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

		As at July 31, 2019	As at October 31, 2018
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		14,694	4,774
Short-term investments	(note 9)	49	49
Accounts receivable	(notes 9 and 14)	3,347	3,491
Unbilled revenue		2,029	911
Prepaid expenses		456	307
Other assets	(note 3)	229	347
Total current assets		20,804	9,879
Property, plant and equipment	(notes 6, 8 and 15)	4,390	4,009
Intangible assets	(notes 7, 8 and 15)	1,587	1,720
Other long-term assets	(note 3)	334	16
Total assets		27,115	15,624
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	(notes 9 and 14)	8,382	4,780
Deferred revenue		2,517	2,412
Loans payable - current	(note 9)	320	459
Long-term incentive plan liability - current	(note 10)	4	11
Total current liabilities		11,223	7,662
Loans payable	(notes 4 and 9)	9,896	498
Long-term incentive plan liability	(note 10)	207	162
Other long-term liabilities	(note 3)	1,302	95
Total liabilities		22,628	8,417
Shareholders' equity			
Share capital	(note 10)	123,823	123,794
Contributed surplus	(note 10)	4,624	1,451
Accumulated other comprehensive income (loss)		62	(11)
Deficit	(note 3)	(124,022)	(118,027)
Total shareholders' equity		4,487	7,207
Total liabilities and shareholders' equity		27,115	15,624

See accompanying notes

On behalf of the Board:

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

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

For the nine months ended July 31, 2019		Total	Deficit	Accumulated Other Comprehensive Income (Loss)	Share Capital	Contributed Surplus
		$	$	$	$	$
Balance at October 31, 2018		7,207	(118,027)	(11)	123,794	1,451
Impact of change in accounting policy	(note 3)	272	272	-	-	-
Adjusted balance at October 31, 2018		7,479	(117,755)	(11)	123,794	1,451
Stock-based compensation expense	(note 10)	163	-	-	-	163
Restricted share unit expense	(note 10)	122	-	-	-	122
Convertible debenture	(note 9)	2,917	-	-	-	2,917
Issuance of common shares	(note 10)	-	-	-	29	(29)
Comprehensive (loss) income		(6,194)	(6,267)	73	-	-
Balance at July 31, 2019		4,487	(124,022)	62	123,823	4,624

For the nine months ended July 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 10)	193	-	-	-	193
Transfer RSUs to contributed surplus	(note 10)	130			-	130
Issuance of common shares		-	-	-	13	(13)
Comprehensive loss		(5,914)	(5,901)	(13)	-	-
Balance at July 31, 2018		17,412	(107,705)	(57)	123,794	1,380

See accompanying notes

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

		Three months ended		Nine months ended	
		July 31, 2019	July 31, 2018	July 31, 2019	July 31, 2018
		$	$	$	$
Revenue	(note 15)	4,011	3,171	11,439	9,186
Cost of revenue	(note 4)	3,530	2,713	9,252	7,101
Gross profit		481	458	2,187	2,085
Operating expenses					
Selling, general and administrative		2,103	1,729	5,917	5,351
Product development and research and development		264	252	800	1,211
Depreciation and amortization	(notes 6 and 7)	210	437	565	1,248
Loss from operations		(2,096)	(1,960)	(5,095)	(5,725)
Other expenses					
Other expense		-	61	-	61
Restructuring recovery		-	-	-	(2)
Foreign exchange loss (gain)		387	108	220	(30)
Interest income		(58)	(5)	(154)	(33)
Interest expense	(notes 4 and 9)	398	16	990	58
Total other expenses		727	180	1,056	54
Income tax expense	(note 12)	54	113	116	122
Net loss	(note 3)	(2,877)	(2,253)	(6,267)	(5,901)
Other comprehensive income (loss)					
Item that may be subsequently reclassified to net loss:					
Foreign currency translation, net of income tax expense of nil		190	64	73	(13)
Total other comprehensive income (loss)		190	64	73	(13)
Comprehensive loss		(2,687)	(2,189)	(6,194)	(5,914)
Loss per share					
Basic and diluted loss per share	(note 10)	(0.13)	(0.10)	(0.29)	(0.27)

See accompanying notes

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

		Three months ended		Nine months ended	
		July 31, 2019	July 31, 2018	July 31, 2019	July 31, 2018
		$	$	$	$
Net loss		(2,877)	(2,253)	(6,267)	(5,901)
Add (deduct) items not involving cash					
Non-monetary transaction		-	15	-	(15)
Non-cash interest	(notes 4 and 9)	97	16	239	57
Depreciation and amortization	(notes 6 and 7)	210	437	565	1,248
Operating grant recognized on SIF loan	(note 4)	(258)	-	(1,136)	-
Technology demonstration program recovery	(note 4)	-	(26)	-	(202)
Long-term incentive plan expense	(note 10)	154	65	237	272
Stock-based compensation	(note 10)	44	50	163	193
Restructuring reserve - revaluation		-	-	-	(2)
Net change in non-cash working capital balances		4,097	57	4,683	1,297
Other operating cash flows					
Technology demonstration program funding received	(note 4)	-	81	26	407
Settlement of share units	(note 10)	(1)	-	(63)	(238)
Restructuring provision - payment of salary continuance		-	(10)	-	(386)
Cash flows from (used in) operations		1,466	(1,568)	(1,553)	(3,270)
Investing activities					
Acquisition of property, plant and equipment	(note 6)	(782)	(641)	(1,086)	(1,133)
Reimbursement of acquisition costs of property, plant and equipment	(note 6)	-	-	288	252
Acquisition of intangible assets	(note 7)	(6)	-	(10)	(28)
Cash flows used in investing activities		(788)	(641)	(808)	(909)
Financing activities					
Government loan repayment	(notes 4 and 9)	(123)	(164)	(328)	(410)
Government loan advance	(notes 4 and 9)	881	-	881	-
Long-term debt repayment	(note 9)	-	-	-	(146)
Convertible debenture advance	(note 9)	-	-	13,000	-
Convertible debenture issue costs	(note 9)	-	-	(1,146)	-
Cash flows from (used in) financing activities		758	(164)	12,407	(556)
Effect of exchange rate changes on cash		(214)	(22)	(126)	71
Net increase (decrease) in cash		1,222	(2,395)	9,920	(4,664)
Cash, beginning of the period		13,472	5,848	4,774	8,117
Cash, end of the period		14,694	3,453	14,694	3,453
Supplemental cash flow information					
Interest Paid		195	-	195	-
Interest received		52	5	142	33
Income taxes paid		54	113	116	122

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 interim condensed consolidated financial statements present the Company's results of operations and financial position as at and for the three and nine months ended July 31, 2019, 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, 2018.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on September 12, 2019.

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 ("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 of ongoing operating cash flows. Management has assessed and concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Management applied significant judgment in arriving at this conclusion including:

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

Effective November 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") using the modified retrospective approach in its interim condensed consolidated financial statements. As a result, the after-tax cumulative effect of initially applying IFRS 15 was recognized as an adjustment to opening deficit as at November 1, 2018. Comparative information has not been restated and continues to be reported under IAS 18, *Revenue* and IAS 11, *Construction Contracts.*

The Company used a practical expedient, as permitted in the transition requirements, to apply IFRS 15 only to contracts not completed at November 1, 2018.

The details of the Company's significant accounting policies, significant accounting judgements, estimates, and assumptions are disclosed below. The quantitative impact of the adoption is disclosed in Note 3.

Summary of significant accounting policies

Revenue is recognized through the application of the following steps: (i) identification of the contract, or contracts, with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of revenue when, or as the Company satisfies a performance obligation. The Company assesses its revenue contracts against specific criteria in order to determine if it is acting as principal or agent.

A contract exists with a customer when both parties have approved the contract, commitments to performance and rights of each party (including payment terms) are identified, the contract has commercial substance and collection of substantially all consideration is probable for goods and services that are transferred.

Performance obligations promised in a contract are identified based on the goods and services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with other available resources, and are distinct in the context of the contract, whereby the transfer of the good or service is separately identifiable from other promises in the contract. If these criteria are not met, the promised goods and services are accounted for as a combined performance obligation.

The transaction price is determined based on the consideration the Company expects to be entitled to in exchange for transferring promised goods and services to the customer, excluding amounts collected on behalf of third parties such as sales taxes. Determining the allocation of transaction price requires significant judgment. Consideration in contracts with multiple performance obligations is allocated to the separate performance obligations based on estimates of stand-alone selling prices ("SSP"). To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration and includes the estimated revenue to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are based on historical experience, anticipated performance, and management's best judgment based on the information available at the time.

Control of goods and services can be transferred at a point in time or over time. Control is the ability to direct the use of, and obtain the benefits from, an asset. The method and timing of transfer of control determines whether to recognize revenue at a point in time for

each performance obligation or whether to use a measure of progress toward completion to recognize revenue over time.

Sale of data

The majority of revenue is derived from the sale of data subscriptions. Customers simultaneously receive and consume data subscriptions; therefore, performance obligations are satisfied over time. Revenue is recognized upon delivery for non-subscription data sales, which are performance obligations satisfied at a point in time upon transfer of control.

The Company may enter into contracts involving multiple performance obligations, such as products or services including data subscriptions and sales of historic archive data or sales of Class B transponders and data. Consideration is allocated to the separate performance obligations based on estimates of SSP. The primary method used to estimate the SSP is consideration of sales of the products or services on a stand-alone basis, and the Company's pricing policies.

Timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets are generated when contractual billing schedules differ from revenue recognition timing. Unbilled revenue is recorded in instances when revenue is recognized prior to invoicing, and amounts collected in advance of services being provided are recorded as deferred revenue.

Deferred contract costs

Deferred contract costs are amortized over the period of expected benefit. Estimating the costs to be deferred and the period of expected benefit is subjective and requires the use of management's best judgments based on information available at that time. Changes in estimates are reflected in the period in which the circumstances that gave rise to the change occur. Contract costs are deferred if the costs are expected to be recoverable and if either of the following criteria are met:

- The costs of obtaining the contract are incremental or explicitly chargeable to the customer; or
- The fulfillment costs relate directly to the contact or an anticipated contract and generate or enhance the Company's resources that will be used in satisfying the performance obligations in the future.

Long-term fixed-price contracts

The Company occasionally provides goods and services to its customers under long-term, fixed-price contracts. The Company accounts for its revenue from fixed-fee contracts using the percentage of completion method, which requires estimates to be made for contract costs and revenue. Contract costs include direct labour and direct costs for subconsultants, and other expenditures that are recoverable directly from clients. Progress on jobs is regularly reviewed by management and estimated costs to complete are revised based on the information available at the end of each reporting period. Contract cost estimates are based on various assumptions that can result in a change to contract profitability from one financial reporting period to another. Estimating total costs is subjective and requires management's best judgments based on the information available at that time. On an ongoing basis, estimated revenue is updated to reflect the amount of consideration the Company expects to be entitled to in exchange for providing goods and services. 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. Contract progress in excess of billings made is recognized in current assets as unbilled revenue.

Significant accounting judgments, estimates, and assumptions

Revenue is adjusted for the effects of a significant financing component when the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Judgement is required to determine whether a contract contains a significant financing component and the discount rate to be applied when adjusting the promised consideration for the significant financing component.

Consideration in contracts with multiple performance obligations is allocated to the separate performance obligations based on estimates of SSP and comparable historical sales of a similar nature. Judgment is required to determine the SSP for each distinct performance obligation. The Company's products and services often have observable SSP when the Company sells a promised product or service separately to similar customers. A contractually stated price or list price for a good or service may be the SSP of that good or service. However, in instances where SSP is not directly observable, the Company determines the SSP by maximizing observable inputs and using an approach using information that may include market conditions and other observable inputs from the Company's pricing team, including historical SSP.

Capitalized commission costs are amortized over the period of expected benefit. Estimating the costs to be deferred and the period of expected benefit is subjective and requires the use of management's best judgments based on information available at that time.

Changes in estimates are reflected in the period in which the circumstances that give rise to the change become known and affect the Company's revenue, unbilled receivables, contract assets, and deferred revenue.

d) Financial instruments

Effective November 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9") in its interim condensed consolidated financial statements. IFRS 9 introduces new requirements for the classification, and measurement of financial assets and financial liabilities, including derecognition. The new standard also includes a single expected-loss impairment model. IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement* ("IAS 39") and significantly amends other standards dealing with financial instruments such as IFRS 7, *Financial Instruments: Disclosures*.

Classification and measurement

Financial assets are initially recognized at fair value plus directly applicable transaction costs, except for financial assets at fair value through profit and loss ("FVPL"), for which transaction costs are expensed.

Subsequent measurement of financial assets under IFRS 9 is at FVPL, amortized cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Company's business approach for managing the financial assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI" criterion). The business approach considers whether a Company's objective is to receive cash flows from holding assets, from selling assets in a portfolio, or a combination of both.

- Amortized cost: Assets held for collection of contractual cash flows, when they meet the SPPI criterion, are measured at amortized cost. Items in this category include cash and cash equivalents, short-term investments, accounts receivables, and other assets.
- FVOCI: Assets held within a business approach both to collect cash flows and sell the assets, when they meet the SPPI criterion, are measured at FVOCI. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment and foreign exchange gains and losses are reported in income.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL with realized and unrealized gains and losses reported in income.

The Company reclassifies financial assets only when its business approach for managing those assets changes.

Impairment under IFRS 9

The adoption of IFRS 9 changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with the forward-looking expected credit loss ("ECL"). Accounts receivable and unbilled revenue, and other assets are subject to the new ECL model.

IFRS 9 requires the Company to record an allowance for ECL either based on a 12-month ECL or on a lifetime ECL. Assets within the scope of IFRS 9 that are considered to have low credit risk have an impairment provision recognized during the period limited to 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

For accounts receivable, unbilled revenue, and other assets, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime ECLs to be recognized from initial recognition.

e) Convertible debentures

IAS 32, *Financial instruments: presentation*, requires the issuer of a non-derivative financial instrument to evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. This evaluation is based on the contractual terms of the financial instrument, the substance of the arrangement and the definition of a financial liability, financial asset and an equity instrument. If such components are identified, they must be accounted for separately as financial liabilities, financial assets or equity.

The liability component of the Company's convertible debentures is measured at the fair value of a similar liability that does not have an associated equity conversion feature. The equity component is allocated the residual difference between the difference between the fair value of the compound instrument (total issue proceeds) and the liability component. The equity component is credited directly to equity and is not subsequently remeasured nor reclassified to profit or loss.

Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds. Transaction costs are incremental costs that are directly attributable to the

acquisition, issue or disposal of a financial asset or liability and includes fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers, and dealers.

The initial carrying amount of the Company's convertible debenture is adjusted for transaction costs. Transaction costs related to the liability component are included in the calculation of the amortized cost using the effective interest method and are included in interest expense recognized over the life of the instrument. Transaction costs allocated to the equity component are offset against the amount recognized in equity.

3. CHANGES TO ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

The Company has adopted the new and amended IFRS as listed below as at November 1, 2018, in accordance with the transitional provisions outlined in the respective standards.

Standards issued, but not yet effective or amended up to the date of issuance of the Company's interim condensed consolidated financial statements, are also 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 15, *Revenue from Contracts with Customers*

On adoption of IFRS 15, the after-tax impact was a reduction of the opening deficit as follows:

Retained deficit	November 1, 2018
Capitalization of costs to acquire contracts	$ 221
Contract modification	13
Contract duration and variable consideration	38
Total impact of change in accounting policy, net of tax of nil	$ 272

Capitalization of costs to acquire contracts

Under IFRS 15, the Company capitalizes and amortizes commission costs that relate to contracts on a systematic basis, consistent with the pattern of transfer of the goods or services to which the commission costs relate.

Capitalized commission costs are included in other assets and other long-term assets in the unaudited interim condensed consolidated statements of financial position and amortized over the period of expected benefit using the estimated customer retention period, which typically aligns to the term of the related revenue contract. Amortization of capitalized commission costs is included in selling, general and administrative costs in the unaudited interim condensed consolidated statements of loss and comprehensive loss.

Contract modification

Contract modifications are assessed under IFRS 15 based on whether the new promised goods or services are distinct, and whether the price reflects the SSP. A modification that results in a new distinct performance obligation, where the price of the modification represents SSP, is accounted for as a separate contract. A modification that results in a new distinct performance obligation, but that does not represent the SSP, requires the termination of the original contract and the allocation of remaining consideration to the remaining performance obligations from the original contract and the modification. If the modification does not result in a new distinct performance obligation, the transaction price is updated as well as the measure of progress and results in a cumulative true-up to revenue.

Contract duration and variable consideration

The Company generates revenue from data subscription contracts in which data is typically provided over time. The contract duration under IFRS 15 is the period both parties have enforceable rights and obligations. Given the nature of the Company's contractual terms for data subscriptions, the duration of the contract for revenue recognition may differ from the stated contractual term, which could affect the amount of revenue recognized where the Company's contractual prices vary over the stated contract term. Revenue is measured based on the consideration the Company expects to be entitled to in exchange for providing data, excluding taxes collected from clients, which are reimbursable to government authorities.

Variable consideration is estimated by determining the most likely amount the Company expects to be entitled to unless the contract includes a range of possible outcomes for performance-based amounts. In that case, the expected value is determined using a probability weighting of the range of possible outcomes. Variable consideration is included in estimated revenue to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are based on historical experience, anticipated performance, and management's best judgment based on the information available at the time.

Impacts on the interim condensed consolidated financial statements

The following tables summarize the impacts of adopting IFRS 15 on the Company's interim condensed consolidated financial statements:

Interim condensed consolidated statements of financial position at July 31, 2019:	As reported	Increases (decreases)	Before IFRS 15
Other assets	$ 229	$ (229)	$ -
Other long-term assets	334	(160)	174
Accounts payable and accrued liabilities	8,382	1	8,383
Deferred revenue	2,517	(61)	2,456
Other long-term liabilities	1,302	8	1,310
Deficit	(124,022)	(337)	(124,359)

Interim condensed consolidated statements of loss and comprehensive loss for the three months ended July 31, 2019:			
Net loss	$ (2,877)	$ (21)	$ (2,898)
Loss per share (basic and diluted)	(0.13)	-	(0.13)

Interim condensed consolidated statements of loss and comprehensive loss for the nine months ended July 31, 2019:			
Net loss	$ (6,267)	$ 3	$ (6,264)
Loss per share (basic and diluted)	(0.29)	-	(0.29)

IFRS 9, *Financial Instruments*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. However, in accordance with the IFRS 9 transitional provisions, the Company has

elected not to restate the comparative periods. Financial instruments derecognized prior to the effective date were accounted for in accordance with IAS 39, as permitted under the transitional provisions of IFRS 9. The IFRS 9 adoption did not impact the measurement or carrying amounts of financial instruments and therefore did not impact deficit.

Impairment under IFRS 9 impact:

The Company's accounts receivables generally have a maturity date of 90 days or less. The Company has historically had limited credit losses therefore the adoption of this model did not impact the Company's unaudited interim condensed consolidated financial statements.

Classification impact:

IFRS 9 introduced new financial instrument classification guidance. The classification effects of adopting IFRS 9 are noted below. There was no effect on the carrying value of the Company's financial assets upon adoption of IFRS 9.

Financial statement line	IAS 39 classification	IFRS 9 classification
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investments	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost

IFRS 16, *Leases*

IFRS 16, *Leases* ("IFRS 16") is a new standard effective for fiscal years beginning on or after January1, 2019, and may be early adopted for companies that also apply IFRS 15. The standard replaces current guidance under IAS 17, *Leases* ("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.

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 on its consolidated financial statements.

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 and a further $881 was received in the three months ended July 31, 2019. An additional receivable of $919 was recorded in accounts receivable for funding related to eligible expenditures incurred prior to July 31, 2019.

The SIF loan is measured initially at fair value, and subsequently 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 or 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 interim condensed consolidated statements of financial position at:		July 31, 2019		October 31, 2018
Loans payable	$	776	$	336
Accounts receivable		919		128
Property, plant and equipment - capital grant		182		63

The amounts recognized in respect of the SIF loan for the three months ended July 31 are as follows:

Recognized in the interim condensed consolidated statements of loss and comprehensive loss as follows:		2019		2018
Cost of revenue – operating grant	$	(258)	$	-
Interest expense		18		-
Reduction of amortization expense		(11)		-
Net impact	$	(251)	$	-

The amounts recognized in respect of the SIF loan for the nine months ended July 31 are as follows:

Recognized in the interim condensed consolidated statements of loss and comprehensive loss as follows:	2019	2018
Cost of revenue – operating grant	$ (1,136)	$ -
Interest expense	40	-
Reduction of amortization expense	(17)	-
Net impact	$ (1,113)	$ -

Federal Development Agency Loan

On November 16, 2012, exactEarth signed an interest-free loan agreement with the Federal Development Agency for Southern Ontario ("FED DEV"). Under this agreement, exactEarth was eligible to receive interest-free repayable funding for certain expenditures incurred from May 6, 2011 to March 31, 2014 to a maximum of $2,491. The interest-free loan is repayable in 60 equal consecutive monthly instalments that began on April 1, 2015. During the three and nine months ended July 31, 2019, the Company made payments of $123 and $328 (July 31, 2018 – $164 and $410). The undiscounted amount payable related to the FED DEV loan is $329 (October 31, 2018 – $657) (Note 9).

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 three months ended July 31, 2019 are as follows:

Recognized in the interim condensed consolidated statements of loss and comprehensive loss as follows:	2019	2018
Interest expense	$ 7	$ 18
Reduction of amortization expense	(2)	(3)
Net impact	$ 5	$ 15

The amounts recognized in respect of the FED DEV loan for the nine months ended July 31, 2019 are as follows:

Recognized in the interim condensed consolidated statements of loss and comprehensive loss as follows:	2019	2018
Interest expense	$ 27	$ 54
Reduction of amortization expense	(7)	(8)
Net impact	$ 20	$ 46

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 Company submitted its final claim in the third quarter of 2018 and has recognized a cumulative total recovery to date of $1,250. The funding recognized as an offset to cost of revenue in the three and nine months ended July 31, 2019 was nil (July 31, 2018 – $26 and $202).

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 2020 when the development of the technology is incorporated into exactEarth's product lines. Myriota completed an AUD$20,000 equity raise in the three months ended April 30, 2018. The equity raise resulted in the dilution of the Company's ownership interest to 18%.

The Company has significant influence over Myriota, and as a result, will account for the investment using the equity method. The Company has determined that it has significant influence over Myriota based on its representation on the Board of Directors. Myriota incurred losses during the three and nine months ended July 31, 2019. The Company's share of these losses is not reflected in the Company's interim condensed consolidated statements of loss and comprehensive loss because the investment has a carrying value of nil based on the relative fair value calculation. The Company does not have an obligation to fund losses and will recognize its share of Myriota's income only after its share of the income equals its share of losses not recognized.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment ("PP&E") consist of the following:

Cost	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2018	$ 53	$ 58,621	$ 4,962	$ 3,992	$ 91	$ 67,719
Additions	-	573	-	366	-	939
Disposals	-	-	-	(105)	-	(105)
Deductions	-	-	-	(136)	-	(136)
Translation adjustment	-	-	(21)	-	-	(21)
at July 31, 2019	$ 53	$ 59,194	$ 4,941	$ 4,117	$ 91	$ 68,396

Accumulated Depreciation	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2018	$ 48	$ 54,999	$ 4,672	$ 3,903	$ 88	$ 63,710
Depreciation expense	1	366	28	26	1	422
Disposals	-	-	-	(105)	-	(105)
Translation adjustment	-	-	(21)	-	-	(21)
at July 31, 2019	$ 49	$ 55,365	$ 4,679	$ 3,824	$ 89	$ 64,006

Net Book Value	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2018	$ 5	$ 3,622	$ 290	$ 89	$ 3	$ 4,009
at July 31, 2019	$ 4	$ 3,829	$ 262	$ 293	$ 2	$ 4,390

Included in PP&E as at July 31, 2019 is $458 (October 31, 2018 – $2,074) of satellite equipment that has not yet commenced being depreciated as the assets are under construction and not yet ready for use.

During the three and nine months ended July 31, 2019, the Company recognized cost reimbursements of nil and $136 related to capital funding from the SIF loan for the purchase of computer hardware. The Company did not earn cost reimbursements for assisting in the development of a satellite under construction in the three and nine months ended July 31, 2019 (July 31, 2018 – nil and $252).

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2018	$ 3,795	$ 8,893	$ 2,715	$ 13,031	$ 28,434
Additions	-	10	-	-	10
at July 31, 2019	$ 3,795	$ 8,903	$ 2,715	$ 13,031	$ 28,444

Accumulated Amortization	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2018	$ 3,758	$ 8,513	$ 2,479	$ 11,964	$ 26,714
Amortization expense	9	51	-	83	143
at July 31, 2019	$ 3,767	$ 8,564	$ 2,479	$ 12,047	$ 26,857

Net Book Value	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2018	$ 37	$ 380	$ 236	$ 1,067	$ 1,720
at July 31, 2019	$ 28	$ 339	$ 236	$ 984	$ 1,587

Intangible assets that have not yet commenced amortization are technology licences of $236 (October 31, 2018 – $371).

Significant individual assets included in the amounts above as at July 31, 2019 are as follows:

Description	Category	Carrying Amount	Remaining Amortization Period (Months)
De-collision software	Internally developed technology	$ 242	102
Myriota licence	Technology licence	$ 179	84
L3Harris data licence	Data rights	$ 984	103

The L3Harris Technologies, Inc. ("L3Harris") 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.

8. IMPAIRMENT OF LONG-LIVED ASSETS

At the end of each reporting period, the Company assesses whether there are events or circumstances indicating that an asset may be impaired. Such events or circumstances notably include material adverse changes that, in the long-term, impact the economic environment or the Company's assumptions or objectives. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators

of impairment, because the Company as a whole has been assessed as a single cash generating unit. The recoverable amount is the greater of value in use and fair value less costs of disposal.

There have been no significant developments in the quarter or significant changes to the carrying value since October 31, 2018. Accordingly, the Company did not test for impairment as at July 31, 2019 and no further impairment was recorded.

9. LOANS PAYABLE, FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE

a) Loans payable

Loans payable comprise the following:

	July 31, 2019	October 31, 2018
FED DEV loan (note 4)	$ 320	$ 621
SIF loan (note 4)	776	336
Convertible debentures	9,120	-
	$ 10,216	$ 957
Less: current portion of loans	320	459
Long-term loans payable	$ 9,896	$ 498

b) Financial instruments

Fair values

Cash and cash equivalents and accounts receivable

Cash and cash equivalents and accounts receivable are measured at "amortized cost". Accounts payable and accrued liabilities, the FED DEV loan, SIF loan and convertible debentures are classified "financial liabilities at amortized cost".

For the Company's cash and cash equivalents, accounts receivable, short-term investments and accounts payable and accrued liabilities, the fair values approximate their respective carrying amounts due to their short-term maturities.

FED DEV loan

The FED DEV loan has a carrying value as at July 31, 2019 of $320 (October 31, 2018 – $621). 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 using the Company's current borrowing rate of 14% is $315 (October 31, 2018 – $596).

Larus loan

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 loan was paid in full as of April 30, 2018. During the three and nine months ended July 31, 2018, nil and $146 was paid against the note payable. The Larus loan has a carrying value as at July 31, 2019 of nil (October 31, 2018 – nil).

SIF loan

The SIF loan has a carrying value as at July 31, 2019 of $776 (October 31, 2018 – $336), which approximates fair value. 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.

Convertible debentures

On December 13, 2018, the Company announced the private placement of 13,000 convertible debentures at a price of $1 per convertible debenture for gross proceeds of $13,000. Each convertible debenture is convertible into 2,000 common shares of the Company, being an effective conversion price of $0.50 at the option of the holder, at any time prior to the fifth anniversary of the closing date.

Holders of the convertible debentures are 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 at the redemption price set forth below plus accrued and unpaid interest, if redeemed during the calendar year:

Year	Percentage
2019	110.0%
2020	107.5%
2021	105.0%
2022	102.5%
2023	100.0%

The Company has 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 $1.00. 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.

The private placement resulted in net proceeds of $11,854 to the Company after deduction of $1,146 of expenses for the private placement and the strategic review process, including advisory, legal, listing and other fees. The fair value of the liability component of the convertible debentures of $9,801 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 balance of the proceeds of $3,199 is included as a separate line item in equity. Transaction costs of $864 have been allocated to the liability component and $282 was allocated to the equity component based on the allocation of the proceeds.

The convertible debentures have a carrying value of $9,120 at July 31, 2019 which approximates fair value as the loan was recorded at fair value when the cash was received. In the three and nine months ended July 31, 2019, the Company recognized interest expense of $373 and $922, including amortization of the deferred transaction costs, related to the convertible debentures.

Short-term investments

The Company holds two Guaranteed Investment Certificates totalling $49 from CIBC as collateral for a line of credit for $29 and other credit facilities of $20.

Foreign currency

As at July 31, 2019, approximately 45% of cash and cash equivalents, 55% of accounts receivable and 73% of accounts payable and accrued liabilities are denominated in foreign currencies, respectively (October 31, 2018 – 63%, 87%, and 54%, 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 and cash equivalents, accounts receivable and accounts payable and accrued liabilities denominated in foreign currencies:

Currency	Cash and Cash Equivalents		Accounts Receivable		Accounts Payable and Accrued Liabilities	
USD	$	2,882	$	916	$	4,100
GBP	£	1,086	£	176	£	237
EUR	€	771	€	170	€	219

10. SHARE CAPITAL

Issued capital

The Company has authorized an unlimited number of preferred shares, of which none are outstanding. The Company has authorized an unlimited number of common shares with no par value. As at July 31, 2019, the issued and outstanding shares totalled 21,743,288 (October 31, 2018 – 21,626,288). In addition, 26,000,000 common shares are issuable upon conversion in full of the convertible debentures as described in Note 9.

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 options granted in February of 2016 is the Spinout Transaction share price of the Company's common shares at the date of the grant, which was $6.50 per share. Additional options were granted on March 26, 2019 with an exercise price of $0.34 per share. The maximum number of common shares authorized for grant under the option plan is 3,261,493.

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. 2019 options vest on a 40%, 30% and 30% basis in years one through three and have a contractual life of six 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:

	2016 Spinout Transaction			
	Type One	Type Two	Type Three	2019
Average risk-free interest rate	0.65%	0.63%	0.94%	1.63%
Dividend yield	0%	0%	0%	0%
Average volatility	77.1%	77.4%	74.4%	93.77%
Average expected life of options (years)	4	3.75	6	4
Remaining contractual life (years)	2.6	2.6	4.6	5.7
Weighted average fair value of options outstanding	$ 1.08	$ 1.06	$ 1.32	$ 0.23
Weighted average exercise price of options outstanding	$ 6.50	$ 6.50	$ 6.50	$ 0.34

Volatility was calculated using the historical volatility of comparable companies for the period commencing when those entities were publicly traded and corresponding to the expected life of each option type. The estimated fair value of the options is amortized to expense over the vesting periods of the options. For the three and nine months ended July 31, 2019, the stock-based compensation expense recognized was $42 and $155 (July 31, 2018 – $48 and $179). This amount was added to contributed surplus. Vested options can be exercised prior to their expiry date. There are 622,141 vested options as at July 31, 2019 (July 31, 2018 – 307,661) 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, 2017	1,090,425
Forfeited	(22,180)
Expired	(10,555)
Balance as at October 31, 2018	1,057,690
Granted	250,000
Forfeited	-
Expired	(41,199)
Balance as at July 31, 2019	1,266,491

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

Employee Share Purchase Plan ("ESPP")

The ESPP expense amount for the three and nine months ended July 31, 2019 was $2 and $8 (July 31, 2018 – $2 and $14). The maximum number of common shares authorized for grant under the ESPP is 432,110. There were 20,129 shares issued under the ESPP at February 28, 2019. The estimated number of ESPP shares outstanding, if all ESPP shares earned from March 1 to July 31, 2019 were issued, is 18,766 (July 31, 2018 – 4,202).

Long-term incentive plan ("LTIP")

The following details the Restricted Share Units ("RSUs"), Performance Share Units ("PSUs") and Deferred Share Units ("DSUs") as at July 31, 2019:

	RSU	PSU	DSU
Share unit balance, October 31, 2018	155,614	41,903	503,035
Share units granted	1,475,000	-	383,462
Share units settled	(111,352)	-	(180,496)
Share units corrected (forfeited)	1,873	(41,903)	-
Share unit balance, July 31, 2019	1,521,135	-	706,001
Aggregate fair value of units outstanding as at the end of the period	$ 566	$ -	$ 229
Weighted average fair value of units outstanding as at the end of the period	$ 0.37	$ -	$ 0.33

For the three and nine months ended July 31, 2019, compensation expense of $154 and $237 (July 31, 2018 – $65 and $272) was recognized for the Company's LTIP. During the three and nine months ended July 31, 2019, the Company settled 14,634 and 111,352 RSUs for $3 and $18 in shares, net of $1 and $15 of withholding tax remitted on behalf of employees and $2 in cash (July 31, 2018 – 226,877 and 226,877 RSUs for $238 in cash).

The Share Unit Plan was amended effective April 26, 2018, including allowing the Company to issue new shares to settle RSUs. Outstanding RSUs and PSUs can now be settled in cash, treasury shares or issuance of equity at the option of the Company. It is the intention of the Company to settle these share units in equity, and as a result of this modification, the RSU liability was remeasured to the date of the modification and $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. The DSUs are accounted for as cash settled. During the three and nine months ended July 31, 2019, the Company settled nil and 180,496 DSUs for nil and $46 in cash (July 31, 2018 – nil).

Loss per share

Basic and diluted loss per share for the three months ended July 31:

	2019	2018
Numerator for basic and diluted loss per share available to common shareholders:		
Net loss attributable to common shareholders	$ (2,877)	$ (2,253)
Denominator for basic and diluted loss per share:		
Weighted average number of shares outstanding	21,737,519	21,626,288
Basic and diluted loss per share	$ (0.13)	$ (0.10)

Basic and diluted loss per share for the nine months ended July 31:

		2019		2018
Numerator for basic and diluted loss per share available to common shareholders:				
Net loss attributable to common shareholders	$	(6,267)	$	(5,901)
Denominator for basic and diluted loss per share:				
Weighted average number of shares outstanding		21,689,964		21,620,895
Basic and diluted loss per share	$	(0.29)	$	(0.27)

There are 1,539,901 share units that are antidilutive at July 31, 2019 (October 31, 2018 – 166,868).

11. COMMITMENTS AND CONTINGENCIES

Lease commitments

During the three and nine months ended July 31, 2019, the Company has incurred $52 and $152 (July 31, 2018 – $45 and $142) in lease expenses.

The Company has commitments under lease agreements as follows:

		Less than 1 Year		1 to 5 Years		After 5 Years
Facilities	$	96	$	161	$	-
Photocopier lease		2		3		-
Computer lease		21		-		-
Total	$	119	$	164	$	-

Capital commitments

As at July 31, 2019, capital commitments in respect of the purchase of PP&E were $3,298 (July 31, 2018 – $3,405). There were no other material capital commitments outstanding as at July 31, 2019.

L3Harris commitment

The Company receives satellite AIS data from the L3Harris AppStar payloads on-board Iridium NEXT Constellation, Iridium's second-generation satellite constellation. As at July 31, 2019, there were 58 AppStar payloads on the Iridium Next Constellation commissioned and in service. On February 7, 2019, L3Harris asserted that the initial operating capacity ("IOC") has been achieved as a result of the deployment of 58 satellites as of that date. At the point of IOC, the agreement stipulates that the Company will share 40% of annual data revenue on the first USD$40,000 of annual revenue, and 33% of additional revenue with L3Harris. Prior to IOC, the revenue share is proportional to the number of payloads in service one year prior.

The agreement also specifies 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 AppStar payloads are in service.

L3Harris Fees	Less than 1 Year	1 to 5 Years	After 5 Years
Operational fees payable	$ 3,944	$ 15,778	$ 27,779

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 is included in exactEarth integrated products. All payments are made in EUR at a contractual 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 monthly operating fee of $20 to Hisdesat after commissioning in December of 2018, assuming a useful life of 10 years.

Hisdesat Fees	Less than 1 Year	1 to 5 Years	After 5 Years
Operational fees payable	$ 240	$ 960	$ 1,040

Royalty commitment

The Company has entered into an agreement with Larus, which includes a commitment, which takes effect after the conclusion of the 24-month term of the agreement, to pay a 30% royalty on the gross sales of products that are derived from the Larus Total::Insight™ technology. The technology is expected to be put in use in fiscal 2019, and royalty payments are expected to commence at that time.

Claims or legal actions

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

12. INCOME TAXES

The Company's consolidated effective tax rate for the three and nine months ended July 31, 2019 was nil (July 31, 2018 – nil). The Canadian statutory tax rate during the three and nine months ended July 31, 2019 was 26.5% (July 31, 2018 – 26.5%). The difference in the effective tax rates compared to the Company's statutory income tax rates was a result of the Company incurring losses during the period on which no tax recovery was recorded because the realization of the deferred tax asset was not considered to be probable.

The income tax expense during the three and nine months ended July 31, 2019 of $54 and $116 (July 31, 2018 – $113 and $122) 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.

13. EMPLOYEE BENEFITS

Defined contribution pension plan

The Company has a defined contribution pension plan for its employees. During the three and nine months ended July 31, 2019, the Company's contributions, which are based on the contributions by employees, were $52 and $130 (July 31, 2018 – $55 and $151) and are included in "Cost of revenue" and "Selling, general and administrative" expenses in the interim condensed consolidated statements of loss and comprehensive loss.

Salaries and benefits

Total salaries and employee benefits expense for the three and nine months ended July 31, 2019 was $1,985 and $5,289 (July 31, 2018 – $1,688 and $5,215).

14. RELATED PARTIES

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

For the three months ended July 31:		2019		2018
Revenue from Hisdesat	$	31	$	18
PAZ operating expense		60		-
Debenture interest		57		-
Directors' expenses		31		21

For the nine months ended July 31:		2019		2018
Revenue from Hisdesat	$	145	$	89
PAZ operating and launch expense		444		158
Debenture interest		142		-
Directors' expenses		93		60

As at:		July 31, 2019		October 31, 2018
Accounts receivable	$	5	$	257
Accounts payable and accrued liabilities		28		18
Loans payable		1,403		-
Other long-term liabilities		76		-

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 July 31:	2019	2018
Subscription services	$ 3,466	$ 3,001
Data products	449	56
Other products and services	96	114
	$ 4,011	$ 3,171

For the nine months ended July 31:	2019	2018
Subscription services	$ 9,765	$ 8,025
Data products	887	734
Other products and services	787	427
	$ 11,439	$ 9,186

Geographic information

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

For the three months ended July 31:	2019	2018
Canada	$ 266	$ 124
United States	524	371
Europe	1,563	1,234
Other	1,658	1,442
	$ 4,011	$ 3,171

For the nine months ended July 31:	2019	2018
Canada	$ 619	$ 527
United States	1,569	1,207
Europe	4,788	4,030
Other	4,463	3,422
	$ 11,439	$ 9,186

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.

	July 31, 2019	October 31, 2018
PP&E		
Canada	$ 4,375	$ 3,990
United Kingdom	15	19
	$ 4,390	$ 4,009
Intangible assets		
Canada	$ 1,587	$ 1,720
United Kingdom	-	-
	$ 1,587	$ 1,720

For the three months ended July 31, 2019, there was one customer, and for the nine months ended July 31, 2019 there were no customers with revenue in excess of 10% of the Company's total revenue (July 31, 2018 – no customers).

16. COMPARATIVE BALANCES

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