year levels. CCC continuously reviews and improves the 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 and 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 may be recorded by the Corporation if the Canadian exporter fails to fulfill its domestic contract obligations to the Corporation. Contract remediation expenses are recorded as actual amounts are incurred or can be reasonably estimated. For the three months ended June 30, 2021 and 2020, no contract remediation expenses were incurred. This result reflects 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 and accrued liabilities represent amounts at a specific point in time. These balances can fluctuate widely on a daily basis. Tens of millions of dollars can be received one day and paid the next day 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	**June 30, 2021**	March 31, 2021	$ Change	% Change	**June 30, 2021**	March 31, 2021
Cash and cash equivalents	**$ 45,135**	$ 49,448	$ (4,313)	(9%)	**63%**	62%
Accounts receivable	**20,455**	23,834	(3,379)	(14%)	**28%**	30%
Other assets	**1,003**	567	436	77%	**1%**	<1%
Property and equipment	**2,029**	2,098	(69)	(3%)	**3%**	3%
Right-of-use assets	**3,178**	3,257	(79)	(2%)	**4%**	4%
Total assets	**$ 71,800**	$ 79,204	$ (7,404)	(9%)	**100%**	100%

As at June 30, 2021, total assets of $71.8 million decreased by $7.4 million or 9% from the prior year end. This is primarily driven by decreases in cash and cash equivalents of $4.3 million and accounts receivable of $3.4 million.

Accounts receivable include uncollected Fees for service and amounts due from foreign buyers that have already been paid to Canadian exporters.

Liabilities

Liabilities ($000's)					% of Total	
As at	**June 30, 2021**	March 31, 2021	$ Change	% Change	**June 30, 2021**	March 31, 2021
Accounts payable and accrued liabilities	**$ 14,353**	$ 26,847	$ (12,494)	(47%)	**28%**	47%
Holdbacks and deferred revenue	**265**	405	(140)	(35%)	**<1%**	<1%
Deferred government funding	**9,997**	-	9,997	100%	**19%**	0%
Advances	**19,410**	22,140	(2,730)	(12%)	**38%**	39%
Employee benefits	**1,350**	1,303	47	4%	**3%**	2%
Lease liabilities	**6,314**	6,418	(104)	(2%)	**12%**	11%
Total liabilities	**$ 51,689**	$ 57,113	$ (5,424)	(9%)	**100%**	100%

As at June 30, 2021, total liabilities of $51.7 million decreased by $5.4 million or 9% from the prior year end. This is primarily driven by decreases in accounts payable and accrued liabilities of $12.5 million and advances of $2.7 million, which were partially offset by an increase in deferred government funding of $10.0 million.

The similar decreases 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 period ended June 30,					
					% of Total	
Cash flows ($000's)	**2021**	2020	$ Change	% Change	**2021**	2020
Operating activities	**$ (3,505)**	$ 2,489	$ (5,994)	<(100%)	**81%**	222%
Investing activities	**-**	(55)	55	100%	**0%**	(5%)
Financing activities	**(104)**	(103)	(1)	<1%	**2%**	(9%)
Effect of exchange rate changes on cash and cash equivalents	**(704)**	(1,210)	506	42%	**16%**	(108%)
Changes in cash and cash equivalents	**$ (4,313)**	$ 1,121	$ (5,434)	<(100%)	**100%**	100%

During the three months ended June 30, 2021, the net decrease in cash and cash equivalents of $4.3 million was lower by $5.4 million compared to the prior year net increase of $1.1 million. The decrease of $5.4 million was primarily due to a higher level of cash outflows across operating activities compared to prior year levels, partially offset by the effect of changes in exchange rates.

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 because, at times, tens of millions of dollars can be received one day and paid out the next day 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, 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, 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

The financial results for the three months ended June 30, 2021 are compared to budget as follows:

Net loss ($000's) **For the three months ended June 30, 2021**	Actual	Budget	$ Change	% Change
Revenues				
Fees for service	**$ 1,342**	$ 1,282	$ 60	5%
Other income	**49**	56	(7)	(13%)
Finance income	**49**	56	(7)	(13%)
	1,440	1,394	46	3%
Government funding	**3,003**	3,250	(247)	(8%)
Expenses				
Administrative expenses	**6,156**	6,761	(605)	(9%)
Finance costs	**49**	-	49	100%
Expenses	**6,205**	6,761	(556)	(8%)
Loss on foreign exchange	**(217)**	-	(217)	(100%)
Net loss	**$ (1,979)**	$ (2,117)	$ 138	6%

The Corporation recorded a net loss of $2.0 million in the three months ended June 30, 2021, which resulted in a favorable variance of $138 thousand compared to the budgeted net loss of $2.1 million. This was due to a higher than budgeted Fees for service variance of $60 thousand, the receipt of Government funding of $3.0 million and a favorable variance in administrative expenses of $605 thousand.

The unfavorable variance in Finance income of $7 thousand is due to lower investment balances and rates and the unfavorable variance of $26 thousand in Other income is attributable to lower than planned discounting income. In addition, the Corporation recorded losses on foreign exchange of $217 thousand.

The favorable expense variance of $605 thousand is due to: (1) lower workforce compensation expenses stemming from staff vacancies ($233 thousand); (2) lower than planned level of travel and hospitality due to travel limitations related to the COVID-19 pandemic ($4 thousand); (3) cost management and containment in consulting and communications initiatives ($231 thousand); and (4) several other expenditures being lower than planned ($150 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. These favorable variances were partially offset by higher expenses for software, hardware and IT support ($13 thousand) primarily attributable to the ongoing transition to remote work as a result of COVID-19.

2021-22 CORPORATE PLAN OUTLOOK

CCC's 2021-22 to 2025-26 Corporate Plan was approved by the Corporation's Board of Directors and submitted as required to the Minister of Small Business, Export Promotion and International Trade in January 2021.

For 2021-22, net revenues are forecasted to be lower than prior year. Revenues are forecast to be lower due to less fee generating contracts signed in 2020-21 due to the impact of the COVID-19 pandemic, combined with lower Fees for service earned on active contracts that have extended delivery obligations to future years or are winding down to completion.

To offset the anticipated revenue shortfalls, Management is proactively reducing and controlling expenditures relative to forecasted revenues as required. Expenditures will be actively managed and continually evaluated during 2021-22.

In addition, the 2021 Federal Budget allocated $13.0 million in funding for fiscal year 2021-22 to revitalize the CCC, specifically for the costs of administration and support of the DPSA.

CCC'S COMMITMENT TO RISK MANAGEMENT

CCC's Enterprise Risk Management ("ERM") Framework sets out an approach to manage a wide variety of risks while assisting the Corporation in fulfilling its mandate to facilitate international trade on behalf of Canadian exporters. The strategy for managing these risks is discussed in detail in the Corporation's 2020-21 Annual Report.

The impact of COVID-19 on CCC's business during the reporting period continues to be significant. Employees have transitioned to working from home with secured connectivity and controls regarding CCC's information systems. The continuing COVID-19 pandemic has increased business environment risk as foreign buyers recalibrate their procurement needs. Furthermore, CCC's suppliers have also been impacted economically by COVID-19, thereby increasing CCC's supplier risk.

Other risks CCC is closely monitoring include financial, reputational and human resources. The key financial risk relates to its recent history of deficits which is being mitigated with strategies to increase and diversify CCC's revenue sources coupled with prudent expenditure management. In addition, as a part of the Budget 2021, the Government of Canada has reinstated an annual appropriation to CCC for the administration of the DPSA. Reputational risk is increasing due to possible performance issues with certain export projects. Management is working closely with the affected Canadian suppliers and foreign buyers to resolve the issues. Finally, human resources risk remains high as staffing processes gear up to address gaps left through recent employee turnover. The risk will trend downward as new staff appointments are made and appointees get efficient in their new roles.

Management continues to align its environmental, social and governance framework with that of the Government of Canada. As a part of CCC's commitment to responsible business conduct, 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.

Except for the changes mentioned above, there are no other significant changes, new risks or uncertainties identified during the period ended June 30, 2021, 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's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports, 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.

Bobby Kwon
President and Chief Executive Officer

Ernie Briard
Vice-President of Corporate Services and Chief Financial Officer

Ottawa, Canada
August 17, 2021

(In thousands of Canadian dollars, unless otherwise indicated)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Statement of Financial Position (Unaudited)

As at	Notes	June 30, 2021	March 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	4	$ **45,135**	$ 49,448
Accounts receivable	5 , 12	**20,397**	22,699
Other assets	6	**1,003**	567
		66,535	72,714
Non-current assets			
Accounts receivable	5 , 12	**58**	1,135
Property and equipment		**2,029**	2,098
Right-of-use assets		**3,178**	3,257
		5,265	6,490
Total assets		$ **71,800**	$ 79,204
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7 , 12	$ **14,352**	$ 26,847
Advances		**19,410**	22,140
Deferred revenue	8	**265**	405
Deferred government funding	9	**9,997**	-
Lease liabilities	10	**465**	446
Employee benefits		**1,153**	1,111
		45,642	50,949
Non-current liabilities			
Lease liabilities	10	**5,849**	5,972
Employee benefits		**197**	192
		6,046	6,164
Total liabilities		**51,688**	57,113
EQUITY			
Contributed capital		**10,000**	10,000
Retained earnings		**10,112**	12,091
Total equity		**20,112**	22,091
Total liabilities and equity		$ **71,800**	$ 79,204
Contingencies	17		

The accompanying notes are an integral part of the financial statements.
Authorized for issue on August 17, 2021

Bobby Kwon
President and Chief Executive Officer

Ernie Briard
Vice-President of Corporate Services
and Chief Financial Officer

(In thousands of Canadian dollars, unless otherwise indicated)

Statement of Comprehensive Loss (Unaudited)

	Notes	For the three months ended June 30 **2021**	2020
REVENUES			
Fees for service	13	**$ 1,342**	$ 1,586
Other income	14	**49**	78
Finance income		**49**	38
		1,440	1,702
GOVERNMENT FUNDING			
Transfers from Government of Canada	9	**3,003**	-
		3,003	-
EXPENSES			
Administrative expenses	15	**6,156**	6,163
Finance costs	10	**49**	52
		6,205	6,215
Net loss before loss on foreign exchange		**(1,762)**	(4,513)
Loss on foreign exchange		**(217)**	(96)
Net loss		**$ (1,979)**	$ (4,609)
OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT (LOSS)			
Actuarial gain (loss) on employee benefits obligation		**-**	-
Total comprehensive loss		**$ (1,979)**	$ (4,609)

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

(In thousands of Canadian dollars, unless otherwise indicated)

Statement of Changes in Equity (Unaudited)

For the three months ended June 30, 2021	Contributed Capital	Retained Earnings	Total
BALANCE MARCH 31, 2021	**$ 10,000**	**$ 12,091**	**$ 22,091**
Net loss		**(1,979)**	**(1,979)**
BALANCE JUNE 30, 2021	**$ 10,000**	**$ 10,112**	**$ 20,112**

For the three months ended June 30, 2020	Contributed Capital	Retained Earnings	Total
BALANCE MARCH 31, 2020	$ 10,000	$ 13,914	$ 23,914
Net loss		(4,609)	(4,609)
BALANCE JUNE 30, 2020	$ 10,000	$ 9,305	$ 19,305

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

(In thousands of Canadian dollars, unless otherwise indicated)

Statement of Cash Flows (Unaudited)

	Notes	For the three months ended June 30 2021	2020
OPERATING ACTIVITIES			
Net loss		**$ (1,979)**	$ (4,609)
Adjustments to determine net cash from (used in) operating activities:			
Depreciation property and equipment		**69**	108
Depreciation right-of-use assets		**79**	78
Employee benefit expense		**47**	46
Loss on foreign exchange		**704**	1,210
Change in working capital from:			
Accounts receivable	5 , 12	**3,379**	10,093
Other assets	6	**(436)**	(695)
Accounts payable and accrued liabilities	7 , 12	**(12,495)**	(4,284)
Holdbacks	17	**-**	(5,003)
Advances		**(2,730)**	5,600
Deferred revenue	8	**(140)**	(55)
Deferred government funding	9	**9,997**	-
Cash provided (used in) by operating activities		**(3,505)**	2,489
INVESTING ACTIVITIES			
Acquisitions of property and equipment		**-**	(55)
Cash used in investing activities		**-**	(55)
FINANCING ACTIVITIES			
Principal repayment of lease liabilities	10	**(104)**	(103)
Cash used in financing activities		**(104)**	(103)
Effect of exchange rate changes on cash and cash equivalents		**(704)**	(1,210)
Net increase (decrease) in cash and cash equivalents		**(4,313)**	1,121
Cash and cash equivalents at the beginning of the year		**49,448**	65,818
Cash and cash equivalents at the end of the period		**$ 45,135**	$ 66,939
Supplementary disclosure of cash flows from operating activities			
Amount of interest received		**$ 49**	$ 38
Amount of interest paid	10	**$ 49**	$ 52

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, is an agent Crown corporation listed in Part I of Schedule III of the *Financial Administration Act* ("FAA") and is accountable for its affairs to Parliament through the Minister of Small Business, Export Promotion and International Trade (The "Minister"). 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.

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 by Fees for service, supplemented by transfers from the Government of Canada which are to be used exclusively for the administration of the DPSA.

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's Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports 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, 2021. 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, 2021.

(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.

The Corporation's key sources of estimation uncertainty during the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are related to the measurement of expected credit loss for accounts receivable and unbilled revenue, the determination of the useful lives of property and equipment, the determination of employee benefit obligations, the determination of unsatisfied (or partially unsatisfied) performance obligations and the determination whether a contingent liability needs to be disclosed or a provision for contract remediation expenses or other contract related liabilities needs to be recognized.

The critical judgements that management has made in applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the financial statements are related to the determination of the amount and timing of revenue recognition and related expenses, the accounting for cost recovery transactions, the assessment whether there have been significant changes in credit risks impacting the expected credit loss for accounts receivable and unbilled revenue, the determination of right-of-use assets and lease liabilities and the determination of whether an item is recognized in the financial statements as a provision or disclosed as a contingent liability.

Impact of COVID-19

In addition to the significant estimates and the critical judgements mentioned previously, management has assessed the impact of the COVID-19 pandemic on the Corporation in the preparation of the financial statements based on available information without undue cost or effort and has not recognized any allowance for expected credit loss or provisions nor identified any contingent liabilities to disclose as a result of COVID-19 as at June 30, 2021. However, the increase in both the magnitude and duration of the pandemic may result in future changes in estimates that may affect the timing of future revenue recognition, the accounting and disclosure for provisions, contingent liabilities and allowance for expected credit losses. Further information on the impact of COVID-19 on the Corporation is disclosed in note 12(d).

(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, 2021.

4. CASH AND CASH EQUIVALENTS

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. Also, see note 12 for a description of the Corporation's revolving line of credit that is included in the balance of Cash.

(In thousands of Canadian dollars, unless otherwise indicated)

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

	June 30, 2021	March 31, 2021
Cash	$ 38,578	$ 30,297
Notice deposits	5,549	5,538
Short term investments	1,008	13,613
Cash and cash equivalents	$ 45,135	$ 49,448

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

	June 30, 2021		March 31, 2021	
	Original currency	Canadian dollars	Original currency	Canadian dollars
Canadian dollars	28,604	$ 28,604	19,599	$ 19,599
U.S. dollars	12,756	15,812	23,380	29,381
Chinese renminbi	3,750	719	2,440	468
		$ 45,135		$ 49,448

5. 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.

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

	June 30, 2021	March 31, 2021
Accounts receivable	$ 20,505	$ 23,884
Accrued receivables	96	96
Allowance for expected credit loss	(146)	(146)
	$ 20,455	$ 23,834

(In thousands of Canadian dollars, unless otherwise indicated)

The accounts receivable are presented on the Statement of Financial Position as follows as at:

	June 30, 2021	March 31, 2021
Current	**$ 20,397**	$ 22,699
Non-current	**58**	1,135
	$ 20,455	$ 23,834

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

	June 30, 2021		March 31, 2021	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
U.S. dollars	**15,996**	**$ 19,828**	18,343	$ 23,051
Canadian dollars	**627**	**627**	783	783
		$ 20,455		$ 23,834

Credit and market risks related to accounts receivable are disclosed in note 12.

6. OTHER ASSETS

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

	June 30, 2021	March 31, 2021
Prepaid expenses	**$ 754**	$ 456
Unbilled revenues	**249**	111
	$ 1,003	$ 567

7. 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.

(In thousands of Canadian dollars, unless otherwise indicated)

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

	June 30, 2021	March 31, 2021
Accounts payable	**$ 11,908**	$ 24,216
Accrued liabilities	**2,444**	2,631
	$ 14,352	$ 26,847

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

	June 30, 2021		March 31, 2021	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
U.S. dollars	**9,293**	**$ 11,520**	18,534	$ 23,293
Canadian dollars	**2,820**	**2,820**	3,486	3,486
Chinese renminbi	**65**	**12**	354	68
		$ 14,352		$ 26,847

Market and liquidity risks related to accounts payable and accrued liabilities are disclosed in note 12.

8. DEFERRED REVENUE

The change in the Corporation's deferred revenue was as follows:

	June 30, 2021	March 31, 2021
Balance at the beginning of the year	**$ 405**	$ 547
Plus: additional deferred revenue, net of refunds	**-**	107
Less: amounts recognized as Fees for service or cost recovery	**(37)**	(285)
Impact of netting unbilled and deferred revenue from same contract	**(103)**	36
Balance at the end of the period	**$ 265**	$ 405

(In thousands of Canadian dollars, unless otherwise indicated)

9. DEFERRED GOVERNMENT FUNDING

In May 2021, the Corporation received $13.0 million from the Department of Finance Canada for the 2021-22 fiscal year. This funding is to be used exclusively for the costs of administration of the DPSA.

A reconciliation of the Corporation's deferred government funding is as follows:

	June 30, 2021
Balance at the beginning of the year	**$ -**
Plus: funding received from the Governement of Canada	**13,000**
Less: government funding revenue recognized	**(3,003)**
Balance at the end of the period	**$ 9,997**

During the three months period ended June 30, 2021, the Corporation recognized a revenue of $3.0 million (June 30, 2020 — nil) received from the Government of Canada for the costs to administer the DPSA.

10. LEASE LIABILITIES

The Corporation's leasing activities relate to office space and office equipment.

In November 2014, the Corporation entered into a fifteen-year lease agreement for office space at the Corporation's current location. The lease payments commenced on December 1, 2016, and the lease expires at the end of November 2031 with an option to extend the term of the lease for an additional five years.

A reconciliation of the Corporation's lease liabilities is as follows:

	June 30, 2021	March 31, 2021
Balance at the beginning of the year	**$ 6,418**	$ 6,836
Interest expense	**49**	205
Lease payments	**(153)**	(623)
Balance at the end of the period	**$ 6,314**	$ 6,418

QUARTERLY FINANCIAL REPORT (In thousands of Canadian dollars, unless otherwise indicated)

The lease liabilities are presented on the Statement of Financial Position as follows as at:

	June 30, 2021	March 31, 2021
Current	**$ 465**	$ 446
Non-current	**5,849**	5,972
	$ 6,314	$ 6,418

Interest expense related to lease liabilities are included in finance cost. For the three-month period ended June 30, 2021, the Corporation's administrative expenses include $206 (for the three-month period ended June 30, 2020 — $208) related to variable lease payments not included in the measurement of lease liabilities. For the three-month periods ended June 30, 2021 and June 30, 2020, there were no significant expenses related to leases of low-value assets and short-term leases for which the recognition exemption has been applied

11. CAPITAL MANAGEMENT

The Corporation's objective with respect to capital is to preserve and strengthen its capital base through prudent risk management. This objective and the implementation of strategies to optimize operating surpluses ensures that capital is available to facilitate investments in people and processes and to mitigate any potential losses related to operational, performance and 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 capital allocation model used by the Corporation determines the capital required across three risk areas: operational risk, performance risk, and 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:

	June 30, 2021	March 31, 2021
Contributed capital	**$ 10,000**	$ 10,000
Retained earnings	**10,112**	12,091
	$ 20,112	$ 22,091

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

As described in the Corporation's Annual Report and audited financial statements for the year ended March 31, 2021, 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, accounts receivable and unbilled revenue 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 revenue and other amounts owed to the Corporation. Other amounts include situations where 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 within acceptable levels.

As at June 30, 2021, 64% (March 31, 2021 — 26%) of the Corporation's accounts receivable were from AAA credit rated counterparties.

(In thousands of Canadian dollars, unless otherwise indicated)

The Corporation measures a loss allowance on accounts receivable equal to the lifetime expected credit loss. The lifetime expected credit loss is estimated based on the Corporation's historical credit loss experience adjusted for factors specific to foreign buyers or other entities including credit risk rating, general economic conditions and an assessment of both the current and forecasted direction of conditions at the reporting date.

Since March 31, 2021, there has been no movement in lifetime expected credit loss recognized for accounts receivable in accordance with the simplified approach set out in *IFRS 9.* When applicable, changes in allowance for expected credit loss are included in the Other expenses' component of Administrative expenses.

As at June 30, 2021, the Corporation recognized a loss allowance for expected credit loss of $89 related to accounts receivable from foreign buyers and other entities arising from contracts with customers. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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

	June 30, 2021	March 31, 2021
United States	**$ 12,703**	$ 5,445
Asia *	**6,636**	17,019
Central America and Caribbean	**710**	554
Canada	**406**	772
South America	**-**	44
	$ 20,455	$ 23,834

* Includes Middle East

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:

	June 30, 2021	March 31, 2021
< 30 days	**$ 5,884**	$ 390
> 30 days and < 180 days	**6,850**	4,495
> 180 days	**482**	1,115
	$ 13,216	$ 6,000

Except for the amounts included in allowance for expected credit loss, all overdue accounts receivable are considered fully collectable as at June 30, 2021.

When applicable, accounts receivable from the ABP contract covered by payments expected to be received beyond 12 months after the reporting period are presented as long term. As at June 30, 2021, there were no long-term receivable related to the ABP contract. As at March 31, 2021, these receivables were categorized as level 2 in the fair value hierarchy and the Corporation had determined that their fair value approximated their carrying value using the income approach.

(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 interest rate risk or other price risk, however, as noted below, does have currency risk exposure. The Corporation has no significant derivatives or embedded derivatives that require recognition as an asset or liability on the Statement of Financial Position.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is exposed to foreign currency risk due to timing differences between the recognition of Fees for service revenue and actual cash receipt for certain contracts. As at June 30, 2021, the Corporation’s currency risk exposure is minimal.

(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, the Corporation receives an indemnity from the exporter against any additional costs incurred by entering into the back-to-back contractual relationship. In order to further mitigate its overall liquidity risk exposure from non-performance on contracts, 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.

(In thousands of Canadian dollars, unless otherwise indicated)

As part of the normal course of business, management assesses the likelihood of any contingent liabilities. Contingent liabilities with respect to certain unresolved contract issues are disclosed in note 17(b).

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 risk.

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, 2021 — $40.0 million) Canadian or its U.S. dollar equivalent. The credit facility is used exclusively for the Corporation's working capital requirements to facilitate payments to Canadian exporters under the DPSA business line.

As per contractual terms in the DPSA business line, 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 an expiry date of December 31, 2021 subject to extension by the Minister of Finance or the approval of a corporate plan. As at June 30, 2021, the draw on this line of credit was nil (March 31, 2021 — 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:

	June 30, 2021	March 31, 2021
< 1 year	**$ 14,352**	$ 26,847
	$ 14,352	$ 26,847

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

(d) Risk associated to COVID-19

COVID-19 has impacted the following risks for the Corporation:

Business environment risk

Potential foreign buyers may adjust their procurement plans to focus on their domestic response to COVID-19 which could result in decreased demand for the Corporation's services and therefore, impacting its revenue generating potential. The Corporation monitors environmental changes resulting from COVID-19 to manage this risk and adapts processes as necessary. Additionally, the magnitude of the adverse economic impact of COVID-19 may differ from one country to another which may impact the credit risk associated to the Corporation's accounts receivable and unbilled revenue from its foreign buyers. To manage this risk, the Corporation closely monitors the aging of its accounts receivable and unbilled revenue and monitors the general economic conditions of its foreign buyers to determine whether there has been an increase in credit risk and whether any allowance for expected credit loss should be recognized. As at June 30, 2021, the Corporation's allowance for expected credit loss are not related to COVID-19.

Supplier performance risk

COVID-19 may impact exporters' capacity to meet their contractual obligations either through possible reduced sales volumes or impacted supply chains. Ultimately, some companies may fail during the pandemic. To manage this risk, the Corporation monitors the financial condition of its exporter portfolio and assesses whether any provision for contract remediation should be recognized or a contingent liability disclosed. As at June 30, 2021, the Corporation has not recognized any provisions nor identified any contingent liabilities to disclose as a result of COVID-19.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of Fees for service revenue

For the three month period ended June 30, the sources of the Corporation's Fees for service revenue were as follows:

	2021	2020
International business	**$ 590**	$ 1,023
Lottery programs	**230**	123
	$ 820	$ 1,146
Government of Canada initiatives	**522**	440
	$ 1,342	$ 1,586

(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 as at June 30, 2021. 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.

	June 30, 2021
< 1 year	**$ 12,805**
> 1 year	**24,211**
	$ 37,016

The above amounts do not include the variable consideration portions of the lottery programs as they cannot be reliably estimated.

14. OTHER INCOME

The Corporation earns other income from various sources which are typically not from international business activities. The table below illustrates the sources of other income for the three month period ended June 30:

	2021	2020
Discounting income	**$ 33**	$ 61
Miscellaneous income	**16**	17
	$ 49	$ 78

(In thousands of Canadian dollars, unless otherwise indicated)

15. ADMINISTRATIVE EXPENSES

Administrative expenses for the three month period ended June 30 are as follows:

	2021	2020
Workforce compensation and related expenses	**$ 4,418**	$ 4,590
Contract management services	**650**	640
Consultants	**378**	99
Rent and related expenses	**258**	337
Software, hardware and support	**198**	218
Depreciation	**148**	186
Communications	**55**	23
Travel and hospitality	**1**	15
Other expenses	**50**	55
	$ 6,156	$ 6,163

16. 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.

17. CONTINGENCIES

(a) Collateral

The value of outstanding deliverables to be performed by Canadian exporters for which the Corporation, on behalf of the Government of Canada, has guaranteed performance to foreign government buyers as at June 30, 2021 was $9.2 billion (March 31, 2021 — $9.4 billion).

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 guaranteed by 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.

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:

	June 30, 2021	March 31, 2021
Parent guarantees	**$ 8,758,718**	$ 8,852,878

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. As of June 30, 2021, the Corporation has certain unresolved contract issues that are being actively managed towards resolution. Except for the amounts included in allowance for expected credit loss (note 12(a)), any financial impact on the Corporation, including the potential for future contract remediation expenses, cannot be reasonably estimated at this time.