EXACTEARTH LTD. (the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS

*The following management discussion and analysis (“**MD&A**”) is prepared as of March 6, 2017, and provides information that management believes is relevant to an assessment and understanding of our unaudited interim consolidated results of operations and financial condition. This MD&A should be read in conjunction with our unaudited interim consolidated financial statements, including the notes thereto, for the three months ended January 31,2017 (the “**Interim Consolidated Financial Statements**”) and our audited consolidated financial statements, including the notes thereto, for the year ended October 31,2016 (the “**Consolidated Financial Statements”).** The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). All amounts herein are stated in thousands of Canadian dollars (“**CAD**”) unless otherwise indicated. Unless otherwise noted, the information contained herein is dated as of January 31 2017.*

Additional Information and Risk Factors

Additional information relating to the Company, including risk factors that may adversely affect or prevent the Company from carrying out all or portions of its business strategy are discussed in the Company’s Annual Information Form (**AIF**) and other filings available on SEDAR at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains forward-looking statements that relate to our current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “will”, “expect”, “anticipate”, “aim”, “estimate”, “intend”, “plan”, “seek”, “believe”, “potential”, “continue”, “is/are likely to” or the negative of these terms, or other similar expressions intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to: expectations regarding our revenue, expenses and operations; anticipated impact of changes to accounting policies; anticipated industry trends; anticipated new Order Bookings; research and development spending levels; selling, general and administrative spending; revenue growth guidance; gross margin trending, anticipated future launch dates and launch locations for satellite assets, including the satellites comprising the Second Generation Constellation; anticipated and continued benefits of the Second Generation Constellation on-board Iridium NEXT; expected useful lives of satellite assets and anticipated completion of additional ground stations; our intention to respond to certain procurement proposal requests and the outcome thereof.

Forward-looking statements are based on certain assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments and other factors we believe are appropriate, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, which are discussed in greater detail in the Company’s AIF.

Non-IFRS Measures

In this MD&A, we provide information about Order Bookings; earnings before interest, taxes, depreciation and amortization (“**EBITDA**”); Adjusted EBITDA; EBITDA Margin; and Subscription Revenue. Order Bookings, EBITDA, Adjusted EBITDA, EBITDA Margin, and Subscription Revenue are not defined by IFRS and our measurement of them may vary from that used by others. These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement the IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS.

We define "Order Bookings" as the dollar sum of fully executed contracts for the supply of our products and/or services to our customers received during a defined period of time. Order Bookings are indicative of firm future revenue streams; however, they do not provide a guarantee of future net income and provide no information about the timing of future revenue.

We measure EBITDA as net income plus interest, taxes, depreciation and amortization. We measure EBITDA Margin as EBITDA divided by our total revenue. We measure Adjusted EBITDA as EBITDA plus offering related expenses associated with the spinout of the Company's shares, unrealized foreign exchange losses, share-based compensation costs, restructuring costs and impairment losses, less unrealized foreign exchange gains. We believe that EBITDA and Adjusted EBITDA provide useful supplemental information as they provide an indication of the income generated by our main business activities before taking into consideration how they are financed or taxed and exclude the impact of items that are considered by management to be outside of our ongoing operating results. EBITDA and Adjusted EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of our performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows.

We define Subscription Revenue as the dollar sum of fully executed contracts for our products and/or services to our customers that are subscription-based, typically sold with a one-year period of service and recognized in our "Subscription Services" segmented revenue.

Overview

We are a leading provider of global maritime vessel data for ship tracking and maritime situational awareness solutions. Since our establishment in 2009, we have pioneered Satellite Automatic Identification System ("**S-AIS**") maritime surveillance and have delivered to our clients a view of maritime behaviours across all regions of the world's oceans that is unrestricted by terrestrial limitations. We have deployed an operational data processing supply chain with our First Generation Constellation, receiving ground stations, patented decoding algorithms, and advanced Big Data processing and distribution facilities. This ground-breaking system provides a comprehensive picture of the location of AIS equipped maritime vessels throughout the world and allows us to deliver data and information services characterized by high performance, reliability, security, and simplicity to large international markets.

The Interim Consolidated Financial Statements include the accounts of our Subsidiary with inter-company transactions and balances eliminated. We have two locations, one in Cambridge, Ontario, Canada and the other in Harwell, UK.

<u>Key Components and Functions of our Product Offering</u>

*Automatic Identification System ("**AIS**")*

Since 2004 all major ships in the world have been required by the International Maritime Organization ("**IMO**") to carry an AIS transponder which constantly transmits VHF radio signals containing information about the ship (name, destination, cargo) as well as its movement (position, course, heading speed, etc.) In a typical seven-day period, we track approximately 165,000 AIS-equipped vessels. This capability is further enhanced by our patented capability to track small vessels in the open ocean utilizing a new class of specially modified Class B AIS transponders. We anticipate that with this added capability, our addressable market will increase to more than one million vessels by 2020. AIS was originally designed as a collision avoidance system; however, it has been widely recognised for some time that such open broadcast information can be collected and used to track and monitor shipping activity close to shore from terrestrial AIS stations (terrestrial systems are physically limited by the curvature of the earth and are only effective for approximately 50 nautical miles, or approximately 100 kilometres). We have led the way in overcoming this limitation by pioneering the reception of such AIS signals from low earth orbit ("**LEO**") satellites, thus eliminating the distance restriction imposed by the terrestrial AIS stations, and for the first time in maritime history providing a real-time unrestricted global view of all shipping regardless of location, and importantly, proximity to a coastline.

Satellites

We receive AIS data from our constellation of LEO satellites. The first satellite, EV-0 was launched by COM DEV in 2008 for the purpose of validating the concept of collecting maritime AIS signals from space, but is now non-operational. Between 2011 and 2013, we launched and commissioned four more advanced AIS satellites, including EV-1, EV-2, EV-5 and EV-6. These satellites incorporated advanced AIS payloads designed to further improve AIS message detection from space. Our satellite constellation grew once again in December 2014 when we announced the successful integration of three advanced in-orbit AIS satellites into our exactView constellation through a contract under which we purchased one satellite, EV-11, and licensed data from two more. These are month to month lease agreements which can be terminated by the company at any point and are subject to minimum service level requirements. Our new equatorial satellite, EV-9, was launched on September 28, 2015 and commissioning has been completed. The data from these four additional AIS satellites significantly increased the capacity of our global vessel monitoring service, expanded our constellation to nine satellites, and further enhanced our world-leading AIS message detection performance from space. We expect to receive data from two additional satellites EV-7 and EV-8. EV-7 was launched on June 22, 2016 and we expect commissioning to be completed for EV-7 in Q2 of fiscal 2017. EV-8 has been built and is awaiting launch, but no confirmed launch date has been announced at this time.

As described in the "Strategic Alliances" section below, we have just begun commissioning on the first four (of 58) of our second generation fleet of satellites using exactView™ RT (Real time AIS) powered by Harris

Ground infrastructure and data processing

We have deployed a network of international ground stations designed for highly reliable satellite data downlinking, storage and transmission to our primary data processing centre ("**DPC**") for processing and distribution. The ground station facilities provide reception of AIS payload downloads and securely cache the payload data locally. Ground stations are often equipped with redundant capabilities to ensure the highest level of reliability. Upon reception at a ground station, the AIS information is forwarded through an extensive secure Virtual Private Network using encrypted, high capacity links to one of our two DPCs, both of which are located in Ontario, Canada.

Products and services

Through a variety of products and services, we provide what we believe to be the most advanced location-based information on maritime traffic commercially available today. We provide the flexibility needed to customize our products and services to suit the needs of our customers on a timely basis.

Subscription Services encompasses the sale of Data-as-a-Service ("**DaaS**"), Software-as-a-Service ("**SaaS**") and Information-as-a-Service ("**IaaS**"). DaaS includes the provision of continuous data feeds in various formats and delivery systems through secure data connections over the Internet. We provide a SaaS solution that allows users to access the ship information derived from our AIS data sources within an easy-to-use mapping environment. Our value-add Information Services product offerings encompass our IaaS solutions.

Data Products include raw data and customized reports derived from our extensive and growing archive which dates back to July 5, 2010. Revenue from the sale of these products is generally recognized when they are delivered to the customer and is not necessarily recurring in nature.

Other Products and Services include special projects with Governments and space agencies to research methods and applications related to the satellite AIS business, Class B transponders (described in the "AIS" section above), as well as specific analysis and reporting contracts. These projects are generally announced by Governments sporadically and there are no guarantees that they will be awarded to exactEarth. Revenue from these projects may span several months with no certainty that there will be similar projects in the future from which we will be able to earn revenue.

Customers

As the primary supplier of S-AIS data delivery, our customers include both Government departments (defense; intelligence and security; search and rescue; border patrol and maritime safety; Government and space agencies; as well as other ministries and organizations) and Commercial and Other customers (commercial fishing; business intelligence and risk management; port management; commercial offshore (oil and gas); commercial shipping; hydrographic and charting; as well as other academic and research institutions). Our S-AIS data service provides enhanced maritime domain awareness for improved vessel management, scheduling, environmental protection, search and rescue operations, and defence and border securing applications.

Strategic alliances

In May 2014, we entered into a strategic collaboration agreement with Software Radio Technology plc ("**SRT**") aimed at optimizing satellite reception from low cost AIS transponders. SRT is a leading provider of Class B AIS transponders, identifiers and other AIS-based products to the global market. In August 2016 we successfully renegotiated our agreement with SRT to be non-exclusive. This will enable exactEarth to partner with other Class B transponder vendors, which we anticipate will broaden our market for this capability. The detection range of AIS transponders by a coastal monitoring system is approximately 50 nautical miles (or approximately 100 kilometres). However, many vessels, large and small frequently operate outside of the detection range of such systems. The ability to reliably receive AIS transmissions from Class B transponders from space and therefore without coastal range limitations will enable countries to significantly improve their vessel monitoring capabilities. Under our Agreements with SRT, intellectual property that is jointly developed will be jointly owned by the parties while the originator of such intellectual property will maintain ownership of such intellectual property. SRT acts as a manufacturer and distributor for the physical identifiers (transponders) with exactEarth providing the data collection and distribution services.

In July 2014, we announced a strategic alliance with Genscape International Inc. ("**Genscape**"), a leading real-time energy information supplier to commercial markets. Genscape acquired our existing partner VesselTracker GmbH ("**VesselTracker**") who provided the use of certain terrestrial stations. Pursuant to a 2012 agreement we included VesselTracker's Global Terrestrial AIS data into our products and services. In addition, VesselTracker offered exactEarth Satellite AIS data, as a distributor, to their customers primarily in the commercial sector. Genscape now provides the most extensive terrestrial AIS information available as well as expansive ship information. Our agreements with Genscape are non-exclusive and operate on a revenue share basis.

On June 8, 2015 we announced the Harris Agreement which will allow us to apply our expertise and technology in AIS signal detections from space on-board Iridium NEXT. The payload utilizes Harris' powerful AppStar applications platform and will employ an in-orbit version of our patented AIS detection algorithms, creating an unrivaled AIS detection capability for global maritime tracking. exactEarth's Second Generation Constellation, called exactView RT, will collect information across the entire maritime frequency band and provide real-time access to and from the ground enabling real-time delivery of the collected maritime information on a global scale.

When fully deployed, exactView RT will provide persistent real-time global coverage with detection performance rivaling ground-based systems. The robustness of the constellation, programmability of the payloads and support for multiple in-orbit applications makes this the global maritime information collection system designed to meet and exceed the needs and expectations of the world's maritime community for the foreseeable future.

As part of the Harris Agreement, the two companies will share their respective AIS product revenue with each other. Please refer to the Company's AIF for details pertaining to the Harris Agreement.

The initial SpaceX launch took place on January 14, 2017, carrying ten Iridium satellites, of which four contained exactEarth hosted AIS payloads. These hosted payloads are now being commissioned and are expected to be brought into service in the Spring of 2017. Recently it was announced that the second launch which was expected to take place in April 2017 has been postponed by two months. This will be followed by six more launches, all to be completed by mid 2018. Ultimately we will have 58 second generation satellites in orbit, not counting in-orbit spares. We are now forecasting our revenue stream from the Harris Agreement to begin in mid 2017 with a gradual ramp-up until 2020, achieving full potential thereafter.

On November 23, 2015, we announced an AUD$2,000 (CAD$1,894) minority ownership investment in technology company, Myriota Pty Ltd. ("**Myriota**") of Adelaide, Australia. As part of the Myriota investment, exactEarth has obtained an exclusive license to utilise their technology in the maritime market. The Company elected to allow the option to make further investments in Myriota expire and does not anticipate increasing its shareholding in Myriota. The Myriota technology uses advanced signal processing Intellectual Property ("IP") developed at the University of South Australia (UniSA) in order to develop advanced terminals, infrastructure, and applications for the fast growing Satellite Internet of Things (SIoT) global market. This core IP has been developed to create a disruptively low-cost solution for this marketplace which will have the capability of supporting many millions of global users. Myriota is particularly focused on the location tracking and sensor data applications markets. Our investment of AUD $2,000 has been recorded as a technology licence and classified as an intangible asset. The Company will pay a 3.5% royalty on revenue derived from the technology under licence. It is expected that this intangible will be in use during FY18 and therefore royalties will begin at that point. For additional information, refer to note 4 (Investment) and note 6 (Intangible assets) in the Notes to the Consolidated Financial Statements.

On April 14, 2016, we announced a twenty-four-month Strategic Alliance with Larus Technologies Corporation ("**Larus**"), an Ottawa-based provider of adaptive learning and predictive analytics software. Under the Agreement, the two companies will work together to develop and market Big Data analytics-based software applications and information services for the global surveillance and intelligence markets. These products would be part of the IaaS category described above. As part of the Agreement, exactEarth will gain an exclusive license to Larus' Big Data analytics platform (Total::Insight™) for the Maritime market for consideration of $700, payable in twenty-four equal monthly payments commencing April 15, 2016. In return, Larus will gain access to exactEarth's map visualisation IP for integration into Total::Insight-based solutions for non-Maritime markets and to exactEarth's extensive data archive to perform advanced pattern-of-life analysis. exactEarth will enhance existing, and develop new, maritime-focused information products and services by integrating technology from the Total::Insight™ platform into its existing Maritime Big Data processing and supply chain IT infrastructure. New application areas will include shipping movement and behavioural analysis and the companies will work together to advance the capabilities in the exciting area of predictive analytics. The Agreement includes an option to purchase all of the shares of Larus during the twenty-four-month term of the agreement and during the six months following completion of the partnership. The option to purchase is currently valued at nil. At the end of the twenty-four month term, we will begin paying a royalty of 30% on the gross sales of products that are derived from the Larus Total::Insight™ technology. For additional information, refer to note 6 (Intangible assets), note 8 (Loans payable, financial instruments and foreign exchange) and note 10 (Commitments and contingencies) in the Notes to the Interim Condensed Consolidated Financial Statements.

In December 2015, the Government of Canada ("GoC") initiated a request-for-proposal ("RFP") competitive process to procure S-AIS services and on May 5, 2016, the contract was awarded exclusively to exactEarth. With its decision, the GoC selected a service level that was well below that which it previously subscribed to. The awarded contract value represents approximately $100 per year, which is approximately $7,100 per year lower than the annual revenue level generated by exactEarth for S-AIS data services that was previously provided to the GoC for their domestic use.

The GoC initiated a second RFP to procure S-AIS services in October 2016. On February 24, 2017, we received notice from the GoC that our proposal had not been selected for the new S-AIS contract. While the loss of revenue from the current contract with the GoC is not significant, the GoC remains a customer of ours and we will continue to explore ways to work with them, such as we are doing on the Polar Epsilon 2 project, which we announced in November 2016.

On May 5, 2016, Innovation, Science and Economic Development Canada announced a $54,000 Technology Demonstration Program contribution to MDA Systems Ltd. ("MDA") and its partners. The funding is designed to support large scale technology demonstration projects related to the Canadian aerospace, defence, space, and security industries. On May 9, 2016, exactEarth entered into a Technology Demonstration Program Collaboration Agreement ("TDP Agreement") with MDA as a Partner Recipient under the Technology Demonstration Program related to Space Technology and Advanced Research ("STAR"). The TDP Agreement provides funding at 50% of eligible costs in respect of STAR projects to a maximum total funding value of $1,250. This funding is available to partially offset eligible STAR project costs during the period commencing August 12, 2014 and ending March 31, 2022. The funding recognized as an offset to cost of revenue in the three months ended January 31, 2017 was $99. We had recognized $667 as at October 31, 2016 hence the total recovery to date is $766.

In August 2016, we won our first small-vessel contract that leverages our partnership with SRT. The contract for $1,254 is with the Ghana Fisheries Commission, an agency of the Ministry of Fisheries and Aquaculture Development (MOFAD) of the Government of Ghana, for the supply, installation, training and commissioning of Class B AIS on 450 fishing vessels. The contract is for a twelve-month period. We have not yet recognized any of the revenue on this contract, since, though the transponders have been delivered by SRT in the UK to Ghana, the installation of the units was not completed as of January 31, 2017. The installation activity is expected to commence in the second quarter.

Staffing

We rely on the knowledge and talent of our employees and we make use of their expertise in satellite operations, Big Data architecture, web services, software and product development, and consulting services. With the deployment of our First Generation Constellation nearing completion, we are now able to reduce our satellite infrastructure operating costs as we continue to transition to an information and intelligence company.

In November 2016 we announced a restructuring aimed at re-organizing and streamlining our organization in order to enhance our data delivery, strengthen our sales capabilities, and lower our cost base. The restructuring resulted in the termination of 14 employees effective October 13, 2016.

The number of full-time employees at January 31, 2017 was 48 (January 31, 2016: 65).

Overall Performance

Revenue for the three months ended January 31, 2017 was $3,336 compared to $6,380 over the same period in 2016. Governments are our primary target market since our system capabilities are closely matched to their service requirements. Government customers contributed $1,922 to the revenue in the three months ended January 31, 2017, compared to $5,069, in the three months ended January 31, 2016. The change in year-over-year revenue was primarily due to lower revenue generated from the GoC contract during the first quarter of 2017.

There was an 8% increase in non-Government department customer revenues during the same period with revenue of $1,414 in the three months ended January 31, 2017, compared to $1,311 in 2016.

Order Bookings for the three months ended January 31, 2017 were $8,851 compared to $4,224 in the first quarter of 2016. Orders increased in the three months ended January 31 2017, due to our expanding customer base and the sale of additional product offerings. The significant contributors to awards this quarter were: Antrix Corporation (India) $2,328 and a partnership agreement for $2,665 to provide S-AIS services to another large country in Asia and a deal with the UK Space Agency $1,835 totalling $6,828 representing 77% of the bookings in the first quarter.

Revenue related to Subscription Service orders will typically be realized over a twelve-month period, while revenue related to product orders is realized upon delivery. The backlog of orders won but not yet recognized in revenue is $28,066, up 24% from the $22,551 backlog reported at October 31, 2016. $6,630 of the current backlog is forecasted to be earned in the remainder of 2017 while $5,224 is expected to be earned in 2018. The balance $16,212 will be earned between 2019 and 2024.

Volatility in exchange rates between Canadian and foreign currencies such as the US dollar, the Euro and the Pound sterling impact the business as a portion of our revenues are billed in non-Canadian currencies (predominately in Pounds sterling) and recognized in our Consolidated Statements of Financial Position in the form of cash, receivables, and payables. The Bank of Canada average noon GBP/CAD exchange rate during the quarter ended January 31, 2017 was $1.6547 compared to an average of $2.0390 for the first quarter of 2016. The Bank of Canada average noon Euro/CAD exchange rate during the quarter ended January 31, 2017 was $1.4193 compared to an average of $1.4865 for the first quarter of 2016. The Bank of Canada average noon USD/CAD exchange rate during the quarter ended January 31, 2017 was $1.3306 compared to an average of $1.3736 in the first quarter of 2016.

Adjusted EBITDA for the three months ended January 31, 2017 was ($635) compared to $1,456 in the first quarter of 2016. The decrease in Adjusted EBITDA was driven primarily by lower revenue from the GoC contract renewal offset by decreased cost of revenue and operating expenses. Please refer to the Adjusted EBITDA reconciliation included later in this MD&A.

For an analysis of risks we face, please refer to the "Risk Factors" section in our AIF.

Results of Operations

Revenue

We sell products in three broad categories: Subscription Services, Data Products, and Other Products and Services. Generally, Subscription Services are sold with a twelve-month period of service with revenue recognized equally over the contract term. Data Products and Other Products and Services are generally sold on an as-demanded basis and the revenue is recognized when the product is delivered to the customer, or for long-term projects, on a percentage of completion basis. Revenue for the Data Products and for the Other Products and Services tends to be less predictable and is subject to fluctuations from one period to the next.

Revenues for the three months ended January 31 2017:

(in thousands of dollars)	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 1,777	$ 92	$ 54	$ 1,923
Commercial and other	$ 1,194	187	32	1,413
Total revenue	$ 2,971	$ 279	$ 86	$ 3,336

Revenues for the three months ended January 31, 2016:

(in thousands of dollars)	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 4,305	$ 70	$ 694	$ 5,069
Commercial and other	1,077	234	-	1,311
Total revenue	$ 5,382	$ 304	$ 694	$ 6,380

Our total revenue for the three months ended January 31, 2017 was $3,336 compared to $ $6,380 in the first quarter of 2016.

The first quarter of Fiscal 2017 included $618 of non-cash Subscription Services revenue stemming from an Asset Transfer Agreement with Communitech related to the EV-9 satellite. Under the agreement, we were to provide in-kind datasets at a value of $3,666 in exchange for title to the EV-9 satellite, subject to certain restrictions within the six-year period ending March 31, 2021. The full amount of data has been delivered to Communitech as of January 31,2017 and we have transferred the carrying value of the EV9 data rights of $5,133 from intangible assets to Property, plant and equipment on our Balance Sheet.

We anticipate that the drivers for the next phase of revenue growth will be the expansion of our satellite constellation on-board Iridium NEXT, new analytics applications for the S-AIS and maritime information services markets and sales traction within the small vessel tracking market.

Our Subscription Services revenue is generally earned on a monthly recurring basis under annual or multi-year contracts and therefore provides a solid foundation for our revenue growth. Subscription Services revenue for the three months ended January 31, 2017, was $2,971, compared to $5,382 in the first quarter in 2016. Subscription-based revenue represented 89% of our total revenue in the three months ended January 31, 2017, compared to 84% in the first quarter of 2016.

Revenue from Data Products was $279 in the three months ended January 31, 2017, compared to $304 earned in the first quarter of 2016.

Revenue from Other Products & Services was $86 in the three months ended January 31,2017 compared to $694 in the first quarter of 2016. This revenue type is generated from on-demand customer requests and is therefore variable in its timing.

Revenue by quarter

(in thousands of dollars)	Subscription Services	Data Products	Other Products & Services	Total Revenue	Basic & Diluted Loss per Share
Q1 2015	$ 5,055	$ 58	$ 305	$ 5,418	$ (0.09)
Q2 2015	$ 5,104	$ 282	$ 553	$ 5,939	$ (0.16)
Q3 2015	$ 5,136	$ 1,891	$ 754	$ 7,781	$ (0.13)
Q4 2015	$ 5,297	$ 1,690	$ 475	$ 7,462	$ (0.09)
Q1 2016	$ 5,382	$ 304	$ 694	$ 6,380	$ (0.09)
Q2 2016	$ 4,052	$ 959	$ 211	$ 5,222	$ (1.89)
Q3 2016	$ 2,822	$ 1,016	$ 170	$ 4,008	$ (1.77)
Q4 2016	$ 2,823	$ 166	$ 319	$ 3,308	$ (1.90)
Q1 2017	$ 2,971	$ 279	$ 86	$ 3,336	$ (.09)

The quarter over quarter variance in revenue is caused by the mix in the type of revenue earned in that quarter. Subscription Services revenue tends to be steady due to the generally recurring nature of those client agreements. Data Products Revenue is on demand and therefore less predictable. Other Products & Services revenue is predominantly project based revenues and due to the nature of percentage of completion revenue recognition, the quarterly revenues tend to vary quarter to quarter based on the progress made on the various projects.

The operating results for interim periods should not be relied upon as an indication of results to be expected or achieved in any future period or any fiscal year as a whole. Factors affecting our revenue and results, many of which are beyond our control, are described in greater detail under the heading “Risks Relating to Our Business and Industry” in our Annual Information Form.

We have two remaining satellites that will complete our First-Generation constellation, EV-7 and EV-8. EV-7 was launched on June 22, 2016 and commissioning is underway. EV-8 is awaiting launch, but no confirmed launch date has been announced at this time. Growth in Subscription Services revenue is expected to be muted until these assets are in operation and until the Second-Generation constellation begins to come on line.

Gross profit

Three months ended: (in thousands of dollars)	January 31, 2017	January 31, 2016
Gross profit	$ 1,497	$ 3,752
Gross margin	44.9%	58.8%

Gross margin for the three months ended January 31, 2017 was 44.9% compared to 58.8% in the first quarter of 2016. Gross margin decreased from last year due to lower revenue in all three broad categories: Subscription Services, Data Products, and Other Products and Services. Our cost of revenue was offset in part ($99) by the reimbursement of costs related to the TDP Agreement. Costs increase relative to the number of satellites and ground stations, and volume of data processing, rather than relative to the number of customers. Therefore, as our customer base expands, we expect that our cost base will grow more slowly than the growth of our revenues which will result in increased gross margins. We have completed the build-out of our ground station expansion which will become operational in the second quarter and therefore we expect our ground station costs to remain constant for the remainder of the fiscal year.

Research and development ("R&D")

We did not incur any expense for research and development in the three months ended January 31, 2017 compared to $10 in the first quarter of 2016. R&D has remained low as the technology used to receive and de-collide S-AIS signals has matured and efforts have been more focused on customer facing product development.

Selling, general and administrative expenses

Selling, general and administrative (SG&A) expenses of $1,963 in the three months ended January 31,2017 were in line with the $1,941 spent in the first quarter of 2016. Generally, SG&A benefited from the lower cost base due to the restructuring that the Company undertook in Q4 2016 however, SG&A for the three months ended January 31, 2017 included public company expenses, sales commission costs related to the significantly higher order bookings. SG&A expenses will fluctuate from quarter to quarter depending on the volume of new subscriptions versus renewals and the timing of renewals. SG&A costs also included $103 moving costs related to moving our office to our new location in January 2017.

Product development

Product development expense in the three months ended January 31,2017 was $410 compared to $453 in the same period last year. We continue to focus on developing more web based functionality as well as new analytics-based product offerings during fiscal 2017.

Impairment losses

At the end of each reporting period, the Company assesses whether there are events or circumstances indicating that an asset may be impaired. Such events or circumstances notably include material adverse changes which in the long-term impact the economic environment or the Company's assumptions or objectives. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment because the Company as a whole has been assessed as a single CGU. The recoverable amount is the greater of value in use ("VIU") and fair value less costs of disposal.

The Company's market capitalization remains lower than the carrying amount as at January 31, 2017. However, there were no significant developments in the quarter that would require changes to the model used for the October 31, 2016 impairment test or significant changes to the carrying value. Accordingly, the Company did not test for impairment as at January 31, 2017 and no further impairment was recorded.

Other expenses:

	Three months ended			
(in thousands of dollars)		January 31, 2017		January 31, 2016
Restructuring Charge	$	32	$	-
Foreign Exchange Loss	$	118	$	678
Interest Expense	$	15	$	294
All Other Expenses	$	3	$	-
Total Other Expenses	**$**	**168**	$	**972**

Restructuring Charge:

As set-out above in the "Staffing" section, we underwent a restructuring in October 2016. The $32 expense relates to the top-up of the restructuring reserve established in October 2016 for the accrual for Stock Options and RSU/PSU payouts owed to the 14 employees that were terminated. The reserve needed to be topped up since the share price increased from $1.48 at October 31, 2016 to $1.99 at January 31, 2017.

Foreign exchange

Foreign exchange amounts in the Interim Consolidated Statements of Comprehensive Loss include realized and unrealized gains and losses that result from translation of foreign denominated balances in our Consolidated Statements of Financial Position. The impact of translation of outstanding foreign denominated balances in the Interim Consolidated Statements of Financial Position and of settling foreign denominated balances into cash during the three months ended January 31,2017 was a loss of $118 compared to a loss of $678 in the same period last year.

Interest (income) expense

Our net interest expense for the three months ended January 31, 2017 was $15 compared to $294 in the first quarter of Q1 2016. Interest expense decreased due to the conversion of shareholder credit facilities and accounts payable to shareholders' equity upon completion of the Spinout Transaction in February 2016.

Adjusted EBITDA

		Three months ended		
		January 31, 2017		January 31, 2016
Net loss	$	(1994)	$	(1,001)
Interest expense (income)	$	15	$	294
Income tax expense	$	5	$	-
Depreciation and amortization	$	945	$	1,377
EBITDA	$	(1,029)	$	670
Unrealized foreign exchange loss	$	(14)	$	786
Share-based compensation	$	375	$	-
Restructuring costs	$	32	$	-
Adjusted EBITDA	**$**	**(636)**	**$**	**1,456**

Adjusted EBITDA for the three months ended January 31, 2017, was $(636) compared to $1,456 for the three months ended January 31,2016. The decrease of $2,092 was driven by higher net loss of $993, decreased interest expense $279, lower depreciation expense of $432 and lower FX loss $800 offset by share based compensation of $375, restructuring cost of $32 and income tax expense of $5. Management believes that Adjusted EBITDA provides a relevant measure of the results of our main business activities before taking into consideration how they are financed or taxed and excluding the impact of certain non-cash expenses and items that are considered to be outside of our ongoing operating results.

Net loss

Net loss was $(1,994) in the three months ended January 31,2017, compared to a net loss of $(1,001) in the first quarter of 2016. Net loss increased due primarily to lower revenue (primarily government revenue), which was partially offset by a decrease in cost of revenue, operating expenses, depreciation expense, loss on foreign exchange and interest expense.

Financial position:

The following chart outlines the significant changes in the Consolidated Statements of Financial Position between October 31, 2016 and January 31, 2017:

(in thousands of dollars)	Increase/ (Decrease)	Explanation
Cash and cash equivalents	$ (2,526)	Regular operational expenses which were not offset by cash receipts due to reduced billings and non cash revenue.
Accounts receivable	$ 92	Accounts receivable balance fluctuates with changes in billings and collections.
Unbilled revenue	$ (324)	Unbilled revenue reflects the amount of revenue recognized in advance of billings. The balance has declined as we completed certain long-term contracts.
Prepaid expenses and other	$ 333	Driven by prepaid sub contract costs.
Property, plant and equipment	$ 3,937	Includes $5,133 relating to net book value of EV9 transferred in from Intangible Assets with respect to data transfer agreement described in “results from operations” above. Also includes cancellation of a ground station construction arrangement amounting to $696 where we received full credit.
Intangible assets	$ (4,810)	Predominantly EV9 transfer of $5,133 to PP&E, offset by amortization.
Current accounts payable and accrued liabilities	$ (1,534)	The decrease in accounts payable was driven by the reversal of the liability related to the aforementioned ground station arrangement and payments made in quarter one.
Restructuring Reserve	$ (370)	On going payments due to salary continuance for 14 employees affected by the restructuring in October 2016.
Deferred revenue	$ 399	Deferred revenue reflects billings that occur in advance of revenue recognition. $386 of the increase is driven by the advanced billings on the new Oasis-TU contract in the UK
Loans payable and Government loan payable (current and non-current)	$ (174)	The reduction is due to principal payments made on the Government and Larus loans in the quarter.
Long-term incentive plans (current and non-current)	$ 262	Increase related to the mark-to-market adjustment and an additional portion of restricted stock units and preferred stock units earned during Q1. These units are expected to be settled in cash.
Contributed surplus	$ 103	Increase related to expense recognized on stock options during the quarter. These stock options will be equity settled.
Accumulated other comprehensive loss	$ 5	Increase attributed to foreign exchange on translation of the foreign subsidiary.
Deficit	$ (1,994)	Net loss of $1,994.

Liquidity and capital resources

The key liquidity and capital resource items are as follows:

(in thousands of dollars)	January 31, 2017	October 31, 2016	% Change
Cash	$ 11,154	$ 13,680	(18%)
Trade accounts receivable	$ 1,870	$ 1,778	5%
Inventory	$ 425	$ 425	0%
Accounts payable and accrued liabilities	$ 3,875	$ 5,409	(28%)
Loans payable	$ 1,730	$ 1,904	(9%)

Working Capital

Working capital decreased $948 during Q1 2017 to $7,263. The decrease since Q4 is driven by:

(in thousands of dollars)	Increase/ (Decrease) to working capital
Decrease in cash	$ (2,526)
Decrease in unbilled revenue	$ (324)
Increase in accounts receivable	$ 92
Increase in prepaid expenses and other assets	$ 333
Decrease in accounts payable	$ 1,534
Increase in deferred revenue	$ (399)
Decrease in current portion of the restructuring provision	$ 400
All other	$ (58)
Total	$ (948)

Current assets are available at varying times within twelve months following the balance sheet date. Cash and cash equivalents are readily available to settle obligations related to current and future expenditures. Management believes these provisions will not adversely affect the Company's ability to meet its commitments when due.

Significant cash flows:

Three months ended January 31:

(in thousands of dollars)	2017	2016
Cash used in operating activities	$ (2,055)	$ (380)
Cash used in investing activities	$ (154)	$ (3,307)
Cash used in financing activities	$ (211)	$ (2,877)
Effect of exchange rate changes on cash	$ (106)	$ 121
Net decrease in cash and cash equivalents	$ (2,526)	$ (689)
Cash, beginning of the period	$ 13,680	$ 2,365
Cash, end of the period	$ 11,154	$ 1,676

Operating activities

We used $2,055 of cash in operating activities in the three months ended January 31, 2017, compared with $380 in the first quarter of 2016. The variance of $1,675 was primarily driven by a reduction of revenue of $3,044 which was partially offset by a decrease in cost of sales of $789 and lower expenses of $508.

Investing activities

We used $154 of cash for investing activities in the three months ended January 31, 2017, compared with $3,307 in the first three months of 2016.

Financing activities

We used $211 of cash for financing activities in the three months ended January 31, 2017, compared with $2,877 in the first three months of 2016. The increased financing activities in Q1 2016 was primarily related to advances of shareholder loans offset by repayment of the Government loan.

Contractual obligations

The following table outlines the contractual cash obligations (excluding accounts payable and accrued liabilities) as at January 31, 2017:

(in thousands of dollars)	Total	Less than one year	1-3 years	4-5 years	>-5 years
Lease obligation	$ 498	$ 90	$ 196	$ 212	$ -
Government loan	1,517	492	1,025	-	-
Larus Technologies debt	408	350	58	-	-
Long-term profit sharing plan	664	125	539	-	-
Restructuring Reserve	1,226	754	472		
Capital commitments	4,663	2,102	404	1281	876
Total contractual obligations	$ 8,976	$ 3,913	$ 2,694	$ 1,493	$ 876

As at January 31, 2017, we had various contractual cash obligations, including Government debt and capital commitments.

We entered into an arrangement effective March 17, 2015 committing us to provide in-kind datasets at a value of $3,666, not licensed for commercial use, in exchange for title to the EV-9 satellite, subject to certain restrictions on the use, sale or transfer of the satellite within the six-year period ending March 31, 2021. All datasets valued at $3,666, based on comparable revenue transactions with third parties and the Company's pricing methodology, have been transferred as at January 31, 2017. For additional information, refer to note 10 (Commitments and contingencies) in the notes to the Interim Consolidated Financial Statements.

Credit facilities

A Canadian Schedule I Bank has provided exactEarth Ltd with a demand operating credit facility of $2,000. Canadian dollar loans will be available by way of overdrafts. Interest will be calculated at the bank's prime rate per annum. US dollar loans will also be available by way of overdraft. US Interest will be calculated at US Base Rate per annum. This credit facility may be terminated by the bank at any time. There are no financial covenants established as yet, with the necessity for specific covenants assessed in future as financing needs of exactEarth Ltd continue to change/evolve. As of January 31, 2017, $234 was drawn on the bank credit facility in the form of Letters of Guarantee required for certain customer contracts. There has been no further activity on this line of credit as of March 06, 2017.

Off-balance sheet arrangements

As at January 31, 2017, we do not have any off-balance sheet arrangements, other than operating leases as disclosed in note 10 (Commitments and contingencies) in the Notes to the Consolidated Financial Statements.

Proposed transactions

We did not have any proposed transactions as at January 31, 2017.

Subsequent events:

On February 3, 2017, we lost contact with EV-5, one of the satellites in our First Generation constellation. The book value of this asset as at January 31, 2017 was $2,069. Recovery attempts are continuing and the company's insurer has been notified. The company has in-orbit insurance providing coverage up to a maximum of $3,500.

The GoC initiated a second RFP to procure S-AIS services in October 2016. On February 24, 2017, we received notice from the GoC that our proposal had not been selected for the new S-AIS contract. While the loss of revenue from the current contract with the GoC is not significant, we are disappointed with this outcome and are reviewing this decision. The GoC remains a customer of ours and we will continue to explore ways to work with them, such as we are doing on the Polar Epsilon 2 project, which we announced in November 2016.

Summary of Significant Accounting Policies

Critical accounting estimates

The preparation of our Interim Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates are based upon management's historical experience and various other assumptions that are believed by management to be reasonable under the circumstances. Such assumptions and estimates are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources as well as the periodic recognition of revenue and cost of revenue. Actual results could differ from these estimates.

We believe the following critical accounting policies affect the more significant estimates and assumptions used in the preparation of our Consolidated Financial Statements.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Data

The majority of revenue is derived from the sale of data subscriptions. For subscription revenue, the timing of cash flows generally precedes the recognition of revenue and income. Any initial payments are deferred and recognized rateably as data is delivered over the subscription period.

Revenue is recognized upon delivery for non-subscription data sales.

Provision of Products and Services

We occasionally provide goods, including Class B transponders, and services to its customers under long-term contracts. When there are more than one good or service included in an arrangement, it is necessary to assess the whether those components should be separated or combined for purposes of recognizing revenue. Further, it is necessary to assess the fair value of distinct components and allocate the total contract value based on the relative fair values.

The Company recognizes revenue on long-term contracts based on the stage of completion in accordance with IAS 18 if the contract is a service contract or IAS 11 if the contract represents a construction contract. Depending on the nature of the contract, the stage of completion may be assessed based on costs incurred relative to the estimated total contract costs or other measures. Losses on such contracts are accrued when the estimate of total costs indicates that a loss will be realized. Accruals are drawn down as loss contracts progress. Contract billings received in excess of recognized revenue are included in current liabilities as deferred revenue.

Project costs to complete

At the outset of each customer project, an estimate of the total expected cost to complete the scope of work under contract is made. For those contracts where revenue is recognized based on actual costs incurred relative to estimated total costs, these estimates are reviewed and revised to reflect current expectations of cost to complete, and total cost. These estimates are based on specific knowledge of the status of the project, as well as historical understanding of costs on similar projects. Cost elements include material, direct labour, and overhead costs, with labour and overhead costs being determined using pre-established costing rates applied to estimated labour hours required to complete the scope of work under contract. These estimates are reviewed on a monthly and quarterly basis to ensure the estimates reflect the current expectations for total costs, however this is not a guarantee that unforeseen or additional costs won't be incurred, which would have an impact on project total cost, reported revenue, and gross margins. Management believes it has effective control procedures in place to ensure the validity of these estimates at the time they are made.

Allowance for doubtful accounts

We have established an allowance for doubtful accounts taking into consideration aging of the receivables, communications with customers, credit issues, and historical losses. We will increase the allowance for specific accounts if it has objective evidence that its customer is experiencing significant financial difficulty.

Useful life of intangible and long-term assets

We have established policies for determining the useful life of our intangible and long-term assets, and amortize the costs of these assets over those useful lives. The useful life for each category of asset is determined based on the expectation of our ability to continue to generate revenues, and thus, our cash flows. This ability is tested periodically to ensure the conditions still exist to allow the asset to be reflected at its net-recorded value in our accounts, and any impairment to the valuation is reflected in such accounts at the time the impairment is determined.

Recoverable amount for long-lived assets

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset or at the CGU level if individual assets do not have largely independent cash inflows. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Capitalization of development costs

When capitalizing development costs, we must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets, and therefore, the estimates and assumptions associated with these calculations are instrumental in: (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of our projects.

Financial instruments

The valuation of our financial instruments requires estimation of the fair value of each instrument at the reporting date. Details of the basis on which fair value is estimated are provided in note 9 (Loans payable, financial instruments and foreign exchange) in the Condensed Notes to the Consolidated Financial Statements.

Changes in Accounting Policies Including Initial Adoption

There were no changes to accounting policies during the quarter ended January 31, 2017 compared to the accounting policies applied in the audited consolidated financial statements for the year ended October 31, 2016.

Future changes in accounting policies

A number of new standards, and amendments to standards and interpretations are not effective for the Company, and have not been applied in preparing the Consolidated Financial Statements. The following standards and interpretations have been issued by the International Accounting Standards Board ("**IASB**") and the International Financial Reporting Interpretations Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

International Financial Reporting Standard 9 Financial instruments: classification and measurement

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is evaluating the impact of adopting this new standard.

International Financial Reporting Standard 15 Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which establishes a single comprehensive model of accounting for revenue arising from contracts with customers that an entity will apply to determine the measurement of revenue and timing of when it is recognized. IFRS 15 supersedes current revenue recognition guidance, which is found currently across several standards and interpretations including IAS 11, *Construction Contracts* and IAS 18, *Revenue*. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the amount an entity expects to be entitled in exchange for those goods and services. The new standard will also result in enhanced disclosures about revenue that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard becomes effective for the Company on November 1, 2018. The Company is currently assessing the impact of adopting this new standard.

International Financial Reporting Standard 16, Leases

On January 13, 2016, the IASB issued IFRS 16, *Leases*, which will replace International Accounting Standard ("IAS") 17, *Leases*. The new standard will be effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. The standard becomes effective for the Company on November 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The Company is currently assessing the impact of adopting this new standard.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified under those laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's report on internal control over financial reporting

Internal control over financial reporting is designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. The Company used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the effectiveness of internal control over financial reporting.

Changes in internal controls over financial reporting

The Company made no changes to internal controls over financial reporting during the quarter ended January 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTSTANDING SHARE DATA

The number of issued and outstanding Common Shares was 21,605,506 as of the date of this MD&A.