Canadian Commercial Corporation
Corporation Commerciale Canadienne

Canadian Commercial Corporation

2020-2021 Second Quarter
Financial Report (Unaudited)

For the period ended
September 30, 2020

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 audited annual financial statements and accompanying notes for the year ended March 31, 2020. 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 to evaluate its performance. These 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-billion-dollar multi-year Armoured Brigades Program ("ABP") contract which was amended as of March 31, 2020 to improve the terms of the contract. Due to the magnitude of this contract, the ABP has been presented separately in certain sections of the MD&A.

Accounting Disclosures and Impacts

International Financial Reporting Standard 16 – Leases ("*IFRS 16*"), became effective on April 1, 2019 and was reflected in the Corporation's audited financial statements for the year ended March 31, 2020. While the Corporation's operations and contractual responsibilities have not changed, the adoption of *IFRS 16* has significantly impacted the accounting and the presentation of the Corporation's leasing activities. The quantitative impact on the current set of financial statements are disclosed in Note 4 of the Condensed Interim Financial Statements.

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

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 has business activities that are focused on core product lines which include priority sector product lines. 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. The priority sector product lines include 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, 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 Lotteries established by a Canadian exporter on behalf of foreign governments which generate revenues used to relieve poverty and support social programs abroad. The business activities from all other industries are classified as Other which includes the export of products from the agriculture industry.

In addition to the priority sector product lines described above, CCC supports business activities of small and medium-sized enterprises ("SMEs") and provides Sourcing services to Other Government Departments for delivery of goods and services and managing the Canadian Trade Offices in China. CCC also supports Canadian exporters' significant business activities under the Defence Production Sharing Agreement ("DPSA").

The DPSA program is an important Public Policy program for Canada, which provides equal access for Canadian exporters and other competitors in 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 $927 million of export contracts under the DPSA in 2019-2020. 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 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 table below presents VCS by product line for the three and six months ended September 30, 2020 and 2019.

	For the three months ended September 30,				For the six months ended September 30,					
									% of Total	
VCS by product line ($000's)	**2020**	2019	$ Change	% Change	**2020**	2019	$ Change	% Change	**2020**	2019
Aerospace	**$ -**	$ 15,001	$ (15,001)	(100%)	**$ -**	$ 15,385	$ (15,385)	(100%)	**0%**	3%
Cleantech	**-**	-	-	0%	**-**	-	-	0%	**0%**	0%
Construction / Infrastructure	**-**	-	-	0%	**(9,244)**	-	(9,244)	0%	**(2%)**	0%
Defence	**2**	-	2	0%	**2**	-	2	0%	**<1%**	0%
ICT	**36,319**	53,868	(17,549)	(33%)	**58,875**	106,652	(47,777)	(45%)	**10%**	18%
Other	**45,801**	-	45,801	0%	**45,801**	404	45,397	> 100%	**8%**	<1%
DPSA	**281,695**	285,541	(3,846)	(1%)	**455,251**	445,153	10,098	2%	**79%**	74%
SMEs	**13,773**	9,907	3,866	39%	**17,404**	34,228	(16,824)	(49%)	**3%**	6%
Sourcing	**1,523**	1,638	(115)	(7%)	**8,955**	2,985	5,970	> 100%	**2%**	<1%
Total	**$ 379,113**	$ 365,955	$ 13,158	4%	**$ 577,044**	$ 604,807	$ (27,763)	(5%)	**100%**	100%

For the six months ended September 30, 2020, VCS decreased by $27.8 million or 5% compared to the prior year. The decrease was the net result of $89.2 million in lower contracts signed in Aerospace, Construction and Infrastructure, ICT and SMEs which was partially offset by a combined increase in VCS of $61.5 million in Other, DPSA and Sourcing.

VCS results were $47.8 million or 45% lower in ICT, $16.8 million or 49% lower for SMEs and $15.4 million lower for Aerospace compared to the prior year. Additionally, VCS was reduced by $9.2 million in Construction and Infrastructure due to a reduction in scope of a contract. These results were partially offset by VCS increases in Other of $45.4 million, in DPSA of $10.1 million and in Sourcing of $6.0 million. The VCS results have been impacted by the emergence of the Coronavirus 2019 (COVID-19) pandemic as foreign buyers recalibrate their procurement needs and continue to focus on their domestic response to COVID-19.

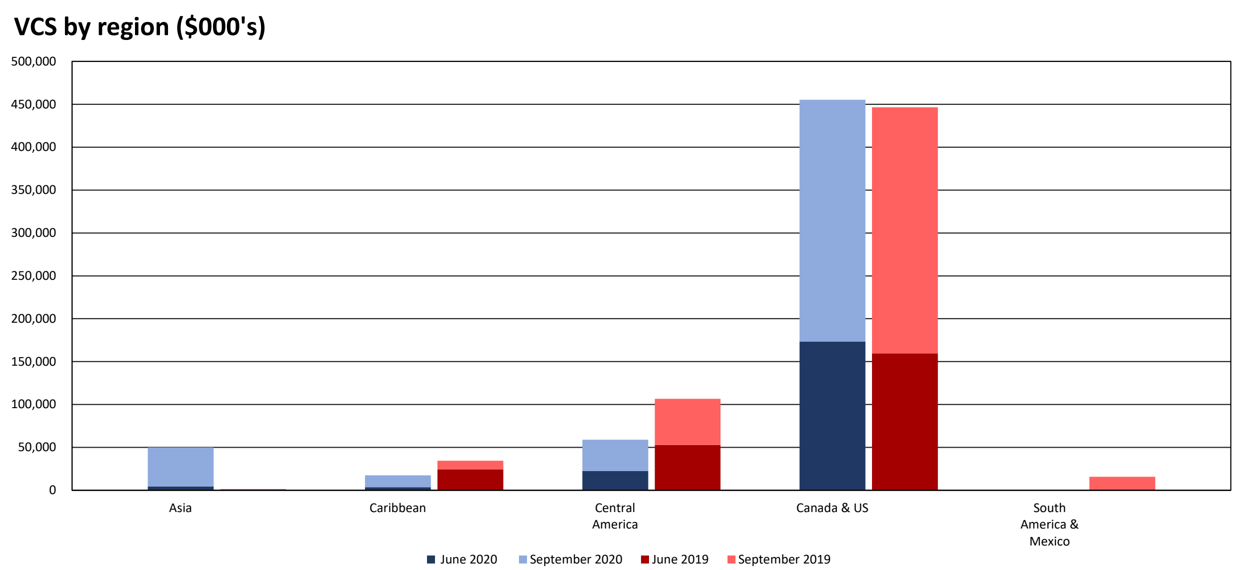
The table below presents VCS by region and product line for the six months ended September 30, 2020.

VCS by region/product line ($000's)	Aerospace	Cleantech	Construction/ Infrastructure	Defence	ICT	Other	DPSA	SMEs	Sourcing	**Total**	**% of Total**
Africa	$ -	$ -	$ (9,244)	$ -	$ -	$ -	$ -	$ -	$ 4,344	**$ (4,900)**	**<1%**
Asia[1]	-	-	-	-	-	45,801	-	-	4,286	**50,087**	**9%**
Caribbean	-	-	-	-	-	-	-	17,404	-	**17,404**	**3%**
Central America	-	-	-	-	58,875	-	-	-	-	**58,875**	**10%**
Europe	-	-	-	2	-	-	-	-	-	**2**	**<1%**
Canada & US	-	-	-	-	-	-	455,251	-	99	**455,350**	**79%**
South America & Mexico	-	-	-	-	-	-	-	-	226	**226**	**<1%**
Total	**$ -**	**$ -**	**$ (9,244)**	**$ 2**	**$ 58,875**	**$ 45,801**	**$ 455,251**	**$ 17,404**	**$ 8,955**	**$ 577,044**	**100%**
% of Total	**0%**	**0%**	**-2%**	**<1%**	**10%**	**8%**	**79%**	**3%**	**2%**	**100%**	

[1]Asia includes the Middle East

Of the total VCS of $577.0 million, there was $58.9 million from ICT in Central America, $45.8 million from Other related to the supply of potash in Asia, $455.3 million from DPSA in the Canada & US region, $17.4 million from SMEs in the Caribbean and $9.0 million from Sourcing primarily in Africa and Asia, and in the Canada & US and the South America & Mexico regions. Partially offsetting these results was a reduction in VCS from Construction and Infrastructure in Africa resulting from a reduction in scope of a contract.

The graph below presents a comparison of significant changes in VCS by region for the six months ended September 30, 2020 and 2019.



For the six months ended September 30, 2020, there were VCS decreases in the Caribbean of $17.0 million mostly from SMEs, in Central America of $47.8 million from ICT and in South America & Mexico of $15.4 million primarily from Aerospace. Partially offsetting these results were increases in Asia of $48.7 million primarily related to the sale of potash and in Canada & US of $8.8 million primarily related to DPSA contracts.

Contract obligations remaining as at September 30, 2020

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 September 30, 2020 is $10.7 billion (March 31, 2020 - $12.4 billion), of which approximately 87% (March 31, 2020 – 88%) 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 the Corporation's agent status 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 table below reflects CTT by product line for the three and six months ended September 30, 2020 and 2019.

	For the three months ended September 30,				For the six months ended September 30,					
									% of Total	
CTT by product line ($000's)	**2020**	2019	$ Change	% Change	**2020**	2019	$ Change	% Change	**2020**	2019
Aerospace	**$ 1,030**	$ 13,398	$ (12,368)	(92%)	**$ 1,030**	$ 64,670	$ (63,640)	(98%)	**<1%**	5%
Cleantech	**-**	-	-	0%	**-**	-	-	0%	**0%**	0%
Construction / Infrastructure	**13,288**	49,361	(36,073)	(73%)	**46,555**	91,227	(44,672)	(49%)	**4%**	8%
Defence	**4,216**	2	4,214	>100%	**4,383**	2	4,381	>100%	**<1%**	<1%
ICT	**37,965**	62,701	(24,736)	(39%)	**60,521**	115,485	(54,964)	(48%)	**5%**	10%
Other	**9,674**	12,496	(2,822)	(23%)	**9,674**	12,496	(2,822)	(23%)	**<1%**	1%
DPSA	**208,804**	150,495	58,309	39%	**418,316**	324,361	93,955	29%	**33%**	27%
SMEs	**8,716**	19,568	(10,852)	(55%)	**13,291**	43,484	(30,193)	(69%)	**1%**	4%
Sourcing	**9,071**	2,156	6,915	>100%	**9,399**	6,140	3,259	53%	**<1%**	<1%
Total excluding ABP	**$ 292,764**	$ 310,177	$ (17,413)	(6%)	**$ 563,169**	$ 657,865	$ (94,696)	(14%)	**45%**	55%
ABP	**683,636**	20,987	662,649	>100%	**695,641**	530,330	165,311	31%	**55%**	45%
Total including ABP	**$ 976,400**	$ 331,164	$ 645,236	>100%	**$ 1,258,810**	$ 1,188,195	$ 70,615	6%	**100%**	100%

For the six months ended September 30, 2020, CTT increased by $70.6 million or 6% compared to the prior year. The increase was the net result of higher CTT of $165.3 million from the ABP program, a combined increase of $101.6 million from Defence, DPSA and Sourcing which were partially offset by a combined decrease of $196.3 million from Aerospace, Construction and Infrastructure, ICT, Other and SMEs.

CTT trends in a similar direction to VCS for contracts related to the DPSA, ICT and SMEs product lines. 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 other product lines will often trend in different directions than VCS signed in the same year.

The table below presents the CTT by region and product line for the six months ended September 30, 2020, excluding ABP.

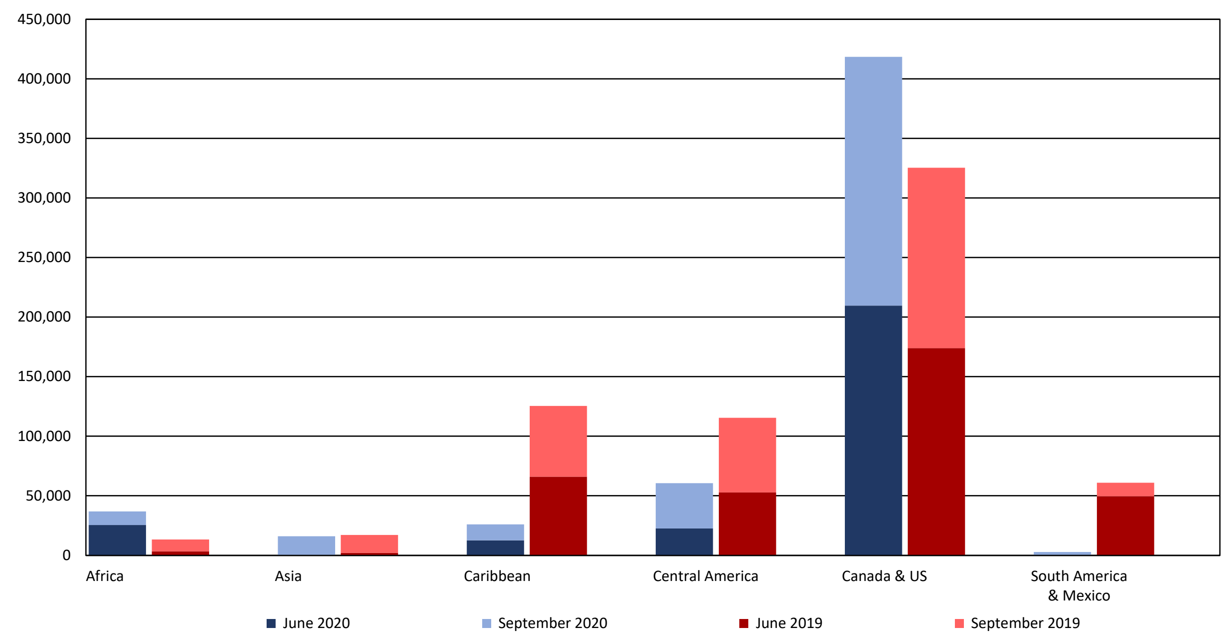
CTT by region/product line ($000's)	Aerospace	Cleantech	Construction / Infrastructure	Defence	ICT	Other	DPSA	SMEs	Sourcing	Total	% of Total
Africa	$ -	$ -	$ 34,026	$ -	$ -	$ -	$ -	$ -	$ 2,811	**$ 36,837**	**7%**
Asia[1]	-	-	-	-	-	9,674	-	-	6,286	**15,960**	**3%**
Caribbean	-	-	12,529	-	-	-	-	13,291	178	**25,998**	**5%**
Central America	-	-	-	-	60,521	-	-	-	-	**60,521**	**11%**
Europe	-	-	-	2,692	-	-	-	-	-	**2,692**	**<1%**
Canada & US	-	-	-	-	-	-	418,316	-	124	**418,440**	**74%**
South America & Mexico	1,030	-	-	1,691	-	-	-	-	-	**2,721**	**<1%**
Total	**$ 1,030**	**$ -**	**$ 46,555**	**$ 4,383**	**$ 60,521**	**$ 9,674**	**$ 418,316**	**$ 13,291**	**$ 9,399**	**$ 563,169**	**100%**
% of Total	**<1%**	**0%**	**8%**	**<1%**	**11%**	**2%**	**74%**	**2%**	**2%**	**100%**	

[1]Asia includes the Middle East

Of the total CTT of $563.2 million (excluding ABP), CTT from DPSA was $418.3 million or 74%. ICT contributed $60.5 million related to Lottery and Security contracts in Nicaragua, Honduras and Panama. Construction/Infrastructure contributed $34.0 million in Africa related to the development of a parking complex in the Port of Tema, Ghana and $12.5 million in the Caribbean related to progress on the expansion and rehabilitation of the L.F. Wade International Airport in Bermuda. With continued focus on support of SMEs, this product line contributed $13.3 million from business activities in the Caribbean. The Other product line contributed $9.7 million related to the supply of potash in Asia. Sourcing contributed $9.4 million primarily related to the provision of personal protective equipment in Africa and Asia following the emergence of COVID-19.

The graph below presents a comparison of the significant changes in CTT by region for the six months ended September 30, 2020 and 2019, excluding ABP.

CTT by region ($000's)



For the six months ended September 30, 2020, there was a total decrease in CTT of $94.7 million compared to prior year, excluding the increase of $165.3 million from the ABP. The net result was due to a combined decrease of $213.9 million in Asia, the Caribbean, Central America and South America & Mexico which was partially offset by a combined increase of $119.2 million in Africa, Europe and the Canada & US.

CTT by product 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 the six months ended September 30, 2020 has been impacted by the emergence of the Coronavirus 2019 (COVID-19) pandemic as some activities and deliveries are delayed due to disruptions in the supply chain and foreign buyers focusing on their domestic response to COVID-19.

SUMMARY OF FINANCIAL RESULTS

A discussion of CCC's financial highlights for the period ended September 30, 2020 follows.

Statement of Comprehensive Income (loss) discussion

	For the three months ended September 30,				For the six months ended September 30,			
Net profit (loss) ($000's)	**2020**	2019 (Adjusted for IFRS 16)	$ Change	% Change	**2020**	2019 (Adjusted for IFRS 16)	$ Change	% Change
Revenues	**$ 5,897**	$ 4,189	$ 1,708	41%	**$ 7,599**	$ 10,729	$ (3,130)	(29%)
Government funding	**-**	2,500	(2,500)	(100%)	**-**	2,500	(2,500)	(100%)
Expenses	**5,594**	7,058	(1,464)	(21%)	**11,809**	13,974	(2,165)	(15%)
Gain (loss) on foreign exchange	**(13)**	65	(78)	(>100%)	**(109)**	(17)	(92)	>100%
Net profit (loss) ($000's)	**$ 290**	$ (304)	$ 594	(>100%)	**$ (4,319)**	$ (762)	$ (3,557)	>100%

For the six months ended September 30, 2020, the Corporation recorded a net loss of $4.3 million, a decline of $3.6 million from the prior year net loss of $762 thousand. This result was due to $3.1 million of lower revenues, a $2.5 million decrease in funding from the Government of Canada and the effect of changes in foreign exchange of $92 thousand which were partially offset by lower expenses of $2.2 million compared 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 (loss). Unhedged foreign exchange balances are monitored and managed to negligible levels.

Revenues

	For the three months ended September 30,				For the six months ended September 30,				% of Total	
Revenues ($000's)	**2020**	2019	$ Change	% Change	**2020**	2019	$ Change	% Change	**2020**	2019
Fees for service	**$ 5,767**	$ 3,838	$ 1,929	50%	**$ 7,353**	$ 9,920	$ (2,567)	(26%)	**97%**	92%
Other income	**93**	115	(22)	(19%)	**171**	279	(108)	(39%)	**2%**	3%
Finance income	**37**	236	(199)	(84%)	**75**	530	(455)	(86%)	**<1%**	5%
Total	**$ 5,897**	$ 4,189	$ 1,708	41%	**$ 7,599**	$ 10,729	$ (3,130)	(29%)	**100%**	100%

For the six months ended September 30, 2020, total revenues of $7.6 million were $3.1 million or 29% lower compared to prior year. The decrease is due to lower Fees for service of $2.6 million, other income of $108 thousand and finance income of $455 thousand.

Fees for service by product line

Fees for service by product line ($000's)	For the three months ended September 30, 2020	2019	$ Change	% Change	For the six months ended September 30, 2020	2019	$ Change	% Change	% of Total 2020	% of Total 2019
Aerospace	$ 27	$ 605	$ (578)	(96%)	$ 27	$ 978	$ (951)	(97%)	<1%	10%
Cleantech	-	-	-	0%	-	-	-	0%	0%	0%
Construction / Infrastructure	430	1,377	(947)	(69%)	1,177	2,416	(1,239)	(51%)	16%	24%
Defence	156	15	141	>100%	175	30	145	>100%	2%	<1%
ICT	246	412	(166)	(40%)	395	611	(216)	(35%)	5%	6%
Other	169	218	(49)	(22%)	169	218	(49)	(22%)	2%	2%
SMEs	240	538	(298)	(55%)	364	1,195	(831)	(70%)	5%	12%
Sourcing	605	539	66	12%	1,045	1,078	(33)	(3%)	14%	11%
Total excluding ABP	$ 1,873	$ 3,704	$ (1,831)	(49%)	$ 3,352	$ 6,526	$ (3,174)	(49%)	46%	66%
ABP	3,894	134	3,760	>100%	4,001	3,394	607	18%	54%	34%
Total including ABP	$ 5,767	$ 3,838	$ 1,929	50%	$ 7,353	$ 9,920	$ (2,567)	(26%)	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 six months ended September 30, 2020, total Fees for service of $7.4 million were $2.6 million or 26% lower compared to the same period last year. The period-over-period decrease was due to a combined decrease of $3.3 million in Fees for service across all product lines except for ABP which had an increase of $607 thousand and Defence which had an increase of $145 thousand.

The table below presents the Fees for service by region and product line for the six months ended September 30, 2020, excluding ABP.

Fees for service by region/product line ($000's)	Aerospace	Cleantech	Construction / Infrastructure	Defence	ICT	Other	DPSA	SMEs	Sourcing	Total	% of Total
Africa	$ -	$ -	$ 872	$ -	$ -	$ -	$ -	$ -	$ 65	$ 937	28%
Asia[1]	-	-	-	-	-	169	-	-	456	625	19%
Caribbean	-	-	305	-	-	-	-	364	(5)	664	20%
Central America	-	-	-	-	395	-	-	-	-	395	12%
Europe	-	-	-	86	-	-	-	-	-	86	3%
Canada & US	-	-	-	33	-	-	-	-	503	536	16%
South America & Mexico	27	-	-	56	-	-	-	-	26	109	3%
Total	$ 27	$ -	$ 1,177	$ 175	$ 395	$ 169	$ -	$ 364	$ 1,045	$ 3,352	100%
% of Total	<1%	0%	35%	5%	12%	5%	0%	11%	31%	100%	

[1] Asia includes the Middle East

Of the total Fees for service from contracts under management of $3.4 million (excluding ABP), $1.2 million or 35% was from Construction & Infrastructure in Africa and the Caribbean. Sourcing contributed $1.0 million or 31% in Africa, Asia, Canada & US and South America & Mexico. ICT had $395 thousand or 12% in Central America. With continued focus on SMEs, this product line contributed $364 thousand or 11% in the Caribbean. Additionally, Defence contributed $175 thousand or 5% across Europe, Canada & US and South America & Mexico. The Other product line contributed $169 thousand or 5% related to the supply of potash in Asia.

Expenses

Administrative expenses

	For the three months ended September				For the six months ended September 30					
									% of Total	
Administrative expenses ($000's)	**2020**	2019 (Adjusted for IFRS 16)	$ Change	% Change	**2020**	2019 (Adjusted for IFRS 16)	$ Change	% Change	**2020**	2019
Workforce compensation and related expenses	**$ 3,805**	$ 4,670	$ (865)	(19%)	**$ 8,395**	$ 9,411	$ (1,016)	(11%)	**72%**	67%
Contract management services	**639**	662	(23)	(3%)	**1,279**	1,323	(44)	(3%)	**11%**	10%
Rent and related expenses	**206**	368	(162)	(44%)	**543**	632	(89)	(14%)	**5%**	5%
Consultants	**332**	354	(22)	(6%)	**431**	676	(245)	(36%)	**4%**	5%
Software, hardware and support	**169**	183	(14)	(8%)	**387**	522	(135)	(26%)	**3%**	4%
Depreciation	**190**	180	10	6%	**376**	360	16	4%	**3%**	3%
Communications	**123**	136	(13)	(10%)	**146**	178	(32)	(18%)	**1%**	1%
Travel and hospitality	**6**	372	(366)	(98%)	**21**	631	(610)	(97%)	**<1%**	5%
Other expenses	**72**	77	(5)	(6%)	**127**	129	(2)	(2%)	**1%**	<1%
Total	**$ 5,542**	$ 7,002	$ (1,460)	(21%)	**$ 11,705**	$ 13,862	$ (2,157)	(16%)	**100%**	100%

For the six months ended September 30, 2020, administrative expenses of $11.7 million were $2.2 million or 16% lower compared to prior year. This was the result of a combined decrease across all expense line items except for depreciation which had a minor increase of $16 thousand.

Administrative expenses may vary compared to prior periods as CCC continuously assesses staff levels to achieve cost efficiencies where possible. This is accomplished by reviewing and improving 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 are recorded as actual amounts are incurred or can be reasonably estimated. For the six months ended September 30, 2020 and 2019, 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 and accrued liabilities 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	**September 30, 2020**	March 31, 2020	$ Change	% Change	**September 30, 2020**	March 31, 2020
Cash and cash equivalents	**$ 38,454**	$ 65,818	$ (27,364)	(42%)	**58%**	67%
Accounts receivable	**21,286**	26,333	(5,047)	(19%)	**32%**	27%
Other assets	**1,136**	781	355	45%	**2%**	<1%
Property and equipment	**2,296**	2,404	(108)	(4%)	**3%**	2%
Right-of-use assets	**3,413**	3,570	(157)	(4%)	**5%**	4%
Total assets	**$ 66,585**	$ 98,906	$ (32,321)	(33%)	**100%**	100%

As at September 30, 2020, total assets of $66.6 million decreased by $32.3 million or 33% from March 31, 2020. This is primarily driven by decreases in cash and cash equivalents of $27.4 million and in accounts receivable of $5.0 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	**September 30, 2020**	March 31, 2020	$ Change	% Change	**September 30, 2020**	March 31, 2020
Accounts payable and accrued liabilities	**$ 21,577**	$ 40,568	$ (18,991)	(47%)	**46%**	54%
Holdbacks and deferred revenue	**317**	5,550	(5,233)	(94%)	**<1%**	7%
Advances	**17,091**	20,754	(3,663)	(18%)	**36%**	28%
Employee benefits	**1,376**	1,284	92	7%	**3%**	2%
Lease liabilities	**6,629**	6,836	(207)	(3%)	**14%**	9%
Total liabilities	**$ 46,990**	$ 74,992	$ (28,002)	(37%)	**100%**	100%

As at September 30, 2020, total liabilities of $47.0 million decreased by $28.0 million or 37% from March 31, 2020. This is primarily driven by decreases in accounts payable and accrued liabilities of $19.0 million, in holdbacks and deferred revenue of $5.2 million and in advances of $3.7 million. The similar decreases in both total assets and liabilities reflect 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 September 30,				For the six months ended September 30,					
									% of Total	
Cash flows ($000's)	**2020**	2019 (Adjusted for IFRS 16)	$ Change	% Change	**2020**	2019 (Adjusted for IFRS 16)	$ Change	% Change	**2020**	2019
Operating activities	**$ (27,699)**	$ 23,810	$(51,509)	(>100%)	**$ (25,210)**	$ 12,962	$(38,172)	(>100%)	**92%**	100%
Investing activities	**(56)**	(19)	(37)	>100%	**(111)**	(19)	(92)	>100%	**<1%**	0%
Financing activities	**$ (104)**	(100)	(4)	4%	**(207)**	$ (200)	(7)	4%	**<1%**	0%
Effect of exchange rate changes on cash and cash equivalents	**(626)**	57	(683)	(>100%)	**(1,836)**	(65)	(1,771)	>100%	**7%**	0%
Changes in cash and cash equivalents	**$ (28,485)**	$ 23,748	$(52,233)	(>100%)	**$ (27,364)**	$ 12,678	$(40,042)	(>100%)	**100%**	100%

For the six months ended September 30, 2020, the net decrease in cash and cash equivalents of $27.4 million was a decline of $40.0 million compared to the prior year net increase of $12.7 million. The decline of $40.0 million was due to higher level of cash outflows across operating, investing and financing activities totaling $38.3 million compared to prior year levels as well as the effect of changes in exchange rates of $1.8 million.

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 cash flows reported reflect significant amounts received 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 period.

Comparison of financial results to Budget

The financial results for the six month period ended September 30, 2020 as compared to budget are as follows:

Net loss ($000's) **For the six months ended September 30, 2020**	Actual	Budget	$ Change	% Change
Revenues				
Fees for service	**$ 7,353**	$ 6,849	$ 504	7%
Other income	**171**	250	(79)	(32%)
Finance income	**75**	363	(288)	(79%)
	7,599	7,462	137	2%
Expenses	**11,809**	12,793	(984)	(8%)
Loss on foreign exchange	**(109)**	-	(109)	0%
Net loss	**$ (4,319)**	$ (5,331)	$ 1,012	(19%)

The Corporation recorded a net loss of $4.3 million for the six month period ended September 30, 2020, which resulted in a favourable variance of $1.0 million compared to the budget loss of $5.3 million. The net result was due to favourable variances related to Fees for service of $504 thousand and expenses of $984 thousand, partially offset by unfavourable variances in Finance and Other income of $367 thousand and Loss on foreign exchange of $109 thousand.

The favourable variance related to Fees for service of $504 thousand is due to higher than anticipated billing activity across a number of programs compared to budget. The unfavourable variance related to Finance income of $288 thousand compared to budget was due to significantly lower investment balances and rates.

The favourable variance of $984 thousand in Expenses is primarily due to: (1) lower workforce compensation expense ($852 thousand), stemming from staff vacancies; (2) lower than planned level of travel and hospitality ($123 thousand), a result of travel limitations due to the COVID-19 pandemic; (3) lower than planned software, hardware and support expenses ($112 thousand) through the first six months of the fiscal year; and (4) several other expenditures lower than planned ($148 thousand). These favourable variances were partially offset by higher consultant expenses ($251 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.

2020-21 FORECAST

For 2020-21, net revenues are forecasted to be lower than prior year. Prior to the emergence of the COVID-19 pandemic, revenues were forecasted to be lower due to less fee generating contracts signed in 2020, combined with lower Fees for service earned on delivery obligations as several contracts currently under management wind down to completion. Since then, with the emergence of the COVID-19 pandemic, revenues are expected to be further reduced as delays on fee generating contracts signed are expected to persist into 2021 and beyond.

To offset the anticipated revenue shortfalls, Management is proactively reducing and controlling expenditures relative to forecasted revenues. This will be actively managed and continually evaluated during 2020-21.

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 2019-20 Annual Report.

The impact of COVID-19 on CCC's operations during the reporting period continues to be significant. CCC rapidly implemented working remotely as the COVID-19 restrictions were enacted. Employees have transitioned to working from home with secured connectivity and controls regarding CCC's information systems. COVID-19 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 is CCC's on-going deficits which is being mitigated with strategies to increase and diversify CCC's revenue sources. 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 is elevated given recent turnover of key executive and staff positions with staffing processes being utilized to mitigate this risk.

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.

Except for the changes mentioned above, there are no other significant changes, new risks or uncertainties identified during the period ended September 30, 2020, 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.

Ernie Briard	John Bouchard
Interim President and Chief Executive Officer	Director, Finance and Policy

Ottawa, Canada
November 17, 2020

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

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Statement of Financial Position (Unaudited)

As at	Notes		September 2020		March 31, 2020
ASSETS					
Current assets					
Cash and cash equivalents	5	$	38,454	$	65,818
Accounts receivable	6 , 12		20,589		18,912
Other assets	7		1,136		781
			60,179		85,511
Non-current assets					
Accounts receivable	6 , 12		697		7,421
Property and equipment			2,296		2,404
Right-of-use assets			3,413		3,570
			6,406		13,395
Total assets		$	66,585	$	98,906
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	8 , 12	$	21,577	$	40,568
Holdbacks	18		-		5,003
Advances			17,091		20,754
Deferred revenue	9		317		547
Lease liabilities	10		422		417
Employee benefits			1,165		1,083
			40,572		68,372
Non-current liabilities					
Lease liabilities	10		6,207		6,419
Employee benefits			211		201
			6,418		6,620
Total liabilities			46,990		74,992
EQUITY					
Contributed capital			10,000		10,000
Retained earnings			9,595		13,914
Total equity			19,595		23,914
Total liabilities and equity		$	66,585	$	98,906
Contingencies	18				

The accompanying notes are an integral part of the financial statements.
Authorized for issue on November 17, 2020

John Bouchard

Ernie Briard
Interim President and Chief Executive Officer

John Bouchard
Director, Finance and Policy

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

Statement of Comprehensive Income (Loss)(Unaudited)

	Notes	For the three months ended September 30 2020	2019 (Adjusted for IFRS 16 - Note 4)	For the six months ended September 30 2020	2019 (Adjusted for IFRS 16 - Note 4)
REVENUES					
Fees for service	13	**$ 5,767**	$ 3,838	**$ 7,353**	$ 9,920
Other income	14	**93**	115	**171**	279
Finance income		**37**	236	**75**	530
		5,897	4,189	**7,599**	10,729
GOVERNMENT FUNDING					
Transfers from Government of Canada	15	**-**	2,500	**-**	2,500
		-	2,500	**-**	2,500
EXPENSES					
Administrative expenses	16	**5,542**	7,002	**11,705**	13,862
Finance costs		**52**	56	**104**	112
		5,594	7,058	**11,809**	13,974
Net income (loss) before gain (loss) on foreign exchange		**303**	(369)	**(4,210)**	(745)
Gain (loss) on foreign exchange		**(13)**	65	**(109)**	(17)
NET PROFIT (LOSS)		**$ 290**	$ (304)	**$ (4,319)**	$ (762)
OTHER COMPREHENSIVE INCOME ITEMS THAT WILL NOT BE RECLASSIFIED TO NET PROFIT (LOSS)					
Actuarial gain (loss) on employee benefits obligation		**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ 290**	$ (304)	**$ (4,319)**	$ (762)

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 and six months ended September 30, 2020	Contributed Capital	Retained Earnings	Total
BALANCE JUNE 30, 2020	**$ 10,000**	**$ 9,305**	**$ 19,305**
Net profit		**290**	**290**
BALANCE SEPTEMBER 30, 2020	**$ 10,000**	**$ 9,595**	**$ 19,595**
BALANCE MARCH 31, 2020	**$ 10,000**	**$ 13,914**	**$ 23,914**
Net loss		**(4,319)**	**(4,319)**
BALANCE SEPTEMBER 30, 2020	**$ 10,000**	**$ 9,595**	**$ 19,595**

For the three and six months ended September 30, 2019	Note	Contributed Capital	Retained Earnings	Total
BALANCE JUNE 30, 2019 (Adjusted for IFRS 16)		$ 10,000	$ 10,891	$ 20,891
Net loss	4		(304)	(304)
BALANCE SEPTEMBER 30, 2019 (Adjusted for IFRS 16)	4	$ 10,000	$ 10,587	$ 20,587
BALANCE MARCH 31, 2019		$ 10,000	$ 11,349	$ 21,349
Net loss	4		(762)	(762)
BALANCE SEPTEMBER 30, 2019 (Adjusted for IFRS 16)	4	$ 10,000	$ 10,587	$ 20,587

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 September 30 2020	2019 (Adjusted for IFRS 16 - Note 4)	For the six months ended September 30 2020	2019 (Adjusted for IFRS 16 - Note 4)
OPERATING ACTIVITIES					
Net profit (loss)		**$ 290**	(304)	**$ (4,319)**	$ (762)
Adjustments to determine net cash from (used in) operating activities:					
Depreciation property and equipment		**111**	101	**219**	203
Depreciation right-of-use-assets		**79**	79	**157**	157
Employee benefit expense		**46**	51	**92**	102
Employee benefit payments		**-**	-	**-**	(95)
(Gain) loss on foreign exchange		**626**	(57)	**1,836**	65
Change in working capital from:					
Accounts receivable	6 , 12	**(5,046)**	5,623	**5,047**	2,027
Other assets	7	**340**	(479)	**(355)**	(597)
Accounts payable and accrued liabilities	8 , 12	**(14,707)**	11,426	**(18,991)**	(6,846)
Holdbacks	18	**-**	122	**(5,003)**	4,674
Advances		**(9,263)**	7,322	**(3,663)**	14,410
Deferred revenue	9	**(175)**	(74)	**(230)**	(376)
Cash provided (used in) by operating activities		**(27,699)**	23,810	**(25,210)**	12,962
INVESTING ACTIVITIES					
Acquisitions of property and equipment		**(56)**	(19)	**(111)**	(19)
Cash used in investing activities		**(56)**	(19)	**(111)**	(19)
FINANCING ACTIVITIES					
Principal repayment of lease liabilities	10	**(104)**	(100)	**(207)**	(200)
Cash used in financing activities		**(104)**	(100)	**(207)**	(200)
Effect of exchange rate changes on cash and cash equivalents		**(626)**	57	**(1,836)**	(65)
Net increase (decrease) in cash and cash equivalents		**(28,485)**	23,748	**(27,364)**	12,678
Cash and cash equivalents at the beginning of the period		**66,939**	47,411	**65,818**	58,481
Cash and cash equivalents at the end of the period		**$ 38,454**	$ 71,159	**$ 38,454**	$ 71,159
Supplementary disclosure of cash flows from operating activities					
Amount of interest received		**$ 37**	$ 236	**$ 75**	$ 530
Amount of interest paid	10	**$ 52**	$ 56	**$ 104**	$ 112

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 the Government of Canada, when required.

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, 2020. 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, 2020.

(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 Coronavirus 2019 (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 September 30, 2020. 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, 2020.

4. CHANGES IN ACCOUNTING POLICIES

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 16 – Leases (IFRS 16)* in the Corporation's audited financial statements for the year ended March 31, 2020. Therefore, adjusted comparative information as at September 30, 2019 and for the three and six month periods ended September 30, 2019 is presented below.

A complete description of the impact resulting from the implementation of *IFRS 16* is provided in note 4 (a) of the Corporation's audited annual financial statements for the year ended March 31, 2020.

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

The following tables summarize the impact of adopting *IFRS 16* on the Corporation's financial statements as at September 30, 2019 and for the three and six month periods ended September 30, 2019:

Statement of Financial Position (Unaudited)

As at		September 30, 2019		IFRS 16 Adjustments		September 30, 2019
		(As previously reported)				**(Adjusted for IFRS 16)**
ASSETS						
Non-current assets						
Right-of-use assets	$	-	$	3,727	**$**	**3,727**
Total non-current assets	$	2,461	$	3,727	**$**	**6,188**
Total assets	**$**	**100,196**	**$**	**3,727**	**$**	**103,923**
LIABILITIES						
Current liabilities						
Lease liabilities	$	-	$	411	**$**	**411**
Deferred lease incentives	$	265	$	(265)	**$**	**-**
Total current liabilities	$	76,433	$	146	**$**	**76,579**
Non-current liabilities						
Lease liabilities	$	-	$	6,629	**$**	**6,629**
Deferred lease incentives	$	2,959	$	(2,959)	**$**	**-**
Total non-current liabilities	$	3,087	$	3,670	**$**	**6,757**
Total liabilities	$	79,520	$	3,816	**$**	**83,336**
EQUITY						
Retained earnings	$	10,676	$	(89)	**$**	**10,587**
Total equity	$	20,676	$	(89)	**$**	**20,587**
Total liabilities and equity	**$**	**100,196**	**$**	**3,727**	**$**	**103,923**

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

Statement of Comprehensive Loss (Unaudited)

For the three months ended September 30		2019		IFRS 16 Adjustments		2019
		(As previously reported)				**(Adjusted for IFRS 16)**
EXPENSES						
Administrative expenses	$	7,013	$	(11)	**$**	**7,002**
Finance costs	$	-	$	56	**$**	**56**
Total expenses	$	7,013	$	45	**$**	**7,058**
Net loss before gain on foreign exchange	$	(324)	$	(45)	**$**	**(369)**
NET LOSS	$	(259)	$	(45)	**$**	**(304)**
TOTAL COMPREHENSIVE LOSS	$	(259)	$	(45)	**$**	**(304)**

For the six months ended September 30		2019		IFRS 16 Adjustments		2019
		(As previously reported)				**(Adjusted for IFRS 16)**
EXPENSES						
Administrative expenses	$	13,885	$	(23)	**$**	**13,862**
Finance costs	$	-	$	112	**$**	**112**
Total expenses	$	13,885	$	89	**$**	**13,974**
Net loss before loss on foreign exchange	$	(656)	$	(89)	**$**	**(745)**
NET LOSS	$	(673)	$	(89)	**$**	**(762)**
TOTAL COMPREHENSIVE LOSS	$	(673)	$	(89)	**$**	**(762)**

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

Statement of Cash Flows (Unaudited)

For the three months ended September 30	2019 (As previously reported)	IFRS 16 Adjustments	2019 (Adjusted for IFRS 16)
OPERATING ACTIVITIES			
Net loss	$ (259)	$ (45)	**$ (304)**
Adjustments to determine net cash provided by (used in) operating activities:			
Depreciation right-of-use-assets	$ -	$ 79	**$ 79**
Deferred lease incentives	$ (66)	$ 66	**$ -**
Cash provided by operating activities	$ 23,710	$ 100	**$ 23,810**
FINANCING ACTIVITIES			
Principal repayment of lease liabilities	$ -	$ (100)	**$ (100)**
Cash used in financing activities	**$** -	$ (100)	**$ (100)**

For the six months ended September 30	2019 (As previously reported)	IFRS 16 Adjustments	2019 (Adjusted for IFRS 16)
OPERATING ACTIVITIES			
Net loss	$ (673)	$ (89)	**$ (762)**
Adjustments to determine net cash provided by (used in) operating activities:			
Depreciation right-of-use-assets	$ -	$ 157	**$ 157**
Deferred lease incentives	$ (132)	$ 132	**$ -**
Cash provided by operating activities	$ 12,762	$ 200	**$ 12,962**
FINANCING ACTIVITIES			
Principal repayment of lease liabilities	$ -	$ (200)	**$ (200)**
Cash used in financing activities	**$** -	$ (200)	**$ (200)**

5. 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.

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

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

	September 30, 2020	March 31, 2020
Cash	**$ 14,094**	$ 32,694
Short term investments	**13,846**	22,652
Notice deposits	**10,514**	10,472
Cash and cash equivalents	**$ 38,454**	$ 65,818

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

	September 30, 2020		March 31, 2020	
	Original currency	**Canadian dollars**	Original currency	Canadian dollars
Canadian dollars	**24,777**	**$ 24,777**	33,435	$ 33,435
U.S. dollars	**9,757**	**12,993**	22,172	31,067
Chinese renminbi	**3,486**	**684**	4,052	811
Euros	**-**	**-**	327	505
		$ 38,454		$ 65,818

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.

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

	September 30, 2020	**March 31, 2020**
Accounts receivable	**$ 21,246**	$ 25,507
Accrued receivables	**40**	826
	$ 21,286	$ 26,333

(In thousands of Canadian dollars, unless otherwise indicated)

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

		September 30, 2020		March 31, 2020
Current	**$**	**20,589**	$	18,912
Non-current		**697**		7,421
	$	**21,286**	$	26,333

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

	September 30, 2020			March 31, 2020		
	Original currency		**Canadian dollars**	Original currency		Canadian dollars
U.S. dollars	**15,884**	**$**	**21,152**	18,065	$	25,313
Canadian dollars	**134**		**134**	1,020		1,020
		$	**21,286**		$	26,333

7. OTHER ASSETS

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

		September 30, 2020		March 31, 2020
Prepaid expenses	**$**	**901**	$	677
Unbilled revenues		**235**		104
	$	**1,136**	$	781

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:

		September 30, 2020		March 31, 2020
Accounts payable	**$**	**19,066**	$	37,415
Accrued liabilities		**2,511**		3,153
	$	**21,577**	$	40,568

(In thousands of Canadian dollars, unless otherwise indicated)

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

	September 30, 2020			March 31, 2020		
	Original currency		**Canadian dollars**	Original currency		Canadian dollars
U.S. dollars	**13,579**	**$**	**18,083**	25,526	$	35,766
Canadian dollars	**3,471**		**3,470**	4,249		4,249
Chinese renminbi	**121**		**24**	329		66
Euros	**-**		**-**	315		487
		$	**21,577**		$	40,568

Credit, market and liquidity risks related to accounts receivable and accounts payable and accrued liabilities are disclosed in note 12.

9. DEFERRED REVENUE

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

		September 30, 2020		**March 31, 2020**
Balance at the beginning of the year	**$**	**547**	$	1,081
Plus: additional deferred revenue, net of refunds		**-**		374
Less: amounts recognized as Fees for service		**(167)**		(924)
Impact of netting unbilled and deferred revenue from same contract		**(63)**		16
Balance at the end of the period	**$**	**317**	$	547

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.

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

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

	September 30, 2020	March 31, 2020
Balance at the beginning of the year	**$ 6,836**	$ 7,240
Interest expense	**104**	218
Lease payments	**(311)**	(622)
Balance at the end of the period	**$ 6,629**	$ 6,836

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

	September 30, 2020	March 31, 2020
Current	**$ 422**	$ 417
Non-current	**6,207**	6,419
	$ 6,629	$ 6,836

Interest expense related to lease liabilities are included in finance cost. For the three and six month periods ended September 30, 2020, the Corporation's administrative expenses include $208 and $416 respectively ($217 and $401 for the three and six month periods ended September 30, 2019) of variable lease payments not included in the measurement of lease liabilities. For the three and six month periods ended September 30, 2020 and September 30, 2019, 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.

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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:

	September 30, 2020	March 31, 2020
Contributed capital	**$ 10,000**	$ 10,000
Retained earnings	**9,595**	13,914
	$ 19,595	$ 23,914

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

As described in the Corporation's Annual Report and audited financial statements for the year ended March 31, 2020, 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)

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

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 minimized to acceptable levels.

As at September 30, 2020, 8% (March 31, 2020 — 17%) of the Corporation's accounts receivable were from AAA credit rated counterparties.

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 the foreign buyer including credit risk rating, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As at September 30, 2020, the Corporation has not recognized any allowance on accounts receivables based on the lifetime expected credit loss.

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:

	September 30, 2020	March 31, 2020
Asia *	**$ 18,178**	$ 20,521
United States	**990**	2,912
Canada	**802**	1,592
Central America and Caribbean	**752**	777
Africa	**465**	-
South America	**99**	531
	$ 21,286	$ 26,333

* Includes Middle East

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

	September 30, 2020	March 31, 2020
< 30 days	**$ 479**	$ 644
> 30 days and < 180 days	**1,478**	2,655
> 180 days	**762**	1,068
	$ 2,719	$ 4,367

All overdue accounts receivable are considered fully collectable and no allowance for credit losses has been recorded by the Corporation as at September 30, 2020.

Accounts receivable from the Armoured Brigades Program ("ABP") contract covered by payments expected to be received beyond 12 months after the reporting period are presented as long term. These receivables are categorized as level 2 in the fair value hierarchy and the Corporation has determined that their fair value approximates 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 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, 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.

QUARTERLY FINANCIAL REPORT (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 potential performance issues are disclosed in note 18(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, 2020 — $40.0 million) Canadian or its U.S. dollar equivalent.

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 no expiry date. As at September 30, 2020, the draw on this line of credit was nil (March 31, 2020 — 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:

	September 30, 2020	March 31, 2020
< 1 year	**$ 21,577**	$ 40,568
	$ 21,577	$ 40,568

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

(d) Risk associated to the emergence of COVID-19

The emergence of 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.

Supplier performance risk:

COVID-19 may impact exporters' capacity to meet their contractual obligations either through supply chain issues or their own plant / facility closures. 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 September 30, 2020, 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 and six month periods ended September 30, the sources of the Corporation's Fees for service revenue were as follows:

	For the three months ended September 30		For the six months ended September 30	
	2020	**2019**	**2020**	**2019**
International business	**$ 4,983**	$ 3,082	**$ 6,006**	$ 8,451
Lottery programs	**179**	217	**302**	391
	$ 5,162	$ 3,299	**$ 6,308**	$ 8,842
Government of Canada initiatives	**605**	539	**1,045**	1,078
	$ 5,767	$ 3,838	**$ 7,353**	$ 9,920

(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 September 30, 2020. 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.

(In thousands of Canadian dollars, unless otherwise indicated)

	September 30, 2020
< 1 year	**$ 18,479**
> 1 year	**26,511**
	$ 44,990

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 and six month periods ended September 30:

	For the three months ended September 30		For the six months ended September 30	
	2020	**2019**	**2020**	**2019**
Discounting income	**$ 76**	$ 77	**$ 137**	$ 162
Miscellaneous income	**17**	38	**34**	117
	$ 93	$ 115	**$ 171**	$ 279

15. TRANSFERS FROM THE GOVERNMENT OF CANADA

There were no Government of Canada transfers for the three and six month periods ended September 30, 2020. During the three and six month periods ended September 30, 2019, the Corporation recognized revenue of $2.5 million received from the Government of Canada for operational expenditures. The amount received was not restricted and was not repayable.

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16. ADMINISTRATIVE EXPENSES

Administrative expenses for the three and six month periods ended September 30 are as follows:

	For the three months ended September 30		For the six months ended September 30	
	2020	2019 (Adjusted for IFRS 16 - Note 4)	**2020**	2019 (Adjusted for IFRS 16 - Note 4)
Workforce compensation and related expenses	**$ 3,805**	$ 4,670	**$ 8,395**	$ 9,411
Contract management services	**639**	662	**1,279**	1,323
Rent and related expenses	**206**	368	**543**	632
Consultants	**332**	354	**431**	676
Software, hardware and support	**169**	183	**387**	522
Depreciation	**190**	180	**376**	360
Communications	**123**	136	**146**	178
Travel and hospitality	**6**	372	**21**	631
Other expenses	**72**	77	**127**	129
	$ 5,542	$ 7,002	**$ 11,705**	$ 13,862

17. 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.

18. 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 September 30, 2020 was $10,741,301 (March 31, 2020 — $12,399,996).

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.

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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:

		September 30, 2020		March 31, 2020
Holdbacks	**$**	**-**	$	5,003
Bank guarantees	**$**	**9,718**	$	8,852
Surety bonds	**$**	**10,987**	$	11,560
Parent guarantees	**$**	**9,932,228**	$	11,646,028

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 September 30, 2020, management has identified potential performance issues with certain export projects. The financial effect on the Corporation, including any potential contract remediation expenses, cannot be reasonably estimated at this time. The Corporation is working closely with the affected Canadian exporters and foreign buyers to resolve the issues.