

EXACTEARTH LTD. (the “Company”)

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following management discussion and analysis (“**MD&A**”) is prepared as of March 10, 2021 and provides information that management believes is relevant to an assessment and understanding of the Company’s operations and financial condition for the three months ended January 31, 2021. This MD&A should be read in conjunction with the Company’s Interim Condensed Consolidated Financial Statements, including the notes thereto, (the “**Interim Condensed Consolidated Financial Statements**”), and our audited Consolidated Financial Statements, including the notes thereto, for the year ended October 31, 2020. The Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34, Interim Financial Reporting Standards and the Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). All dollar amounts herein, except per share data, are stated in thousands of Canadian dollars (“**CAD**”) unless otherwise indicated. Unless otherwise noted, the information contained herein is dated as of January 31, 2021.

Additional Information and Risk Factors

On March 11, 2020, the World Health Organization declared the 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 the implementation of emergency measures including travel bans, self-imposed quarantine periods and physical distancing. COVID-19’s impact on global markets has been significant through January and subsequent to the date of the Interim Condensed 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 remain uncertain at this time.

There have been no mandatory or voluntary shutdowns of the Company’s operations, as employees are able to work effectively from their homes per the recommendation of the federal and provincial governments. Technology continues to connect employees, using video conferencing and instant messaging as a means of efficient communication.

Business and supply chains are operating normally, with minimal disruptions experienced to date. The Company has recognized bad debt expense related to a distributor in China that has been impacted by COVID-19, therefore becoming a credit risk (see selling, general and administrative (“**SG&A**”) expenses). Otherwise, there has not been any significant impact on the Company’s operations as a result of COVID-19. Demand for the Company’s services remains consistent with pre-COVID-19 levels. As the situation continues to evolve, 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 may continue to persist. 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.

There is a risk that the cost of obtaining capital resources from capital and debt markets may increase in the future as lenders and institutional investors may increase interest rates, impose tighter lending standards, or refuse to provide any new funding. Despite present market conditions, changes in the Company’s business, unforeseen opportunities or events, and other external factors may also adversely affect liquidity and the availability of additional capital resources. Due to these factors, the Company cannot be certain that funding, if needed, will be available to the extent required, or on acceptable terms. If the Company is unable to access funding when needed on acceptable terms, the Company may not be able to fully implement current business plans, take advantage of business opportunities, or respond to competitive pressures, any of which could have a material adverse effect on the Company’s operational and financial results. No assurance can be given that the Company will be successful in

meeting sales targets, reducing costs or obtaining additional financing either through debt or equity. The Company has experienced losses and negative cash flows from operations. However, the Company may elect to reduce its planned expenditures concurrent with prevailing conditions. The Company believes that this financial flexibility to adjust its spending levels will provide it with sufficient liquidity to meet its future operational goals and financial obligations. For additional information, refer to note 2 b) (Significant Accounting Policies, Basis of presentation) in the Interim Condensed Consolidated Financial Statements.

Additional information relating to the Company, including risk factors that may adversely affect or prevent the Company from carrying out all or portions of its business strategy are discussed in the Company's Annual Information Form ("AIF") dated January 29, 2021 and other filings available on SEDAR at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "forecast", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that the Company believes may affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to: expectations regarding the Company's revenue, expenses, operations and cash flow; anticipated impact of changes to accounting policies; anticipated industry trends; anticipated new Order Bookings (as defined below); research and development spending levels; selling, general and administrative spending; revenue growth guidance; gross margin trending; anticipated and continued benefits of the Second-Generation Constellation on-board Iridium NEXT; impact of the COVID-19 pandemic on customers and the market generally; expected useful lives of satellite assets; the Company's intention to respond to certain procurement proposal requests and the outcome thereof.

Forward-looking statements are based on certain assumptions and analysis made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors the Company believes are appropriate and are subject to risks and uncertainties. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, which are discussed in greater detail in the Company's AIF.

Non-IFRS Measures

In this MD&A, the Company provides information about Order Bookings; Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("**Adjusted EBITDA**"); and Subscription Revenue (as defined below). Order Bookings, Order Bookings backlog, Adjusted EBITDA, Adjusted EBITDA Margin, and Subscription Revenue are not defined by IFRS and the Company's measurement of them may vary from that used by others. These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement the IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of the Company's financial information reported under IFRS.

The Company defines "Order Bookings" as the dollar sum of contracts for the supply of products and services to its customers. "Order Bookings backlog" is the dollar sum of revenue that is expected to be recognized derived from customer contracts. Order Bookings and Order Bookings backlog are indicative of firm future revenue streams; however, they do not provide a guarantee of future net income and provide no information about the timing of future revenue.

The Company measures Adjusted EBITDA as net income plus interest expense, taxes, depreciation and amortization, unrealized foreign exchange losses, share-based compensation costs, loss on disposal and impairment and COVID-19 related expected credit loss ("**ECL**"), less interest income and unrealized foreign exchange gains. The Company

believes that Adjusted EBITDA provides useful supplemental information as an indication of the income generated by its main business activities before taking into consideration how they are financed or taxed and excluding the impact of items that are considered by management to be outside of the Company's ongoing operating results. Adjusted EBITDA should not be construed as an alternative to net loss determined in accordance with IFRS as an indicator of the Company's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The company defines Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of revenue.

The Company defines "Subscription Revenue" as the dollar sum of fully executed contracts for its products and/or services to its customers that are subscription-based, typically sold with a one-year period of service and recognized in the Company's "Subscription Services" segmented revenue.

Overview

The Company is a leading provider of global maritime vessel data for ship tracking and maritime situational awareness solutions. Since its establishment in 2009, the Company has pioneered Satellite Automatic Identification System ("**S-AIS**") maritime surveillance and has delivered to its clients a view of maritime behaviours across all regions of the world's oceans that is unrestricted by terrestrial limitations. The Company has deployed an operational data processing supply chain with its First-Generation Constellation, receiving ground stations, patented decoding algorithms, and advanced Big Data processing and distribution facilities. The Company augmented this capability with a Second-Generation system consisting of 65 payloads hosted on the Iridium-Next constellation (58 active payloads and 7 in-orbit spares). These 58 payloads are the basis of the Company's exactView™ RT ("**exactView RT**") Powered by L3Harris Technologies, Inc. ("**L3Harris**") global maritime vessel tracking and identification service which has the capability of persistent global coverage and the ability to relay all data to earth in near real time. This ground-breaking system provides a comprehensive picture of the location of Automatic Identification System ("**AIS**") equipped maritime vessels throughout the world and allows the Company to deliver data and information services characterized by high performance, reliability, security, and simplicity to large international markets.

Under the amended and restated L3Harris Agreement, the Company is no longer required to pay any revenue share on the first USD \$16,000 of annual S-AIS data revenue. The S-AIS data revenue for the three months ended January 31, 2021 was USD \$3,425.

The Interim Condensed Consolidated Financial Statements include the accounts of the Company's Subsidiary, exactEarth Europe Ltd. ("**Subsidiary**") with inter-company transactions and balances eliminated. The Company has two locations, one in Cambridge, Ontario, Canada and the other in Harwell, United Kingdom. For additional information, please refer to the "Management's Discussion and Analysis" section of the Company's 2020 Annual Report, available on SEDAR at www.sedar.com.

Funding sources

Convertible debentures

In December 2018, the Company completed an offering of 13,000 convertible unsecured subordinated debentures (the "Debentures") at a price of \$1 per convertible debenture for gross proceeds of \$13,000. The net proceeds of \$11,854 from the Debentures financing was used to fund the Company's ongoing working capital needs in support of business operations and for general corporate purposes. The Debenture financing represented the culmination of an extensive review of strategic alternatives by a Special Committee of the Board. Each Debenture is convertible into 2,000 common shares of the Company, being an effective conversion price of \$0.50 per share at the option of the holder (subject to customary adjustments from time to time), at any time prior to the fifth anniversary of the closing date. The Company has the right to redeem the outstanding Debentures, commencing on December 13, 2020 (being the second anniversary of the issuance of the debentures), if the volume weighted average price of the Company's common shares on the TSX for the preceding 20 trading days is at or above \$1.00.

On January 8, 2021, the Company issued a redemption notice to redeem all its outstanding Debentures due December 13, 2023. 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. For additional information, refer to note 4 (Financial instruments and foreign exchange) and note 10 (Subsequent event) in the Notes to the Interim Condensed Consolidated Financial Statements.

Strategic Innovation Fund

In October 2018, the Company signed a loan agreement with the Strategic Innovation Fund ("SIF"). Under this agreement, the Company 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, 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 year. The Company received \$430 in the three months ended January 31, 2021 (three months ended January 31, 2020 – \$833). The total funding received to date is \$4,724. The Company has a receivable of \$588 for claimed and unclaimed funding related to expenses incurred and paid prior to January 31, 2021 in the Interim Condensed Consolidated Statements of Financial Position (October 31, 2020 – \$752). The SIF loan is measured at fair value using an interest rate of 14% based on the market interest rate for a comparable instrument with a similar term, resulting in a loan balance of \$1,571 at January 31, 2021 (October 31, 2020 – \$1,442). 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 Company recognized an operating grant of \$148 and a reduction in amortization expense of \$13 during the three months ended January 31, 2021, compared to an operating grant of \$209 and reduction in amortization expense of \$10 in the three months ended January 31, 2020. For additional information, refer to note 3 (Government assistance) and note 4 (Financial instruments and foreign exchange) in the Notes to the Interim Condensed Consolidated Financial Statements.

Staffing

The Company relies on the knowledge and talent of its employees and makes use of their expertise in satellite operations, Big Data architecture, web services, software and product development, and consulting services.

The number of full-time employees at January 31, 2021 was 33 (October 31, 2020 – 32).

Overall performance

Revenue was \$5,364 for the three months ended January 31, 2021, compared to \$4,133 for the three months ended January 31, 2020. The Company's major application market segments are government and commercial. Government customers contributed \$922 to revenue for the three months ended January 31, 2021, compared to \$805 for the three months ended January 31, 2020. Commercial revenue for the three months ended January 31, 2021 was \$4,442 compared to \$3,328 for the three months ended January 31, 2020.

Revenue related to Subscription Service orders will typically be realized over a twelve-month period, while revenue related to product orders is realized upon delivery. The backlog of Order Bookings won but not yet recognized in revenue at January 31, 2021 is \$26,729, compared to \$25,648 of Order Bookings backlog reported at January 31, 2020. Revenue of \$12,244 from the current Order Bookings backlog is forecasted to be earned in the remainder of 2021. The balance of \$14,485 is expected to be earned between 2022 and 2027.

The Company's foreign currency denominated Order Bookings backlog is affected by fluctuation in foreign exchange rates. The Company's closing Order Bookings backlog for any given quarter gets revalued as the CAD strengthens or weakens in relation to the Great Britain Pound ("GBP"), Euro ("EUR") or US dollar ("USD"), as applicable. The foreign exchange rates at January 31, 2021 were: GBP \$1.7517, EUR \$1.5506 USD \$1.2777 while the foreign exchange rates at January 31, 2020 were: GBP \$1.7343, EUR \$1.4598 USD \$1.3234. The fluctuation in exchange rates in the three months ended January 31, 2021 resulted in a decrease of \$920 in backlog (January 31, 2020 – increase of \$341).

The following chart summarizes Order Bookings:

	Three months ended January 31	
	2021	2020
Opening Order Bookings backlog	\$ 28,781	\$ 22,354
New Order Bookings	4,290	7,086
Existing Order Bookings adjustments	(58)	-
Foreign exchange adjustment on opening Order Bookings backlog	(920)	341
Revenue	(5,364)	(4,133)
Closing Order Bookings backlog	\$ 26,729	\$ 25,648

Volatility in exchange rates between Canadian and foreign currencies such as GBP, EUR and USD impact the business as a portion of the Company's revenues are billed in non-Canadian currencies (predominately in USD) and recognized in the Company's Interim Condensed Consolidated Statements of Financial Position in the form of cash, receivables, and payables. The average GBP/CAD exchange rate during the three months ended January 31, 2021 was \$1.7282, compared to an average of \$1.7131 for the three months ended January 31, 2020. The average EUR/CAD exchange rate for the three months ended January 31, 2021 was \$1.5519, compared to an average of \$1.4591 in 2020. The average USD/CAD exchange rate for the three months ended January 31, 2021 was \$1.2873, compared to an average of \$1.3160 in 2020. Foreign exchange loss for the three months ended January 31, 2021 was \$397 compared to a gain of \$117 for the three months ended January 31, 2020.

Adjusted EBITDA for the three months ended January 31, 2021 was a gain of \$900 compared to a gain of \$250 for the three months ended January 31, 2020. Please refer to the Adjusted EBITDA reconciliation included later in this MD&A.

For an analysis of the risks the Company faces, please refer to the "Risk Factors" section in the Company's AIF.

Results of Operations

Revenue

The Company sells products in three broad categories: Subscription Services, Data Products, and Other Products and Services. Generally, Subscription Services are sold with a twelve-month period of service with revenue recognized equally over the contract term. Data Products and Other Products and Services are generally sold on an as-demanded basis and the revenue is recognized when the product is delivered to the customer, or for long-term projects, on a percentage of completion basis. Revenue for the Data Products and for the Other Products and Services tends to be less predictable and is subject to fluctuations from one period to the next.

Revenues for the three months ended January 31, 2021:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	\$ 885	\$ 24	\$ 13	\$ 922
Commercial and other	3,985	292	165	4,442
Total revenue	\$ 4,870	\$ 316	\$ 178	\$ 5,364

Revenues for the three months ended January 31, 2020:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	\$ 711	\$ 28	\$ 66	\$ 805
Commercial and other	3,128	122	78	3,328
Total revenue	\$ 3,839	\$ 150	\$ 144	\$ 4,133

The Company's total revenue for the three months ended January 31, 2021 was \$5,364 compared to \$4,133 for the three months ended January 31, 2020. Now that the commissioning of all exactView RT satellites on-board Iridium NEXT is complete, new customers, new analytics applications for the S-AIS and maritime information services markets and sales traction within the small vessel tracking market will drive the next phase of revenue growth.

The Company's Subscription Services revenue is generally earned on a monthly recurring basis under annual or multi-year contracts and therefore provides a solid foundation for revenue growth. Subscription Services revenue for the three months ended January 31, 2021 was \$4,870 compared to \$3,839 for the three months ended January 31, 2020. Subscription Services revenue represented 91% of the Company's total revenue for the three months ended January 31, 2021 compared to 93% for the three months ended January 31, 2020. The \$1,031 increase in Subscription Services revenue was primarily due to the addition of new subscription customers.

Revenue from Data Products was \$316 for the three months ended January 31, 2021, compared to \$150 for the three months ended January 31, 2020. This type of revenue is generated from on-demand customer requests and is therefore variable in its timing.

Revenue from Other Products & Services was \$178 for the three months ended January 31, 2021 compared to \$144 for the three months ended January 31, 2020. This type of revenue is generated from delivery of services related to ongoing percentage of completion projects and the sale of products related to small vessel opportunities and is therefore variable in its timing. The projects that generate this revenue are generally opportunistic in nature and the Company does not expect that this revenue will grow significantly over time. Other Products & Services also includes \$152 of non-cash data processing services provided to Myriota Canada after the Asset Purchase Agreement was completed.

Revenue by quarter

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Q2 2019	\$ 3,181	\$ 339	\$ 386	\$ 3,906
Q3 2019	\$ 3,466	\$ 449	\$ 96	\$ 4,011
Q4 2019	\$ 3,457	\$ 239	\$ 62	\$ 3,758
Q1 2020	\$ 3,839	\$ 150	\$ 144	\$ 4,133
Q2 2020	\$ 3,894	\$ 132	\$ 381	\$ 4,407
Q3 2020	\$ 4,465	\$ 184	\$ 140	\$ 4,789
Q4 2020	\$ 4,742	\$ 493	\$ 571	\$ 5,806
Q1 2021	\$ 4,870	\$ 316	\$ 178	\$ 5,364

The quarter-over-quarter variance in revenue is caused by the mix in the type of revenue earned in each quarter. Subscription Services revenue tends to be steady due to the generally recurring nature of those client agreements. Data Products revenue is on-demand and therefore less predictable. Other Products & Services revenue is predominantly project-based revenue and the timing of revenue recognition varies depending on the progress of the projects. For some of the Company's projects, revenue recognition is based on percentage completion calculated using costs to date as a percentage of estimated total cost. Small vessel contract revenue recognition is based on progress with the installation of Class B transponders. Therefore, revenue will vary quarter to quarter based on the progress made on the various projects.

The operating results for interim periods should not be relied upon as an indication of results to be expected or achieved in any future period or any fiscal year as a whole. In recent quarters, the trend for Subscription Services revenue has been positive as sales momentum has been generated with exactView RT, the Company's real-time S-AIS service. Factors affecting the Company's revenue and results are described in greater detail under the heading "Risks Relating to Our Business and Industry" in the Company's AIF.

Gross margin

	Three months ended January 31	
	2021	2020
Gross profit	\$ 2,781	\$ 2,074
Gross margin	51.8%	50.2%

Gross margin for the three months ended January 31, 2021 was 51.8% compared to 50.2% for the three months ended January 31, 2020. Gross margin increased in the three months ended January 31, 2021 due to increased revenue in excess of increased cost of revenue. Cost of revenue increased in the three months ended January 31, 2021 due to higher terrestrial data costs related to the growth in revenue, Myriota satellite operation fees, and a decrease in SIF operating grant recognized against cost of revenue, offset in part due to lower satellite operation fees and ground station costs. Costs are variable relative to the number of satellites and volume of data processing, rather than relative to the number of customers.

SG&A expenses

SG&A expenses for the three months ended January 31, 2021 were \$2,799 compared to \$1,780 for the three months ended January 31, 2020.

	Three months ended January 31		
	2021	2020	Change
Selling expenses	\$ 814	\$ 784	\$ 30
General and administrative expenses	1,961	1,026	935
Bad debt	24	(30)	54
Total SG&A expenses	\$ 2,799	\$ 1,780	\$ 1,019

The \$1,019 increase in the three months ended January 31, 2021 was primarily due to a \$765 non-cash expense related to the increase in value of directors' fees paid in DSUs arising from the appreciating stock price as well as increases in payroll, legal and commission expense, partially offset by decreases in travel and consulting expenses.

Product development and R&D expenses

Product development and R&D expenses for the three months ended January 31, 2021 were \$191 compared to \$304 for the three months ended January 31, 2020. The \$113 decrease in the three months ended January 31, 2021 was primarily due to a decrease in discretionary consulting costs.

Other and income tax expenses

	Three months ended January 31		
	2021	2020	Change
Other expense	\$ 9	\$ -	\$ 9
Foreign exchange loss (gain)	397	(117)	514
Interest income	(14)	(34)	20
Interest expense	497	426	71
Income tax expense	58	74	(16)
Total other and income tax expenses	\$ 947	\$ 349	\$ 598

Foreign exchange loss (gain)

Foreign exchange amounts in the Interim Condensed Consolidated Statements of Loss and Comprehensive Loss include realized and unrealized gains and losses that result from translation of foreign denominated balances in the Company's Interim Condensed Consolidated Statements of Financial Position. The impact of translation of outstanding foreign denominated balances in the Interim Condensed Consolidated Statements of Financial Position

and of settling foreign denominated balances into cash during the three months ended January 31, 2021 was a loss of \$397 compared to a gain of \$117 during the three months ended January 31, 2020.

Interest income

The Company's interest income for the three months ended January 31, 2021 was \$14 compared to \$34 for the three months ended January 31, 2020. Interest income decreased due to lower cash balances, short-term investments and a decline in interest rates.

Interest expense

The Company's interest expense for the three months ended January 31, 2021 was \$497 compared to \$426 for the three months ended January 31, 2020. Interest expense has increased due to the increase in SIF funding, the majority of which is long term. For additional information, refer to note 3 (Government assistance) in the Interim Condensed Consolidated Financial Statements.

Income tax expense

The Company's income tax expense for the three months ended January 31, 2021 was \$58 compared to \$74 for the three months ended January 31, 2020. Income tax expense relates to withholding tax that is not expected to be recoverable.

Adjusted EBITDA

	Three months ended January 31	
	2021	2020
Net loss	\$ (1,334)	\$ (613)
Interest income	(14)	(34)
Interest expense	497	426
Income tax expense	58	74
Depreciation and amortization	178	254
Unrealized foreign exchange loss (gain)	442	(167)
Long-term incentive plan expense	1,045	310
COVID-19 ECL	28	-
Adjusted EBITDA	\$ 900	\$ 250

Adjusted EBITDA for the three months ended January 31, 2021, was a gain of \$900 compared to a gain of \$250 for the three months ended January 31, 2020. The increase in Adjusted EBITDA for the three months ended January 31, 2021 was driven primarily by higher revenue, partially offset by a decrease in travel and consulting expenses. Management believes that Adjusted EBITDA provides a relevant measure of the results of the Company's main business activities before taking into consideration how they are financed or taxed and excluding the impact of certain non-cash expenses and items that are considered to be outside of the Company's ongoing operating results.

Net loss

Net loss was \$1,334 or \$0.06 per basic and diluted share, for the three months ended January 31, 2021, compared to net loss of \$613 or \$0.03 per basic and diluted share, for the three months ended January 31, 2020. The net loss increased primarily due to an increase in selling, general and administrative expense, mostly attributable to the increase in value of directors' fees paid in DSUs resulting from a higher stock price, and foreign exchange loss, partially offset by a decrease in product development and research and development and depreciation and amortization expense.

Net loss by quarter

	Net loss	Loss per share
Q2 2019	\$ (2,155)	\$ (0.10)
Q3 2019	\$ (2,877)	\$ (0.13)
Q4 2019	\$ (2,216)	\$ (0.10)
Q1 2020	\$ (613)	\$ (0.03)
Q2 2020	\$ (2,878)	\$ (0.13)
Q3 2020	\$ (941)	\$ (0.04)
Q4 2020	\$ (679)	\$ (0.03)
Q1 2021	\$ (1,334)	\$ (0.06)

Financial position

The following chart outlines the changes in the Interim Condensed Consolidated Statements of Financial Position between October 31, 2020 and January 31, 2021:

	Increase / (Decrease)	Explanation
Cash	\$ 529	The increase in cash is due to funding proceeds from SIF and cash flows from operating activities including the collection of accounts receivable balances, partially offset by the acquisition of property, plant and equipment.
Short-term investments	\$ (29)	The GIC outstanding as at October 31, 2020 was redeemed on January 11, 2021.
Accounts receivable	\$ (175)	The accounts receivable balance fluctuates with changes in billings and collections.
Unbilled revenue	\$ 232	The unbilled revenue reflects the amount of revenue recognized in advance of billings. Unbilled revenue was reduced for an allowance against unbilled amounts with significant credit risk due to COVID-19.
Prepaid expenses	\$ 48	The increase primarily relates to annual renewals of support contracts, partially offset by expenses recognized.
Other assets (current and non-current)	\$ (21)	The decrease relates to commission expensed in the period under IFRS 15, partially offset by capitalized sales commission in the period.
Property, plant and equipment	\$ (56)	The decrease in property, plant and equipment is due to depreciation, partially offset by SIF funding and acquisition of assets.
Intangible assets	\$ (48)	The decrease in intangible assets is due to amortization.
Accounts payable and accrued liabilities (current and non-current)	\$ (421)	The balance fluctuates based on timing of goods and services received and payments and includes lease payable and contract liabilities. The Company paid an installment of the ESAIL satellite launch in Q1 of \$463. This reduction was offset by the short-term debenture interest payable reclassified to current loans payable. For additional information, refer to note 10 (Subsequent event) in the Notes to the Interim Condensed Consolidated Financial Statements.
Deferred revenue	\$ 805	Deferred revenue reflects billings that occur in advance of revenue recognition.

	Increase / (Decrease)	Explanation
Loans payable (current and non-current)	\$ 2,000	The increase is due to accretion of the convertible debenture financing, additions to the SIF loan and reclassification of short-term debenture interest from accrued liabilities and long-term debenture interest from other long-term liabilities. For additional information, refer to note 10 (Subsequent event) in the Notes to the Interim Condensed Consolidated Financial Statements.
Long-term incentive plan liability	\$ 943	The increase is due to the continuing accrual of deferred share units payable and revaluation of previously accrued units due to an increase in stock price.
Other long-term liabilities	\$ (1,552)	The decrease is due to the reclassification of long-term debenture interest to current loans payable. For additional information, refer to note 10 (Subsequent event) in the Notes to the Interim Condensed Consolidated Financial Statements.
Contributed surplus	\$ 102	The increase is related to the expense recognized on RSUs and stock options during the three months ended January 31, 2021. Stock options and RSUs will be equity settled.
Accumulated other comprehensive loss	\$ (63)	The decrease is due to the foreign exchange translation of the Company's subsidiary.
Deficit	\$ (1,334)	The decrease represents net loss of \$1,334.

Liquidity and capital resources

The key liquidity and capital resource items are as follows:

	January 31, 2021	October 31, 2020	% Change
Cash	\$ 7,952	\$ 7,423	7%
Short-term investments	\$ -	\$ 29	(100%)
Accounts receivable	\$ 3,040	\$ 3,215	(5%)
Prepaid expenses	\$ 440	\$ 392	12%
Other assets – current	\$ 418	\$ 359	16%
Accounts payable and accrued liabilities	\$ 5,981	\$ 6,402	(7%)
Loans payable – current	\$ 11,560	\$ -	100%

Working capital

Working capital increased \$280 during the three months ended January 31, 2021 to \$4,446. Changes to working capital since October 31, 2020 were driven by the following:

	Increase / (Decrease) to working capital
Increase in cash	\$ 529
Decrease in short-term investments	(29)
Decrease in accounts receivable	(175)
Increase in unbilled revenue	232
Increase in prepaid expenses	48
Increase in other current assets	59
Decrease in accounts payable and accrued liabilities	421
Increase in deferred revenue	(805)
Total	\$ 280

Current assets are available at varying times within twelve months following the balance sheet date. Cash is readily available to settle obligations related to current and future expenditures.

Significant cash flows:

	Three months ended January 31	
	2021	2020
Cash from (used in) operating activities	\$ 771	\$ (1,815)
Cash used in investing activities	(541)	(378)
Cash from financing activities	397	673
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	\$ 7,952	\$ 8,672

The Company manages its liquidity and capital resources to provide sufficient cash to meet short and long-term operating and development plans, debt obligations, and other contractual obligations when due. In October 2018, the Company signed a loan agreement with SIF to receive funding for certain expenditures incurred from February 2018 to February 2021 to a maximum of \$7,206. In December 2018, the Company completed an offering of Convertible Debentures for gross proceeds of \$13,000, and net proceeds after financing costs of \$11,854 to fund short-term operating costs. Management believes capital resources as of the date of this MD&A are sufficient to fund current operations, forecasted capital expenditures, and contractual obligations in 2021. For additional information, refer to note 3 (Government assistance), note 4 (Financial instruments and foreign exchange) and note 10 (Subsequent event) in the Interim Condensed Consolidated Financial Statements.

With respect to longer-term funding requirements, the Company believes future cash flows generated from operations and other sources of liquidity will be available. Under present conditions, the Company believes it has sufficient access to capital and debt markets, subject to the risks set out herein and the Annual Information Form, including those set out in respect of COVID-19 in "Additional Information and Risk Factors" in this MD&A.

Operating activities

Cash flows for the three months ended January 31, 2021 were \$771 from operating activities, compared to \$1,815 used in operating activities for the three months ended January 31, 2020. The change in cash flows from operations in the three months ended January 31, 2021 was primarily due to working capital changes.

Investing activities

Cash flows used in investing activities for the three months ended January 31, 2021 were \$541 compared to cash flows used in investing activities of \$378 for the three months ended January 31, 2020. Investing activity cash flows for the three months ended January 31, 2021 and January 31, 2020 include the acquisition of long-lived assets.

Financing activities

Cash flows from financing activities in the three months ended January 31, 2021 were \$397, compared to \$673 for the three months ended January 31, 2020. Financing activity cash flows in the three months ended January 31, 2021 were related to the SIF loan advances, offset by repayment of lease obligations. Financing activity cash flows in the three months ended January 31, 2020 were related to the SIF loan advances, repayment of the FED DEV government loan, and convertible debenture issue costs.

Contractual obligations

The following table outlines the contractual cash obligations (excluding accounts payable and accrued liabilities) as at January 31, 2021:

	Total	Less than one year	2-3 years	4-5 years	>5 years
Debenture payable	\$ 14,725	\$ 14,725	\$ -	\$ -	\$ -
SIF loan payable	5,311	-	-	630	4,681
Lease obligations	170	156	14	-	-
L3Harris commitment	57,871	5,494	10,988	10,988	30,401
Hisesat commitment	1,880	240	480	480	680
Total contractual obligations	\$ 80,732	\$ 21,390	\$ 11,482	\$ 12,098	\$ 35,762

As at January 31, 2021, the Company had various contractual cash obligations, including loans payable, capital commitments and commitments and obligations under the L3Harris Agreement. The Debenture and related interest outstanding have been reclassified to current liabilities, as the Company issued a redemption notice to redeem all its outstanding Debentures on January 8, 2021. For additional information, refer to note 3 (Government assistance), note 6 (Commitments and contingencies) and note 10 (Subsequent event) in the Interim Condensed Consolidated Financial Statements.

Off-balance sheet arrangements

As at January 31, 2021, the Company does not have any off-balance sheet arrangements.

Proposed transactions

The Company did not have any proposed transactions as at January 31, 2021.

Summary of Significant Accounting Policies

Critical accounting estimates

The preparation of the Company's Interim Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates are based upon management's historical experience and various other assumptions that are believed by management to be reasonable under the

circumstances. Such assumptions and estimates are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources as well as the periodic recognition of revenue and cost of revenue. Actual results could differ from these estimates.

The Company believes the following critical accounting policies affect the more significant estimates and assumptions used in the preparation of its Interim Condensed Consolidated Financial Statements.

Revenue recognition

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.

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 estimated stand-alone selling price ("**SSP**"). 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 inputs from the Company's pricing team, including historical SSP.

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.

Revenue on fixed price contracts with performance obligations satisfied over time is recognized on a percentage of completion basis. In applying the accounting policy to fixed price contracts, judgment is required in determining the estimated costs to complete a contract. These cost estimates are reviewed as at each reporting period and by their nature may give rise to income volatility. To estimate income (loss) on completion, the Company takes into account factors inherent to the contract by using historical and/or forecast data. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized immediately and recorded in accounts payable and accrued liabilities in the Interim Condensed Consolidated Statements of Financial Position. The accrual is drawn down over the completion of the contract using the percentage of completion method.

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts using the simplified ECL model. The Company's ECL model uses a provision matrix to apply historical loss rates to outstanding receivable balances. Judgment is required in determining the grouping of receivables based on shared credit risk characteristics as well as determining historical loss rates which are reflective of future economic conditions.

Useful life of intangible and long-term assets

The Company has established policies for determining the useful life of its intangible and long-term assets and amortizes the costs of these assets over those useful lives. The useful life for each category of asset is determined based on the expectation of its ability to continue to generate revenues, and thus, cash flows. This ability is tested periodically to ensure the conditions still exist to allow the asset to be reflected at its net-recorded value in the Company's accounts, and any impairment to the valuation is reflected in such accounts at the time the impairment is determined.

Recoverable amount for long-lived assets

An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU's") fair value less cost to sell ("FVLCS") and its value in use ("VIU") and is determined for an individual asset or at the CGU level if individual assets do not have largely independent cash inflows. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining FVLCS, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Given the Company is a single CGU, the market capitalization of the Company is a relevant measure of FVLCS.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive the cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset, and the net amount is reported in the Interim Condensed Consolidated Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring or an amount due to the Company on terms that the Company would not otherwise consider, or indications that a debtor or issuer will enter bankruptcy. The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables, unbilled receivables, and other assets, have been grouped based on shared credit risk characteristics and the days past due.

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 as the residual 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 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.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed under Canadian securities laws is recorded, processed,

summarized and reported within the time periods specified under those laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's report on internal control over financial reporting

Internal control over financial reporting is designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. The Company used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the effectiveness of internal control over financial reporting.

In February 2021, management determined that the currency revaluation on unbilled revenue arising from a South African Rand-denominated contract as at October 31, 2020 was calculated incorrectly. The Company relies on third party software which, as part of its month-end close process, revalues foreign currency balances. The deferred revenue subledger overstated the unbilled revenue balance on the contract and therefore overstated the gain on the South African Rand to GBP conversion.

Management has determined that a material weakness exists in the Company's ICFR involving recognition of an unrealized gain on foreign exchange for the year ended October 31, 2020. Internal controls over accounting for unrealized gains on foreign currency did not sufficiently assess the foreign exchange value of a specific South African Rand-denominated contract. Notwithstanding the identification of a material weakness, management determined that it was not necessary to restate the financial statements for any periods. Further, the Company completed the recalculation of deferred and unbilled revenue for all customers, which did not uncover any other foreign currency revaluation issues. In February 2021, the Company implemented procedures aimed at remediating this weakness. As of the date hereof, management is actively remediating the material weakness identified above.

Changes in internal controls over financial reporting

The Company made no changes to internal controls over financial reporting during the three months ended January 31, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTSTANDING SHARE DATA

Subsequent to the conversion of the Debenture, the number of issued and outstanding common shares was 49,418,226 as of the date of this MD&A. The Company has a further 2,885,040 share units that are antidilutive at January 31, 2021.