

exactEarth™ Ltd.
Interim Condensed Consolidated Statements of Financial Position
(in thousands of Canadian dollars)
unaudited

	As at April 30, 2018	As at October 31, 2017
	<u>\$</u>	<u>\$</u>
ASSETS		
Current assets		
Cash	5,848	8,117
Trade accounts receivable (note 14)	3,187	3,171
Unbilled revenue (note 15)	594	425
Prepaid expenses and other assets	971	1,266
Total current assets	<u>10,600</u>	<u>12,979</u>
Property, plant and equipment (notes 6, 8 and 16)	12,285	12,576
Intangible assets (notes 7, 8 and 16)	5,239	5,405
Total assets	<u><u>28,124</u></u>	<u><u>30,960</u></u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 9 and 14)	5,024	3,722
Deferred revenue (note 15)	2,299	2,064
Restructuring provision (note 17)	10	388
Loans payable - current (note 9)	441	567
Long-term incentive plan liability - current (note 10)	-	166
Total current liabilities	<u>7,774</u>	<u>6,907</u>
Loans payable (notes 4 and 9)	436	662
Long-term incentive plan liability (note 10)	318	343
Other long-term liabilities (note 9)	53	45
Total liabilities	<u>8,581</u>	<u>7,957</u>
Shareholders' equity		
Share capital (note 10)	123,794	123,781
Contributed surplus (note 10)	1,322	1,070
Accumulated other comprehensive loss	(121)	(44)
Deficit	(105,452)	(101,804)
Total shareholders' equity	<u>19,543</u>	<u>23,003</u>
Total liabilities and shareholders' equity	<u><u>28,124</u></u>	<u><u>30,960</u></u>

See accompanying notes

On behalf of the Board:

Harvey Rein - Director - exactEarth Ltd.
Peter Mabson - Director - exactEarth Ltd.

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Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
(in thousands of Canadian dollars)
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For the six months ended April 30, 2018	Total	Deficit	Accumulated Other Comprehensive Income (Loss)	Share Capital	Contributed Surplus
	\$	\$	\$	\$	\$
Balance at October 31, 2017	23,003	(101,804)	(44)	123,781	1,070
Stock-based compensation expense (note 10)	130	-	-	-	130
Transfer RSUs to contributed surplus (note 10)	122	-	-	-	122
Issuance of common shares (note 10)	13	-	-	13	-
Comprehensive loss	(3,725)	(3,648)	(77)	-	-
Balance at April 30, 2018	<u>19,543</u>	<u>(105,452)</u>	<u>(121)</u>	<u>123,794</u>	<u>1,322</u>
For the six months ended April 30, 2017					
Balance at October 31, 2016	56,543	(67,970)	45	123,769	699
Stock-based compensation expense (note 10)	190	-	-	-	190
Comprehensive loss	(2,303)	(2,170)	(133)	-	-
Balance at April 30, 2017	<u>54,430</u>	<u>(70,140)</u>	<u>(88)</u>	<u>123,769</u>	<u>889</u>

See accompanying notes

exactEarth™ Ltd.
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(in thousands of Canadian dollars except for per share figures)
Unaudited

		Three months ended		Six months ended	
		April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017
		\$	\$	\$	\$
Revenue	(notes 15 and 16)	3,179	3,711	6,015	7,047
Cost of revenue	(note 4)	<u>2,232</u>	<u>2,920</u>	<u>4,347</u>	<u>4,850</u>
Gross profit		947	791	1,668	2,197
Operating expenses					
Selling, general and administrative		2,316	1,382	3,636	3,254
Product development and R&D		487	426	986	836
Depreciation and amortization	(notes 6 and 7)	<u>407</u>	<u>961</u>	<u>811</u>	<u>1,906</u>
Loss from operations		<u>(2,263)</u>	<u>(1,978)</u>	<u>(3,765)</u>	<u>(3,799)</u>
Other expenses (income)					
Other income	(note 18)	-	(1,455)	-	(1,455)
Other expense		-	45	-	48
Restructuring expense (recovery)	(note 17)	5	(40)	(2)	(8)
Foreign exchange gain		(230)	(377)	(138)	(259)
Interest expense	(notes 4 and 9)	<u>7</u>	<u>17</u>	<u>14</u>	<u>32</u>
Total other expenses (income)		(218)	(1,810)	(126)	(1,642)
Income tax expense	(note 12)	<u>4</u>	<u>8</u>	<u>9</u>	<u>13</u>
Net loss		(2,049)	(176)	(3,648)	(2,170)
Other comprehensive loss					
Item that may be subsequently reclassified to net loss:					
Foreign currency translation, net of income tax expense of nil		<u>(36)</u>	<u>(138)</u>	<u>(77)</u>	<u>(133)</u>
Total other comprehensive loss		<u>(36)</u>	<u>(138)</u>	<u>(77)</u>	<u>(133)</u>
Comprehensive loss		<u>(2,085)</u>	<u>(314)</u>	<u>(3,725)</u>	<u>(2,303)</u>
Loss per share					
Basic loss per share	(note 10)	(0.09)	(0.01)	(0.17)	(0.10)

See accompanying notes

exactEarth™ Ltd.
Interim Condensed Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)
unaudited

	Three months ended		Six months ended	
	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017
	\$	\$	\$	\$
Net loss	(2,049)	(176)	(3,648)	(2,170)
Add (deduct) items not involving cash				
Non-monetary transaction (note 11)	(30)	-	(30)	(618)
Non-cash interest (notes 4 and 9)	18	34	41	71
Depreciation and amortization (notes 6 and 7)	407	961	811	1,906
Loss on disposal of assets	-	-	-	3
Long-term incentive plan expense (note 10)	128	(91)	207	174
Gain on insurance settlement	-	(1,455)	-	(1,455)
Stock-based compensation (note 10)	38	87	130	190
Technology demonstration program recovery (note 4)	(81)	(51)	(176)	(150)
Restructuring reserve - revaluation (note 17)	5	-	(2)	-
Net change in non-cash working capital balances	1,116	(1,488)	1,337	(2,335)
Other operating cash flows				
Restructuring provision - payment of salary continuance (note 17)	(216)	(418)	(376)	(820)
Settlement of RSUs (note 11)	(238)	(112)	(238)	(112)
Technology demonstration program funding received (note 4)	194	-	326	552
Cash flows used in operations	<u>(708)</u>	<u>(2,709)</u>	<u>(1,618)</u>	<u>(4,764)</u>
Investing activities				
Acquisition of property, plant and equipment (note 6)	(359)	(100)	(587)	(423)
Reimbursement of acquisition costs of property, plant and equipment (note 6)	21	-	252	224
Insurance Recovery	-	3,500	-	3,500
Acquisition of intangible assets (note 7)	(13)	(137)	(17)	(192)
Cash flows used in investing activities	<u>(351)</u>	<u>3,263</u>	<u>(352)</u>	<u>3,109</u>
Financing activities				
Government loan repayment (notes 4 and 9)	(123)	(123)	(246)	(246)
Long-term debt repayment (note 9)	(58)	(88)	(146)	(176)
Cash flows used in financing activities	<u>(181)</u>	<u>(211)</u>	<u>(392)</u>	<u>(422)</u>
Effect of exchange rate changes on cash	90	209	93	103
Net decrease in cash	(1,150)	552	(2,269)	(1,974)
Cash, beginning of the period	6,998	11,154	8,117	13,680
Cash, end of the period	<u>5,848</u>	<u>11,706</u>	<u>5,848</u>	<u>11,706</u>
Supplemental cash flow information				
Interest received	11	-	27	-
Income taxes paid	4	8	9	13

See accompanying notes

exactEarth™ Ltd.

Notes to the Interim Condensed Consolidated Financial Statements

April 30, 2018

(in thousands of Canadian dollars, except where otherwise noted and share data)

1. DESCRIPTION OF THE BUSINESS

Founded in 2009, exactEarth™ Ltd. (the "Company" or "exactEarth") is a provider of space-based maritime tracking data from its satellites. exactEarth leverages advanced microsatellite technology to deliver monitoring solutions. The Company is incorporated under the *Canada Business Corporations Act* and its shares are listed on the Toronto Stock Exchange. The Company's head office is located at 260 Holiday Inn Drive, Cambridge, Ontario, Canada. The Company became a publicly traded company on February 9, 2016 through a spin-out transaction from Com Dev International Ltd. (the "Spinout Transaction").

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These interim condensed consolidated financial statements present the Company's results of operations and financial position as at and for the three and six months ended April 30, 2018, including the comparative period, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements have been prepared in compliance with IAS 34, *Interim Financial Reporting* as issued by the IASB. Accordingly, these interim condensed consolidated financial statements do not include all the information required for full annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual consolidated financial statements for the year ended October 31, 2017.

These interim condensed consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on June 13, 2018.

b) Basis of presentation

These interim condensed consolidated financial statements include the accounts of the Company and its subsidiary, with intercompany transactions and balances eliminated. The Company has two divisions, one in Cambridge, Ontario, Canada, and one in Harwell, United Kingdom.

These interim condensed consolidated financial statements are presented in Canadian dollars and have been prepared on a historical cost basis.

The Company has experienced lower than planned revenues combined with operating losses resulting in a reduction in forecast cash flows. Management has assessed and concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Management applied significant judgment in arriving at this conclusion including:

- The amount of new sales orders and total revenue to be generated to provide sufficient cash flow to continue to fund operations and other committed expenditures;
- The timing of generating those new sales and the timing of the related cash flow;

- The ability to draw upon existing financing facilities to support ongoing operations; and
- The assessment of potentially discretionary expenditures that could be delayed in order to manage cash flows.

Management is currently assessing potential additional financing alternatives including government incentive programs and other funding sources. Given the judgment involved, actual results may lead to a materially different outcome.

3. FUTURE ACCOUNTING CHANGES

Standards issued, but not yet effective or amended up to the date of issuance of the Company's interim condensed consolidated financial statements, are listed below. This listing is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

IFRS 2, Share-based Payment ("IFRS 2")

In June 2016, the IASB issued final amendments to IFRS 2, which clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The amendments become effective for the Company November 1, 2018. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39, 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. The standard becomes effective for the Company on November 1, 2018. Retrospective application is required, but comparative information is not compulsory. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued 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

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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 on its consolidated financial statements.

IFRS 16, Leases ("IFRS 16")

On January 13, 2016, the IASB issued IFRS 16, which will replace IAS 17, *Leases* ("IAS 17"). 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 12 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 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 Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

International Financial Reporting Interpretations Committee 22, Foreign Currency Transactions and Advance Consideration

Foreign Currency Transactions and Advance Consideration clarifies the appropriate exchange rate to use on initial recognition of an asset, expense or income when advance consideration is paid or received in a foreign currency. The new interpretation is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this new interpretation on its consolidated financial statements.

International Financial Reporting Interpretations Committee 23, Uncertainty over Income Tax Treatments

Uncertainty over Income Tax Treatments provides guidance when there is uncertainty over income tax treatments including (but not limited to) whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates; and the impact of changes in facts and circumstances. The new interpretation is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of the new interpretation in its consolidated financial statements.

4. GOVERNMENT ASSISTANCE

Federal Development Agency Loan

On November 16, 2012, exactEarth signed an interest-free loan agreement with the Federal Development Agency for Southern Ontario ("FED DEV"). Under this agreement, exactEarth was eligible to receive interest-free repayable funding for certain expenditures incurred from May 6, 2011 to March 31, 2014 to a maximum of \$2,491. The interest-free loan is repayable in 60 equal consecutive monthly instalments that began on April 1, 2015. During the three and six months ended April 30, 2018, the Company made payments of \$123 and \$246 (April 30, 2017 – \$123 and \$246). The undiscounted amount payable related to the FED DEV loan is \$943 (October 31, 2017 – \$1,190) (note 9).

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The FED DEV interest-free loan is measured at amortized cost, using the effective interest rate method at a rate of 8%. An interest rate of 8% was used based on the market interest rate for a comparable instrument with a similar term when the funding was received. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant, which is recognized as an operating grant and a capital grant based on the relative proportion of eligible expenditures incurred. The capital grant is recorded as a reduction in the cost of the related asset and amortized to income over the life of the asset.

The amounts recognized in respect of the FED DEV arrangement for the three months ended April 30 are as follows:

Recognized in the interim condensed consolidated statements of loss and comprehensive loss as follows:	2018	2017
Interest expense	\$ 17	\$ 28
Reduction of amortization expense	(3)	(8)
Net impact	\$ 14	\$ 20

The amounts recognized in respect of the FED DEV arrangement for the six months ended April 30 are as follows:

Recognized in the interim condensed consolidated statements of loss and comprehensive loss as follows:	2018	2017
Interest expense	\$ 36	\$ 54
Reduction of amortization expense	(5)	(16)
Net impact	\$ 31	\$ 38

Technology Demonstration Program Funding

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 and six months ended April 30, 2018 was \$81 and \$176 (April 30, 2017 – \$51 and \$150).

5. INVESTMENT

On November 10, 2015, the Company entered into a shareholder's agreement, licence agreement and services agreement with Myriota Pty. Ltd. ("Myriota"). Myriota is located in Adelaide, Australia, and has a fiscal year ending June 30. The Company invested AUD\$2,000 (CAD\$1,894) and in-kind contributions in 2016 valued at AUD\$400 in exchange for 32% ownership, options for further equity investment, and a licence to an advanced signal processing technology. This technology was developed at the University of South Australia in order to develop advanced terminals, infrastructure and applications for the fast-growing Satellite Internet of Things ("IoT") focused on the location tracking and sensor data applications global market. The Company assessed the fair value of each

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component and allocated the full value of the investment to the licence based on a relative fair value calculation. The fair value of the technology was assessed using a discounted cash flow method. The Company will pay a 3.5% royalty on revenue derived from the technology under licence. Services will be provided to Myriota in exchange for additional equity or for cash consideration. Management is expecting amortization of this licence to commence in late calendar 2019 when the development of the technology is incorporated into exactEarth's product lines. Myriota completed an AUD\$20,000 equity raise in the three months ended April 30, 2018. The equity raise resulted in the dilution of the Company's ownership interest to 18%.

The Company has significant influence over Myriota, and as a result, will account for the investment using the equity method. Myriota incurred losses during the three and six months ended April 30, 2018. The Company's share of these losses is not reflected in the Company's interim condensed consolidated statements of loss and comprehensive loss because the investment has a carrying value of nil based on the relative fair value calculation. The Company does not have an obligation to fund losses and will recognize its share of Myriota's income only after its share of the income equals its share of losses not recognized.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2017	\$ 53	\$ 58,412	\$ 4,971	\$ 3,920	\$ 91	\$ 67,447
Additions	-	580	-	7	-	587
Reimbursements	-	(252)	-	-	-	(252)
Translation adjustment	-	-	16	-	-	16
at April 30, 2018	\$ 53	\$ 58,740	\$ 4,987	\$ 3,927	\$ 91	\$ 67,798

Accumulated Depreciation	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2017	\$ 35	\$ 47,102	\$ 3,998	\$ 3,658	\$ 78	\$ 54,871
Depreciation expense	2	508	70	47	1	628
Translation adjustment	-	-	14	-	-	14
at April 30, 2018	\$ 37	\$ 47,610	\$ 4,082	\$ 3,705	\$ 79	\$ 55,513

Net Book Value	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2017	\$ 18	\$ 11,310	\$ 973	\$ 262	\$ 13	\$ 12,576
at April 30, 2018	\$ 16	\$ 11,130	\$ 905	\$ 222	\$ 12	\$ 12,285

Included in property, plant and equipment as at April 30, 2018 is \$6,133 (October 31, 2017 – \$5,805) of satellite equipment that has not yet commenced being depreciated as the assets are under construction and not yet ready for use.

The Company received cost reimbursements of \$21 and \$252 (April 30, 2017 – nil and \$224) during the three and six months ended April 30, 2018 for assisting in the development of a satellite under construction.

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7. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2017	\$ 3,795	\$ 8,876	\$ 2,715	\$ 13,031	\$ 28,417
Additions	-	17	-	-	17
at April 30, 2018	\$ 3,795	\$ 8,893	\$ 2,715	\$ 13,031	\$ 28,434

Accumulated Amortization	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2017	\$ 3,633	\$ 7,597	\$ 2,029	\$ 9,753	\$ 23,012
Amortization expense	37	93	-	53	183
at April 30, 2018	\$ 3,670	\$ 7,690	\$ 2,029	\$ 9,806	\$ 23,195

Net Book Value	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2017	\$ 162	\$ 1,279	\$ 686	\$ 3,278	\$ 5,405
at April 30, 2018	\$ 125	\$ 1,203	\$ 686	\$ 3,225	\$ 5,239

Included in intangible assets is \$1,672 of data rights (October 31, 2017 – \$2,804) that have not yet commenced being amortized as the underlying assets that will provide data rights are still under development and not yet ready for use. Other intangible assets that have not yet commenced amortization are technology licences of \$686 (October 31, 2017 – \$686).

Significant individual assets included in the amounts above as at April 30, 2018 are as follows:

Description	Category	Carrying Amount	Remaining Amortization Period (Months)
De-collision software	Internally developed technology	\$ 805	117
Alora ground control software	Internally developed technology	\$ 279	35
Class B detection technology	Internally developed technology	\$ 46	36
Myriota licence	Technology licence	\$ 518	84
Larus licence	Technology licence	\$ 168	84
Harris data licence	Data rights	\$ 3,225	118

The Harris data licence represents access to data from the full constellation of Iridium Next. As these satellites are put into service, they begin depreciating on an individual satellite basis. The remaining amortization period is calculated based on the amortization taken to date as a percentage of the total expected amortization, applied to the useful life of the constellation.

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8. IMPAIRMENT OF LONG-LIVED ASSETS

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 that, 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 Cash Generating Unit ("CGU"). The recoverable amount is the greater of value in use ("VIU") and fair value less costs of disposal.

There have been no significant developments in the quarter or significant changes to the carrying value since October 31, 2017. Accordingly, the Company did not test for impairment as at April 30, 2018 and no further impairment was recorded.

9. LOANS PAYABLE, FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE**a) Loans payable**

Loans payable comprise the following:

	April 30, 2018	October 31, 2017
FED DEV (note 4)	\$ 877	\$ 1,087
Larus Technologies debt (note 9b)	-	142
	\$ 877	\$ 1,229
Less: current portion of loans	441	567
Long-term loans payable	\$ 436	\$ 662

b) Financial instruments**Fair values**

Cash and trade accounts receivable are considered "loans and receivables" and measured at amortized cost. Accounts payable and accrued liabilities, the FED DEV loan, Larus Technologies debt and restructuring provision are classified "financial liabilities at amortized cost".

For the Company's cash, trade accounts receivable and accounts payable and accrued liabilities, the fair values approximate their respective carrying amounts due to their short-term maturities. The FED DEV loan has a carrying value as at April 30, 2018 of \$877 (October 31, 2017 – \$1,087), which approximates fair value as the loan was recorded at fair value when the cash was received, and the Company's borrowing rate has not materially changed. The fair value of the FED DEV loan was calculated using discounted cash flows with a discount rate of 8% indicative of the Company's borrowing rate when the funding was received.

The Company entered into an agreement to licence the Total:Insight™ IP from Larus Technologies Corporation ("Larus") for \$700, payable in 24 equal monthly payments commencing April 15, 2016. During the three and six months ended April 30, 2018, \$58 and \$146 was paid against the note payable (2017 – \$88 and \$175). The fair value of the Larus Technologies debt, which is interest-free, was calculated using the effective interest rate

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method to arrive at discounted cash flows with a discount rate of 8% indicative of the Company's borrowing rate when the note payable was entered into. The Larus loan has a carrying value as at April 30, 2018 of nil (October 31, 2017 – \$142).

As at April 30, 2018, approximately 78% of cash, 78% of trade accounts receivable and 26% of accounts payable and accrued liabilities are denominated in foreign currencies, respectively (October 31, 2017 – 31%, 84%, and 21%, respectively). These foreign currencies include the US dollar, British pound and euro.

The Company is exposed to foreign exchange risk on the following cash, trade accounts receivable and accounts payable and accrued liabilities denominated in foreign currencies:

Currency	Cash	Trade Accounts Receivable	Accounts Payable and Accrued Liabilities
USD	\$ 1,326	\$ 1,591	\$ 533
GBP	£ 417	£ 30	£ 173
EUR	€ 1,373	€ 218	€ 197

10. SHARE CAPITAL**Issued capital**

The Company has authorized an unlimited number of preferred shares, of which none are outstanding. The Company has authorized an unlimited number of common shares with no par value. As at April 30, 2018, the issued and outstanding shares totalled 21,626,288 (October 31, 2017 – 21,614,120).

Stock-based compensation

The Company recognizes compensation cost for all stock options granted to employees under the exactEarth stock option plan. The exercise price for all options is the Spinout Transaction share price of the Company's common shares at the date of the grant. The maximum number of common shares authorized for grant under the option plan is 2,160,550.

All options vest on a graded basis depending on the type of option. Type one options vest on a 40%, 30% and 30% basis over three years and have a contractual life of six years. Type two options vest on a 25% and 75% basis over two years and have a contractual life of six years. Type three options vest on a 40%, 30% and 30% basis in years three through five and have a contractual life of eight years. All stock options are accounted for as equity-settled awards.

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The fair value of options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Type One	Type Two	Type Three
Average risk-free interest rate	0.65%	0.63%	0.94%
Dividend yield	0%	0%	0%
Average volatility	77.1%	77.4%	74.4%
Average expected life of options (years)	4	3.75	6
Remaining contractual life (years)	3.81	3.81	5.81
Weighted average fair value of options outstanding	\$ 1.08	\$ 1.06	\$ 1.32
Weighted average exercise price of options outstanding	\$ 6.50	\$ 6.50	\$ 6.50

Volatility was calculated using the historical volatility of comparable companies for the period commencing when those entities were publicly traded and corresponding to the expected life of each option type. The estimated fair value of the options is amortized to expense over the vesting periods of the options. For the three and six months ended April 30, 2018, the stock-based compensation expense recognized was \$47 and \$131 (April 30, 2017 – \$87 and \$190). This amount was added to contributed surplus. Vested options can be exercised prior to their expiry date. There are 112,167 vested options as at April 30, 2018 (April 30, 2017 – nil) with a weighted average exercise price of \$6.50.

A summary of the option activity is as follows:

	Stock Options
Balance as at October 31, 2016	1,091,268
Forfeited	(843)
Balance as at October 31, 2017	1,090,425
Forfeited	(17,208)
Expired	(2,408)
Balance as at April 30, 2018	1,070,809

Options forfeited and expired had a weighted average exercise price of \$6.50.

Employee Share Purchase Plan

The ESPP expense amount for the three and six months ended April 30, 2018 was \$4 and \$12 (April 30, 2017 – \$6 and \$13). The maximum number of common shares authorized for grant under the ESPP is 432,110. There were 12,168 shares issued under the ESPP at February 28, 2018. The estimated number of ESPP shares outstanding, if all ESPP shares earned from March 1 to April 30, 2018 were issued, is 946.

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Long-term incentive plan

The following details the Restricted Share Units (RSUs), Performance Share Units (PSUs) and Deferred Share Units (DSUs) as at April 30, 2018:

	RSU	PSU	DSU
Share unit balance, beginning of period	390,024	43,613	244,216
Share units granted	-	-	139,952
Share units settled	(226,877)	-	(55,278)
Share units forfeited	(2,847)	(1,710)	-
Share unit balance, end of period	160,300	41,903	328,890
Aggregate fair value of units granted as at the end of the period	\$ 172	\$ 45	\$ 352
Fair value of share units outstanding as at the end of the period	\$ 1.07	\$ 1.07	\$ 1.07

For the three and six months ended April 30, 2018, compensation expense of \$128 and \$207 (April 30, 2017 – (\$91) and \$174) was recognized for the Company's LTIP. There was a settlement of 226,877 shares for \$238,015 in cash. The Share Unit Plan was amended effective April 26, 2018, including allowing the Company to issue new shares to settle RSUs. Outstanding RSUs and PSUs can now be settled in cash, treasury shares or issuance of equity at the option of the Company. It is the intention of the Company to settle these share units in equity, and as a result of this modification, the RSU liability was remeasured to the date of the modification and reallocated to contributed surplus. Outstanding DSUs can be settled in cash or equity at the option of the holder. If the holder elects to receive shares, the Company will purchase shares in the market to satisfy the obligation.

Loss per share

The following table sets forth the computation of basic and diluted loss per share for the three months ended April 30:

	2018	2017
Numerator for basic and diluted loss per share available to common shareholders:		
Net loss attributable to common shareholders	\$ (2,049)	\$ (176)
Denominator for basic and diluted loss per share:		
Weighted average number of shares outstanding	21,622,323	21,605,506
Basic and diluted loss per share	\$ (0.09)	\$ (0.01)

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The following table sets forth the computation of basic and diluted loss per share for the six months ended April 30:

	2018	2017
Numerator for basic and diluted loss per share available to common shareholders:		
Net loss attributable to common shareholders	\$ (3,648)	\$ (2,170)
Denominator for basic and diluted loss per share:		
Weighted average number of shares outstanding	21,618,154	21,605,506
Basic and diluted loss per share	\$ (0.17)	\$ (0.10)

There are 161,246 (October 31, 2017 – 10,307) units that are antidilutive at April 30, 2018.

11. COMMITMENTS AND CONTINGENCIES

Lease commitments

During the three and six months ended April 30, 2018, the Company has incurred \$44 and \$97 (April 30, 2017 – \$34 and \$85) in lease expenses. The Company has commitments under lease agreements as follows:

	Less than 1 Year	1 to 5 Years	After 5 Years
Facilities	\$ 75	\$ 281	\$ -
Photocopier lease	2	6	-
Computer lease	8	-	-
Total	\$ 85	\$ 287	\$ -

Capital commitments

As at April 30, 2018, capital commitments in respect of the purchase of property, plant and equipment were \$3,651. There were no other material capital commitments outstanding as at April 30, 2018.

Harris commitment

As at April 30, 2018, there were twenty-nine Sea Smart AC units for the Iridium Next Constellation commissioned and in service. If launches continue to be successful and timely, the constellation will reach Initial Operating Capacity ("IOC") in early 2019. At the point of IOC, the Company is to pay Harris 40% of annual data revenue on the first US\$40,000 of annual revenue, and 33% of additional revenues. Prior to IOC, the revenue share will be proportional to the number of payloads in service one year prior.

The Company is committed to pay an operational fee of USD\$50 per unit per year to a maximum of USD\$750 per quarter. This payment will continue for 12.5 years following the date at which all Sea Smart AC units are in service.

Harris Fees	Less than 1 Year	1 to 5 Years	After 5 Years
Operational fees payable	\$ 1,751	\$ 7,130	\$ 11,317

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For additional information on the Harris agreement, please refer to the 2017 Annual Information form.

Royalty commitment

The Company has entered into an agreement with Larus, which includes a commitment, which takes effect after the conclusion of the 24-month term of the agreement, to pay a 30% royalty on the gross sales of products that are derived from the Larus Total:Insight™ technology. The technology is expected to be put in use in the third quarter of fiscal 2018, and royalty payments are expected to commence at that time.

In-kind contribution commitment

The Company entered into an arrangement effective March 17, 2015, to provide in-kind datasets at a value of \$3,666, not licensed for commercial use, in exchange for title to the EV9 satellite, subject to certain restrictions on the use, sale or transfer of the satellite within the six-year period ending March 31, 2021. During the quarter ended January 31, 2017, datasets with a value of \$618 were transferred to qualifying third parties and recognized as revenue. This commitment was satisfied as at January 31, 2017 as data assets with a total value at \$3,666 were transferred to qualifying third parties under the terms of the arrangement, fulfilling final condition of the transfer agreement.

Exchange of services

The Company entered into a one-year contract effective October 27, 2017, to provide AIS archive and subscription data with a value of \$250, not licensed for commercial use, in exchange for data processing services. The contract automatically renews for one-year periods and may be terminated at any time with sixty days notice. A total of \$204 of revenue and \$174 of data services expense has been recognized, leaving \$46 of revenue, and \$76 of expense to be recognized in the remainder of the fiscal year.

Claims or legal actions

The Company does not have any outstanding claims or legal actions.

12. INCOME TAXES

The Company's consolidated effective tax rate for the three and six months ended April 30, 2018 was nil and nil (April 30, 2017 – nil and nil). The Canadian statutory tax rate during the three and six months ended April 30, 2018 was 26.5% (April 30, 2017 – 26.5%). The difference in the effective tax rates compared to the Company's statutory income tax rates was a result of the Company incurring losses during the period on which no tax recovery was recorded because the realization of the deferred tax asset was not considered to be probable.

The income tax expense during the three and six months ended April 30, 2018 of \$4 and \$9 (April 30, 2017 – \$8 and \$13) represents a 15% withholding tax on revenue generated from Argentina. The Company has deemed the \$9 to be unrecoverable and has recognized the amount as an expense.

13. EMPLOYEE BENEFITS

Defined contribution pension plan

The Company has a defined contribution pension plan for its employees. During the three and six months ended April 30, 2018, the Company's contributions, which are based on the contributions

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by employees, were \$47 and \$96 (April 30, 2017 – \$46 and \$94) and are included in “Cost of revenue” and “Selling, general and administrative” expenses in the interim condensed consolidated statements of loss and comprehensive loss.

Salaries and benefits

Total salaries and employee benefits expense for the three and six months ended April 30, 2018 was \$1,792 and \$3,527 (April 30, 2017 – \$1,713 and \$3,697).

14. RELATED PARTIES

The following table details transactions and balances between the Company and Hisdesat, a shareholder that has significant influence through an equity investment.

For the three months ended April 30:	2018	2017
Revenue from Hisdesat	\$ 15	\$ 18
PAZ launch expense	158	-
Directors' expense	45	(12)
For the six months ended April 30:	2018	2017
Revenue from Hisdesat	\$ 71	\$ 258
PAZ launch expense	158	-
Directors' expense	64	39
As at	April 30, 2018	October 31, 2017
Trade accounts receivable	\$ 64	\$ 242
Trade accounts payable	177	-

The agreement related to the PAZ satellite includes a commitment to pay a monthly operating fee of \$20 to Hisdesat once the satellite is commissioned.

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15. CONSTRUCTION CONTRACT REVENUE

The following details the construction contracts in progress:

	April 30, 2018	October 31, 2017
Percentage of completion revenue contracts		
Costs incurred	\$ 91	\$ 75
Estimated profits	89	73
Progress billings	(412)	(300)
Total contracts in progress	\$ (232)	\$ (152)
Disclosed as:		
Unbilled revenue	\$ -	\$ -
Deferred revenue	(232)	(152)
Total contracts in progress	\$ (232)	\$ (152)

The unbilled revenue and deferred revenue from construction contracts are included in unbilled revenue and deferred revenue in the interim condensed consolidated statements of financial position. The amount of contract revenue recognized in the three and six months ended April 30, 2018 was \$5 and \$31 (April 30, 2017 – \$52 and \$106).

16. SEGMENT, GEOGRAPHIC AND MAJOR CUSTOMER INFORMATION

The Company has one reportable business segment, which is engaged in the sale of space-based maritime tracking data and related products and services from satellites.

Revenue by product type

Revenue is divided into three categories based on the types of products sold. Subscription services are recognized over the life of the contract term, data products are sold on demand and recognized on delivery, and other products and services include various other revenue streams and are recognized based on the contract terms.

For the three months ended April 30:	2018	2017
Subscription services	\$ 2,463	\$ 2,326
Data products	594	341
Other products and services	122	1,044
	\$ 3,179	\$ 3,711
For the six months ended April 30:	2018	2017
Subscription services	\$ 4,969	\$ 5,364
Data products	678	549
Other products and services	368	1,134
	\$ 6,015	\$ 7,047

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Geographic information

Revenue by geography is based on where the customer is located.

For the three months ended April 30:	2018	2017
Canada	\$ 358	\$ 83
United States	272	242
Europe	1,581	1,396
Other	968	1,990
	\$ 3,179	\$ 3,711

For the six months ended April 30:	2018	2017
Canada	\$ 608	\$ 786
United States	627	458
Europe	2,795	2,836
Other	1,985	2,967
	\$ 6,015	\$ 7,047

Property, plant and equipment are attributed to the country in which they are located or, for space-based assets, the country in which they are owned. Intangible assets are attributed to the country where ownership of the asset resides.

	April 30, 2018	October 31, 2017
Property, plant and equipment		
Canada	\$ 12,223	\$ 12,502
United Kingdom	62	74
	\$ 12,285	\$ 12,576
Intangible assets		
Canada	\$ 5,239	\$ 5,405
United Kingdom	-	-
	\$ 5,239	\$ 5,405

For the three and six months ended April 30, 2018, there were no customers with revenue in excess of 10% of the Company's total revenue (April 30, 2017 - two customers and two customers). The details are as follows:

For the three months ended April 30,	2018		2017	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Customer 1	\$ -	-	\$ 1,039	28%
Customer 2	-	-	437	12%
	\$ -	-	\$ 1,476	40%

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For the six months ended April 30,	2018		2017	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Customer 1	\$ -	-	\$ 1,045	15%
Customer 2	-	-	938	13%
	\$ -	-	\$ 1,983	28%

17. RESTRUCTURING PROVISION

The Company underwent a restructuring in October 2016, and a restructuring provision was set up to provide for the salary continuance and RSU/PSU amounts due to the affected employees. As of April 30, 2018, there was \$10 of restructuring provision remaining. The entire amount is recorded in current liabilities since the last payment is due in May 2018.

The details of the restructuring provision are as follows:

As at October 31, 2017	\$ 388
Provision revaluation	(2)
Salary continuance	(376)
As at April 30, 2018	\$ 10

18. OTHER INCOME

On February 3, 2017, the Company lost contact with one of its satellites, EV-5. When subsequent recovery efforts were not successful, the Company filed an insurance claim for the full insured satellite value of \$3,500. The settlement was received in April of 2017. The remaining net book value of \$2,045 was written off at the same time, resulting in a net gain of \$1,455.

19. COMPARATIVE BALANCES

The comparative financial statements have been reclassified from the statements previously presented in order to conform to the current period's presentation.