

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

		As at January 31, 2021	As at October 31, 2020
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	(note 4)	7,952	7,423
Short-term investments		-	29
Accounts receivable	(notes 3 and 4)	3,040	3,215
Unbilled revenue		1,930	1,698
Prepaid expenses		440	392
Other current assets		418	359
Total current assets		13,780	13,116
Property, plant and equipment	(note 9)	5,216	5,272
Intangible assets	(note 9)	1,238	1,286
Other long-term assets		486	566
Total assets		20,720	20,240
LIABILITIES & SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	(note 4)	5,981	6,402
Deferred revenue		3,353	2,548
Loans payable - current	(notes 4 and 10)	11,560	-
Total current liabilities		20,894	8,950
Loans payable	(notes 3 and 4)	1,571	11,131
Long-term incentive plan liability		2,067	1,124
Other long-term liabilities	(note 4)	108	1,660
Total liabilities		24,640	22,865
Shareholders' deficiency			
Share capital		123,923	123,923
Contributed surplus		5,058	4,956
Accumulated other comprehensive loss		(218)	(155)
Deficit		(132,683)	(131,349)
Total shareholders' deficiency		(3,920)	(2,625)
Total liabilities and shareholders' deficiency		20,720	20,240

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 (Deficiency)
(in thousands of Canadian dollars)
(unaudited)

	Total	Deficit	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus
For the three months ended January 31, 2021	\$	\$	\$	\$	\$
Balance at October 31, 2020	(2,625)	(131,349)	(155)	123,923	4,956
Stock-based compensation expense	45	-	-	-	45
Restricted share unit expense	57	-	-	-	57
Comprehensive loss	(1,397)	(1,334)	(63)	-	-
Balance at January 31, 2021	<u>(3,920)</u>	<u>(132,683)</u>	<u>(218)</u>	<u>123,923</u>	<u>5,058</u>
For the three months ended January 31, 2020					
	\$	\$	\$	\$	\$
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	<u>1,576</u>	<u>(126,851)</u>	<u>(175)</u>	<u>123,823</u>	<u>4,779</u>

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,	January 31,
		2021	2020
		<u>\$</u>	<u>\$</u>
Revenue	(notes 8 and 9)	5,364	4,133
Cost of revenue	(notes 3 and 7)	<u>2,583</u>	<u>2,059</u>
Gross profit		2,781	2,074
Selling, general and administrative	(note 7)	2,799	1,780
Product development and research and development		191	304
Depreciation and amortization	(note 3)	<u>178</u>	<u>254</u>
Loss from operations		<u>(387)</u>	<u>(264)</u>
Other expenses			
Other expense		9	-
Foreign exchange loss (gain)		397	(117)
Interest income		(14)	(34)
Interest expense	(notes 3, and 4)	<u>497</u>	<u>426</u>
Total other expenses		889	275
Income tax expense		<u>58</u>	<u>74</u>
Net loss		(1,334)	(613)
Other comprehensive loss			
Item that may be subsequently reclassified to net loss:			
Foreign currency translation, net of income tax expense of nil		<u>(63)</u>	<u>(62)</u>
Total other comprehensive loss		<u>(63)</u>	<u>(62)</u>
Comprehensive loss		<u>(1,397)</u>	<u>(675)</u>
Loss per share			
Basic and diluted loss per share	(note 5)	(0.06)	(0.03)

See accompanying notes

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

	Three months ended	
	January 31,	January 31,
	2021	2020
	\$	\$
Operating activities		
Net loss	(1,334)	(613)
Add (deduct) items not involving cash		
Non-cash interest	(notes 3 and 4) 279	118
Depreciation and amortization	(note 3) 178	254
Operating grant recognized on SIF loan	(note 3) (148)	(209)
Long-term incentive plan expense	1,045	309
Net change in non-cash balances	751	(1,674)
Cash flows from (used in) operating activities	<u>771</u>	<u>(1,815)</u>
Investing activities		
Acquisition of property, plant and equipment	(541)	(378)
Cash flows used in investing activities	<u>(541)</u>	<u>(378)</u>
Financing activities		
Government loan repayment	-	(123)
Government loan advance	(notes 3 and 4) 430	833
Payment of principal portion of lease obligations	(33)	-
Convertible debenture issue costs	-	(37)
Cash flows from financing activities	<u>397</u>	<u>673</u>
Effect of exchange rate changes on cash	(98)	4
Net increase (decrease) in cash	529	(1,516)
Cash, beginning of the period	7,423	10,188
Cash, end of the period	<u>7,952</u>	<u>8,672</u>
Supplemental cash flow information		
Interest paid	<u>197</u>	<u>199</u>
Interest received	<u>-</u>	<u>24</u>
Income taxes paid	<u>58</u>	<u>74</u>

See accompanying notes

exactEarth™ Ltd.

Notes to the Interim Condensed Consolidated Financial Statements
January 31, 2021
(in thousands of Canadian dollars, except where otherwise noted and share data)
(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.

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, 2021, including the comparative period and 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, 2020, except for any new accounting pronouncements. 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, 2020, 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 10, 2021.

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.

exactEarth™ Ltd.

Notes to the Interim Condensed Consolidated Financial Statements
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The Company has experienced a history of 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. Further, subsequent to January 31, 2021, the Company converted \$13,000 principal and \$1,725 interest payable into 27,369,585 Common Shares, eliminating a significant portion of the Company's outstanding debt (note 10).

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.

On March 11, 2020, the World Health Organization declared the novel coronavirus ("**COVID-19**") outbreak a pandemic. COVID-19 has caused an unprecedented global health and economic crisis. The situation continues to rapidly evolve, resulting in governments worldwide implementing emergency measures including travel bans, self-imposed quarantine periods, lockdowns and physical distancing. COVID-19's impact on global markets has been significant through January and subsequent to the date of the Interim Condensed Consolidated Financial Statements. The Company has reviewed the estimates, judgements and assumptions used in the preparation of the Interim Condensed Consolidated Financial Statements, however the duration and magnitude of COVID-19's effects on the global economy remains uncertain at this time. The Company has expected credit loss ("**ECL**") related to a distributor in China that has been impacted by COVID-19, therefore becoming a credit risk. Employees of the Company have been working remotely from their homes. Otherwise, as at the date of these statements, there has not been any impact on the Company's operations as a result of COVID-19. The Company will continue to closely monitor the potential impact of COVID-19 on its business and operations.

There are uncertainties related to COVID-19 that will persist in the second quarter and beyond. Some of the Company's clients and customers may be experiencing significant pressures on their operations, which could lead to credit losses and reductions in business in future periods. These uncertainties may include interruptions in the supply chain, unavailability of personnel, closure of facilities and a reduction in sales, earnings, and productivity.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

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Notes to the Interim Condensed Consolidated Financial Statements
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3. GOVERNMENT ASSISTANCE**Strategic Innovation Fund (“SIF”) Loan**

During the three months ended January 31, 2021, \$430 was received. An additional receivable of \$588 was recorded in accounts receivable for funding related to eligible expenditures incurred prior to January 31, 2021.

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:

	January 31, 2021	October 31, 2020
Loans payable	\$ 1,571	\$ 1,442
Accounts receivable	588	752
Property, plant and equipment – net capital grant	532	509

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:

	2021	2020
Cost of revenue – operating grant	\$ (148)	\$ (209)
Interest expense	47	28
Reduction of amortization expense	(13)	(10)
Net impact	\$ (114)	\$ (191)

4. 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.

SIF loan

The SIF loan has a carrying value as at January 31, 2021 of \$1,571 (October 31, 2020 – \$1,442), 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.

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Convertible debentures

The convertible debentures (note 10) have a carrying value as at January 31, 2021 of \$9,935 (October 31, 2020 – \$9,689), which approximates fair value as the loan was recorded at fair value when the cash was received. In the three months ended January 31, 2021, the Company recognized interest expense of \$448 (January 31, 2020 – \$397), including amortization of the deferred transaction costs, related to the convertible debentures.

Foreign currency

As at January 31, 2021, approximately 47% of cash, 64% of accounts receivable and 28% of accounts payable and accrued liabilities are denominated in foreign currencies, respectively (October 31, 2020 – 45%, 71%, and 44%, 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	\$ 2,362	\$ 1,147	\$ 456
GBP	£ 75	£ 41	£ 6
EUR	€ 380	€ 248	€ 712

5. LOSS PER SHARE

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

	2021	2020
Numerator for basic and diluted loss per share available to common shareholders:		
Net loss attributable to common shareholders	\$ (1,334)	\$ (613)
Denominator for basic and diluted loss per share:		
Weighted average number of shares outstanding	22,048,640	21,703,415
Basic and diluted loss per share	\$ (0.06)	\$ (0.03)

There are 2,885,040 share units that are antidilutive at January 31, 2021 (October 31, 2020 – 2,996,277).

6. COMMITMENTS AND CONTINGENCIES**L3Harris commitment**

In January 2020, the Company signed an updated agreement with L3Harris 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.

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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	\$ 5,494	\$ 21,976	\$ 30,401

Claims or legal actions

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

7. EMPLOYEE BENEFITS**Defined contribution pension plan**

The Company has a defined contribution pension plan for its employees. During the three months ended January 31, 2021, the Company's contributions, which are based on the contributions by employees, were \$43 (January 31, 2020 – \$47) 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, 2021 was \$2,779 (January 31, 2020 – \$1,993).

8. 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.

Revenue by product type for three months ended January 31:	2021	2020
Subscription services	\$ 4,870	\$ 3,839
Data products	316	150
Other products & services	178	144
Total revenue	\$ 5,364	\$ 4,133

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9. 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:	2021	2020
Canada	\$ 805	\$ 199
United States	346	357
Europe	2,840	1,972
Other	1,373	1,605
	\$ 5,364	\$ 4,133

For the three months ended January 31, 2021, there was one customer with revenue in excess of 10% of the Company's total revenue (January 31, 2020 – 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, 2021	October 31, 2020
PP&E		
Canada	\$ 5,216	\$ 5,272
United Kingdom	-	-
	\$ 5,216	\$ 5,272
Intangible assets		
Canada	\$ 1,238	\$ 1,286
United Kingdom	-	-
	\$ 1,238	\$ 1,286

10. SUBSEQUENT EVENT

On January 8, 2021, the Company issued a redemption notice to redeem all its outstanding convertible unsecured subordinated debentures due December 13, 2023 (the "Debentures"). As provided under the terms of the Debenture, all holders of the Debentures elected to convert their Debentures into common shares resulting in an aggregate of 26,000,000 Common Shares issued in satisfaction of \$13,000 principal amount. The Company elected to satisfy accrued and unpaid interest on the Debentures, totaling \$1,725, through the issue of 1,369,585 common shares and on February 10, 2021, 27,369,585 shares were issued to the holders of the Debentures. The Company is assessing the accounting impact of the conversion and the Debenture principal and interest outstanding on January 31, 2021 has been reclassified to current liabilities.