Interim Condensed Consolidated Financial Statements

exactEarth Ltd.

January 31, 2017 and 2016

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

		As at January 31, 2017	As at October 31, 2016
		$	$
ASSETS			
Current assets			
Cash		11,154	13,680
Trade accounts receivable		1,870	1,778
Inventory		425	425
Unbilled revenue	(note 14)	470	794
Prepaid expenses and other assets		1,200	867
Total current assets		15,119	17,544
Property, plant and equipment	(notes 5, 7 and 15)	35,360	31,423
Intangible assets	(notes 6, 7 and 15)	14,045	18,855
Total assets		64,524	67,822
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		3,875	5,409
Deferred revenue	(note 14)	2,367	1,968
Provision for contract losses	(note 14)	5	-
Restructuring provision - current	(note 16)	754	1,154
Loans payable - current	(note 8)	730	716
Incentive plan liability - current	(note 9)	125	86
Total current liabilities		7,856	9,333
Government loan payable	(notes 3 and 8)	942	1,045
Loans payable	(note 8)	58	143
Long-term incentive plan liability	(note 9)	539	316
Restructuring provision	(note 16)	472	442
Total liabilities		9,867	11,279
Shareholders' equity			
Share capital	(note 9)	123,769	123,769
Contributed surplus	(note 9)	802	699
Accumulated other comprehensive income (loss)		50	45
Deficit		(69,964)	(67,970)
Total shareholders' equity		54,657	56,543
Total liabilities and shareholders' equity		64,524	67,822

See accompanying notes

On behalf of the Board:

Maria Izurieta, Director - exactEarth Ltd.
Peter Mabson, Director - exactEarth Ltd.

exactEarth™ Ltd.
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(in thousands of Canadian dollars)
unaudited

For the three months ended		**January 31, 2017**	**January 31, 2016**
		$	**$**
Revenue	(notes 14 and 15)	3,336	6,380
Cost of revenue	(notes 3 and 12)	1,839	2,628
Gross margin		1,497	3,752
Operating expenses			
Research and development		-	10
Selling, general and administrative	(note 12)	1,963	1,941
Product development		410	453
Depreciation and amortization	(notes 5 and 6)	945	1,377
Loss from operations		(1,821)	(29)
Other expenses			
Other expense		3	-
Restructuring charge	(note 16)	32	-
Foreign exchange loss		118	678
Interest expense		15	294
Total other expenses		168	972
Income tax expense	(note 11)	5	-
Net loss		(1,994)	(1,001)
Other comprehensive income			
Items that may be subsequently reclassified to net income:			
Foreign currency translation, net of income tax expense of nil		5	12
Total other comprehensive income		5	12
Comprehensive loss		(1,989)	(989)
Basic and diluted loss per share	(note 9)	(0.09)	(0.09)

See accompanying notes

exactEarth™ Ltd.

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

unaudited

For the Three Months Ended January 31, 2017		**Total**	**Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Share Capital**	**Contributed Surplus**
		$	**$**	**$**	**$**	**$**
Balance, October 31, 2016		56,543	(67,970)	45	123,769	699
Stock-based compensation expense	(note 9)	103	-	-	-	103
Comprehensive (loss) income		(1,989)	(1,994)	5	-	-
Balance, January 31, 2017		54,657	(69,964)	50	123,769	802

For the Three Months Ended January 31, 2016					
Balance, October 31, 2015	23,066	(32,007)	(296)	55,120	249
Comprehensive (loss) income	(989)	(1,001)	12	-	-
Balance, January 31, 2016	22,077	(33,008)	(284)	55,120	249

See accompanying notes

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

For the three months ended		**January 31, 2017**	**January 31, 2016**
		$	**$**
Net loss		(1,994)	(1,001)
Add (deduct) items not involving cash			
Non-monetary transaction	(note 10)	(618)	-
Non-cash interest		37	36
Depreciation and amortization	(notes 5 and 6)	945	1,377
Foreign exchange loss on revaluation of foreign currency shareholder loans		-	224
Loss on disposal of assets		3	
Long-term incentive plan	(note 9)	262	20
Stock-based compensation	(note 9)	103	-
Net change in non-cash working capital balances		(844)	(1,036)
Other operating cash flows			
Restructuring provision	(note 16)	(402)	-
Technology Demonstration Program Funding	(note 3)	453	-
Cash flows used in operations		(2,055)	(380)
Investing activities			
Acquisition of property, plant and equipment	(note 5)	(323)	(987)
Reimbursement of acquisition costs of property, plant and equipment	(note 5)	224	-
Acquisition of intangible assets	(note 6)	(55)	(2,320)
Cash flows used in investing activities		(154)	(3,307)
Financing activities			
Government loan repayment	(note 3)	(123)	(123)
Long-term debt repayment	(note 8)	(88)	-
Shareholder loan advances		-	3,000
Cash flows from financing activities		(211)	2,877
Effect of exchange rate changes on cash		(106)	121
Net decrease in cash		(2,526)	(689)
Cash, beginning of the period		13,680	2,365
Cash, end of the period		11,154	1,676
Supplemental cash flow information			
Interest paid		-	334
Interest received		22	4
Taxes paid		5	-

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.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These Interim Condensed Consolidated Financial Statements present the Company's results of operations and financial position as at and for the three months ended January 31, 2017, including the comparative period, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These Interim Condensed Consolidated Financial Statements have been prepared in compliance with IAS 34, *Interim Financial Reporting* as issued by the IASB. Accordingly, these Interim Condensed Consolidated Financial Statements do not include all the information required for full annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual consolidated financial statements for the year ended October 31, 2016.

These Interim Condensed Consolidated Financial Statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

These Interim Condensed Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on March 6, 2017.

b) Basis of presentation

These Interim Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiary, with intercompany transactions and balances eliminated. The Company has two divisions, one in Cambridge, Ontario, Canada and one in Harwell, United Kingdom.

These Interim Condensed Consolidated Financial Statements are presented in Canadian dollars and have been prepared on a historical cost basis.

3. GOVERNMENT ASSISTANCE

Federal Development Agency Loan

On November 16, 2012, exactEarth signed an interest-free loan agreement with the Federal Development Agency for Southern Ontario ("FED DEV"). Under this agreement, exactEarth was eligible to receive interest-free repayable funding for certain expenditures incurred from May 6, 2011 to March 31, 2014 to a maximum of $2,491. The interest-free loan is repayable in 60 equal consecutive monthly instalments that began on April 1, 2015. During the quarter ended January 31, 2017, the Company made payments of $123 (January 31, 2016 – $123). The undiscounted amount payable related to the FED DEV loan is $1,518.

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

The FED DEV interest-free loan is measured at amortized cost, using the effective interest rate method at a rate of 8%. An interest rate of 8% was used based on the market interest rate for a comparable instrument with a similar term. 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 operating grant is recorded as "Other expense" in the interim condensed consolidated statements of loss and comprehensive loss and the capital grant is recorded as a reduction in the cost of the related asset and amortized to income over the life of the asset.

The amounts recognized in respect of the FED DEV arrangement are as follows:

Recognized in the interim condensed consolidated statements of loss and comprehensive loss as follows:		January 31, 2017		January 31, 2016
Interest expense	$	26	$	36
Cost of revenue – amortization of capital grant		(8)		(8)
Net impact	$	18	$	28

Technology Demonstration Program Funding

On May 5, 2016, Innovation, Science and Economic Development Canada announced a $54,000 Technology Demonstration Program contribution to MDA Systems Ltd. ("MDA") and its partners. The funding is designed to support large-scale technology demonstration projects related to the Canadian aerospace, defence, space and security industries. On May 9, 2016, exactEarth entered into a Technology Demonstration Program Collaboration Agreement ("TDP Agreement") with MDA as a Partner Recipient under the Technology Demonstration Program related to Space Technology and Advanced Research ("STAR"). The TDP Agreement provides funding at 50% of eligible costs in respect of STAR projects to a maximum total funding value of $1,250. This funding is available to partially offset eligible STAR project costs during the period commencing August 12, 2014 and ending March 31, 2022. The funding recognized as an offset to cost of revenue in the quarter ended January 31, 2017 was $99 (January 31, 2016 – nil). The inception to date funding recognized as an offset to cost of revenue is $766, of which $552 has been received in cash.

4. INVESTMENT

On November 10, 2015, the Company entered into a shareholder's agreement, licence agreement and services agreement with Myriota Pty. Ltd. ("Myriota"). Myriota is located in Adelaide, Australia and has a fiscal year ending June 30. The Company invested AUD$2,000 (CAD$1,894) in exchange for 36% 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. We are expecting amortization of this licence to commence in the third quarter of 2017 when the development of the technology is incorporated into excatEarth's product lines.

The Company has significant influence over Myriota and, as a result, will account for the investment using the equity method. Myriota incurred losses during the three months ended January 31, 2017.

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

The Company's share of these losses is not reflected in the Company's interim condensed consolidated statements of loss and comprehensive loss because the investment has a carrying value of nil based on the relative fair value calculation. The Company does not have an obligation to fund losses and will recognize its share of Myriota's income only after its share of the income equals its share of losses not recognized.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
At October 31, 2016	46	55,664	6,061	3,053	147	64,971
Transfer from intangible assets	-	7,511	-	-	-	7,511
Deductions	(46)	(224)	(695)	(2)	(61)	(1,028)
Additions	53	58	213	-	-	324
Translation adjustment	-	-	(1)	-	-	(1)
At January 31, 2017	**53**	**63,009**	**5,578**	**3,051**	**86**	**71,777**

Accumulated Amortization	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
At October 31, 2016	46	28,069	2,647	2,657	129	33,548
Amortization expense	-	525	65	33	(29)	594
Deductions	(46)	-	-	(1)	(56)	(103)
Transfer from intangible assets	-	2,378	-	-	-	2,378
Translation adjustment	-	-	-	-	-	-
At January 31, 2017	**-**	**30,972**	**2,712**	**2,689**	**44**	**36,417**

Net Book Value	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
At October 31, 2016	-	27,595	3,414	396	18	31,423
At January 31, 2017	**53**	**32,037**	**2,866**	**362**	**42**	**35,360**

Included in property, plant and equipment as at January 31, 2017 is $15,497 (October 31, 2016 – $16,356) of satellite and electrical equipment that has not yet commenced being depreciated as the assets are under construction and not yet ready for use.

The Company moved its offices to a new location in Cambridge in January 2017. At the time, the book value of the leasehold improvements made to the former location along with furniture and equipment that was not transferred to the new location was written off. These amounts are reflected in the "deductions" line of the chart above.

The transfer from intangible assets of $7,511 in the same chart relates to an asset transfer arrangement that the Company made to provide in-kind datasets at a value of $3,666 in exchange for title to the EV9 satellite. This commitment was satisfied as of January 31, 2017, resulting in the Company transferring the carrying value of the EV9 data rights of $7,511 from intangible assets to property, plant and equipment. The transfer out is reflected in Note 6 (Intangible Assets) below while more detail with respect to the in-kind contribution can be found in Note 10 (Commitments and Contingencies).

In November 2016, the Company re-negotiated its service contract with its Ground Station developer, Kongsberg Satellite Services. As a result of that negotiation, the Company cancelled its requirement for a planned ground station in Chile. This is reflected as a deduction of $695 in the electrical equipment section of the chart above. This ground station was in the process of being developed and hence is included in capital in progress, which is why there is no corresponding reduction to accumulated depreciation.

Additions to satellites for the quarter ended January 31, 2017 were $58. The company received $224 of cost reimbursements for assisting in the development of a satellite under construction. (January 31, 2016 – $120).

Borrowing costs capitalized in the cost of certain assets during the three months ended January 31, 2017 were nil (three months ended January 31, 2016 – $393 using an average capitalization rate of 8%).

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

6. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	Computer Software	Internally Developed Technology	Technology Licence	Data Rights	Total
At October 31, 2016	3,672	8,880	2,715	19,924	35,191
Transfer to property, plant, and equipment	-	-	-	(7,511)	(7,511)
Additions	10	45	-	619	674
At January 31, 2017	**3,682**	**8,925**	**2,715**	**13,032**	**28,354**

Accumulated Amortization	Computer Software	Internally Developed Technology	Technology Licence	Data Rights	Total
At October 31, 2016	3,112	5,170	1,003	7,051	16,336
Transfer to property, plant, and equipment	-	-	-	(2,378)	(2,378)
Amortization expense	88	124	-	139	351
At January 31, 2017	3,200	5,294	1,003	4,812	14,309

Net Book Value	Computer Software	Internally Developed Technology	Technology Licence	Data Rights	Total
at October 31, 2016	560	3,710	1,712	12,873	18,855
at January 31, 2017	**482**	**3,631**	**1,712**	**8,220**	**14,045**

Included in intangible assets is $8,220 of data rights (2016 – $8,215) 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 $1,712 (October 2016 – 1,712).

Borrowing costs capitalized in the cost of certain assets were nil for the three months ended January 31, 2017 (2016 – $252) using an average capitalization rate of 8%.

7. 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 value in use ("VIU") and fair value less costs of disposal.

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

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

8. LOANS PAYABLE & FINANCIAL INSTRUMENTS

Loans payable comprise the following:

	January 31, 2017	October 31, 2016
FED DEV (note 3)	$ 1,341	$ 1,437
Larus Technologies debt	389	467
	$ 1,730	$ 1,904
Less: current portion of loans	730	716
Long-term loans payable	$ 1,000	$ 1,188

Fair values

For the Company's cash, trade accounts receivable and accounts payable and accrued liabilities, the fair values approximate their respective carrying amounts due to their short-term maturities. The FED DEV loan, included in government loan, has a carrying value as at January 31, 2017 of $1,341 (October 31, 2016 – $1,437), which approximates the fair value as the loan was recorded at fair value when the cash was received and the Company's borrowing rate has not changed. The fair value of the FED DEV loan was calculated using discounted cash flows with a discount rate of 8% indicative of the Company's borrowing rate.

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. The fair value of the Larus interest-free payable was calculated using discounted cash flows with a discount rate of 8% indicative of the Company's borrowing rate. Imputed interest will be recognized over the remaining term as interest expense.

The Larus agreement also includes an option to purchase all of the shares of Larus during the twenty-four-month term of the agreement, and for the following six months. The option to purchase is currently valued at nil.

As at January 31, 2017, approximately 33% of cash, 57% of trade accounts receivable, and 18% of accounts payable and accrued liabilities are denominated in foreign currencies (October 31, 2016 – 28%, 32%, and 28%, respectively). These foreign currencies include the US dollar, British pound, Euro and Australian dollar.

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

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

Currency		Cash		Trade accounts receivable		Accounts payable and accrued liabilities
USD	$	991	$	505	$	138
GBP	£	195	£	68	£	67
EUR	€	1,442	€	212	€	303

9. 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 January 31, 2017, the issued and outstanding shares total 21,605,506 (2016 –21,605,506).

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. During the three months ended January 31, 2017, the Company did not grant any new stock options. During 2016, 1,428,222 stock options were granted to its employees. The maximum number of common shares authorized for grant under the option plan is 2,160,550.

All options vest on a graded basis depending on the type of option. Type one options vest on a 40%, 30%, 30% basis over three years and have a contractual life of six years. Type two options vest on a 25%, 75% basis over two years and have a contractual life of six years. Type three options vest on a 40%, 30%, 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.

	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)	5.1	5.1	7.1
Weighted average fair value of options outstanding	$ 1.08	$ 1.06	$ 1.32
Weighted average exercise price of option granted	$ 6.50	$ 6.50	$ 6.50

Volatility was calculated using the historical volatility of comparable companies for the period commencing when those entities were publicly traded and corresponding to the expected life of each option type. The estimated fair value of the options is amortized to expense over the vesting periods of the options. For the three months ended January 31, 2017, the compensation expense recognized was $103 (three months ended January 31, 2016 – nil). This expense is reflected in the cost of revenue and SG&A sections of the financial statements. This amount was added to contributed surplus. Vested options can be exercised prior to their expiry date. No options have vested as at January 31, 2017.

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

A summary of the option activity for the three months ended January 31, 2017 is as follows:

	Stock Options
Balance as at October 31, 2016	1,091,268
Granted	-
Forfeited	-
Balance as at January 31, 2017	1,091,268

Employee Share Purchase Plan (“ESPP”)

The share purchase plan expense amount for the three months ended January 31, 2017 was $7 (three months ended January 2016 – nil). The estimated number of shares, if all outstanding ESPP shares were issued, is 432,110.

Long-term incentive plan (“LTIP”)

The following details the RSUs, PSUs and DSUs as at January 31, 2017:

	RSU	PSU	DSU
Share unit balance, beginning of period	445,503	43,613	89,355
Share units granted	-	-	28,083
Share units forfeited	-	-	-
Share unit balance, end of period	445,503	43,613	117,438
Aggregate fair value of units granted as at the end of the period	$ 887	$ 87	$ 234
Fair value of share units outstanding as at the end of the period	$ 1.99	$ 1.99	$ 1.99

For the three months ended January 31, 2017, compensation expense of $262 (2016 – nil) was recognized for the Company’s LTIP.

Loss per share

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

	January 31, 2017	January 31, 2016
Numerator for basic and diluted loss per share available to common shareholders:		
Net loss attributable to common shareholders	$ (1,994)	$ (1,001)
Denominator for basic loss per share:		
Weighted average number of shares outstanding	21,605,506	11,111,111
Basic/Dilutive loss per share	$ (0.09)	$ (0.09)

There are 323,225 units that are antidilutive.

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

10. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Company has incurred $51 in lease expenses during the three months ended January 31, 2017.

The Company has commitments under lease agreements as follows:

	Less than 1 Year	1 to 5 Years	After 5 Years
Facilities	$ 56	$ 382	$ -
Photocopier lease	2	10	-
Computer lease	32	16	-
Total	$ 90	$ 408	$ -

Capital commitments

As at January 31, 2017, capital commitments in respect of the purchase of property, plant and equipment were $4,663. There were no other material capital commitments outstanding as at January 31, 2017.

In-kind contribution commitment

The Company entered into an arrangement effective March 17, 2015 and has committed to provide in-kind datasets at a value of $3,666, not licensed for commercial use, in exchange for title to the EV9 satellite, subject to certain restrictions on the use, sale or transfer of the satellite within the six-year period ending March 31, 2021. During the quarter ended January 31, 2017, data sets with a value of $618 were transferred to qualifying third parties. This commitment was satisfied as of January 31, 2017 as data assets valued at $3,666 were transferred to qualifying third parties under the terms of the arrangement, fulfilling final condition of the transfer agreement. As such, the value of the datasets that had been added to the carrying value of the EV9 data rights classified as an intangible asset was transferred to property, plant and equipment and reported as a satellite cost as at January 31, 2017.

Royalty commitment

The Company has entered into an agreement with Larus, which includes a commitment that takes effect after the conclusion of the twenty-four 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. Royalty payments will commence in May 2018.

Claims or legal actions

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

11. INCOME TAXES

For the three months ended January 31, 2017, the Company's effective income tax rate of nil (January 31, 2016 – nil) differs from the combined federal and provincial income tax rate of 26.5% (January 31, 2016 – 26.5%) primarily as a result of the Company incurring losses during the period on which no tax recovery was recorded because the deferred tax asset was not considered to be probable of being realized.

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

The income tax expense of $5 represents a 15% withholding tax on revenue generated from Argentina. The Company deemed the $5 to be unrecoverable and as recognized the amount as an expense.

12. EMPLOYEE BENEFITS

Defined contribution pension plan

The Company has a defined contribution pension plan for its employees. During the three months ended January 31, 2017, the Company's contributions, which are based on the contributions by employees, were $48 (2016 – $69) and are included in "Cost of revenue" and "Selling, general and administrative" expenses in the interim condensed consolidated statements of loss and comprehensive loss.

Salaries and benefits

Total salaries and employee benefits expense for the three months ending January 31, 2017 was $1,984 (2016 – $2,326).

13. RELATED PARTIES

The following table details the transactions and balances between the Company and COM DEV (and its subsidiaries). COM DEV was a related party up until the Spinout Transaction on February 4, 2016.

For the three months ended January 31:		2017		2016
Purchase of services	$	-	$	102
Purchase of property, plant and equipment		-		30
Rent		-		18
Interest charged by COM DEV		-		692

As at		January 31, 2017		October 31, 2016
Accounts payable	$	-	$	-
Outstanding term loan		-		-

The accounts payable to COM DEV is nil (2016 – nil) classified as current.

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

On November 1, 2014, COM DEV began charging interest on the value of certain accounts payable owing by the Company. For the three months ended January 31, 2017, total interest charged with respect to this deferred balance was nil (2016 – $366), of which nil (2016 – $260) was capitalized through assets under construction. The following table details transactions and balances between the Company and Hisdesat, a shareholder that has significant influence through an equity investment.

For the three months ended January 31:		2017		2016
Interest charged by Hisdesat	$	-	$	214
Revenue from Hisdesat		240		238
Directors' expenses		39		-

As at		January 31, 2017		October 31, 2016
Trade accounts receivable	$	9	$	62
Accounts payable		-		5,084
Outstanding term loan		-		6,052

14. CONSTRUCTION CONTRACT REVENUE

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

		January 31, 2017		October 31, 2016
Percentage of completion revenue contracts				
Costs incurred	$	206	$	1,249
Estimated profits		2		1,328
Progress billings		(342)		(2,878)
Total contracts in progress	$	(135)	$	(301)
Disclosed as:				
Unbilled revenue	$	15	$	665
Deferred revenue		(150)		(996)
Total contracts in progress	$	(135)	$	(301)

The unbilled revenue and deferred revenue from construction contracts are included in unbilled revenue and deferred revenue in the interim condensed consolidated statements of financial position. The amount of contract revenue recognized in the three months ended January 31, 2017 was $50 (three months ended January 31, 2016 – $694).

The Company has one construction contract that has been estimated to be a loss project. The portion of unrecognized loss of $5 as of January 31, 2017 is reported under current liabilities on the interim condensed consolidated statements of financial position.

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

15. SEGMENT, GEOGRAPHIC AND MAJOR CUSTOMER INFORMATION

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

Revenue by product type

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

For the three months ended:	January 31, 2017	January 31, 2016
Subscription Services	$ 2,971	$ 5,382
Data Products	279	304
Other Products & Services	86	694
	$ 3,336	$ 6,380

Geographic Information

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

For the three months ended:	January 31, 2017	January 31, 2016
Canada	$ 704	$ 3,247
United States	216	369
Europe	1,440	2,046
Other	976	718
	$ 3,336	$ 6,380

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

	January 31, 2017	October 31, 2016
Property, plant and equipment		
Canada	$ 35,164	$ 31,218
United Kingdom	196	205
	$ 35,360	$ 31,423
Intangible assets		
Canada	$ 14,045	$ 18,855
United Kingdom	-	-
	$ 14,045	$ 18,855

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

For the three months ended January 31, 2017, two customers had revenue in excess of 10% of the Company's total revenue (2016 – two customers). The details are as follows:

Three months ended:	January 31, 2017		January 31, 2016	
	Revenue $	% of Total Revenue	Revenue $	% of Total Revenue
Customer 1	618	19%	3,195	50%
Customer 2	501	15%	628	10%
	1,119	34%	3,823	60%

16. RESTRUCTURING PROVISION

The Company underwent a restructuring in October 2016 and a restructuring reserve was set up to provide for the salary continuance and RSU/PSU amounts due to the affected employees. As of January 31, 2017, there was $1,226 of restructuring provision remaining. The portion of the liability that extends beyond January 2018 (February 2018 – May 2018) is recorded in long-term liabilities while the balance is recorded in current liabilities. The long-term portion has been discounted at 0.56%, which is consistent with the risk associated with this liability. The liability also includes RSUs for certain terminated employees that will be earned during their continuance period.

The details of the restructuring reserve are as follows:

As at October 31, 2016	$	1,596
Reserve related to RSU/PSU top-up for increase in share price		32
Salary continuance		(402)
As at January 31, 2017	$	1,226
Represented by:		
Current		754
Long-term		472
	$	1,226

17. SUBSEQUENT EVENTS:

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

The Government of Canada ("GoC") initiated a second request for proposal to procure S-AIS services in October 2016. On February 24, 2017, the Company received notice from the GoC that its proposal had not been selected for the new S-AIS contract.