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

		As at January 31, 2020	As at October 31, 2019
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		8,672	10,188
Short-term investments	(note 6)	49	49
Accounts receivable	(notes 6 and 10)	2,804	3,073
Unbilled revenue	(note 10)	2,945	2,149
Prepaid expenses		459	448
Other assets	(note 10)	198	209
Total current assets		15,127	16,116
Property, plant and equipment	(note 3)	4,572	4,398
Intangible assets		1,492	1,538
Other long-term assets	(note 10)	445	366
Total assets		21,636	22,418
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	(notes 3 and 6)	4,009	4,840
Deferred revenue	(note 10)	4,075	3,499
Loans payable - current	(note 6)	82	202
Total current liabilities		8,166	8,541
Loans payable	(notes 4 and 6)	10,324	10,089
Long-term incentive plan liability	(note 9)	381	203
Other long-term liabilities	(notes 3, 5 and 6)	1,189	1,466
Total liabilities		20,060	20,299
Shareholders' equity			
Share capital		123,823	123,823
Contributed surplus		4,779	4,647
Accumulated other comprehensive loss		(175)	(113)
Deficit		(126,851)	(126,238)
Total shareholders' equity		1,576	2,119
Total liabilities and shareholders' equity		21,636	22,418

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 three months ended January 31, 2020	**Total**	**Deficit**	**Accumulated Other Comprehensive Loss**	**Share Capital**	**Contributed Surplus**
	$	**$**	**$**	**$**	**$**
Balance at October 31, 2019	2,119	(126,238)	(113)	123,823	4,647
Stock-based compensation expense	42	-	-	-	42
Restricted share unit expense	90	-	-	-	90
Comprehensive loss	(675)	(613)	(62)	-	-
Balance at January 31, 2020	1,576	(126,851)	(175)	123,823	4,779
For the three months ended January 31, 2019					
Balance at October 31, 2018	7,207	(118,027)	(11)	123,794	1,451
Impact of change in accounting policy	272	272	-	-	-
Adjusted balance at October 31, 2018	7,479	(117,755)	(11)	123,794	1,451
Stock-based compensation expense	58	-	-	-	58
Restricted share unit expense	8	-	-	-	8
Convertible debenture	2,917	-	-	-	2,917
Comprehensive loss	(1,314)	(1,235)	(79)	-	-
Balance at January 31, 2019	9,148	(118,990)	(90)	123,794	4,434

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	
		January 31, 2020	**January 31, 2019**
		$	**$**
Revenue	(note 10)	4,133	3,522
Cost of revenue	(notes 4 and 9)	2,059	2,144
Gross profit		2,074	1,378
Selling, general and administrative	(note 9)	1,780	1,996
Product development and research and development	(note 9)	304	293
Depreciation and amortization	(note 3)	254	168
Loss from operations		(264)	(1,079)
Other expenses			
Foreign exchange gain		(117)	(101)
Interest income		(34)	(26)
Interest expense	(notes 4 and 6)	426	223
Total other expenses		275	96
Income tax expense		74	60
Net loss		(613)	(1,235)
Other comprehensive loss			
Item that may be subsequently reclassified to net loss:			
Foreign currency translation, net of income tax expense of nil		(62)	(79)
Total other comprehensive loss		(62)	(79)
Comprehensive loss		(675)	(1,314)
Loss per share			
Basic and diluted loss per share	(note 7)	(0.03)	(0.06)

See accompanying notes

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

		Three months ended January 31, 2020	Three months ended January 31, 2019
		$	$
Operating activities			
Net loss		(613)	(1,235)
Add (deduct) items not involving cash			
Non-cash interest	(note 4)	118	21
Depreciation and amortization		254	168
Operating grant recognized on SIF loan	(note 4)	(209)	(692)
Long-term incentive plan expense		267	9
Stock-based compensation		42	58
Net change in non-cash working capital balances		(1,674)	(495)
Other operating cash flows			
Settlement of share units		-	(24)
Cash flows used in operating activities		(1,815)	(2,190)
Investing activities			
Acquisition of property, plant and equipment		(378)	(167)
Reimbursement of acquisition costs of property, plant and equipment		-	288
Cash flows (used in) from investing activities		(378)	121
Financing activities			
Government loan repayment	(notes 4 and 6)	(123)	(123)
Government loan advance	(notes 4 and 6)	833	-
Convertible debenture advance		-	13,000
Convertible debenture issue costs		-	(1,146)
Payment of principal poriton of lease obligations	(note 5)	(37)	-
Cash flows from financing activities		673	11,731
Effect of exchange rate changes on cash		4	33
Net (decrease) increase in cash		(1,516)	9,695
Cash, beginning of the period		10,188	4,774
Cash, end of the period		8,672	14,469
Supplemental cash flow information			
Interest paid		199	-
Interest received		24	24
Income taxes paid		74	60

See accompanying notes

1. DESCRIPTION OF THE BUSINESS

Founded in 2009, exactEarth™ Ltd. (the "**Company**" or "**exactEarth**") is a provider of space-based maritime tracking data from its satellites. exactEarth leverages advanced microsatellite technology to deliver monitoring solutions. The Company is incorporated under the *Canada Business Corporations Act* and its shares are listed on the Toronto Stock Exchange. The Company's head office is located at 260 Holiday Inn Drive, Cambridge, Ontario, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These unaudited Interim Condensed Consolidated Financial Statements present the Company's results of operations and financial position as at and for the three months ended January 31, 2020, including the comparative period, have been prepared in accordance with IAS 34, Interim Financial Reporting under International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") using the same accounting policies and methods as were used for the Company's Consolidated Financial Statements and the notes thereto for the year ended October 31, 2019, except for the new accounting pronouncements which have been adopted as disclosed in note 3. 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, 2019, which are available at www.sedar.com and on the Company's website at www.exactearth.com.

These Interim Condensed Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on March 11, 2020.

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 timely preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the interim condensed consolidated financial statements.

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) Leases

At the inception of a contract, the Company determines whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in the exchange for consideration. The Company recognizes a right-of-use asset ("**ROU asset**") and a lease liability on the commencement date of the lease.

Right-of-use asset

ROU assets are initially measured at cost, which is comprised of the initial amount of the lease liability, and any initial direct costs incurred and an estimate of costs to dismantle, remove or restore the underlying asset or site on which it is located, less any lease payments made at or before the commencement date. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, a recognized ROU asset is depreciated using straight-line method over the shorter of its estimated useful life or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. The lease payments also include the exercise prices of purchase options reasonably certain to be exercised by the Company and payment of penalties for termination of a lease. Each lease payment is allocated between the repayment of the principal portion of the lease liability and the interest portion. The finance cost is charged to net finance costs in the consolidated statement of loss and comprehensive loss over the lease period. Payments associate with short-term leases (lease term of 12 months or less) and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of loss and comprehensive loss as permitted by IFRS 16.

The carrying amount of the lease liability is remeasured if there is a modification resulting in a change in the lease term, a change in the future lease payments, or a change in the Company's estimate of whether it will exercise a purchase, extension or termination option. If the lease liability is remeasured, a corresponding adjustment is made to the ROU asset.

As a practical expedient, IFRS 16 permits a lease to not separate non-lease components, but instead account for any lease and associated non-lease components as a single arrangement.

Determining the lease term of contracts with renewal or termination options

The lease term includes the non-cancellable term of the lease including extension and termination options if the Company is reasonably certain to exercise the option. The Company applies judgement in evaluating whether it is reasonably certain to exercise the options. All relevant factors that create an economic incentive for it to exercise the renewal are considered. After the commencement date, the Company reassesses the lease term if there is a significant event or a change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option.

3. CHANGES TO ACCOUNTING POLICIES

The Company has adopted the new and amended IFRS as listed below as at November 1, 2019, in accordance with the transitional provisions outlined in the respective standards.

NEW STANDARDS ADOPTED

IFRS 16, *Leases* ("IFRS 16")

The Company adopted IFRS 16 using the modified retrospective approach and the information presented for the 2019 reporting period has not been restated.

IFRS 16 removes the distinction between operating and finance leases and requires the recognition of a ROU asset and a lease liability at the lease commencement for all leases, except for short-term leases (lease term of twelve months or less) and low value leases.

A lease that was classified as operating under IAS 17 was measured at the present value of remaining lease payments discounted at the Company's incremental borrowing rate of 5% as at November 1, 2019. The ROU asset and lease liabilities relate to a lease of real estate property. In applying IFRS 16, the Company recognized the following:

- a ROU asset and lease liability in the Interim Condensed Consolidated Statement of Financial Position, measured at the present value of future lease payments;
- the ROU asset is reported in Property, plant and equipment;
- the current portion of the lease liability is reported in Accounts payable and accrued liabilities and the non-current portion is reported in Other long-term liabilities;
- depreciation of a ROU asset on a straight-line basis and interest on the lease liability in the Interim Condensed Consolidated Statements of Loss and Comprehensive Loss; and
- the principal portion (presented in financing activities) and interest portion (presented within operating activities) of lease payments in the Interim Condensed Consolidated Statements of Cash Flows.

The Company used the following practical expedients permitted by the standard:

- Applied the standard only to contracts that were previously identified as leases under IAS 17 at the date of initial application;
- Applied the recognition exemptions for low-value leases and leases that end within twelve months at the date of application; and

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

- Included non-lease component for property management and operating fees in the lease payments.

The impact of initial adoption of IFRS 16 on the Interim Condensed Consolidated Financial Statements is as follows:

Interim Condensed Consolidated Statements of Financial Position as at January 31, 2020:	Before IFRS 16	Increases	As Reported
Property, plant and equipment	$ 4,203	$ 369	$ 4,572
Accounts payable and accrued liabilities	3,860	149	4,009
Other long-term liabilities	1,019	170	1,189

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss for the three months ended January 31, 2020:	Before IFRS 16	Increases	As Reported
Depreciation and amortization	$ 216	$ 38	$ 254
Interest expense	422	4	426

IFRIC 23, *Uncertainty over Income Tax Treatments ("IFRIC 23")*

IFRIC 23 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. There were no adjustments related to the adoption of IFRIC 23 in the January 31, 2020 unaudited Interim Condensed Consolidated Financial Statements.

4. GOVERNMENT ASSISTANCE

Strategic Innovation Fund ("SIF") Loan

During the three months ended January 31, 2020, $833 was received. An additional receivable of $438 was recorded in accounts receivable for funding related to eligible expenditures incurred prior to January 31, 2020.

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.

The amounts recognized in the Interim Condensed Consolidated Statements of Financial Position are as follows as at:

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

	January 31, 2020	October 31, 2019
Loans payable	$ 1,010	$ 878
Accounts receivable	438	881
Property, plant and equipment – net capital grant	235	172

The amounts recognized in respect of the SIF loan recognized in the Interim Condensed Consolidated Statements of Loss and Comprehensive Loss for the three months ended January 31:

	2020	2019
Cost of revenue – operating grant	$ (209)	$ (692)
Interest expense	28	11
Reduction of amortization expense	(10)	(3)
Net impact	$ (191)	$ (684)

5. Leases

The ROU asset and lease liabilities related to the lease of real estate property were measured at the present value of remaining lease payments discounted at the Company's incremental borrowing rate of 5%, based on the market interest rate for a comparable instrument with a similar term, as at November 1, 2019.

As at:	Right-of-use asset	Lease liabilities
Balance, at November 1, 2019 (note 3)	$ 369	$ 355
Depreciation	38	-
Interest	-	4
Payments	-	(40)
Balance, at January 31, 2019	$ 331	$ 319
Less: current portion		149
		$ 170

For the three months ended January 31, 2020, the Company recognized expense related to low-value leases of $1 in Selling, general, and administrative expense in the Interim Condensed Consolidated Statements of Loss and Comprehensive Loss.

6. FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE

Fair values

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

Federal Development Agency for Southern Ontario ("*FED DEV*") loan

The FED DEV loan has a carrying value as at January 31, 2020 of $82 (October 31, 2019 – $202). 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 $82 (October 31, 2019 – $200).

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

SIF loan

The SIF loan has a carrying value as at January 31, 2020 of $1,010 (October 31, 2019 – $878), 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

The convertible debentures have a carrying value as at January 31, 2020 of $9,314 (October 31, 2019 – $9,211), which approximates fair value as the loan was recorded at fair value when the cash was received. In the three months ended January 31, 2020, the Company recognized interest expense of $397 (January 31, 2019 – $200), 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 January 31, 2020, approximately 29% of cash, 76% of accounts receivable and 24% of accounts payable and accrued liabilities are denominated in foreign currencies, respectively (October 31, 2019 – 28%, 55%, and 46%, respectively). These foreign currencies include the US dollar ("**USD**"), British pound ("**GBP**") and euro ("**EUR**").

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

Currency		Cash		Accounts receivable		Accounts payable and accrued liabilities
USD	$	574	$	877	$	404
GBP	£	508	£	75	£	308
EUR	€	628	€	528	€	194

7. SHARE CAPITAL

Loss per share

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

		2020		2019
Numerator for basic and diluted loss per share available to common shareholders:				
Net loss attributable to common shareholders	$	(613)	$	(1,235)
Denominator for basic and diluted loss per share:				
Weighted average number of shares outstanding		21,703,415		21,626,288
Basic and diluted loss per share	$	(0.03)	$	(0.06)

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

There are 1,803,108 share units that are antidilutive at January 31, 2020 (October 31, 2019 – 1,544,745).

8. COMMITMENTS AND CONTINGENCIES

L3Harris commitment

In January 2020 the Company signed an updated agreement with L3Harris, the Amended and Restated L3Harris Agreement ("**A&R L3Harris Agreement**"), to receive satellite automatic identification system ("**S-AIS**") data from the L3Harris AppStar payloads on-board Iridium NEXT Constellation, Iridium's second-generation satellite constellation. The A&R L3Harris Agreement stipulates a fixed operational fee of USD $358 per month (USD $4,300 per year), and a 30% share of S-AIS data revenues for the portion of exactEarth annual S-AIS data revenue, which is in excess of USD $16,000. Currently, under the A&R L3Harris Agreement no revenue share is owed with respect to AIS Analytics sales.

The following table summarizes the CAD operational fees commitment under the A&R L3Harris Agreement, which includes the fixed payments to L3Harris, but does not include revenue share.

L3Harris Fees	Less than 1 Year	1 to 5 Years	After 5 Years
Operational fees payable	$ 5,691	$ 22,762	$ 37,201

Claims or legal actions

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

9. EMPLOYEE BENEFITS

Defined contribution pension plan

The Company has a defined contribution pension plan for its employees. During the three months ended January 31, 2020, the Company's contributions, which are based on the contributions by employees, were $47 (January 31, 2019 – $45) and are included in cost of revenue and selling, general and administrative expenses in the Interim Condensed Consolidated Statements of Loss and Comprehensive Loss.

Salaries and benefits

Total salaries and employee benefits expense for the three months ended January 31, 2020 was $1,993 (January 31, 2019 – $1,867).

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

Revenue is divided into three categories based on the types of products sold. Subscription services are recognized over 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 as performance obligations are satisfied.

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

Revenue by product type for three months ended January 31:	2020	2019
Subscription services	$ 3,839	$ 3,118
Data products	150	99
Other products & services	144	305
Total revenue	$ 4,133	$ 3,522

11. 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.

Geographic information

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

For the three months ended January 31:	2020	2019
Canada	$ 199	$ 155
United States	357	314
Europe	1,972	1,592
Other	1,605	1,461
	$ 4,133	$ 3,522

For the three months ended January 31, 2020, there were no customers with revenue in excess of 10% of the Company's total revenue (January 31, 2019 – no customers).

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.

	January 31, 2020	October 31, 2019
PP&E		
Canada	$ 4,557	$ 4,383
United Kingdom	15	15
	$ 4,572	$ 4,398
Intangible assets		
Canada	$ 1,492	$ 1,538
United Kingdom	-	-
	$ 1,492	$ 1,538