

RuggedCom Inc.
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
3rd Quarter ended December 31, 2009

RuggedCom Inc.
CONSOLIDATED BALANCE SHEETS
(in thousands of United States dollars)

	December 31,	March 31,
	2009	2009
	(unaudited)	(audited)
	\$	\$
Assets		
Current		
Cash and cash equivalents (note 5)	31,546	45,099
Accounts receivable (note 6)	15,349	9,780
Prepaid expenses and other	1,000	1,025
Inventories (note 4 and note 7)	10,096	4,555
Income taxes recoverable	3,283	-
Future income taxes	424	283
	61,698	60,742
Future income taxes	-	246
Property and equipment	10,014	2,662
Goodwill	3,456	-
Other assets (note 3)	11,687	580
	86,855	64,230
Liabilities		
Current		
Accounts payable and accrued liabilities	10,777	5,793
Current portion of warranty	672	482
Income taxes payable	140	2,268
Current portion of deferred income	108	50
Current portion of lease costs	25	-
Current portion of obligations under capital lease	108	126
	11,830	8,719
Warranty	438	347
Future income taxes	2,031	-
Deferred income	32	21
Obligations under capital lease	117	48
Lease costs payable	249	6
	2,867	422
	14,697	9,141
Shareholders' Equity		
Capital stock (note 8)	48,836	46,820
Contributed surplus (note 9)	2,227	1,559
Accumulated other comprehensive income (loss) (note 10)	2,350	(8,952)
Retained earnings	18,745	15,662
	21,095	6,710
	72,158	55,089
	86,855	64,230

Contingent liabilities (note 19)

See accompanying notes to consolidated interim financial statements.

RuggedCom Inc.
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
(in thousands of United States dollars, except per share information)
(unaudited)

	3 month period ended December 31, 2009	3 month period ended December 31, 2008	9 month period ended December 31, 2009	9 month period ended December 31, 2008
	\$	\$	\$	\$
Revenue	20,600	15,821	53,357	42,957
Cost of goods sold	8,248	5,420	22,035	15,897
Gross margin	12,352	10,401	31,322	27,060
Operating expenses				
Research and development	2,536	1,191	6,341	3,553
Sales and marketing	3,942	2,666	10,405	7,743
General and administrative	2,602	1,346	6,363	4,043
Investment tax credits	(344)	(139)	(730)	(638)
Loss (gain) on foreign exchange	335	(595)	1,864	(787)
Amortization	1,002	271	1,903	859
	10,073	4,740	26,146	14,773
Operating income	2,279	5,661	5,176	12,287
Net interest income	25	303	126	1,131
Income before income taxes	2,304	5,964	5,302	13,418
Income taxes (note 15)				
Current	1,001	1,829	1,998	4,357
Future	110	153	221	151
	1,111	1,982	2,219	4,508
Net income for the period	1,193	3,982	3,083	8,910
Retained earnings — Beginning of period	17,552	8,262	15,662	3,334
Retained earnings — End of period	18,745	12,244	18,745	12,244
Net earnings per share (note 11)				
Basic	\$ 0.10	\$ 0.34	\$ 0.26	\$ 0.76
Diluted	\$ 0.10	\$ 0.33	\$ 0.25	\$ 0.72
Basic weighted average number of common shares	12,115,981	11,798,435	12,054,376	11,760,669
Diluted weighted average number of common shares	12,463,263	12,251,346	12,571,357	12,296,445

See accompanying notes to consolidated interim financial statements.

RuggedCom Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of United States dollars)
(unaudited)

	3 month period ended December 31, 2009	3 month period ended December 31, 2008	9 month period ended December 31, 2009	9 month period ended December 31, 2008
	\$	\$	\$	\$
Net income for the period	1,193	3,982	3,083	8,910
Foreign currency translation gain (loss) (note 10)	1,309	(7,067)	11,302	(9,101)
Comprehensive income	<u>2,502</u>	<u>(3,085)</u>	<u>14,385</u>	<u>(191)</u>

See accompanying notes to consolidated interim financial statements.

RuggedCom Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of United States dollars)
(unaudited)

	3 month period ended December 31, 2009	3 month period ended December 31, 2008	9 month period ended December 31, 2009	9 month period ended December 31, 2008
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Net income for the period	1,193	3,982	3,083	8,910
Non-cash items				
Amortization of property and equipment	459	253	1,024	808
Amortization of other assets	542	18	877	51
Future income taxes	110	153	221	151
Stock based compensation	276	139	848	475
Warranty	(39)	104	(9)	295
Lease costs	88	(7)	252	(23)
Net change in non-cash working capital (note 14a)	(5,526)	(29)	(9,525)	87
	(2,897)	4,613	(3,229)	10,754
Investing activities				
Additions to short term investments	-	-	-	34,787
Acquisition of subsidiary (note 4)	(130)	-	(8,100)	-
Additions to property and equipment	(4,319)	(619)	(7,199)	(1,632)
Additions to other assets	(256)	(63)	(1,251)	(160)
	(4,705)	(682)	(16,550)	32,995
Financing activities				
Repayment of obligations under capital lease	(66)	(56)	(158)	(196)
Receipts from capital lease	189		189	
Repayment of loan (note 4)	-	-	(4,875)	-
Issuance of common shares	105	3	1,842	176
	228	(53)	(3,002)	(20)
Effect of exchange rates on cash	1,649	(5,785)	9,228	(7,998)
Increase (decrease) in cash and cash equivalents during the period	(5,725)	(1,907)	(13,553)	35,731
Cash and cash equivalents — Beginning of period	37,271	45,675	45,099	8,037
Cash and cash equivalents — End of period (note 14b)	31,546	43,768	31,546	43,768
Supplemental disclosures				
Interest paid	\$ 7	\$ 9	\$ 30	\$ 38
Income taxes paid	\$ 717	\$ 443	\$ 6,626	\$ 1,882

RuggedCom Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of United States dollars, except for "Number of Shares" and "Per share amounts")
(unaudited)

1. THE COMPANY

RuggedCom Inc. (the Company) was incorporated under the provisions of the Business Corporations Act (Ontario) on February 22, 2001. The Company provides rugged communications networking solutions designed for mission-critical applications in harsh environments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements and, accordingly, certain disclosures normally included in annual audited consolidated financial statements prepared in accordance with Canadian GAAP are not provided. These consolidated financial statements have been prepared following accounting principles consistent with those used in the annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended March 31, 2009, except as disclosed in note 3. The results of operations for the interim period are not necessarily indicative of the results of operations for any other interim period or a full fiscal period.

New accounting pronouncements

In January 2009, The Canadian Institute of Chartered Accountants (CICA) issued Section 1582, Business Combinations, replacing Section 1581, Business Combinations. This section establishes the standards for the accounting of business combinations and states that all assets and liabilities of an acquired business will be recorded at fair value at the date of acquisition. The standard also states that the acquisition-related costs will be expensed as incurred and that the restructuring charges will be expensed in the periods after the acquisition date. This new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is currently assessing the future impact of this new standard on its consolidated financial statements.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is currently assessing the future impact of this new standard on its consolidated financial statements.

In December 2009, the CICA issued EIC-175, Multiple Deliverable Revenue Arrangements, replacing EIC-142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to (1) exclude from the application of the updated guidance those arrangements that would be accounted for in accordance with Financial Accounting Standards Board Statement (FASB) Statement of Position (SOP) 97-2, Software Revenue Recognition as amended by Accounting Standards Update (ASU) 2009-14; (2) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (3) require in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, require that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (4) eliminate the use of residual method and require an entity to allocate revenue using the relative selling price method; and (5) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

EIC-175 is effective for fiscal periods beginning on or after January 1, 2011, early adoption is permitted. The Company is currently assessing the future impact of this new standard on its consolidated financial statements.

International Financial Reporting Standards

In February 2008, The Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canadian GAAP for publicly accountable profit-oriented enterprises effective January 1, 2011. The Company is presently considering the effect these standards will have on its consolidated financial statements.

RuggedCom Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. ADOPTION OF NEW ACCOUNTING STANDARDS

Goodwill and intangible assets

Effective April 1, 2009, the Company adopted the CICA Handbook Section 3064, Goodwill and Intangible Assets. This standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard required the Company to retroactively reclassify our computer software assets that meets the definition of an intangible asset on our consolidated balance sheet from property and equipment to intangible assets. The net book value of the purchased computer software reclassified as of April 1, 2008 was \$267. As of December 31, 2009 purchased computer software of \$1,844 is included in other assets.

4. ACQUISITION

On September 17, 2009 the Company completed the acquisition of 100% of the shares of WiNetworks Ltd. for cash of \$8,866, including acquisition costs of \$613.

The acquisition has been accounted for using the purchase method of accounting and, accordingly, the operations of WiNetworks have been included in the consolidated financial statements since the date of acquisition. The company has not yet finalized the allocation of the purchase price.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed on acquisition:

Assets purchased

Inventory	\$ 2,834
Other current assets	625
Property and equipment	1,368
Other assets	32
Technological assets	8,228
Agreements	390
Customer list	655
Goodwill	3,456
	<u>17,588</u>

Liabilities assumed

Current liabilities	2,619
Future tax liability	1,994
Loan	4,875
	<u>9,488</u>
Net non-cash assets acquired	8,100
Cash acquired	766
Net assets acquired	<u>\$ 8,866</u>

Upon the closing of the purchase Ruggedcom repaid the loan acquired as part of the acquisition. The acquired technological assets, agreements and customer list are being amortized over their useful life of eight years. Future tax liabilities associated with the temporary differences of the acquired non-deductible intangible assets have been recorded. The goodwill recorded as a result of the acquisition is not tax deductible.

WiNetworks has tax loss carryforwards of approximately \$35,439. Under Israeli tax rules these losses do not expire. At this time a full valuation allowance against these losses has been recorded as it has been determined that it is not more likely than not that these tax losses will be utilized.

RuggedCom Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(In thousands of United States dollars, except for "Number of Shares" and "Per share amounts")
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5. REVOLVING DEMAND FACILITY

The Company has a \$1,000 Canadian dollar revolving demand facility with a major Canadian financial institution. Funds drawn against this facility bear interest at prime rate. The use of the revolving demand facility has been restricted by \$139 United States dollars as security for guarantees. The bank has a first ranking on \$1,000 Canadian of term deposits and bank balances. As at December 31, 2009 and March 31, 2009, there was no balance drawn against this facility.

6. ACCOUNTS RECEIVABLE

	December 31, 2009	March 31, 2009
	\$	\$
Trade receivable	15,452	9,816
Allowance for doubtful accounts	(103)	(36)
	<u>15,349</u>	<u>9,780</u>

7. INVENTORIES

	December 31, 2009	March 31, 2009
	\$	\$
Raw materials	9,618	4,437
Finished goods	478	118
	<u>10,096</u>	<u>4,555</u>

WiNetworks' inventory of \$2,927 is included in the inventory balance as at December 31, 2009.

Included in cost of sales is \$(22) (2008 - \$82, 9 month 2009 - \$127, 2008 - \$328) recognized as an expense in the period as a provision for the writedown of any losses of inventories.

8. CAPITAL STOCK

Authorized

Unlimited number of Class A Shares
Unlimited number of common shares

Issued

12,138,821 (March 31, 2009 - 11,812,608) common shares

	December 31, 2009	March 31, 2009
	\$	\$
	<u>48,836</u>	<u>46,820</u>
	Number of shares	Amount \$
Balance, March 31, 2009	11,812,608	46,820
Issued for options exercised (a)	33,642	325
Issued for warrants exercised (b)	250,000	1,500
Balance, June 30, 2009	<u>12,096,250</u>	<u>48,645</u>
Issued for options exercised (c)	10,384	50
Balance, September 30, 2009	<u>12,106,634</u>	<u>48,695</u>
Issued for options exercised (d)	32,187	141
Balance, December 31, 2009	<u>12,138,821</u>	<u>48,836</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of United States dollars, except for "Number of Shares" and "Per share amounts")
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8. CAPITAL STOCK (continued)

(a) Common shares issued for options vested and exercised in the period were 33,642 at a weighted average share price of \$6.17 (\$7.20 Canadian).

(b) Common shares issued for warrants exercised in the period were 250,000 at a weighted average share price of \$5.99 (\$6.52 Canadian).

(c) Common shares issued for options vested and exercised in the period were 10,384 at a weighted average share price of \$2.99 (\$3.28 Canadian).

(d) Common shares issued for options vested and exercised in the period were 32,187 at a weighted average share price of \$3.11 (\$3.28 Canadian).

9. CONTRIBUTED SURPLUS

The following table presents the reconciliation of contributed surplus:

	2009	2008
	\$	\$
Balance, March 31	1,559	684
Stock based compensation expense	278	172
Stock options exercised	(119)	(46)
Balance, June 30	1,718	810
Stock based compensation expense	294	164
Stock options exercised	(19)	(108)
Balance, September 30	1,993	866
Stock based compensation expense	276	139
Stock options exercised	(42)	(4)
Balance, December 31	2,227	1,001

10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the reconciliation of accumulated other comprehensive income (loss):

	2009	2008
	\$	\$
Balance, March 31	(8,952)	2,018
Unrealized foreign currency gain for the period	4,570	331
Balance, June 30	(4,382)	2,349
Unrealized foreign currency gain (loss) for the period	5,423	(2,365)
Balance, September 30	1,041	(16)
Unrealized foreign currency gain (loss) for the period	1,309	(7,067)
Balance, December 31	2,350	(7,083)

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11. EARNINGS PER COMMON SHARE

The following is a reconciliation of basic and diluted earnings per common share:

	3 month period ended December 31, 2009	3 month period ended December 31, 2008	9 month period ended December 31, 2009	9 month period ended December 31, 2008
Net income and dilutive net income attributable to	1,193	3,982	3,083	8,910
Common shares outstanding — beginning of period	12,098,002	11,763,504	11,804,347	11,717,268
Weighted average number of common shares issued in the period	17,979	34,931	250,029	43,401
Weighted average number of common shares	12,115,981	11,798,435	12,054,376	11,760,669
Effect of dilutive securities and stock options and warrants	347,282	452,911	516,981	535,776
Weighted average diluted common shares outstanding — end of period	12,463,263	12,251,346	12,571,357	12,296,445

12. SEGMENTED INFORMATION

The Company operates in one reportable segment. Segments are defined as components for which separate financial information is available and is regularly evaluated by the chief operating decision maker. Sales were derived from the following regions and industries.

	3 month period ended December 31, 2009	3 month period ended December 31, 2008	9 month period ended December 31, 2009	9 month period ended December 31, 2008
Sales by region	\$	\$	\$	\$
North America	8,493	6,668	22,988	19,171
Latin America	2,299	1,427	5,099	2,743
Asia Pacific	4,415	3,122	11,200	8,921
Europe, Middle East and Africa	5,393	4,604	14,070	12,122
Total	20,600	15,821	53,357	42,957

RuggedCom Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of United States dollars, except for "Number of Shares" and "Per share amounts")
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12. SEGMENTED INFORMATION (continued)

	3 month period ended December 31, 2009	3 month period ended December 31, 2008	9 month period ended December 31, 2009	9 month period ended December 31, 2008
Sales by industry	\$	\$	\$	\$
Electric Power (Utilities)	13,325	10,694	34,795	28,657
Transportation Systems	2,646	1,579	8,129	5,466
Industrial Processes	3,052	2,001	6,712	5,742
Military	1,165	1,497	3,262	2,976
Other	412	50	459	116
Total	20,600	15,821	53,357	42,957

The following table details our sales allocated by region among countries exceeding 10%:

	3 month period ended December 31, 2009	3 month period ended December 31, 2008	9 month period ended December 31, 2009	9 month period ended December 31, 2008
Canada	7.0%	11.3%	8.1%	11.2%
United States of America	34.2%	30.7%	35.0%	33.3%

All material assets are held in Canada.

13. ECONOMIC DEPENDENCY AND CONCENTRATION OF CREDIT RISK

In the three month period ended December 31, 2009, the Company had sales to one customer which accounted for 11% of total sales (2008 - 13%). In the nine month period ended December 31, 2009, the Company had sales to one customer which accounted for 9% of total sales (2008 - 12%).

RuggedCom Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(In thousands of United States dollars, except for "Number of Shares" and "Per share amounts")
(unaudited)**

14. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net change in non-cash working capital

	3 month period ended December 31, 2009	3 month period ended December 31, 2008	9 month period ended December 31, 2009	9 month period ended December 31, 2008
	\$	\$	\$	\$
Accounts receivable	(4,854)	(565)	(3,626)	(2,369)
Prepaid expenses and other	1,198	(3)	530	804
Inventories	(1,414)	(1,557)	(2,644)	(2,326)
Accounts payable and accrued liabilities	(443)	746	1,497	1,794
Deferred income	8	3	47	2,146
Income taxes payable/recoverable	(21)	1,347	(5,329)	38
	<u>(5,526)</u>	<u>(29)</u>	<u>(9,525)</u>	<u>87</u>

(b) Cash and cash equivalents

	December 31, 2009	December 31, 2008
	\$	\$
Cash	4,524	6,821
Cash equivalents	27,022	36,947
	<u>31,546</u>	<u>43,768</u>

15. INCOME TAXES

	3 month period ended December 31, 2009	3 month period ended December 31, 2008	9 month period ended December 31, 2009	9 month period ended December 31, 2008
	\$	\$	\$	\$
Income before income taxes	2,304	5,964	5,302	13,418
Tax at statutory rate (29.6% (2008 - 31.77%))	682	1,952	1,656	4,327
Permanent differences	45	66	238	186
Unrecognized future tax asset	308	-	308	-
Effect of rate changes	(14)	(21)	(39)	46
Other	90	(15)	56	(51)
	<u>1,111</u>	<u>1,982</u>	<u>2,219</u>	<u>4,508</u>

RuggedCom Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of United States dollars, except for "Number of Shares" and "Per share amounts")
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16. CAPITAL DISCLOSURES

In the management of capital, the Company includes shareholders' equity, excluding accumulated other comprehensive income (loss). The Company manages its capital to ensure that financial flexibility is present to increase shareholder value through organic growth and selective acquisitions, as well as to allow the Company to respond to changes in economic or marketplace conditions. At this time, the Company is not utilizing its debt facility as part of its capital management program nor has it paid dividends to its shareholders. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

17. FINANCIAL INSTRUMENTS

Under Canadian GAAP, financial instruments are classified into one of the following categories: held for trading, held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments.

Classification	Asset/Liability	December 31, 2009	March 31, 2009
		\$	\$
Loans and receivables (1)	Accounts receivable	15,349	9,780
Other financial liabilities (2)	Accounts payable and accrued liabilities	11,887	6,622

(1) Includes accounts receivable

(2) Includes accounts payable and accrued liabilities and warranty payable

Fair value

The carrying values of cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Interest rate risk

The Company is exposed to interest rate risk arising from fluctuations in interest rates on its cash equivalents. The Company is also exposed to interest rate fluctuations with respect to the use of its revolving credit facility, which bears interest at floating rates. Management does not believe the impact from the interest rate risk would be significant. Recognized interest income for the Company's cash equivalents for the three month period ended December 31, 2009 was \$38 (2008 - \$312), and for the nine month period ended December 31, 2009 was \$160 (2008 - \$1,168).

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17. FINANCIAL INSTRUMENTS (continued)

Credit risk

Financial instruments that subject the Company to concentrations of credit risk principally consist of cash equivalents and accounts receivable.

The Company minimizes the credit risk of cash equivalents by depositing with only reputable financial institutions and investing only in securities that meet minimum credit ratings as stipulated by the Company's investment policy.

Credit risk associated with accounts receivable is minimized by the Company's program of credit evaluations of customers with limits on the amount of credit extended. Credit risk is further minimized through the large diversified customer base, which is engaged in various industries and geographical regions as outlined in note 12. These specific industries and geographical regions may be affected by economic factors, which may impact accounts receivable. Management does not believe that any single industry or geographical region represents significant credit risk. Provisions against losses from bad debts are estimated according to credit risk, historical trends and other information. Credit risk concentration is disclosed in note 12. Credit terms with customers normally range between 30 to 90 days. As at December 31, 2009, \$ 1,283 (2008-\$296) was over 90 days and of this amount, \$103 (2008 - \$37) was allowed for and \$548 (2008 -\$203) was collected during the month after the period end. None of the amounts outstanding have been challenged by the customers and the Company continues to conduct business with them. Accordingly, management has no reason to believe that this balance is not fully collectible in the future.

Currency risk

The Company enters into transactions in multiple currencies and is subject to gains and losses due to fluctuations between those currencies. A substantial portion of the Company's revenue is earned in US dollars, but a substantial portion of its operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rate between the United States dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on the Company's business, financial condition and operating results. The Company intends to continue to expand operations internationally so it may be subject to additional gains and losses against additional currencies. The Company does not currently have a foreign exchange hedging program in place.

If the Canadian dollar had depreciated 5 percent against the United States dollar at December 31, 2009, with all other variables held constant, the impact of the foreign currency change on the Company's United States denominated financial instruments would lead to an additional after tax net earnings of \$321 (2008 -\$209) for the period ended December 31, 2009. If the Canadian dollar had appreciated 5 percent against the United States dollar at June 30, 2009, with all other variables held constant, the impact of the foreign currency change on the Company's United States denominated financial instruments would lead to a decrease of after tax net income of \$321 (2008 -\$209) for the period ended December 31, 2009.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash and cash equivalents. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs.

RuggedCom Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(In thousands of United States dollars, except for "Number of Shares" and "Per share amounts")
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18. GOVERNMENT ASSISTANCE

WiNetworks participated in programs sponsored by foreign governments for the support of research and development activities. The subsidiary is obligated to pay royalties, amounting to 3% to 5% of revenues generated from the sale of its products up to the amount granted plus interest. WiNetwork's obligation to pay these royalties is contingent on actual sales of its products, and in the absence of such sales, no payment is required. As of December 31, 2009, the subsidiary has received cumulative grants of \$3,368 but has not paid or accrued royalties under the programs.

19. CONTINGENT LIABILITIES

The Company has been named in several lawsuits. In management's view, these claims are without merit and should not have a material adverse effect on the consolidated financial position of the Company. Although no assurances can be made as to the ultimate outcome, no provision has been made for a loss in these interim consolidated financial statements. Losses, if any, will be recorded in the consolidated statements of earnings and retained earnings, and comprehensive income in the period that such losses are determinable.

20. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's consolidated financial statement presentation.