EXACTEARTH LTD. (the "Company")
MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following management discussion and analysis ("**MD&A**") is prepared as of September 13, 2018 and provides information that management believes is relevant to an assessment and understanding of our operations and financial condition for the three and nine months ended July 31, 2018. This MD&A should be read in conjunction with our unaudited interim condensed consolidated financial statements, including the condensed notes thereto, (the "**Interim Condensed Consolidated Financial Statements**") and our audited consolidated financial statements, including the notes thereto, for the year ended October 31, 2017 (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 July 31, 2018.*

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"**) dated January 29, 2018, 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", "forecast", "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: our ability to continue as a going concern; expectations regarding our revenue, expenses, operations and cash flow; anticipated impact of changes to accounting policies; anticipated industry trends; anticipated new Order Bookings (as defined below); 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; Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("**Adjusted EBITDA**"); and Subscription Revenue (as defined below). Order Bookings, Adjusted EBITDA, 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 Adjusted EBITDA as net income plus interest, taxes, depreciation and amortization, unrealized foreign exchange losses, share-based compensation costs, restructuring expense, and impairment losses, less unrealized foreign exchange gains, other income and restructuring recovery. We believe that Adjusted EBITDA provides useful supplemental information as an indication of the income generated by our main business activities before taking into consideration how they are financed or taxed and excluding the impact of items that are considered by management to be outside of our ongoing operating results. 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.

Outlook & Going Concern

The Company faces significant liquidity challenges with recurring operating losses and negative cash flows. As at August 31, 2018, the Company had approximately $3,667 in cash on hand, an increase of $214 from its cash position of $3,453 as at July 31, 2018, and a decrease of approximately $4,450 since October 31, 2017. The Company has a history of operating losses and generating insufficient cash flows from operations to fund its activities. Based on the Company's forecasted cash flows for the next twelve months, the Company's current cash flow from operations may not be sufficient to cover its commitments, obligations and operating costs for at least the next twelve months, which could have a negative impact on its ability to continue as a going concern.

The Company monitors its risk of shortage of funds by monitoring forecasted and actual cash flows and maturity dates of existing financial liabilities and commitments and is actively managing its capital to ensure a sufficient liquidity position to finance its operations, including cost of revenue, general and administrative expenses, working capital and capital expenditures. The Company's ability to continue as a going concern is dependent upon its ability to generate cash flows from operations, equity financings or through other arrangements. Management for the Company has concluded that these conditions indicate the existence of material uncertainties that may cast significant doubt as to the ability of exactEarth to continue as a going concern and therefore has included notice of such in the Company's condensed interim consolidated financial statements for the three and nine months ended July 31, 2018. Notwithstanding the foregoing, the Company's condensed interim consolidated financial statements for the three and nine months ended July 31, 2018 have been prepared on a going concern basis, assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments to the carrying value of the assets and liabilities, reported expenses and statement of financial position classifications would be necessary. Such adjustments could be material.

In January 2018 the Board commenced a process to explore and evaluate potential strategic alternatives focused on maximizing shareholder value, including a financing, a sale of assets, a sale of the Company or a merger or other business combination or other strategic transactions that may be available to the Company. In conjunction with the strategic review, the Board formed a special committee of independent directors to oversee the strategic review process (the "Special Committee"). The Special Committee continues to review possible strategic alternatives, however there can be no guarantee that the review will result in a transaction or satisfy any liquidity concerns relating to the Company's ability to continue as a going concern. The Company does not intend to provide announcements or updates on the strategic review process until it determines that further disclosure is required by law.

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 Automatic Identification System ("**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 Condensed Consolidated Financial Statements include the accounts of our Subsidiary, exactEarth Europe Ltd. ("**Subsidiary**") with inter-company transactions and balances eliminated. We have two locations, one in Cambridge, Ontario, Canada and the other in Harwell, United Kingdom.

Key Components and Functions of our Product Offering

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, or proximity to a coastline.

Satellites

We receive AIS data from our constellation of LEO satellites. The first satellite, EV-0 was launched by exactEarth's previous parent company, COM DEV International Ltd., 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, designated as 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 month to month from two more. Our equatorial satellite, EV-9, was launched and commissioned in 2015. The data from these additional AIS satellites significantly increased the capacity of our global vessel monitoring service 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 EV-8 was launched on the PAZ satellite on February 22, 2018. Commissioning is underway on both of these satellites. EV-8 will be operated by Hisdesat Servicios Estratégicos, S.A. ("**Hisdesat**"), one of our significant shareholders. Upon launch of EV-8, we were obliged to pay €100 Euros to Hisdesat as a one-time fee and, when commissioning is complete, an additional fee of €200 will be paid.

As part of our restructuring effort that commenced in October 2016, we cancelled our commitment on our two leased satellites in the first quarter of 2017.

On February 3, 2017, we lost contact with EV-5. When subsequent recovery efforts were not successful, we filed an insurance claim which was paid in full in April 2017. For more details on this transaction please refer to the section "Other Income" of this MD&A.

On April 28, 2017, the first four (of fifty-eight) of our Second-Generation Constellation of satellites using exactView™ RT Powered by Harris Corporation ("exactView RT") were put into service, thereby beginning the world's first global real-time S-AIS service. Forty-four additional exactView RT satellites are now commissioned, bringing the total number of satellites we have in service as of September 13, 2018 to fifty-three (five First-Generation plus forty-eight Second-Generation). We are now seeing real-time operational performance (which we define as message latency of less than 1 minute) from all of the forty-eight Second-Generation payloads which are currently in service.

Our collaboration with Harris Corporation ("Harris") is further described in the "Strategic Alliances" section below.

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 sporadically announced by governments and there are no guarantees that they will be awarded to the Company. 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.

<u>Customers</u>

Our S-AIS data service 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.

<u>Strategic alliances and relationships</u>

On June 8, 2015 we announced an agreement with Harris (the "**Harris Agreement**") which allows us to apply our expertise and technology in AIS signal detection from space on-board Iridium NEXT, Iridium's second-generation satellite constellation. The payloads utilize Harris' powerful AppStar applications platform and employs 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, collects information across the entire maritime frequency band and, once fully deployed, will 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 is expected to provide real-time global coverage with enhanced detection performance as compared to other S-AIS 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 share their respective AIS product revenue with each other. 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 is proportional to the number of payloads in-service one year prior. One of the stipulations of the revenue sharing agreement is that we will pay Harris $50 USD per year for each satellite put in service as part of the Second-Generation Constellation (up-to $750 USD per quarter). For the three and nine months ended July 31, 2018, we have paid $450 and $621 and recorded $919 as being payable to Harris in our financial statements. Please refer to the Company's AIF for details pertaining to the Harris Agreement.

There have been seven successful SpaceX Iridium NEXT launches as at July 31, 2018. Of the Iridium NEXT satellites deployed on these launches, fifty-five contain AIS payloads. Forty-two payloads were in service on July 31, 2018, and an additional six have been brought into service as of the date of this MD&A for a total of forty-eight payloads. The remaining four are either in-orbit spares or are expected to come into service when they reach their intended orbit and commissioning is completed. One more launch is scheduled to be completed during the 2018 calendar year. Ultimately, we plan to have fifty-eight Second-Generation Constellation satellites in service, not counting in-orbit spares. Our revenue stream from the Harris Agreement began in the fourth quarter of 2017, with a gradual ramp-up until 2020, when we expect to achieve the full potential revenue stream.

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, the Company has obtained an exclusive licence to utilise their technology in the maritime market. 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 the SIoT market 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 in late calendar 2019 and royalties will begin at that time. Myriota completed an AUD$20,000 equity raise in the three months ended April 30, 2018. The equity raise resulted in the dilution of our ownership interest to 18% from 30%. For additional information, refer to note 5 (Investment) and note 7 (Intangible assets) in the Notes to the Interim Condensed 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 strategic alliance, the two companies have been working together to develop and market Big Data analytics-based software applications and information services for the global surveillance and intelligence markets. These products are part of the IaaS category described above. As part of the strategic alliance, the Company gains an exclusive license to Larus' Big Data analytics platform (Total::Insight™) for the maritime market for consideration of $700, which was paid over a twenty-four-month term. In return, Larus gains access to the Company's map visualisation IP for integration into Total::Insight-based solutions for non-maritime markets and to the Company's extensive data archive to perform advanced pattern-of-life analysis. the Company enhances existing, and develops 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 include shipping movement and behavioural analysis and the companies will work together to advance the capabilities in the exciting area of predictive analytics. The strategic alliance includes an option to purchase all of the shares of Larus during the twenty-four-month term and during the six months following completion of the alliance. The option to purchase is currently valued at nil. We will pay 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 7 (Intangible assets), note 9 (Loans payable, financial instruments and foreign exchange) and note 11 (Commitments and contingencies) in the Notes to the Interim Condensed Consolidated Financial Statements.

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, the Company 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 nine months ended July 31, 2018 was $26 and $202 (July 31, 2017 – $132 and $282). We submitted our final claim in the quarter and have recognized a cumulative total recovery to date of $1,250.

In June of 2018 the company entered into an Alliance Agreement with IHSMarkit. IHSMarkit is a large global information and data services corporation with more than 50,000 data customers worldwide and a significant presence in the global maritime information and financial services markets. Under the Agreement the Parties have created an AIS Platinum global real time vessel tracking and vessel information product that combines exactEarth's real time global satellite AIS data feed and IHSMarkit's terrestrial AIS data feed and vessel information. AIS Platinum is a premium offering into the market place, which can be marketed and sold by both parties. Given the significant global market channel represented by IHSMarkit the Company is anticipating that this relationship will contribute to accelerated orders growth commencing in future quarters.

<u>Staffing</u>

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.

The number of full-time employees at July 31, 2018 was 43 (July 31, 2017 – 45).

<u>Overall Performance</u>

Revenue was $3,171 and $9,186 for the three and nine months ended July 31, 2018, compared to $2,934 and $9,981 for the three and nine months ended July 31, 2017. Governments are our primary target market since our system capabilities are closely matched to their service requirements. Government customers contributed $1,312 and $4,438 to the revenue for the three and nine months ended July 31, 2018, compared to $1,045 and $5,377 for the three and nine months ended July 31, 2017. The decrease in year to date revenue was primarily due to non-cash revenue earned in the first quarter of 2017 related to the EV-9 asset transfer arrangement, described in the "Revenue" section below. Commercial revenue for the three and nine months ended July 31, 2018 was $1,859 and $4,748, compared to $1,889 and $4,604 for the three and nine months ended July 31, 2017. Commercial revenue for the three and nine months ended July 31, 2018 includes $24 and $228 of non-monetary revenue resulting from the trade of AIS data not licenced for commercial use for data processing services.

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 $29,345, compared to $25,996 of backlog reported at October 31, 2017. Revenue of $3,346 from the current backlog is forecasted to be earned in the remainder of 2018 while $11,234 is expected to be earned in 2019. The balance of $14,765 is expected to be earned between 2020 and 2024.

Our foreign currency denominated backlog gets affected by fluctuation in foreign exchange rates. Our closing backlog for any given quarter gets revalued as the Canadian dollar strengthens or weakens in relation to the Great Britain Pound ("**GBP**"), Euro ("**EUR**") or US dollar ("**USD**"), as applicable. The foreign exchange rates at July 31, 2018 were: GBP $1.7089, EUR $1.5239, USD $1.3017, while the foreign exchange rates at October 31, 2017 were: GBP $1.7095, EUR $1.5014, USD $1.2893. The weakening Canadian dollar in the three and nine months ending July 31, 2018 resulted in a decrease of $43 and an increase $980 in backlog (July 31, 2017 – decrease of $1,819 and $1,003).

The following chart summarizes orders and backlog:

	Three months ended July 31		Nine months ended July 31	
	2018	2017	2018	2017
Opening backlog	$ 25,909	$ 28,872	$ 25,996	$ 22,551
New orders	6,650	1,739	11,555	14,291
Foreign exchange adjustment on opening backlog	(43)	(1,819)	980	(1,003)
Revenue	(3,171)	(2,934)	(9,186)	(9,981)
Closing backlog	$ 29,345	$ 25,858	$ 29,345	$ 25,858

Volatility in exchange rates between Canadian and foreign currencies such as GBP, EUR and USD impact the business as a portion of our revenues are billed in non-Canadian currencies (predominately in USD) and recognized in our Interim Condensed Consolidated Statements of Financial Position in the form of cash, receivables, and payables. The Bank of Canada average noon GBP/CAD exchange rates during the three and nine months ended July 31, 2018 were $1.7357 and $1.7425, compared to an average of $1.7049 and $1.6739 during the same periods in 2017. The Bank of Canada average noon EUR/CAD exchange rates during the three and nine months ended July 31, 2018 were $1.5296 and $1.5364, compared to an average of $1.4873 and $1.4431 during the same periods in 2017. The Bank of Canada average noon USD/CAD exchange rates during the three and nine months ended July 31, 2018 were $1.3044 and $1.2817, compared to an average of $1.3214 and $1.3279 during the same period in 2017. Foreign exchange for the three and nine months ended July 31, 2018 was a loss of $108 and a gain of $30 compared to losses of $491and $232 for the three and nine months ended July 31, 2017.

Adjusted EBITDA for the three and nine months ended July 31, 2018 was a loss of $1,484 and $4,168 compared to a loss of $1,216 and $2,971 for the three and nine months ended July 31, 2017. The decrease in Adjusted EBITDA for the three months ended July 31, 2018 was driven primarily by increased cost of revenue, partially offset by increased revenue and decreased selling, general and administrative ("**SG&A**") expenses and product development and research and development ("**R&D**"). The decrease in Adjusted EBITDA for the nine months ended July 31, 2018 was driven primarily by decreased revenue and increased cost of revenue and SG&A expenses, partially offset by decreased product development and R&D. Please refer to the Adjusted EBITDA reconciliation included later in this MD&A.

For an analysis of the 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 July 31, 2018:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 1,105	$ 7	$ 200	$ 1,312
Commercial and other	1,818	21	20	1,859
Total revenue	$ 2,923	$ 28	$ 220	$ 3,171

Revenues for the nine months ended July 31, 2018:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 3,519	$ 400	$ 519	$ 4,438
Commercial and other	4,373	306	69	4,748
Total revenue	$ 7,892	$ 706	$ 588	$ 9,186

Revenues for the three months ended July 31, 2017:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 966	$ 50	$ 29	$ 1,045
Commercial and other	1,606	259	24	1,889
Total revenue	$ 2,572	$ 309	$ 53	$ 2,934

Revenues for the nine months ended July 31, 2017:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 3,977	$ 299	$ 1,101	$ 5,377
Commercial and other	3,959	559	86	4,604
Total revenue	$ 7,936	$ 858	$ 1,187	$ 9,981

Our total revenue for the three and nine months ended July 31, 2018 was $3,171 and $9,186 compared to $2,934 and $9,981 for the three and nine months ended July 31, 2017. We anticipate that the drivers for the next phase of revenue growth will be the expansion of our Second-Generation 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 and nine months ended July 31, 2018, was $2,923 and $7,892 compared to $2,572 and $7,936 for the three and nine months ended July 31, 2017. Subscription Services revenue represented 92% and 86% of our total revenue for the three and nine months ended July 31, 2018 compared to 88% and 80% for the three and nine months ended July 31, 2017. The decrease in Subscription Services revenue year to date was primarily due to non-cash revenue recognition of $618 for the nine months ended July 31, 2017 related to the EV-9 asset transfer arrangement, partially offset by $71 for the nine months ended July 31, 2018 of non-cash revenue resulting from the trade of AIS subscription data for data processing services. Net of the non-cash revenue, Subscription Services revenue increased by $327 and $503 in the three and nine months ended July 31, 2018 due to the addition of new subscription customers. The EV-9 asset transfer was an arrangement under which we provided in-kind datasets at a value of $3,666 in exchange for title to the EV-9 satellite. All datasets were transferred as at January 31, 2017.

Revenue from Data Products was $28 and $706 for the three and nine months ended July 31, 2018, compared to $309 and $858 for the three and nine months ended July 31, 2017. These types of revenue are generated from on-demand customer requests and are therefore variable in their timing. The decrease is due to fewer data products purchased in the three and nine months ended July 31, 2018, partially offset by $156 of non-cash revenue resulting from the trade of AIS archive data not licenced for commercial use for data processing services in the nine months ended July 31, 2018. Revenue from Other Products & Services was $220 and $588 for the three and nine months ended July 31, 2018 compared to $53 and $1,187 for the three and nine months ended July 31, 2017. The decrease is due to timing of delivery of services related to ongoing percentage of completion projects.

Revenue by quarter

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Q4 2016	$ 2,823	$ 166	$ 319	$ 3,308
Q1 2017	$ 3,038	$ 208	$ 90	$ 3,336
Q2 2017	$ 2,326	$ 341	$ 1,044	$ 3,711
Q3 2017	$ 2,572	$ 309	$ 53	$ 2,934
Q4 2017	$ 2,681	$ 133	$ 38	$ 2,852
Q1 2018	$ 2,506	$ 84	$ 246	$ 2,836
Q2 2018	$ 2,463	$ 594	$ 122	$ 3,179
Q3 2018	$ 2,923	$ 28	$ 220	$ 3,171

The quarter over quarter variance in revenue is caused by the mix in the type of revenue earned in each 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 revenue and the timing of revenue recognition varies depending on the progress of the projects. For some of our projects, revenue recognition is based on percentage completion calculated using costs to date as a percentage of estimated total cost. Small vessel contracts revenue recognition is based on our progress in the installation of Class B transponders. Therefore, revenue will vary quarter to quarter based on the progress made on the various projects. See "Outlook & Going Concern" above.

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. The Company has experienced lower than planned revenue combined with operating losses resulting in a reduction in forecasted future cash flows. Factors affecting our revenue and results are described in greater detail under the heading "Risks Relating to Our Business and Industry" in our AIF.

Growth in Subscription Services revenue is expected to be muted until our Second-Generation Constellation and exactView RT are fully capable of delivering S-AIS service in real-time.

Gross margin

	Three months ended July 31		Nine months ended July 31	
	2018	2017	2018	2017
Gross profit	$ 382	$ 1,217	$ 2,050	$ 3,414
Gross margin	12.0%	41.5%	22.3%	34.2%

Gross margin for the three and nine months ended July 31, 2018 was 12.0% and 22.3% compared to 41.5% and 34.2% for the three and nine months ended July 31, 2017. Gross margin decreased in the three months ended July 31, 2018 due to increased cost of revenue, partially offset by an increase in revenue. Gross margin decreased in the nine months ended July 31, 2018 due to lower revenue and increased cost of revenue. Cost of revenue increased due to higher satellite operating costs related to the Second-Generation Constellation and increased terrestrial data costs, partially offset by decreased data processing and project related costs and 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 satellite constellation expands, we expect that our cost base will grow more quickly than the growth of our revenues which will result in decreased gross margins in the short term. As our customer base subsequently grows, the revenue increase is expected to exceed the cost base increase and result in higher gross margin over the long term.

SG&A expenses

SG&A expenses for the three and nine months ended July 31, 2018 were $1,653 and $5,289 compared to $1,988 and $5,242 for the three and nine months ended July 31, 2017. SG&A expense decreased quarter over quarter due to reversal of bad debt and decreased spending on conferences, travel and consulting, partially offset by increased selling expense. The increase in SG&A expenses year to date is due to, a lower reversal of bad debt compared to prior year and increased selling expense and professional fees, partially offset by reduced Restricted Share Unit ("**RSU**"), Deferred Share Unit "(**DSU**") and stock option expenses resulting from decreased share price, vesting, settlement and forfeitures, reduced spending on conferences, travel and consulting and moving expenses included in the first quarter of 2017.

Product development and R&D expenses

Product Development expenses for the three and nine months ended July 31, 2018 were $252 and $1,238 compared to $497 and $1,333 for the three and nine months ended July 31, 2017. We continued to focus on developing more web-based functionality as well as new analytics-based product offerings during fiscal 2018.

We incurred $52 and $303 on R&D expenses for the three and nine months ended July 31, 2018 compared to $94 and $185 for the three and nine months ended July 31, 2017. The R&D expense was incurred on the development of new data processing capabilities and on Project VESTA, a collaboration of various partners in the UK including our Subsidiary, sponsored by the UK Space Agency. Project VESTA has an objective to demonstrate a satellite-based, two-way maritime communications system representing initial implementation of VHF Data Exchange System (VDES) technology. Our Project VESTA responsibilities focus on the ground segment of the VDES system, including the satellite feeder link, a ship-based test station and the ability to control the overall VESTA network. Once the VESTA satellite is launched, we will use the VESTA network to perform various VDES related demonstrations. The launch is forecasted for late fiscal 2018. VDES networks using LEO satellites have the potential to become the next level of maritime services from the Company, complementary to our S-AIS business.

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 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 or significant changes to the carrying value since October 31, 2017. Accordingly, the Company did not test for impairment as at July 31, 2018 and no further impairment was recorded. For additional information, refer to note 8 (Impairment of long-lived assets).

Other expenses

	Three months ended July 31			Nine months ended July 31		
	2018	2017	Change	2018	2017	Change
Other income	$ -	$ -	$ -	$ -	$ (1,455)	$ 1,455
Other expense	61	37	24	61	85	(24)
Restructuring expense recovery	-	(79)	79	(2)	(87)	85
Foreign exchange loss	108	491	(383)	(30)	232	(262)
Interest expense	11	10	1	25	42	(17)
Income tax expense	113	4	109	122	17	105
Total other expense	$ 293	$ 463	$ (170)	$ 176	$ (1,166)	$ 1,342

Other income

Other income was nil and nil for the three and nine months ended July 31, 2018 compared to nil and $1,455 for the three and nine months ended July 31, 2017. The 2017 income was the result of an insurance claim for the insured value of EV-5 less the remaining book value of the asset.

Other expense

Other expense was $61 and $61 for the three and nine months ended July 31, 2018 compared to $37 and $85 for the three and nine months ended July 31, 2017. The 2018 expense relates to severance, while the 2017 expense related to severance, maternity leave top-up and loss on disposal of assets.

Restructuring expense recovery

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 nil and $2 recovery in the three and nine months ended July 31, 2018 and $79 and $87 recovery in the three and nine months ended July 31, 2017 relates to the revaluation of RSUs and adjustments to benefits payable.

Foreign exchange gain

Foreign exchange amounts in the Interim Condensed Consolidated Statements of Comprehensive Loss include realized and unrealized gains and losses that result from translation of foreign denominated balances in our Interim Condensed Consolidated Statements of Financial Position. The impact of translation of outstanding foreign denominated balances in the Interim Condensed Consolidated Statements of Financial Position and of settling foreign denominated balances into cash during the three and nine months ended July 31, 2018 was a loss of $108 and a gain of $30 compared to a loss of $491 and $232 during the three and nine months ended July 31, 2017.

Interest expense

Our net interest expense for the three and nine months ended July 31, 2018 was $11 and $25 compared to $10 and $42 for the three and nine months ended July 31, 2017. Interest expense is decreasing as outstanding loan balances are repaid.

Income tax expense

Our income tax expense for the three and nine months ended July 31, 2018 was $113 and $122 compared to $4 and $17 for the three and nine months ended July 31, 2017. Income tax expense increased due to withholding tax that is not expected to be recoverable.

Adjusted EBITDA

	Three months ended July 31		Nine months ended July 31	
	2018	2017	2018	2017
Net loss	$ (2,253)	$ (2,700)	$ (5,901)	$ (4,870)
Interest expense	11	10	25	42
Income tax expense	113	4	122	17
Depreciation and amortization	437	969	1,248	2,875
Unrealized foreign exchange gain	92	403	(125)	56
Share-based compensation	116	177	465	451
Restructuring expense (recovery)	-	(79)	(2)	(87)
Other income	-	-	-	(1,455)
Adjusted EBITDA	$ (1,484)	$ (1,216)	$ (4,168)	$ (2,971)

Adjusted EBITDA for the three and nine months ended July 31, 2018, was a loss of $1,484 and $4,168 compared to a loss of $1,216 and $2,971 for the three and nine months ended July 31, 2017. The decrease year to date was driven by decreased revenue and increased cost of revenue and SG&A, partially offset by decreased product development and R&D. 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 $2,253 and $5,901 for the three and nine months ended July 31, 2018, compared to $2,700 and $4,870 for the three and nine months ended July 31, 2017. The net loss in the quarter decreased primarily due to higher revenue and lower operating and other expenses, partially offset by higher cost of revenue. The net loss year to date increased primarily due to lower revenue, other income and foreign exchange gains, and increased cost of revenue and, SG&A, partially offset by decreases in depreciation and amortization, product development and R&D and other expenses.

Financial position

The following chart outlines the changes in the Interim Condensed Consolidated Statements of Financial Position between October 31, 2017 and July 31, 2018:

(in thousands of dollars)	Increase/ (Decrease)	Explanation
Cash	$ (4,664)	The decrease in cash is due to ongoing operational expenses, partially offset by collections.
Accounts receivable	$ 124	The accounts receivable balance fluctuates with changes in billings and collections.
Unbilled revenue	$ 308	The unbilled revenue reflects the amount of revenue recognized in advance of billings.
Prepaid expenses and other assets	$ (316)	The decrease relates to the expiry of in orbit insurance for certain First-Generation Constellation satellites.
Property, plant and equipment	$ (496)	The decrease in property, plant and equipment is due to depreciation of $947, and reimbursement from LuxSpace for services related to EV-10 of $252, offset by additions of $703.
Intangible assets	$ (284)	The decrease in Intangible assets is due to depreciation of $301, offset by additions of $17.
Accounts payable and accrued liabilities (current and non-current)	$ 782	The balance fluctuates based on timing of goods and services received and payments.
Deferred revenue	$ 464	Deferred revenue reflects billings that occur in advance of revenue recognition.
Restructuring provision	$ (388)	The decrease is due to the ongoing payments and adjustments of salary continuance for three employees affected by the restructuring in October 2016.
Loans payable (current and non-current)	$ (499)	The decrease is due to principal payments made on the government and Larus liabilities.
Long-term incentive plans (current and non-current)	$ (96)	The decrease is due to the reallocation of RSU payable to contributed surplus upon amendment to the Share Unit Plan to allow RSUs to be equity settled, partially offset by the revaluation of previously accrued units due to a decrease in stock price and continuing accrual of DSU payable.
Contributed surplus	$ 310	The increase is related to reallocation of RSU payable to contributed surplus and expense recognized on RSUs and stock options during the quarter. Stock options and RSUs will be equity settled.

(in thousands of dollars)	Increase/ (Decrease)	Explanation
Accumulated other comprehensive loss	$ (13)	The decrease is due to the foreign exchange translation of our Subsidiary.
Deficit	$ (5,901)	The decrease represents net loss of $5,901.

See “Outlook & Going Concern” above.

Liquidity and capital resources

The key liquidity and capital resource items are as follows:

	July 31, 2018	October 31, 2017	% Change
Cash	$ 3,453	$ 8,117	(57%)
Trade accounts receivable	$ 3,295	$ 3,171	4%
Prepaid and other current assets	$ 950	$ 1,266	(25%)
Accounts payable and accrued liabilities	$ 4,436	$ 3,722	19%
Loans payable	$ 730	$ 1,229	(41%)

See “Outlook & Going Concern” above.

Working Capital

Working capital decreased $5,086 during the nine months ended July 31, 2018 to $986. The decrease since October 31, 2017 is driven by the following:

	Increase / (Decrease) to working capital
Decrease in cash	$ (4,664)
Increase in trade accounts receivable	124
Increase in unbilled revenue	308
Decrease in prepaid expenses and other assets	(316)
Increase in accounts payable and accrued liabilities	(714)
Increase in deferred revenue	(464)
Decrease in restructuring provision	388
All other	252
Total	$ (5,086)

Current assets are available at varying times within twelve months following the balance sheet date. Cash is readily available to settle obligations related to current and future expenditures.

Significant cash flows:

	Three months ended July 31		Nine months ended July 31	
	2018	2017	2018	2017
Cash used in operating activities	$ (1,568)	$ (1,196)	$ (3,270)	$ (5,961)
Cash used in investing activities	(641)	(9)	(909)	3,099
Cash used in financing activities	(164)	(210)	(556)	(630)
Effect of exchange rate changes on cash	(22)	(234)	71	(131)
Net decrease in cash	$ (2,395)	$ (1,649)	$ (4,664)	$ (3,623)
Cash, beginning of the period	5,848	11,706	8,117	13,680
Cash, end of the period	$ 3,453	$ 10,057	$ 3,453	$ 10,057

The Company's ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business is dependent upon the Company's ability to increase sales, reduce costs and obtain additional financing through debt or equity. Changes in the Company's business, unforeseen opportunities or events, and other external factors may also adversely affect liquidity and the availability of additional capital resources. Due to these factors, the Company cannot be certain that funding will be available to the extent required, or on acceptable terms. If the Company is unable to access funding when needed on acceptable terms, the Company may not be able to continue as a going concern, fully implement current business plans, take advantage of business opportunities, or respond to competitive pressures, any of which could have a material adverse effect on the Company's operational and financial results. No assurance can be given that the Company will be successful in meeting sales targets, reducing costs or obtaining additional financing either through debt or equity. The Company has experienced losses and negative cash flows from operations. Based on the Company's forecasted cash flows for the next twelve months the Company's current cash flow from operations may not be sufficient to meet its commitments, obligations and operating costs. These conditions result in material uncertainties that cast significant doubt as to the Company's ability to continue to operate as a going concern. However, the Company may elect to reduce its planned expenditures concurrent with prevailing conditions. For additional information, refer to note 2 b) (Significant Accounting Policies, Basis of presentation) in the Notes to the Interim Condensed Consolidated Financial Statements. For an updated discussion on our cash flows, see "Outlook & Going Concern" above.

Operating activities

Cash used in operations for the three and nine months ended July 31, 2018 was $1,568 and $3,270, compared to cash used in operations of $1,196 and $5,961 for the three and nine months ended July 31, 2017. The decrease in cash used in operations year to date was primarily due to changes in working capital and payments related to the settlement of RSUs and the restructuring provision. For an updated discussion on our cash flows, see "Outlook & Going Concern" above.

Investing activities

Cash used in investing activities for the three and nine months ended July 31, 2018 was $641 and $909 compared to $9 used in and $3,099 generated from investing activities for the three and nine months ended July 31, 2017. The cash used in the three and nine months ended July 31, 2018 includes the acquisitions of long-lived assets offset year to date by reimbursement from LuxSpace related to EV-10. The cash used and generated in the three and nine months ended July 31, 2017 includes the acquisitions of long-lived assets offset by reimbursement from LuxSpace related to EV-10 and the insurance settlement of $3,500 for the EV-5 satellite. For an updated discussion on our cash flows, see "Outlook & Going Concern" above.

Financing activities

Cash flows used in financing activities for the three and nine months ended July 31, 2018 were $164 and $556 compared to $210 and $630 for the three and nine months ended July 31, 2017. Financing activities were related to repayment of long-term liabilities. For an updated discussion on our cash flows, see "Outlook & Going Concern" above.

Contractual obligations

The following table outlines the contractual cash obligations (excluding accounts payable and accrued liabilities) as at July 31, 2018:

	Total	Less than one year	1-3 years	4-5 years	>-5 years
Lease obligation	$ 402	$ 120	$ 282	$ -	$ -
Government loan	779	492	287	-	-
Capital commitments	3,405	-	554	1,902	949
Harris commitment	25,625	2,668	5,337	5,337	12,283
Total contractual obligations	$ 30,211	$ 3,280	$ 6,460	$ 7,239	$ 13,232

As at July 31, 2018, we had various contractual cash obligations, including government debt, capital commitments and commitment under the Harris Agreement. For additional information, refer to note 11 (Commitments and Contingencies) in the Notes to the Interim Condensed Consolidated Financial Statements. For an updated discussion on our cash flows, see "Outlook & Going Concern" above.

Credit facilities

A Canadian Schedule I Bank provides the Company with a demand operating credit facility of $2,000. Canadian dollar loans are available by way of overdrafts. Interest is calculated at the bank's prime rate per annum. US dollar loans are also available by way of overdraft. US Interest is 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 the Company continue to evolve. As of July 31, 2018, $27 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 September 13, 2018.

Off-balance sheet arrangements

As at July 31, 2018, we do not have any off-balance sheet arrangements, other than operating leases as disclosed in note 11 (Commitments and Contingencies) in the Notes to the Interim Condensed Consolidated Financial Statements.

Proposed transactions

We did not have any proposed transactions as at July 31, 2018.

FINANCIAL INSTRUMENTS

We are exposed, through our operations, to foreign currency risk, credit risk, liquidity risk, interest rate risk and fair value risk. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect our operations and financial results.

The majority of our revenue is transacted in Canadian dollars; however, portions of the revenue are denominated in GBP, USD and EUR. Purchases, consisting primarily of the majority of salaries, certain operating costs, and manufacturing overhead, are incurred primarily in Canadian dollars. Our foreign operations are conducted through our Subsidiary. The assets and liabilities of the foreign operations are translated into Canadian dollars using the exchange rates in effect at the dates of the consolidated statements of financial position. Foreign currency risks arising from translation of assets and liabilities of foreign operations into our functional currency are generally not hedged. Fluctuations in foreign exchange rates could result in unanticipated fluctuations in our operating results. We have transactions that are denominated in GBP, USD and EUR but do not have exposure to any highly inflationary foreign currencies.

Based on our net exposure on our outstanding foreign currency denominated monetary assets and liabilities at July 31, 2018, a 10% weakening in the Canadian dollar in relation to the USD would have decreased the Company's net loss in the third quarter of 2018 by approximately $475. Based on our net exposure at July 31, 2018, a 10% weakening in the Canadian dollar in relation to the GBP would have decreased the Company's net loss for the quarter by approximately $176. A 10% weakening in the Canadian dollar in relation to the EUR would have decreased the Company's net loss for the year by approximately $122. A 10% strengthening in the Canadian dollar in relation to these currencies would have had the opposite effect.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that are potentially subject to credit risk consist primarily of cash and trade and other receivables.

We attempt to mitigate our credit risk by dealing only with large financial institutions with good credit ratings. All of the financial institutions that we transact with meet these qualifications; however, there can be no guarantee as to the solvency or reliability of such counterparties. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand.

Credit risk also arises from the inability of customers to discharge their obligation to us. If one or more customers were to delay, reduce or cancel Order Bookings, our overall Order Bookings may fluctuate and could adversely affect our operations and financial conditions. In the normal course of business, we monitor the financial condition of our customers and review the credit history of each new customer.

The Company has policies to limit the amount of risk with each individual customer, and exposure to bad debts is managed as part of the Company's normal activities. Each customer's credit rating is assessed considering its financial position, past experience and other factors. Credit limits are regularly monitored, and the Company has formal procedures for detecting objective evidence of impairment of trade receivables. Based on a review of trade accounts receivable, an allowance for doubtful accounts of $64 was recorded at July 31, 2018 (October 31, 2017 - $354). The maximum exposure relating to trade and other receivables at July 31, 2018 was $3,295 (October 31, 2017 - $3,171).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. We monitor our risk to a shortage of funds using a rolling twelve-month cash flow forecast. This forecast considers the maturity of our financial assets (e.g., accounts receivable, other financial assets), liabilities (e.g., payables, loans), and projected cash flows from operations. Our policy is to ensure adequate funding is available from operations, established lending facilities and other sources as required. An inability to properly manage our liquidity risk could have a material adverse effect on our results of operations, business prospects and financial condition.

To date, the Company has a history of operating losses (nine months ended July 31, 2018 - $5,901, year ended October 31, 2017 - $33,834, year ended October 31, 2016 - $35,963) and generating insufficient cash flows from operations to fund its activities (nine months ended July 31, 2018 - outflows of $3,270, year ended October 31, 2017 – outflows of $7,707, year ended October 31, 2016 – outflows of $2,857).]

As at August 31, 2018, the Company had approximately $3,667 in cash on hand. Based on the Company's forecasted cash flows for the next twelve months, the Company's current cash flow from operations may not be sufficient to cover its commitments, obligations and operating costs for at least the next twelve months. We assess our risk of shortage of funds by monitoring the maturity dates of our existing financial liabilities, and, as discussed above in

"Liquidity and Capital Resources", by preparing rolling twelve-month cash flow forecasts. Our financial liabilities include trade and other payables and long-term debt which totalled $5,279 at July 31, 2018 (October 31, 2017 - $5,384). There can be no assurance that the Company will be successful in achieving the results set out in its internal cash flow projections. The liquidity risk increases as the uncertainty increases regarding future cash flows. See "Outlook & Going Concern", above, and "Business Risks and Uncertainties" below, particularly "Risks Related to Cash Flow Constraints" and "Risks Related to the Company's Ability to Continue as a Going Concern".

Interest Rate Risk

Our risk exposure to market interest rates relates primarily to new financing that we may undertake. Our policy will be to review our borrowing requirements on a continual basis and to enter into fixed or variable interest rate borrowing arrangements as required.

Fair Value Risk

Fair values have been determined for measurement and/or disclosure purposes. When applicable, further information about the assumptions made in determining fair values is disclosed in the Financial Statement notes specific to that asset or liability.

BUSINESS RISKS AND UNCERTAINTIES

We are subject to a number of risks and uncertainties that can significantly affect our business, financial condition and future financial performance, as described below. 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 AIF dated January 29, 2018, and other filings available on SEDAR at www.sedar.com.

The risk factors described below, as well as risks not currently known to us, could materially adversely affect our future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking statements contained herein. By their nature, forward-looking statements involve numerous assumptions and known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. With respect to the Company's financial position, we refer you to the risk factors set forth below:

Risks Related to Cash Flow Constraints

The Company is experiencing cash flow constraints and may not have sufficient funds to be able to pay its obligations in the future. If the Company continues to experience cash flow constraints and its cash flow becomes inadequate to meet its obligations or if the Company is unable to generate sufficient cash flow or otherwise obtain funds necessary to pay its obligations, it will be in default under the relevant payment terms of such agreements. As of September 13, 2018, the Company has $27 drawn on the CIBC line of credit. The Company also has obligations to commercial partners and trade creditors, among other parties. If the Company cannot make scheduled payments under agreements they may be in default thereunder and, as a result the Company could become the subject of restructuring, insolvency, bankruptcy or liquidation proceedings, which could result in securityholders losing their investment; and the value of the Common Shares could decline. Any of these outcomes would have a material adverse effect on the Company's business, prospects, financial position and operating results. No assurance can be given that the Company will have sufficient cash flow from operations or be able to secure additional or alternative financing or sources of financing on satisfactory terms or at all.

The Company, in the past, has experienced negative cash flows. Since cash collections from certain long-term contracts are based on the achievement of major project milestones, the Company expects that it will continue to sustain variability of cash flows from quarter to quarter. To the extent that the Company has negative operating cash flows in future periods, it will need to deploy a portion of its existing working capital to fund such negative cash flow or undertake additional equity or debt financing to fund operations.

Risks Related to the Company's Ability to Continue as a Going Concern

The Company has a history of operating losses and generating insufficient cash flows from operations to fund its activities. Based on the Company's forecast cash flows for the next twelve months, the Company's current cash flow from operations may not be sufficient to cover its commitments, obligations and operating costs for at least the next twelve months, which would have a significant negative impact on its ability to continue as a going concern. There is significant doubt as to whether or when the Company can attain positive operating cash flows from operations on a reliable basis or that the Company can continue as a going concern.

Accordingly, management for the Company has concluded that the material uncertainties regarding the Company's ability to secure adequate financing to fund its ongoing costs of operations and meet its commitments to counterparties, raise significant doubt as to the ability of the Company to continue as a going concern and therefore has included notice of such in the Company's condensed interim consolidated financial statements for the three and nine months ended July 31, 2018.

The Company's ability to continue as a going concern is dependent upon its ability to generate cash flows from operations, equity financings or through other arrangements. While the Company has been successful in arranging financing in the past, there can be no assurance any debt financing or any equity offering will be completed . These circumstances indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. Notwithstanding the foregoing, the Company's condensed interim consolidated financial statements for the three and nine months ended July 31, 2018 have been prepared on a going concern basis, assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments to the carrying value of the assets and liabilities, reported expenses and statement of financial position classifications would be necessary. Such adjustments could be material.

Accordingly, the Company's ability to continue as a going concern is dependent on the Company securing additional financing or increased cash flows. Failure to obtain necessary financing at the time required may result in the delay or indefinite postponement of some or all of the Company's projects and, could ultimately cause the Company to cease operations.

Risks Related to TSX Listing

The TSX reserves the right to review listing criteria for all issuers on an ongoing basis. The TSX has, in the past, commenced a listing review and may delist an issuer if the listed issuer's financial condition is such that, in the opinion of the TSX, it is questionable as to whether the listed issuer will be able to continue as a going concern. In making this determination, TSX may consider, among other things, the listed issuer's ability to meet its obligations as well as disclosures in financial statements regarding the listed issuer's ability to continue as a going concern. As a result of concerns regarding the Company's ability to continue as a going concern, it is possible that the TSX may review the Company's suitability for listing which could lead to delisting of the securities of the Company for trading on the TSX.

Summary of Significant Accounting Policies

Critical accounting estimates

The preparation of our Interim Condensed 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 Interim Condensed 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 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 our 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 fair value of each product or service is determined considering sales of the products or services on a stand-alone basis and the Company's pricing policies.

The Company recognizes revenue on long-term contracts based on the stage of completion in accordance with International Accounting Standard ("**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 will not 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 we have objective evidence that our 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. Given the Company is a single CGU, the market capitalization of the Company is a relevant measure of FVLCS.

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 Interim Condensed Consolidated Financial Statements.

Changes in Accounting Policies Including Initial Adoption

There were no changes to accounting policies during the three and nine months ended July 31, 2018 compared to the accounting policies applied in the audited Consolidated Financial Statements for the year ended October 31, 2017.

Future changes in accounting policies

A number of new standards, amendments to standards and interpretations are not effective for the Company and have not been applied in preparing the Interim Condensed 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:

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: classification and measurement ("IFRS 9")

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 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 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*. 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 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.

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 IFRS. 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 July 31, 2018, 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 21,626,288 as of the date of this MD&A.