Consolidated financial statements

exactEarth™ Ltd.

October 31, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
exactEarth™ Ltd.

We have audited the accompanying consolidated financial statements of **exactEarth™ Ltd.**, which comprise the consolidated statements of financial position as at October 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **exactEarth™ Ltd.** as at October 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Waterloo, Canada
January 23, 2019

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

		As at October 31, 2018	As at October 31, 2017
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		4,774	8,117
Short-term investments	(note 9)	49	-
Trade accounts receivable	(notes 9 and 15)	3,491	3,171
Unbilled revenue	(note 16)	911	613
Prepaid expenses and other assets		654	1,266
Total current assets		9,879	13,167
Property, plant and equipment	(notes 6, 8 and 17)	4,009	12,576
Intangible assets	(notes 7, 8 and 17)	1,720	5,405
Other long-term assets		16	-
Total assets		15,624	31,148
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	(notes 9 and 15)	4,780	3,722
Deferred revenue	(note 16)	2,412	2,252
Restructuring provision	(note 18)	-	388
Loans payable - current	(note 9)	459	567
Long-term incentive plan liability - current	(notes 9 and 11)	11	166
Total current liabilities		7,662	7,095
Government loans payable	(notes 4 and 9)	498	662
Long-term incentive plan liability	(notes 9 and 11)	162	343
Other long-term liabilities	(note 9)	95	45
Total liabilities		8,417	8,145
Shareholders' equity			
Share capital	(note 11)	123,794	123,781
Contributed surplus	(note 11)	1,451	1,070
Accumulated other comprehensive loss		(11)	(44)
Deficit		(118,027)	(101,804)
Total shareholders' equity		7,207	23,003
Total liabilities and shareholders' equity		15,624	31,148

See accompanying notes

On behalf of the Board:

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

exactEarth™ Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(in thousands of Canadian dollars)

For the year ended October 31, 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 11)	255	-	-	-	255
Restricted share unit expense and transfer	(note 11)	139	-	-	-	139
Issuance of common shares	(note 11)	-	-	-	13	(13)
Comprehensive income (loss)		(16,190)	(16,223)	33	-	-
Balance at October 31, 2018		7,207	(118,027)	(11)	123,794	1,451

For the year ended October 31, 2017		Total	Deficit	Accumulated Other Comprehensive Income (Loss)	Share Capital	Contributed Surplus
Balance at October 31, 2016		56,543	(67,970)	45	123,769	699
Stock-based compensation expense	(note 11)	380	-	-	-	380
Issuance of common shares		3	-	-	12	(9)
Comprehensive loss		(33,923)	(33,834)	(89)	-	-
Balance at October 31, 2017		23,003	(101,804)	(44)	123,781	1,070

See accompanying notes

exactEarth™ Ltd.

Consolidated Statements of Loss and Comprehensive Loss

(in thousands of Canadian dollars except for per share figures)

		Year ended	
		October 31, 2018	**October 31, 2017**
		$	**$**
Revenue	(notes 16 and 17)	12,955	12,833
Cost of revenue	(note 4)	8,633	8,618
Gross profit		4,322	4,215
Operating expenses			
Selling, general and administrative		6,255	7,004
Product development and research and development		1,418	1,692
Depreciation and amortization	(notes 6 and 7)	1,699	3,791
Impairment losses	(note 8)	10,885	26,886
Loss from operations		(15,935)	(35,158)
Other expenses (income)			
Other income	(note 19)	-	(1,455)
Other expense		49	197
Restructuring recovery	(note 18)	(2)	(99)
Foreign exchange loss (gain)		55	(43)
Interest income		(38)	(79)
Interest expense	(notes 4 and 9)	72	131
Total other expenses (income)		136	(1,348)
Income tax expense	(note 13)	152	24
Net loss		(16,223)	(33,834)
Other comprehensive income (loss)			
Item that may be subsequently reclassified to net loss:			
Foreign currency translation, net of income tax expense of nil		33	(89)
Total other comprehensive income (loss)		33	(89)
Comprehensive loss		(16,190)	(33,923)
Loss per share			
Basic and diluted loss per share	(note 11)	(0.75)	(1.57)

See accompanying notes

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

		Year ended October 31, 2018	Year ended October 31, 2017
		$	$
Net loss		(16,223)	(33,834)
Add (deduct) items not involving cash			
Non-monetary transaction	(note 12)	-	(618)
Non-cash interest	(notes 4 and 9)	72	126
Depreciation and amortization	(notes 6 and 7)	1,699	3,791
Impairment losses	(note 8)	10,885	26,886
Loss on disposal of assets		-	3
Gain on insurance settlement	(note 19)	-	(1,455)
Operating grant recognized on SIF loan	(note 4)	(1,154)	-
Technology demonstration program recovery	(note 4)	(202)	(381)
Long-term incentive plan expense	(note 11)	43	245
Stock-based compensation	(note 11)	255	380
Restructuring reserve - re-valuation	(note 18)	(2)	(99)
Net change in non-cash working capital balances		1,806	(2,347)
Other operating cash flows			
Technology demonstration program funding received	(note 4)	407	817
Settlement of restricted share units	(note 11)	(238)	(112)
Restructuring provision - payment of salary continuance	(note 18)	(386)	(1,109)
Cash flows used in operations		(3,038)	(7,707)
Investing activities			
Acquisition of property, plant and equipment	(note 6)	(1,455)	(780)
Reimbursement of acquisition costs of property, plant and equipment	(note 6)	315	396
Insurance recovery	(note 19)	-	3,500
Acquisition of intangible assets	(note 7)	(28)	(121)
Cash flows (used in) from investing activities		(1,168)	2,995
Financing activities			
Government loan repayment	(notes 4 and 9)	(533)	(451)
Government loan advances	(note 4)	1,425	-
Long-term debt repayment	(note 9)	(145)	(350)
Purchase of short-term investments	(note 9)	(49)	-
Cash flows from (used in) financing activities		698	(801)
Effect of exchange rate changes on cash		165	(50)
Net decrease in cash		(3,343)	(5,563)
Cash, beginning of the year		8,117	13,680
Cash, end of the year		4,774	8,117
Supplemental cash flow information			
Interest received		38	79
Income taxes paid		152	24

See accompanying notes

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 consolidated financial statements present the Company's results of operations and financial position as at and for the year ended October 31, 2018, including the comparative period, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These 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 consolidated financial statements were authorized for issuance by the Board of Directors of the Company on January 23, 2019.

b) Basis of presentation

These 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 consolidated financial statements are presented in Canadian dollars ("CAD") and have been prepared on a historical cost basis.

The Company has experienced lower than planned revenue 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 judgement 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.

Given the judgement involved, actual results may lead to a materially different outcome.

c) Cash

Cash consists of balances with banks and short-term investments that mature within 90 days from the date of acquisition. Short-term investments are carried at their fair values.

d) Short-term investments

Short-term investments consist of investments that mature greater than 90 days from the date of acquisition. Short-term investments are carried at their fair values.

e) Property, plant and equipment

Property, plant and equipment ("PP&E") are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the PP&E and borrowing costs for eligible long-term construction projects. When significant parts of an item of PP&E are required to be replaced at intervals, the Company derecognizes the replaced part and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the PP&E as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of loss and comprehensive loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	five years
Satellites	ten years
Electrical equipment	ten years
Computer hardware	three to five years
Furniture and fixtures	three to five years

An item of PP&E and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from their use or eventual disposition. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of loss and comprehensive loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

f) Intangible assets

Finite-life intangible assets are valued at cost less accumulated amortization and accumulated impairment losses, if any, and which is provided at rates sufficient to write off the costs over the estimated useful lives of the assets, using the straight-line method as follows:

Computer software not integral to the hardware on which it operates	three to ten years
Internally developed technology	five to seven years
Data rights	ten years
Technology licences	seven years

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least as at the end of each reporting period. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated prospectively as a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of loss and comprehensive loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of loss and comprehensive loss when the asset is derecognized.

Costs that are directly attributable to the development and testing of identifiable and unique internally developed technology controlled by the Company are recognized as intangible assets when the criteria specified in International Accounting Standards (“IAS”) 38, *Intangible Assets* (“IAS 38”) are met. Capitalized costs include employee costs for staff directly involved in technology development and other expenditures directly related to the project.

Research and development expenditures

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset only when they have met the conditions of IAS 38. Investment tax credits (“ITCs”) reduce research and development expense and/or intangible assets in the same period in which the related expenditures are charged to income or capitalized provided there is reasonable assurance the benefit will be realized. Otherwise, the incentives are recorded when the benefit is expected to be realized.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Research and development costs that are funded by the Company are presented separately on the consolidated statements of loss and comprehensive loss. Government grants, ITCs, and other funding for research activity are presented as a reduction of the related expense if the expense has already been incurred or intangible asset.

g) Impairment of long-lived assets

The Company assesses as at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell (“FVLCS”) and its value in use (“VIU”), and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case the assessment is made at the cash-generating unit (“CGU”) level. A CGU is the smallest identifiable group of assets that generate cash flows that are largely independent of cash inflows from other assets or groups of assets. The Company currently is a single CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, 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. Given the Company is a single CGU, the market capitalization of the Company is a relevant measure of FVLCS.

h) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the Company does not assume substantially all of the risks and benefits of ownership of the asset are classified as operating leases. All of the Company's leases are classified as operating leases and are recognized as an expense in the consolidated statements of loss and comprehensive loss on a straight-line basis over the lease term.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

j) Income taxes

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income. Current income taxes related to items recognized directly in equity are recognized in equity and not in the consolidated statements of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes

Deferred taxes are provided using the liability method on temporary differences as at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred taxes are recognized for all taxable temporary differences, except in specific circumstances outlined in IAS 12, *Income Taxes* ("IAS 12").

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except in specific circumstances outlined in IAS 12.

The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that all or part of the deferred tax asset will be utilized.

Unrecognized deferred tax assets are reassessed as at each reporting date and are recognized to the extent that it has become probable the benefit will be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances existing at the acquisition date changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Revenue, expenses and assets are recognized net of the amount of sales tax, except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. Trade accounts receivable or accounts payable and accrued liabilities are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of trade accounts receivable or accounts payable and accrued liabilities in the consolidated statements of financial position.

k) Revenue recognition

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

Sale of data

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

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

Provision of products and services

The Company may enter into arrangements involving multiple products or services including data subscriptions and sales of historic, archive data or sales of Class B transponders and data subscriptions. The Company allocates the arrangement consideration to the various products and services based on the relative fair value of each component. 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 occasionally provides goods and services to its customers under long-term contracts. The Company recognizes revenue on such long-term contracts on the percentage of completion basis, based on costs incurred relative to the estimated total contract costs. 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.

l) Fair value of data transferred in non-monetary transactions

In prior years the Company provided data in exchange for unrestricted title to the EV-9 satellite. In the current year the Company provided data in exchange for research and development expense and data processing services. The fair value of the data provided was recognized as revenue, determined based on the fair value of the goods or services received. When the fair value of the goods or services received cannot be measured reliably, revenue is determined based on comparable revenue transactions with third parties and the Company's pricing methodology.

m) Foreign currency translation

A functional currency is the currency of the primary economic environment in which the entity operates and is normally the currency in which the entity generates and expends cash. Each entity that is part of the Company determines its own functional currency. Each entity's financial statements are translated from their functional currency to CAD, which is the presentation currency of these consolidated financial statements.

Transactions

Foreign currency transactions are initially recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange spot rate as at the reporting date. All differences are recorded in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Translation

The assets and liabilities of foreign operations are translated into CAD at year-end exchange rates and their revenue and expense items are translated at exchange rates prevailing at the date of the transactions. The resulting exchange differences are recognized in "Other comprehensive income (loss)". On disposal of a foreign operation, the foreign exchange in "Accumulated other comprehensive income (loss)" relating to that particular foreign operation is recognized in income in the consolidated statements of loss and comprehensive loss.

n) Financial instruments

Financial assets

Financial assets within the scope of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus directly attributable transaction costs. The Company's financial assets include cash and trade accounts receivable.

Trade accounts receivable

Trade accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade accounts receivable are non-interest bearing and are generally on 30- to 90-day payment terms. Trade accounts receivable are reported net of allowance for doubtful accounts, which is based on an assessment of the aging of the receivables and specific credit issues. Any impairment of trade accounts receivable is recorded through "Selling, general and administrative expenses" in the consolidated statements of loss and comprehensive loss.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired and the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Company has transferred substantially all the risks and rewards of ownership of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses as at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value, except for related party balances, which are at the exchange amount and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, restructuring provision, long-term incentive plan liability, loans payable and government loan payable.

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of loss and comprehensive loss.

The Company has not designated any financial liabilities upon initial recognition as fair value through profit or loss.

Loans payable

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statements of loss and comprehensive loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of loss and comprehensive loss.

o) Government assistance

Government assistance is periodically received in the form of grants, loans or ITCs (see "Research and development expenditures") that may be repayable in the form of royalties based on future sales levels related to the technology funded. Government assistance with predetermined repayment requirements or conditional criteria is recorded as a liability when received or until the conditions are satisfied. If no predetermined repayment requirements exist, the assistance is treated as a reduction in the cost of the related item.

Interest-free government loans are measured at amortized cost using the effective interest rate method. The interest rate used is based on the market rate for a comparable instrument with a similar term. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant. The grant portion is split between operating costs and capital costs based on the costs to which the loan relates. The grant related to capital is recognized as a reduction to the carrying amount of an eligible asset and is realized over the life of the asset as reduced amortization expense. The grant related to operating expense is recognized in "cost of revenue".

p) Stock-based compensation and Employee Share Purchase Plan ("ESPP")

Stock options

The Company recognizes compensation cost for all stock options granted to employees under the exactEarth stock option plan. exactEarth measures at fair value all stock options issued to employees or directors. The option exercise price is the share price of the Company's common shares at the date of the grant. IFRS 2, *Share-based Payments*, requires that the Company record these amounts as "Contributed surplus". The fair value of the direct grants of stock is determined by the quoted market price of the Company's stock at the time of the award and the fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of awards at the date of grant is recorded as an expense in these consolidated financial statements and is recognized over the vesting period based on the number of options expected to vest. When options are exercised, they are settled with shares.

Long-term incentive plan

The Company has established a long-term incentive plan ("LTIP") for executives and certain employees. Under the terms of this plan, participants are eligible to receive incentive remuneration in the form of Restricted Share Units ("RSUs") and Performance Share Units ("PSUs").

RSUs are time-based and will vest on a cliff or graded basis, depending on the type of RSU. Type one RSUs cliff vest three years after the grant date. Type two RSUs vest on a graded basis at 25% one year after the grant date and 75% two years after the grant date. Type three RSUs vest on a graded basis of 50% at two and three years after the grant date. Type four RSUs vest on a graded basis of 33.3% at three, four and five years after the grant date. Each RSU, once vested, entitles the holder to receive the cash value of one common share of the Company.

PSUs cliff vest three years after the grant date, multiplied by the performance multiplier. The performance multiplier is based on adjusted earnings before interest, taxes, depreciation and amortization ("AEBITDA") growth over the vesting period. An AEBITDA compound annual growth rate ("CAGR") of 10% or less corresponds with the minimum multiplier of 0, a CAGR of 20% corresponds with a multiplier of 1 and a CAGR of 30% or more corresponds with the maximum multiplier of 2. CAGRs between 10% and 30% during the vesting period will result in multipliers calculated on a straight-line basis along the scale between 0 and 2. Each PSU, once vested, entitles the holder to receive the cash value of one common share of the Company.

The Company amended the Share Unit Plan as of April 26, 2018, and now intends to equity settle the RSUs and PSUs to satisfy obligations under the LTIP plan. The estimated value of the RSUs and PSUs is recognized as compensation expense over the vesting period based on the

April 26, 2018 value of the Company's shares, and the time elapsed during the vesting period and is presented as contributed surplus.

Deferred share unit plan

The Company has adopted a deferred share unit ("DSU") plan for non-employee directors. Directors are required to receive a portion of their annual compensation in the form of DSUs, and can elect to increase the percentage paid in DSUs. The DSUs vest over the quarterly service period for the director after the grant date and will be settled upon the director's retirement from the Board of Directors.

Each DSU entitles the holder to receive either cash, based on the share value at the time of settlement, or one common share of the Company. The estimated value of the DSUs is recognized as compensation expense over the vesting period based on the market value of the Company's shares at the end of each period, and the time elapsed during the vesting period and is presented as a liability in the consolidated statements of financial position.

Employee Share Purchase Plan ("ESPP")

The Company implemented the ESPP during the quarter ended July 31, 2016. The ESPP offers employees the option of contributing between 1% and 10% of their gross salary towards the purchase of common shares of the Company. The Company will issue one share for every four shares that employees purchase during the ESPP year, which runs from March 1 to February 28. The Company's matching contribution will be issued to the employee contingent upon the employee remaining employed by the Company on the last day of the ESPP year. The fair values on the date that the employees commit to purchase shares are used to determine the applicable compensation expense to the Company. The compensation expense is recognized over the period from the date the employee acquires the shares to the date the Company matching shares are issued to the employee. The accumulated amount of ESPP expense charged to income, but not yet issued, is included in contributed surplus.

q) Employee future benefit plan

Defined contribution pension plan

The Company sponsors a defined contribution pension plan for certain of its employees. The cost of providing benefits through the defined contribution pension plan is charged to income in the period in which the contributions become payable.

r) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of loss and comprehensive loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

s) Other assets

Other assets consist of purchased small vessel tracking transponders and delivered to the customer but not yet installed. The cost and related revenue are to be recognized upon installation. Cost is determined on a weighted average cost basis.

t) Critical judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company bases its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market fluctuations or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the critical judgments, estimates and assumptions that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts taking into consideration aging of the trade accounts receivable, communications with customers, credit issues, and historical losses. The Company will increase the allowance for specific accounts if it has objective evidence that the customer is experiencing significant financial difficulty.

Capitalization of development costs

When capitalizing development costs, the Company 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 the projects for the Company.

Capitalization of borrowing costs

The Company must assess whether borrowing costs are directly attributable to an asset in progress and capitalize those costs. To the extent that borrowings are general in nature, the Company must assess how much interest is attributable to assets in progress. Judgment is required to determine when to commence, suspend or cease capitalization of borrowing costs.

Impairment

The recoverable amount for intangible assets and PP&E is based on fair value less cost to sell, estimated using market capitalization.

Revenue recognition and contracts in progress

Revenue on construction contracts is recognized on a percentage of completion basis. In applying the accounting policy on construction contracts, judgment is required in determining the estimated costs to complete a contract. These cost estimates are reviewed as at each reporting period and by their nature may give rise to income volatility.

Income (loss) on completion of contracts accounted for under the percentage of completion method

To estimate income (loss) on completion, the Company takes into account factors inherent to the contract by using historical and/or forecast data. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized immediately and recorded in "Accounts payable and accrued liabilities" in the consolidated statements of financial position. The accrual is drawn down over the completion of the contract using the percentage of completion method.

3. FUTURE ACCOUNTING CHANGES

Standards issued, but not yet effective or amended up to the date of issuance of the Company's 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 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 is a new standard effective for fiscal years beginning on or after January 1, 2018 and may be early adopted. The standard contains a single model for revenue recognition that applies to contracts with customers. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on November 1, 2018. The standard can be applied either: (i) retrospectively to each prior reporting period presented with the option to elect certain practical expedients or; (ii) retrospectively with the cumulative effect recognized at the date of initial adoption and providing certain additional disclosures.

The standard contains a single model for revenue recognition that applies to contracts with customers, which supersedes current revenue recognition guidance, including industry-specific guidance. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue should be recognized. The new standard also provides guidance on whether revenue should be recognized over time or at a point in time as well as requirements for more informative disclosures. New estimation methodology and judgement-based thresholds have been introduced that may affect the amount and/or timing of revenue recognition.

The Company currently anticipates that the standard will affect the accounting for the following items:

- The assessment of the contract duration given termination provisions.
- The effect of modifications to certain contracts.
- Capitalization of costs to acquire contracts – Under the Company's current accounting policies, exactEarth generally expenses incremental commission costs as they are earned by employees. Under IFRS 15, the Company expects to capitalize and amortize commission costs that relate to contracts of more than one year on a systematic basis, consistent with the pattern of transfer of the goods or services to which the commission costs relate.
- Increased disclosure of revenue, performance obligations and contract asset and liability balances.

The Company has yet to finalize the impact of the above-noted differences under IFRS 15. The Company expects to adopt IFRS 15 using the modified retrospective (cumulative effect) approach when it adopts IFRS 15, starting in the first quarter of its fiscal year ending October 31, 2019.

The Company has appointed a project team to manage the adoption and compliance with IFRS 15. The team is responsible for analyzing contracts, reviewing existing accounting policies and determining and quantifying differences between existing policies and IFRS 15. The team is also responsible for reviewing the Company's systems and data collection processes and will develop and implement new policies and processes to ensure that data is properly captured to meet the requirements of the new revenue standard. The team reports on its activities to the Audit Committee on a regular basis and has a plan for communicating the impact of IFRS 15 to the Company's stakeholders.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories:

- Financial assets measured at fair value; or
- Financial assets measured at amortized cost.

The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

Gains and losses on re-measurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument, which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (loss) ("OCI"). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date until the asset is derecognized or reclassified. IFRS 9 also includes a new general hedge accounting standard, which will align hedge accounting more closely with risk management.

IFRS 9 also includes:

- a third measurement category fair value through other comprehensive income for certain financial assets that are debt instruments: and
- a new expected credit loss ("ECL") model, which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (i.e. trade receivables). On initial recognition, entities will record a day-one loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The standard has a mandatory effective date for periods beginning on or after January 1, 2018. The Company is in the process of finalizing its assessment of the impact of IFRS 9 and will adopt IFRS 9 in the accounting period beginning on November 1, 2018.

IFRS 16, Leases (“IFRS 16”)

IFRS 16 is a new standard effective for fiscal years beginning on or after January 1, 2019 and may be early adopted for companies that also apply IFRS 15. The standard replaces current guidance under IAS 17 and no longer distinguishes between a finance lease and an operating lease for lessees. Instead, for virtually all lease contracts the lessee recognizes a lease liability reflecting future lease payments and a right-of-use asset. Lessor accounting remains somewhat similar as under IAS 17. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on November 1, 2019. The extent of the impact on the consolidated financial statements of adoption of the standard has not yet been determined. However, the Company believes that on adoption of IFRS 16 there will be an increase to assets and liabilities on the consolidated statements of financial position to reflect the right-of-use asset and corresponding lease liability. The Company also expects an increase to finance costs and depreciation for the accretion of the lease liability and depreciation of right-of-use asset, respectively, as well as a decrease to operating costs related to rent expense.

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.

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

4. GOVERNMENT ASSISTANCE

Strategic Innovation Fund Loan

On October 18, 2018 exactEarth signed a loan agreement with the Strategic Innovation Fund ("SIF"). Under this agreement, exactEarth is eligible to receive funding for certain expenditures incurred from February 13, 2018 to February 12, 2021 to a maximum of $7,206. The loan is repayable in 15 annual payments beginning February 28, 2024. The repayment values are dependent upon a calculated Performance Factor based on performance in fiscal 2023, which is used to calculate a Repayment Rate. The Repayment Rate is applied to annual Gross Business Revenue for the payment in February of the subsequent years. Total repayments cannot exceed a maximum of 1.3 times the cash received, including interest. The implied interest rate if maximum repayments are required, assuming equal payments over 15 years, is 2.86%.

During the year ended October 31, 2018, the Company received payment for the first claim of $1,425. An additional receivable of $128 was recorded for unclaimed funding related to eligible expenditures incurred prior to October 31, 2018.

The SIF loan is measured initially at fair value, and subsequently will be measured at amortized cost using the effective interest rate method. An interest rate of 14% 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.

Recognized in the consolidated statement of financial position at:	October 31, 2018
Loans payable	$ 336
Accounts receivable	128
Capital grant	63

Recognized in the consolidated statements of loss and comprehensive loss as follows:	Year ended October 31, 2018
Cost of revenue – operating grant	$ 1,154

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 year ended October 31, 2018, the Company made payments of $533 (October 31, 2017 – $451). The undiscounted amount payable related to the FED DEV loan is $657 (October 31, 2017 – $1,190) (note 9).

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

The FED DEV interest-free loan is measured at amortized cost, using the effective interest rate method. 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 loan for the 12 months ended October 31 are as follows:

Recognized in the consolidated statements of loss and comprehensive loss as follows:	2018	2017
Interest expense	$ 67	$ 101
Reduction of amortization expense	(10)	(30)
Net impact	$ 57	$ 71

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., which changed its name to Maxar Technologies in 2017 (“Maxar”), 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 Maxar 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 year ended October 31, 2018 was $202 (October 31, 2017 – $381).

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 $2,000 Australian dollars (“AUD”) (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 (“SIoT”) focused on the location tracking and sensor data applications global market. The Company assessed the fair value of each 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% from 30%.

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

The Company has significant influence over Myriota and, as a result, will account for the investment using the equity method. The Company has determined that they have significant influence over Myriota based on our representation on the Board of Directors. Myriota incurred losses during the year ended October 31, 2018. The Company's share of these losses is not reflected in the Company's 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

PP&E 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	-	1,109	-	169	-	1,278
Disposals	-	-	-	(34)	-	(34)
Deductions	-	(900)	-	(63)	-	(963)
Translation adjustment	-	-	(9)	-	-	(9)
at October 31, 2018	$ 53	$ 58,621	$ 4,962	$ 3,992	$ 91	$ 67,719

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	4	1,017	132	109	3	1,265
Impairment (note 8)	9	6,880	551	170	7	7,617
Disposals				(34)		(34)
Translation adjustment	-	-	(9)	-	-	(9)
at October 31, 2018	$ 48	$ 54,999	$ 4,672	$ 3,903	$ 88	$ 63,710

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 October 31, 2018	$ 5	$ 3,622	$ 290	$ 89	$ 3	$ 4,009

Included in PP&E as at October 31, 2018 is $2,074 (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.

During the year ended October 31, 2018, the Company recognized cost reimbursements of $541 (October 31, 2017 – $396) for assisting in the development of a satellite under construction, and $63 (October 31, 2017 – nil) of capital funding from the SIF loan for the purchase of computer hardware. The remaining deduction of $359 relates to the reduction in accounts payable for the M3M satellite at the conclusion of arbitration with Honeywell.

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

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 value of the satellite amounting to $3,500. The settlement was received in April 2017. The remaining net book value ("NBV") (cost of $4,633 less accumulated depreciation of $2,588 for NBV of $2,045) of EV-5 was written off at the same time. Details with respect to this transaction can be found in note 19 (other income).

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 October 31, 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	55	194	-	185	434
Impairment (note 8)	70	722	450	2,026	3,268
at October 31, 2018	$ 3,758	$ 8,513	$ 2,479	$ 11,964	$ 26,714

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 October 31, 2018	$ 37	$ 380	$ 236	$ 1,067	$ 1,720

Included in intangible assets is $135 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 $236 (October 31, 2017 – $686).

Significant individual assets included in the amounts above as at October 31, 2018 are as follows:

Description	Category	Carrying Amount	Remaining Amortization Period (Months)
De-collision software	Internally developed technology	$ 263	111
Myriota licence	Technology licence	$ 179	84
Harris data licence	Data rights	$ 1,067	113

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.

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

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 CGU. The recoverable amount is the greater of VIU and fair value less costs of disposal.

During the fourth quarter of fiscal 2018, the market capitalization declined significantly below the carrying value. Since the market capitalization is below the carrying value for a sustained period of time, this is considered an indicator of impairment.

The recoverable amount used in the impairment test was based on fair value less cost to sell using a market approach determined using a market capitalization. The market capitalization, based on the year end market capitalization up to and including October 31, 2018, was $7,206. The carrying value, represented by the book value of the Company's shareholders' equity was $18,091. The carrying value was higher than the fair value by $10,885 (October 31, 2017 – $26,886). As a result, at October 31, 2018, impairment losses recognized are $7,617 (October 31, 2017 – $18,804) related to PP&E and $3,268 (October 31, 2017 – $8,082) related to intangible assets, allocated on a pro rata basis. The impairment amount has been recorded in the consolidated statements of loss and comprehensive loss. The effect of this is to write down the carrying value of the Company down to the fiscal year-end market capitalization value. The market capitalization of the Company is considered a Level 1 measurement within the fair value hierarchy.

9. LOANS PAYABLE, FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE

a) Loans payable

Loans payable comprise the following:

	October 31, 2018	October 31, 2017
FED DEV loan (note 4)	$ 621	$ 1,087
SIF loan (note 4)	336	-
Larus Technologies debt (note 9b)	-	142
	$ 957	$ 1,229
Less: current portion of loans	459	567
Long-term loans payable	$ 498	$ 662

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

Principal repayments are due as follows:

For the years ending October 31		
2019	$	492
2020	$	165
2021	$	-
2022	$	-
2023	$	-
Thereafter	$	1,553

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 SIF loan has a carrying value as at October 31, 2018 of $336 (October 31, 2017 – nil), which approximates fair value as the loan was recorded at fair value when the cash was received. The fair value of the SIF loan was calculated using discounted cash flows with a discount rate of 14% indicative of the Company’s borrowing rate when the funding was received.

The FED DEV loan has a carrying value as at October 31, 2018 of $621 (October 31, 2017 – $1,087). 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 fair value of the FED DEV loan at the current discount rate of 14% is $596.

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 year ended October 31, 2018, $145 was paid against the note payable (October 31, 2017 – $350). The fair value of the Larus Technologies debt, which is interest-free, was calculated using the effective interest rate 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 October 31, 2018 of nil (October 31, 2017 – $142).

As at October 31, 2018, approximately 63% of cash, 87% of trade accounts receivable and 54% 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 (“USD”), British pound (“GBP”) and euro (“EUR”).

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	$	1,372	$	1,307	$	1,463
GBP	£	495	£	82	£	181
EUR	€	241	€	723	€	295

Fair value hierarchy

The Company categorizes financial assets and liabilities recorded at fair value in the consolidated statements of financial position based on a fair value hierarchy. Fair values of assets and liabilities included in Level I are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level III valuations are based on inputs that are not based on observable market data. The disclosure of both the fair value of the FED DEV loan, SIF loan and the Larus Technologies debt are considered to be a Level II measurement.

Foreign currency risk

Transaction exposure

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the CAD. The majority of the Company's revenue is transacted in CAD. Portions of the revenue are denominated in USD , GBP and EUR. The majority of salaries, purchases, certain operating costs and manufacturing overhead are incurred primarily in CAD.

Translation exposure

The Company's foreign operation is exactEarth Europe. The assets and liabilities of the foreign operations are translated from GBP into CAD using the exchange rates in effect as at the dates of the consolidated statements of financial position. Unrealized translation gains and losses are recognized in "Other comprehensive income (loss)". The accumulated currency translation adjustments are recognized in income when there is a reduction in the net investment in the foreign operations.

Foreign currency risks arising from translation of assets and liabilities of foreign operations into the Company's functional currency are generally not hedged.

The majority of the Company's foreign exchange risk resides with USD, GBP, and EUR transactions. To evaluate the sensitivity of net income to potential changes in exchange rates, actual changes in exchange rates during the fiscal year were considered as an indicative range of potential changes in exchange rates as noted in the table below. The rates were entered into models that show the valuation impact to customer contracts, cash balances and foreign currency denominated monetary balance sheet items.

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

For the year ended October 31, 2018

Currency	Change in Exchange Rate vs CAD	Increase (Decrease) in Net Income
USD	+3%	$79
	-3%	($79)
EUR	+6%	$83
	-6%	($83)
GBP	+3%	($77)
	-3%	$77

For the year ended October 31, 2017

Currency	Change in Exchange Rate vs CAD	Increase (Decrease) in Net Income
USD	+2%	$144
	-2%	($144)
EUR	+1%	$20
	-1%	($20)
GBP	+ 10%	$150
	-10%	($150)

Interest rate risk

The Company's risk exposure to market interest rates relates primarily to new financing or renewals of existing financing arrangements. The Company's policy is to review its borrowing requirements on a continual basis and to enter into fixed or variable interest rate borrowing arrangements as required. Both the FED DEV loan, Larus loan and SIF loan are non-interest-bearing loans recorded at amortized cost. Therefore, the Company is not exposed to fluctuations in interest rates.

Credit risk

Credit risk arises from the inability of customers to discharge their obligation to the Company. If one or more customers were to delay, reduce or cancel orders, the overall orders of the Company may fluctuate and could adversely affect the Company's operations and financial condition.

The maximum exposure to credit risk as at the consolidated statements of financial position dates is best represented by the carrying amount of the Company's trade accounts receivable and unbilled revenue. The Company is exposed to credit risk from the potential default by counterparties that carry the Company's cash, and attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. All of the financial institutions the Company transacts with meet these qualifications.

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. Trade accounts receivable are non-interest bearing and are generally on 30- to 60-day payment terms. Six customers comprise 52% of total trade accounts receivable as at October 31, 2018 (October 31, 2017 – seven customers comprised 67%).

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

The Company has reviewed its outstanding trade accounts receivable in detail and provided an allowance for doubtful accounts with respect to one customer. The aging profiles for the remaining customers are within historical expectations and have no apparent credit issues. The trade accounts receivable balance outstanding greater than 60 days past due as at October 31, 2018, but not impaired, is $1,465 (October 31, 2017 – $1,389).

The carrying amount of trade accounts receivable is reduced through the use of an allowance account. An allowance of $5 (October 31, 2017 – $354) was recognized in the consolidated statements of loss and comprehensive loss within "Selling, general and administrative" expenses for trade accounts receivable that were considered impaired as a result of delays in collection and credit issues. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts and trade accounts receivable. Subsequent recoveries of amounts previously written off are credited against "Selling, general and administrative" expenses.

On October 1, 2018 the Company agreed to terminate its $2,000 line of credit agreement with The Canadian Imperial Bank of Commerce ("CIBC"). The Company purchased two Guaranteed Investment Certificates totalling $49 from CIBC as collateral for a line of credit for $29 and other credit facilities of $20.

Liquidity risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial assets (e.g., trade accounts receivable and other financial assets), liabilities (e.g., accounts payable and accrued liabilities and loans), and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Company's bank, and purchase contracts. The Company's policy is to ensure that adequate funding is available from operations, established lending facilities and other sources as required.

The tables below summarize the maturity profile of the Company's financial liabilities based on contractual payments.

October 31, 2018	< 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Government loans payable	$ 123	$ 369	$ 165	$ 1,553	$ 2,210
Accounts payable and accrued liabilities	4,334	446	95	-	4,875
Long-term incentive plan liability	-	11	162	-	173
Total	$ 4,457	$ 826	$ 422	$ 1,553	$ 7,258

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

October 31, 2017	< 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Government loan payable	$ 123	$ 369	$ 698	$ -	$ 1,190
Larus Technologies debt	87	58	-	-	145
Accounts payable and accrued liabilities	2,249	1,473	45	-	3,767
Restructuring provision	164	224	-	-	388
Long-term incentive plan liability	-	166	343	-	509
Total	$ 2,623	$ 2,290	$ 1,086	$ -	$ 5,999

10. CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are:

- to ensure a sufficient liquidity position to finance general and administrative expenses, working capital, research and development and capital expenditure; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk undertaken.

The Company monitors capital on a basis consistent with others in the industry, based on total debt to shareholders' equity. Capital is defined as shareholders' equity as presented in the consolidated statements of financial position, excluding "Accumulated other comprehensive loss", and total debt is defined as the sum of short-term and long-term debt. The Company uses the percentage of total debt to total capital to monitor the capitalization of the Company. The Company is not subject to any capital requirements imposed by a regulator.

11. 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 October 31, 2018, the issued and outstanding shares totalled 21,626,288 (October 31, 2017 – 21,614,120).

	Number of Shares	Value of Shares
Balance as at October 31, 2016	21,605,506	$ 123,769
Add: Share issuances	8,614	12
Balance as at October 31,2017	21,614,120	$ 123,781
Add: Share issuances	12,168	13
Balance as at October 31,2018	21,626,288	$ 123,794

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 which was $6.50 per share. The maximum number of common shares authorized for grant under the option plan is 2,160,550.

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

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.

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)	3.3	3.3	5.3
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 year ended October 31, 2018, the stock-based compensation expense recognized was $238 (October 31, 2017 – $362). This amount was added to contributed surplus. Vested options can be exercised prior to their expiry date. There are 300,523 vested options as at October 31, 2018 (October 31, 2017 – 123,047) 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	(22,180)
Expired	(10,555)
Balance as at October 31, 2018	1,057,690

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

Employee Share Purchase Plan ("ESPP")

The ESPP expense amount for the year ended October 31, 2018 was $17 (October 31, 2017 – $18). 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 October 31, 2018 were issued, is 11,254 (October 31, 2017 – 10,307).

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

Long-term incentive plan ("LTIP")

The following details the Restricted Share Units (RSUs), Performance Share Units (PSUs) and Deferred Share Units (DSUs) as at October 31, 2018:

	RSU	PSU	DSU
Share unit balance, October 31, 2017	390,024	43,613	244,216
Share units granted	-	-	314,097
Share units settled	(226,877)	-	(55,278)
Share units forfeited	(7,533)	(1,710)	-
Share unit balance, October 31, 2018	155,614	41,903	503,035
Aggregate fair value of units outstanding as at the end of the period	$ 167	$ 45	$ 171
Fair value of units outstanding as at the end of the period	$ 1.07	$ 1.07	$ 0.34

The corresponding details as at October 31, 2017 were as follows:

	RSU	PSU	DSU
Share unit balance, October 31, 2016	445,503	43,613	89,355
Share units granted	-	-	154,861
Share units settled	(55,183)	-	-
Share units forfeited	(296)	-	-
Share unit balance, October 31, 2017	390,024	43,613	244,216
Aggregate fair value of share units outstanding as at the end of the period	$ 413	$ 46	$ 284
Fair value of share units outstanding as at the end of the period	$ 1.06	$ 1.06	$ 1.06

For the year ended October 31, 2018, compensation expense of $43 (October 31, 2017 – $245) was recognized for the Company's LTIP. There was a settlement of 226,877 share units for $238 in cash during the second quarter of 2018. 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 $122 was 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.

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

Loss per share

The following table sets forth the computation of basic and diluted loss per share:

		2018		2017
Numerator for basic and diluted loss per share available to common shareholders:				
Net loss attributable to common shareholders	$	(16,223)	$	(33,834)
Denominator for basic and diluted loss per share:				
Weighted average number of shares outstanding		21,626,288		21,614,120
Basic and diluted loss per share	$	(0.75)	$	(1.57)

There are 166,868 share units that are antidilutive at October 31, 2018 (October 31, 2017 – 10,307).

12. COMMITMENTS AND CONTINGENCIES

Lease commitments

During the year ended October 31, 2018, the Company has incurred $185 (October 31, 2017 – $182) in lease expenses.

The Company has commitments under lease agreements as follows:

		Less than 1 Year		1 to 5 Years		After 5 Years
Facilities	$	86	$	233	$	-
Photocopier lease		2		5		-
Computer lease		36		9		-
Total	$	124	$	247	$	-

Capital commitments

As at October 31, 2018, capital commitments in respect of the purchase of PP&E were $3,741 (October 31, 2017 – $3,298). There were no other material capital commitments outstanding as at October 31, 2018.

Harris commitment

The Company receives satellite AIS data from the Harris Corporation's ("Harris") AppStar payloads on-board Iridium NEXT, Iridium's second-generation satellite constellation. As at October 31, 2018, there were 51 AppStar payloads on 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 calendar 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.

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

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	$ 3,352	$ 13,404	$ 25,134

FleetMon commitment

The Company receives terrestrial AIS data from FleetMon, and in return, pays FleetMon 20% of revenue on data sales that include terrestrial AIS data. In addition, a further fee of 90 EUR per year for terrestrial data included in exactEarth integrated products. All payments are made in EUR at a set exchange rate of $1.5152.

SRT Marine Systems PLC commitment

The Company has a collaboration agreement with SRT Marine Systems PLC (**"**SRT") under which SRT provides Advanced class B Satellite Enabled AIS (**"**ABSEA**"**) transponders to the Company's customers, and exactEarth pays SRT 30% of revenue on data sales related to SRT ABSEA transponders.

PAZ commitment

The agreement related to the PAZ satellite includes a commitment to pay a commissioning fee of 200 EUR and a monthly operating fee of $20 to Hisdesat once the payload is commissioned.

Royalty commitment

The Company has entered into an agreement with Larus, which includes a commitment, that 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 fiscal 2019, 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 EV-9 satellite, subject to certain restrictions on the use, sale or transfer of the satellite within the six-year period ending March 31, 2021. During the quarter ended January 31, 2017, the final datasets with a value of $618 were transferred to qualifying third parties and recognized as revenue. Accordingly, 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. In the year ended October 31, 2018, $250 of revenue and $250 of data services expense has been recognized.

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

Claims or legal actions

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

13. INCOME TAXES

The following are the major components of income tax expense for the years ended October 31:

		2018		2017
Current income tax expense	$	152	$	24
Deferred income tax expense (recovery):				
Origination and reversal of temporary differences	$	(4,026)	$	(8,768)
Losses not recognized		4,026		8,768
Deferred income tax expense	$	-	$	-
Total income tax expense	$	152	$	24

The Company's consolidated effective tax rate for the year ended October 31, 2018 was nil (October 31, 2017 – nil). 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.

		2018		2017
Loss before income taxes	$	(16,071)	$	(33,810)
Statutory tax rate		26.5%		26.5%
Income taxes based on the statutory income tax rate		(4,259)		(8,960)
Losses not recognized		4,026		8,768
Permanent differences – other		78		192
Permanent differences – non-deductible impairment		155		-
Argentinian withholding taxes		152		24
Income tax expense	$	152	$	24

The Canadian statutory tax rate during the year ended October 31, 2018 was 26.5% (October 31, 2017 – 26.5%).

The income tax expense during the year ended October 31, 2018 of $152 (October 31, 2017 – $24) represents withholding tax on revenue generated from foreign countries. The Company has deemed the withholding tax to be unrecoverable and has recognized the amount as an expense.

Components of deferred income taxes movement are as follows for the years ended October 31:

		2018		2017
Taxable temporary differences	$	277	$	26
PP&E and intangible assets		-		-
Non-capital losses		(277)		(26)
Total change in deferred income taxes	$	-	$	-

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

The deferred income tax asset (liability) recognized in the consolidated statements of financial position for the years ended October 31 is comprised of the following:

		2018		2017
Taxable temporary differences	$	(305)	$	(28)
Non-capital losses		305		28
Deferred income tax	$	-	$	-

For the purposes of the above table, deferred income tax assets are shown net of deferred income tax liabilities where these occur in the same entity and jurisdiction.

Deductible temporary differences and unused tax losses for which no deferred income tax assets have been recognized are attributable to the following:

		2018		2017
Canadian deductible temporary differences	$	785	$	1,093
Scientific research and experimental development (“SRED”) pool	$	2,710	$	2,710
PP&E and intangible assets	$	39,742	$	33,089
Canadian non-capital tax losses	$	61,359	$	53,403
Canadian capital tax losses	$	617	$	617
UK non-capital losses	$	2,859	$	1,931

These unused Canadian income tax losses expire from 2029 through 2038. The UK non-capital losses have an unlimited carry-forward period. The SRED pool does not expire.

Unrecorded ITCs are as follows:

		2018		2017
Federal	$	680	$	680
Ontario	$	166	$	166

These unrecorded ITCs expire from 2029 through 2035.

14. EMPLOYEE BENEFITS

Defined contribution pension plan

The Company has a defined contribution pension plan for its employees. During the year ended October 31, 2018, the Company’s contributions, which are based on the contributions by employees, were $199 (October 31, 2017 – $190) and are included in “Cost of revenue” and “Selling, general and administrative” expenses in the consolidated statements of loss and comprehensive loss.

Salaries and benefits

Total salaries and employee benefits expense for the year ended October 31, 2018 was $6,690 (October 31, 2017 – $6,387).

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

15. RELATED PARTIES

Compensation of key management personnel and Board of Directors

The following table includes compensation of the key management personnel and Board of Directors for the years ended October 31, 2018 and 2017, included in the consolidated statements of loss and comprehensive loss. Key management personnel include the Company's Chief Executive Officer (CEO) and the executives who report directly to him.

	2018	2017
Short-term salaries and benefits	$ 1,368	$ 1,372
Post-employment benefits	40	29
Long-term incentive plans	(8)	163
Stock options	243	275
	$ 1,643	$ 1,839

Short-term salaries and benefits include expenses for base salaries, bonuses and other short-term benefit expenses. Post-employment benefits represent the Company's defined contribution pension plan.

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 years ended October 31:	2018	2017
Revenue from Hisdesat	$ 323	$ 492
PAZ launch expense	158	-
Directors' expenses	1	87

As at October 31:	2018	2017
Trade accounts receivable	$ 257	$ 242
Accounts payable and accrued liabilities	18	-

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

16. CONSTRUCTION CONTRACT REVENUE

The following table details the construction contracts in progress as at October 31:

		2018		2017
Percentage of completion revenue contracts				
Costs incurred	$	105	$	75
Estimated profits		99		73
Progress billings		(487)		(300)
Total contracts in progress	$	(283)	$	(152)
Disclosed as:				
Unbilled revenue	$	-	$	-
Deferred revenue		(283)		(152)
Total contracts in progress	$	(283)	$	(152)

The unbilled revenue and deferred revenue from construction contracts are included in unbilled revenue and deferred revenue in the consolidated statements of financial position. The amount of contract revenue recognized in the year ended October 31, 2018 was $56 (October 31, 2017 – $226).

17. 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 years ended October 31:		2018		2017
Subscription services	$	11,294	$	10,617
Data products		967		991
Other products and services		694		1,225
	$	12,955	$	12,833

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

Geographic information

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

For the years ended October 31:		2018		2017
Canada	$	626	$	1,266
United States		1,633		931
Europe		5,672		5,414
Other		5,024		5,222
	$	12,955	$	12,833

PP&E 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.

As at October 31:		2018		2017
PP&E				
Canada	$	3,990	$	12,502
United Kingdom		19		74
	$	4,009	$	12,576
Intangible assets				
Canada	$	1,720	$	5,405
United Kingdom		-		-
	$	1,720	$	5,405

For the year ended October 31, 2018, there were no customers with revenue in excess of 10% of the Company's total revenue (October 31, 2017 – one customer).

18. RESTRUCTURING PROVISION

The Company underwent a restructuring in October 2016, and a restructuring provision was set up to provide for the salary continuance, RSU and PSU amounts due to the affected employees. The last payments were made in May 2018 and as of October 31,2018, the restructuring provision has been drawn down completely.

The details of the restructuring provision are as follows:

As at October 31, 2017	$	388
Provision revaluation		(2)
Salary continuance		(386)
As at October 31, 2018	$	-

19. 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.

20. COMPARATIVE BALANCES

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

21. SUBSEQUENT EVENTS

On December 13, 2018, the Company completed an offering of Convertible Debentures at a price of $1 per Convertible Debenture for gross proceeds of $13,000, and net proceeds after financing costs of $11,500. Each Convertible Debenture is convertible into 2,000 common shares of the Company, being an effective conversion price of 50 cents at the option of the holder (subject to customary adjustments from time to time), at any time prior to the fifth anniversary of the closing date. Holders of the Convertible Debentures will be entitled to interest payments as follows: for the first two years following the closing date, interest of 9% (consisting of 3% to be paid in cash semi-annually in arrears and 6% to be accrued and payable at maturity); and for the following three years, interest of 8% (consisting of 4% to be paid in cash semi-annually in arrears and 4% to be accrued and payable at maturity). In addition, the Company may elect, at its option, to redeem all or part of the Convertible Debentures at any time following the issue date. The Company will also have the right to redeem the outstanding Convertible Debentures, commencing on the second anniversary of the closing date, if the volume weighted average price of the Company's common shares for the preceding 20 trading days is at or above 1 dollar. The Company may elect to settle the redemption in common shares (at its discretion) at a per common share amount equal to the volume weighted average price for the preceding 20 trading days prior to the date of the notice of redemption.