

Interim Condensed Consolidated Financial Statements

**exactEarth™ Ltd.**

July 31, 2017 and 2016

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

	<b>As at July 31, 2017</b>	<b>As at October 31, 2016</b>
	<u>\$</u>	<u>\$</u>
<b>ASSETS</b>		
Current assets		
Cash	10,057	13,680
Trade accounts receivable	2,138	1,778
Inventory	630	425
Unbilled revenue	354	794
Prepaid expenses and other assets	612	867
Total current assets	<u>13,791</u>	<u>17,544</u>
Property, plant and equipment	31,954	31,423
Intangible assets	13,724	18,855
Total assets	<u><u>59,469</u></u>	<u><u>67,822</u></u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	3,297	5,409
Deferred revenue	1,758	1,968
Restructuring provision - current	561	1,154
Loans payable - current	642	716
Incentive plan liability - current	192	86
Total current liabilities	<u>6,450</u>	<u>9,333</u>
Government loan payable	729	1,045
Loans payable	-	143
Long-term incentive plan liability	342	316
Restructuring provision	-	442
Total liabilities	<u>7,521</u>	<u>11,279</u>
Shareholders' equity		
Share capital	123,781	123,769
Contributed surplus	981	699
Accumulated other comprehensive income	26	45
Deficit	(72,840)	(67,970)
Total shareholders' equity	<u>51,948</u>	<u>56,543</u>
Total liabilities and equity	<u><u>59,469</u></u>	<u><u>67,822</u></u>

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

		Three months ended		Nine months ended	
		July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016
		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue	(notes 14 and 15)	2,934	4,008	9,981	15,610
Cost of revenue	(note 12)	<u>1,627</u>	<u>1,983</u>	<u>6,296</u>	<u>7,165</u>
Gross margin		1,307	2,025	3,685	8,445
Operating expenses					
Selling, general and administrative	(note 12)	2,078	1,654	5,513	5,728
Product development and R&D		497	513	1,333	1,443
Depreciation and amortization	(notes 5 and 6)	969	911	2,875	3,723
Impairment losses	(note 7)	-	-	-	27,987
Loss from operations		<u>(2,237)</u>	<u>(1,053)</u>	<u>(6,036)</u>	<u>(30,436)</u>
Other income and expenses					
Other income	(note 17)	-	-	(1,455)	-
Other expense	(note 3)	37	75	85	155
Restructuring gain	(note 16)	(79)	-	(87)	-
Foreign exchange loss		491	190	232	925
Interest expense		10	(3)	42	312
Total other expense		<u>459</u>	<u>262</u>	<u>(1,183)</u>	<u>1,392</u>
Income tax expense	(note 11)	4	-	17	-
Net loss		<u>(2,700)</u>	<u>(1,315)</u>	<u>(4,870)</u>	<u>(31,828)</u>
Other comprehensive income (loss)					
Items that may be subsequently reclassified to net income:					
Foreign currency translation, net of income tax expense of nil		114	99	(19)	266
Total other comprehensive income (loss)		<u>114</u>	<u>99</u>	<u>(19)</u>	<u>266</u>
Comprehensive loss		<u>(2,586)</u>	<u>(1,216)</u>	<u>(4,889)</u>	<u>(31,562)</u>
Loss per share	(note 9)				
Basic loss per share		(0.12)	(0.06)	(0.23)	(1.77)
Diluted loss per share		(0.12)	(0.06)	(0.23)	(1.77)

See accompanying notes

**exactEarth™ Ltd.**  
**Interim Condensed Consolidated Statements of Changes in Equity**  
(in thousands of Canadian dollars)  
Unaudited

<b>For the Nine Months Ended July 31, 2017</b>	<b>Total</b>	<b>Deficit</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at October 31, 2016	56,543	(67,970)	45	123,769	699
Stock option expense (note 9)	282	-	-	-	282
Issue of common shares	12	-	-	12	-
Comprehensive loss	(4,889)	(4,870)	(19)	-	-
Balance at July 31, 2017	<u>51,948</u>	<u>(72,840)</u>	<u>26</u>	<u>123,781</u>	<u>981</u>
<b>For the Nine Months Ended July 31, 2016</b>					
Balance at October 31, 2015	23,066	(32,007)	(296)	55,120	249
Stock option expense (note 9)	300	-	-	-	300
Comprehensive income (loss)	(31,562)	(31,828)	266	-	-
7,349,780 common shares issued on conversion of debt	48,166	-	-	48,166	-
3,144,615 common shares issued for cash	20,440	-	-	20,440	-
Balance at July 31, 2016	<u>60,410</u>	<u>(63,835)</u>	<u>(30)</u>	<u>123,726</u>	<u>549</u>

See accompanying notes

**exactEarth™ Ltd.**  
**Interim Condensed Consolidated Statements of Cash Flows**  
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Unaudited

		Three months ended		Nine months ended	
		July 31,	July 31,	July 31,	July 31,
		2017	2016	2017	2016
		\$	\$	\$	\$
Net loss		(2,700)	(1,315)	(4,870)	(31,828)
Add (deduct) items not involving cash					
Non-monetary transaction	(note 10)	-	(1,486)	(618)	(2,368)
Non-cash interest		31	44	101	113
Impairment losses	(note 7)	-	-	-	27,987
Depreciation and amortization	(notes 5 and 6)	969	911	2,875	3,723
Loss on disposal of assets		-	-	3	-
Long-term incentive plan expense	(note 9)	76	7	250	72
Gain on insurance settlement	(notes 5 and 17)	-	-	(1,455)	-
Stock-based compensation	(note 9)	91	181	282	300
Technology demonstration program recovery	(note 3)	(132)	(552)	(282)	(552)
Net change in non-cash working capital balances		377	441	(1,965)	1,128
Other operating cash flows					
Restructuring provision - payment of salary continuance	(note 16)	(128)	-	(948)	-
Settlement of RSU units	(note 9)	(6)	-	(112)	-
Technology demonstration program funding	(note 3)	214	-	766	-
Cash flows used in operations		<u>(1,208)</u>	<u>(1,769)</u>	<u>(5,973)</u>	<u>(1,425)</u>
Investing activities					
Acquisition of property, plant and equipment	(note 5)	(196)	(829)	(619)	(2,117)
Reimbursement of acquisition costs of property, plant and equipment	(note 5)	172	-	396	120
Insurance recovery	(notes 5 and 17)	-	-	3,500	-
Acquisition of intangible assets	(note 6)	15	(3,731)	(178)	(6,785)
Cash flows from (used in) investing activities		<u>(9)</u>	<u>(4,560)</u>	<u>3,099</u>	<u>(8,782)</u>
Financing activities					
Government loan repayment	(notes 3 and 8)	(123)	(123)	(368)	(369)
Long-term debt repayment	(note 8)	(87)	(88)	(262)	(117)
Shares issued		12	-	12	20,440
Shareholder loan advances		-	-	-	3,000
Cash flows from (used in) financing activities		<u>(198)</u>	<u>(211)</u>	<u>(618)</u>	<u>22,954</u>
Effect of exchange rate changes on cash		(234)	46	(131)	(25)
Net increase (decrease) in cash		(1,649)	(6,494)	(3,623)	12,722
Cash, beginning of the period		11,706	21,581	13,680	2,365
Cash, end of the period		<u>10,057</u>	<u>15,087</u>	<u>10,057</u>	<u>15,087</u>
Supplemental cash flow information					
Interest paid		-	-	-	334
Interest received		20	30	59	81
Income taxes paid		3	-	16	-

See accompanying notes

## exactEarth™ Ltd.

### Condensed Notes to the Interim Condensed Consolidated Financial Statements

July 31, 2017

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

Unaudited

#### 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, 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 September 12, 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 three and nine months ended July 31, 2017, the Company made payments of \$123 and \$369, respectively (three and nine months ended July 31, 2016 – \$123 and \$369, respectively). The undiscounted amount payable related to the FED DEV loan is \$1,272. The FED DEV

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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 for the three months ended July 31 are as follows:

	July 31, 2017	July 31, 2016
Recognized in the interim condensed consolidated statements of loss and comprehensive loss as follows:	\$	\$
Interest expense	24	31
Cost of revenue – amortization of capital grant	(12)	(8)
Net impact	12	23

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

	July 31, 2017	July 31, 2016
Recognized in the interim condensed consolidated statements of loss and comprehensive loss as follows:	\$	\$
Interest expense	78	101
Cost of revenue – amortization of capital grant	(28)	(24)
Net impact	50	77

**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, defense, 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 inception-to-date funding recognized as an offset to cost of revenue is \$948, of which \$766 has been received in cash.

The amounts recognized as an offset to cost of sales for the three and nine months ended July 31, 2017 is \$132 and \$282, respectively, while the cash receipts for the same period were \$214 and \$766, respectively.

The amounts recognized as an offset to cost of sales for the three and nine months ended July 31, 2016 was \$552 and \$552, respectively, while the cash receipts were nil.

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**4. INVESTMENT**

On November 10, 2015, the Company entered into a shareholder's agreement, license 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 license 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 license 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 license. Services will be provided to Myriota in exchange for additional equity. Management is expecting amortization of this license to commence mid-2018 when the development of the technology is incorporated into exactEarth'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 July 31, 2017.

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.



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5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

<b>Cost</b>	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	-	6,893	-	-	-	6,893
EV5 satellite write-off	-	(4,633)	-	-	-	(4,633)
Deductions	(46)	(396)	(696)	(4)	(60)	(1,202)
Additions	53	862	223	100	3	1,241
Translation adjustment	-	-	1	-	-	1
At July 31, 2017	53	58,390	5,589	3,149	90	67,271
<b>Accumulated depreciation</b>	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
Depreciation expense	5	1,879	258	100	(22)	2,220
Deductions	(46)	-	-	-	(57)	(103)
Transfer from intangible assets	-	2,239	-	-	-	2,239
EV5 Satellite write-off	-	(2,588)	-	-	-	(2,588)
Translation adjustment	-	1	-	-	-	1
At July 31, 2017	5	29,600	2,905	2,757	50	35,317
<b>Net book value</b>	Leasehold improvements \$	Satellites \$	Electrical equipment \$	Computer hardware \$	Furniture and fixtures \$	Total \$
At October 31, 2016	-	27,595	3,414	396	18	31,423
At July 31, 2017	48	28,790	2,684	392	40	31,954

Included in property, plant and equipment as at July 31, 2017 is \$14,463 (October 31, 2016 – \$16,356) of satellite 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, Ontario, Canada, 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 \$6,893 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 at January 31, 2017, resulting in the Company transferring the carrying value of the EV9 data rights of \$6,893 from intangible assets to property, plant and equipment. The transfer out is reflected in Note 6 (Intangible Assets) while more detail with respect to the in-kind contribution can be found in Note 10 (Commitments and Contingencies).

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On February 3, 2017, the Company lost contact with one of its satellites, EV5. When subsequent recovery efforts were not successful, the Company filed an insurance claim for the full insured value of the satellite amounting to \$3,500. The settlement was received in April 2017. The remaining net book value (NBV) (cost of \$4,633 less accumulated depreciation of \$2,588 for NBV of \$2,045) of EV5 was written off at the same time. Details with respect to this transaction can be found in Note 17 (Other Income).

In November 2016, the Company renegotiated its service contract with its ground station developer, Kongsberg Satellite Services. Following that negotiation, the Company cancelled its requirement for a planned ground station in Chile. This is reflected as a deduction of \$696 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 three and nine months ended July 31, 2017 were \$109 and \$862, respectively. The Company received \$172 and \$396 of cost reimbursements in the three and nine months ended July 31, 2017, respectively, for assisting in the development of a satellite under construction (three and nine months ended July 31, 2016 – nil and \$120, respectively).

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

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6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Computer software \$	Internally developed technology \$	Technology license \$	Data rights \$	Total \$
<b>Cost</b>					
At October 31, 2016	3,672	8,880	2,715	19,924	35,191
Transfer to property, plant and equipment	-	-	-	(6,893)	(6,893)
Additions	19	159	-	-	178
At July 31, 2017	3,691	9,039	2,715	13,031	28,476
<b>Accumulated amortization</b>					
At October 31, 2016	3,112	5,170	1,003	7,051	16,336
Transfer to property, plant and equipment	-	-	-	(2,239)	(2,239)
Amortization expense	264	382	-	9	655
At July 31, 2017	3,376	5,552	1,003	4,821	14,752
<b>Net book value</b>					
At October 31, 2016	560	3,710	1,712	12,873	18,855
At July 31, 2017	315	3,487	1,712	8,210	13,724

Intangible assets that have not yet commenced amortization are technology licenses of \$1,712 (October 31, 2016 – \$1,712).

Borrowing costs capitalized in the cost of certain assets for the three and nine months ended July 31, 2017 were nil (three and nine months ended July 31, 2016 – nil and \$252, respectively, 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 cash-generating unit. The recoverable amount is the greater of value in use ("VIU") and fair value less costs of disposal.

The Company's market capitalization remains lower than the carrying amount as at July 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 July 31, 2017 and no impairment charge was recorded. The Company recorded an impairment charge of \$27,987 in April 2016.

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**8. LOANS PAYABLE AND FINANCIAL INSTRUMENTS**

Loans payable consist of the following:

	July 31, 2017	October 31, 2016
	\$	\$
FED DEV (note 3)	1,145	1,437
Larus Technologies debt	226	467
	1,371	1,904
Less current portion of loans	642	716
Long-term Government loan payable	729	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 of \$1,145 as at July 31, 2017 (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 license the Total:Insight™ IP from Larus Technologies Corporation ("Larus") for \$700, payable in 24 equal monthly payments commencing April 15, 2016. The Larus loan has a carrying value of \$225 as at July 31, 2017 (October 31, 2016 – \$467), which approximates the fair value as the loan was recorded at fair value when received. 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 is being recognized over the remaining term as interest expense.

The Larus agreement also includes an option to purchase all the shares of Larus during the 24-month term of the agreement, and for the following 6 months. The option to purchase is currently valued at nil.

As at July 31, 2017, approximately 47% of cash, 80% of trade accounts receivable, and 11% of accounts payable and accrued liabilities are denominated in foreign currencies (October 31, 2016 – 28%, 31%, and 28%, respectively). These foreign currencies include the US dollar, the British pound, and the Euro.

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

Currency		Cash	Trade accounts receivable	Accounts payable and accrued liabilities
USD	\$	2,072	\$ 1,086	\$ 17
GBP	£	73	£ 74	£ 103
EUR	€	1,355	€ 143	€ 124

**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 July 31, 2017, the issued and outstanding shares total 21,614,120 (2016 – 21,605,506). The Company issued 8,614 shares representing the 4:1 share match of the employee share purchase plan.

**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 and nine months ended July 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)	4.55	4.55	6.55
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

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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, 2017, the compensation expense recognized was \$91 and \$282, respectively (three and nine months ended July 31, 2016 – \$181 and \$300, respectively). This expense is reflected in the cost of revenue and selling, general and administrative expenses in the interim condensed consolidated statements of loss and comprehensive loss. This amount was added to contributed surplus. Vested options can be exercised prior to their expiry date. No options have vested as at July 31, 2017.

A summary of the option activity for the three and nine months ended July 31, 2017 and 2016 is as follows:

	Three months ended		Nine months ended	
	31-Jul-17	31-Jul-16	31-Jul-17	31-Jul-16
Balance at beginning of period	1,091,268	1,410,623	1,091,268	-
Options granted in period	-	-	-	1,428,222
Options forfeited in period	(843)	(4,277)	(843)	(21,876)
Balance at end of period	1,090,425	1,406,346	1,090,425	1,406,346

**Employee Share Purchase Plan (“ESPP”)**

The share purchase plan expense amount for the three and nine months ended July 31, 2017 was \$2 and \$15, respectively (three and nine months ended July 31, 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 July 31, 2017:

	Three months ended July 31, 2017			Nine months ended July 31, 2017		
	RSU	PSU	DSU	RSU	PSU	DSU
Balance beginning of period	390,320	43,613	230,704	445,503	43,613	89,355
Granted	-	-	17,427	-	-	158,776
Settled	-	-	-	(55,183)	-	-
Forfeited	(296)	-	-	(296)	-	-
Balance as at July 31, 2017	390,024	43,613	248,131	390,024	43,613	248,131
Aggregate fair value of units granted as at the end of the period	\$495	\$55	\$315	\$495	\$55	\$315
Weighted average fair value of units granted in the period	\$1.27	\$1.27	\$1.27	\$1.27	\$1.27	\$1.27

For the three and nine months ended July 31, 2017, compensation expense of \$77 and \$251, respectively (three and nine months ended July 31, 2016 – \$7 and \$154, respectively) was recognized for the Company’s LTIP.

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**Loss per share**

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

	July 31, 2017	July 31, 2016
Numerator for basic loss per share available to common shareholders:		
Net loss attributable to common shareholders	\$ (2,700)	\$ (1,315)
Denominator for basic loss per share:		
Weighted average number of shares outstanding	21,614,120	21,614,120
Basic/Dilutive loss per share	\$ (0.12)	\$ (0.06)

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

	July 31, 2017	July 31, 2016
Numerator for basic loss per share available to common shareholders:		
Net loss attributable to common shareholders	\$ (4,870)	\$ (31,828)
Denominator for basic loss per share:		
Weighted average number of shares outstanding	21,614,120	17,966,938
Basic/Dilutive loss per share	\$ (0.23)	\$ (1.77)

**10. COMMITMENTS AND CONTINGENCIES****Lease commitments**

The Company has incurred \$29 and \$114 in lease expense during the three and nine months ended July 31, 2017. The Company has commitments under lease agreements as follows:

	Less than 1 Year \$	1 to 5 Years \$	After 5 Years \$
Facilities	70	346	-
Photocopier lease	2	8	-
Computer lease	32	-	-
Total	104	354	-

**Capital commitments**

As at July 31, 2017, capital commitments in respect of the purchase of property, plant and equipment were \$4,807. There were no other material capital commitments outstanding as at July 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, datasets with a value of \$618 were transferred to qualifying third parties. This commitment was satisfied as at 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.

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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 24-month term of the agreement, to pay a 30% royalty on the gross sales of products that are derived from the Larus Total:Insight™ technology. The technology is expected to be put in use in the fourth quarter of 2017. Royalty payments are expected to commence in September 2017.

**Claims or legal actions**

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

**11. INCOME TAXES**

For the three and nine months ended July 31, 2017, the Company's effective income tax rate of nil (three and nine months ended July 31, 2016 – nil) differs from the combined federal and provincial income tax rate of 26.5% (July 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.

The income tax expense for the three and nine months ended July 31, 2017 of \$4 and \$17, respectively, represents a 15% withholding tax on revenue generated from Argentina. The Company deemed these amounts to be unrecoverable and has 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 and nine months ended July 31, 2017, the Company's contributions, which are based on the contributions by employees, were \$45 and \$139, respectively (three and nine months ended July 31, 2016 – \$65 and \$204, respectively) 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 expenses for the three and nine months ended July 31, 2017 was \$1,695 and \$5,392, respectively (three and nine months ended July 31, 2016 – \$2,192 and \$6,593, respectively).



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**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.

	2017	2016
For the three months ended July 31:	\$	\$
Purchase of services	-	-
Purchase of property, plant and equipment	-	27
Rent	-	41
Interest charged by COM DEV	-	-
	2017	2016
For the nine months ended July 31:	\$	\$
Purchase of services	-	102
Purchase of property, plant and equipment	-	57
Rent	-	100
Interest charged by COM DEV	-	703

On November 1, 2014, COM DEV began charging interest on the value of certain accounts payable owing by the Company. For the three and nine months ended July 31, 2017, total interest charged with respect to this deferred balance was nil (2016 – nil and \$365), of which nil (2016 – nil and \$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.

	2017	2016
For the three months ended July 31:	\$	\$
Interest charged by Hisdesat	-	-
Revenue from Hisdesat	21	19
Directors' expenses	21	21
	2017	2016
For the nine months ended July 31:	\$	\$
Interest charged by Hisdesat	-	221
Revenue from Hisdesat	279	272
Directors' expenses	60	21
	July 31, 2017	October 31, 2016
As at	\$	\$
Accounts payable	20	21

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**14. CONSTRUCTION CONTRACT REVENUE**

The following details the construction contracts in progress as at:

	July 31, 2017 \$	October 31, 2016 \$
Percentage of completion revenue contracts:		
Costs incurred	42	1,249
Estimated profits	41	1,328
Progress billings	(300)	(2,878)
<b>Total contracts in progress</b>	<b>(217)</b>	<b>(301)</b>
Disclosed as:		
Unbilled revenue	-	695
Deferred revenue	(217)	(996)
<b>Total contracts in progress</b>	<b>(217)</b>	<b>(301)</b>

The unbilled revenue and deferred revenue from construction contracts are included in unbilled revenue and deferred revenue in the consolidated statements of financial position. The amount of contract revenue recognized for the three and nine months ended July 31, 2017 was \$46 and \$152, respectively (three and nine months ended July 31, 2016 – \$171 and \$1,076, respectively).

**15. SEGMENT, GEOGRAPHIC AND MAJOR CUSTOMER INFORMATION**

The Company has one reportable 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.

	2017 \$	2016 \$
For the three months ended July 31:		
Subscription Services	2,571	2,822
Data Products	310	1,016
Other Products and Services	53	170
	<b>2,934</b>	<b>4,008</b>

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	2017	2016
For the nine months ended July 31:	\$	\$
Subscription Services	7,936	12,256
Data Products	1,187	2,279
Other Products and Services	858	1,075
	9,981	15,610

**Geographic information**

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

	2017	2016
For the three months ended July 31:	\$	\$
Canada	312	1,539
United States	218	195
Europe	1,232	1,484
Other	1,172	790
	2,934	4,008

	2017	2016
For the nine months ended July 31	\$	\$
Canada	1,098	7,861
United States	675	754
Europe	4,068	4,744
Other	4,140	2,251
	9,981	15,610

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.

	July 31, 2017	October 31, 2016
	\$	\$
Property, plant and equipment:		
Canada	31,770	31,218
United Kingdom	184	205
	31,954	31,423
Intangible assets:		
Canada	13,724	18,855
	13,724	18,855

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For the three months ended July 31, 2017, one customer had revenue in excess of 10% of the Company's total revenue (2016 – two customers).

For the nine months ended July 31, 2017, two customers had revenue in excess of 10% of the Company's total revenue (2016 – three customers).

The details are as follows:

For the three months ended July 31:	2017		2016	
	Revenue \$	% of total revenue	Revenue \$	% of total revenue
Customer 1	327	11%	652	16%
Customer 2	-	-	1,486	37%
Total	327	11%	2,138	53%

  

For the nine months ended July 31:	2017		2016	
	Revenue \$	% of total revenue	Revenue \$	% of total revenue
Customer 1	1,341	13%	1,827	12%
Customer 2	1,120	11%	2,368	15%
Customer 3	-	-	5,351	34%
Total	2,461	24%	9,546	61%

**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 July 31, 2017, there was \$561 of restructuring provision remaining. The entire amount is recorded in current liabilities since the last payment is due in May 2018. The liability also includes RSUs that will be earned during their continuance period for certain terminated employees.

Two of the employees that were terminated in October 2016 have since found other suitable employment thereby enabling the Company to reduce the provision that needs to be carried forward. This adjustment of \$(74) was recorded in the third quarter.

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The details of the restructuring reserve are as follows:

	\$
As at October 31, 2016	1,596
Market revaluation of RSUs as at January 31, 2017	32
Market revaluation of RSUs as at April 30, 2017	(40)
Market revaluation of RSUs as at July 31, 2017	(5)
Reduction related to terminated employees	(74)
Salary continuance	(948)
As at July 31, 2017	561
Represented by:	
Current	561
Long-term	-
	561

**17. OTHER INCOME**

On February 3, 2017, the Company lost contact with one of its satellites, EV5. When subsequent recovery efforts were not successful, the Company filed an insurance claim for the full insured value of the satellite amounting to \$3,500. The settlement was received in April 2017. The remaining net book value of \$2,045 was written off at the same time resulting in a net gain of \$1,455. Details are as follows:

	\$
Proceeds from insurance claim for EV5	3,500
Total cost of EV5 satellite	4,633
Depreciation charged to EV5	(1,390)
Net book value of EV5 before impairment charge	3,243
Gain before impairment charge	257
Impairment charge	1,198
Other income as reported	1,455