

Annual Report

2020



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Forward-Looking Statements

This annual report contains statements that, to the extent they are not recitations of historical fact, may constitute "forward-looking statements" within the meaning of applicable Canadian securities laws. Forward-looking statements may include financial and other projections, as well as statements regarding exactEarth's future plans, anticipated actions taken by holders of convertible debentures, our ability to continue as a going concern, objectives or economic performance, or the assumptions underlying any of the foregoing, including statements regarding, among other things, expectations of actions taken by holders of convertible debentures and the impact of the conversion on the Company's momentum, customer and partner relationships and growth of recurring subscription revenue. exactEarth uses words such as "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate" and similar expressions to identify forward-looking statements. Any such forward-looking statements are based on assumptions and analyses made by exactEarth in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors exactEarth believes are appropriate under the relevant circumstances. However, whether actual results and developments will conform to exactEarth's expectations and predictions is subject to any number of risks, assumptions and uncertainties. Many factors could cause exactEarth's actual results, historical financial statements, or future events to differ materially from those expressed or implied by the forward-looking statements contained in this news release. These factors include, without limitation: uncertainty in the global economic environment; fluctuations in currency exchange rates; delays in the purchasing decisions of exactEarth's customers; the competition exactEarth faces in its industry and/or marketplace; the further delayed launch of satellites, the anticipated benefits of the A&R SABA; the financial impact of the Myriota transaction; the impact of the COVID-19 pandemic on customers and the market generally, the reduced scope of significant existing contracts; and the possibility of technical, logistical or planning issues in connection with the deployment of exactEarth's products or services.

Dear Fellow Shareholder:

Fiscal 2020 was a successful year both operationally and financially for exactEarth. We delivered strong top-line revenue growth, took actions which materially streamlined our go-forward cost structure, and achieved positive Adjusted EBITDA for the year - a major milestone for the business.

exactView™ RT, with its real-time service capabilities, continues to establish itself as the leading Satellite-AIS data service on the market, and this led to multiple new customer wins and channel partner relationships during the year. We also updated our key strategic alliance with L3Harris and sold certain non-core assets, which helped to reduce our cost base and strengthen our financial foundation. Collectively, our achievements drove strong revenue growth and margin expansion and we ended the year with a higher order backlog, which gives us good visibility into 2021.

These results were achieved against a challenging backdrop brought on by the COVID-19 pandemic. Like most companies, we implemented measures throughout the year to protect employees, customers and others from the spread of the virus.

With the team working remotely, we were able to execute on customer mandates, while also working to build and sustain our sales and partner pipeline and advance new opportunities through the sales cycle.

Our success in Fiscal 2020 is owed in part to the essential nature of our service, but foremost to the commitment of our team to battle through these challenging conditions, and to deliver the kind of operational and financial performance that has reset the growth trajectory of the business. To that end, I want to express my sincere admiration and gratitude to the entire team at exactEarth who collectively rose to the challenge in 2020 and delivered.

Looking now at some of the key highlights that led to a strong 2020 and have positioned us for a promising 2021.

In January, we agreed to updated terms for our Satellite-AIS Business Agreement with L3Harris Technologies. This agreement is the foundation for our second-generation constellation and for our exactView RT Satellite-AIS service. It enables us to deliver this unique real-time global coverage for maritime vessel tracking through L3Harris' 65 advanced maritime payloads hosted on the Iridium NEXT constellation.

The amended agreement provides exactEarth with a reduced and simplified cost structure. It also opens-up additional growth opportunities for both parties and further strengthens our alliance with L3Harris in delivering advanced high-performance satellite maritime service capabilities to customers around the world.

Another highlight from 2020 which helped to improve our margin profile was the sale of certain non-core assets from our first-generation constellation to Myriota. The transaction reduces our cost base and positions our business model more in-line with that of a pure-play data services business, one with stronger margins and significant recurring revenue; much like a SaaS business.

Myriota, an exactEarth investee company, completed a Series B financing in 2020 and to-date has raised a total of over USD\$37 million. exactEarth invested AUS\$2 million of start-up capital in Myriota in 2015. Our ownership stake is now 13%; we believe the value of our holding has increased in each successive financing, and we also continue to have Board representation.

2020 also saw a number of new contract wins and channel partner agreements that helped to drive our top-line growth.

Early in the year we renewed a two-year agreement with Antrix Corporation, the commercial arm of the Indian Space Research Organization, to provide Satellite-AIS data services to the Indian Navy. Following that, with our partner Hisdesat, we were selected by the European Maritime Safety Agency ("EMSA") to provide Satellite-AIS data services for a four-year period in a contract valued at up to \$7.0 million in total.

Just prior to year-end, we began to provide Satellite-AIS data services to the Government of Canada, an agreement which expands our relationship with the Canadian government. This agreement is separate to our ongoing work for the Department of National Defense, where we are providing AIS data processing services to the Polar Epsilon 2 project, via the prime contractor, MDA. That project moved into its operations phase in 2020, which resulted in an increase in our involvement and related revenue.

Subsequent to year-end we announced a new agreement with MDA to provide advanced Satellite-AIS data services as part of their recently announced Dark Vessel Detection program for the Government of Canada. This program is intended to detect and identify vessels that have switched off their AIS transponders and are engaged in illegal, unreported and unregulated fishing, which is a global problem that results in an estimated economic loss of \$23 billion per year.

On the channel partner front, in 2020 we announced a material expansion for an agreement with one of our existing channel partners. This was a significant achievement for the business, resulting in an increase of annual revenue from this partner of approximately \$2.0 million over a three-plus year period. This agreement saw significant expansion by this channel partner in terms of the sale and utilization of our exactView RT service with their data customers and platform products.

Looking forward into 2021 and beyond, our key focus areas are:

- Continue to drive top-line growth through investment in sales and marketing to expand our sales and customer success teams, and also in managing and expanding our channel partner relationships.
- In addition to channel partners, we are also expanding our network of application and platform partners. In the coming years, we intend to work with both our channel partners and development partners to bring about expanded product offerings for surveillance, commodities, fisheries, fleet management, maritime risk, environmental, and logistics markets value-added application areas.

As of the date of this writing, 2021 is already off to a strong start and we have reported strong first quarter revenue and Adjusted EBITDA results. In addition, in February, our convertible debentures were converted by the holders to equity. The conversion simplifies our capital structure, improves the leverage of the Company and eliminates the interest expense. With a stronger balance sheet today, we are well positioned to continue our momentum, invest in the business and capitalize on our growth opportunities.

While it is uncertain what the near-term impact of COVID-19 will be on the business and broader economy, at this point we expect to generate Subscription Services annual revenue growth of 15-20% in 2021. Revenue growth in 2021 is expected to result in positive Adjusted EBITDA for the year.

In closing, 2020 was a strong year for exactEarth where we took the necessary steps to strengthen our financial foundation and position the business for future revenue growth and margin expansion. On behalf of management and the Board of Directors, we thank you for your continued support and look forward to reporting to you in the year ahead.

Sincerely

/s/ Peter Mabson

Peter Mabson
President, Chief Executive Officer and Director

EXACTEARTH LTD. (the “Company”)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis (“**MD&A**”) is prepared as of December 22, 2020 and provides information that management believes is relevant to an assessment and understanding of the Company's operations and financial condition for the year ended October 31, 2020. This MD&A should be read in conjunction with the Company's consolidated financial statements, including the notes thereto, (the “**Consolidated Financial Statements**”), and our audited consolidated financial statements, including the notes thereto, for the year ended October 31, 2019. 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 October 31, 2020.

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 October and subsequent to the date of the Consolidated Financial Statements. The Company has reviewed the estimates, judgements and assumptions used in the preparation of the 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 will persist in 2021 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.

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 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 28, 2020 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; potential impact of the amendments to the Original L3Harris Agreement; financial impact of the Myriota transaction; impact of the COVID-19 pandemic on customers and the market generally; expected useful lives of satellite assets and ground stations; 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, 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 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.

The 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.

Key Components and Functions of the Company's Product Offering

AIS

Since 2004, all major ships in the world have been required by the International Maritime Organization to carry an AIS transponder which constantly transmits VHF radio signals containing information about the ship (name, destination, cargo) as well as its movement (position, course, heading speed, etc.). Today the Company is capturing AIS data on more than 500,000 vessels. This capability is further enhanced by the Company's patented capability to track small vessels in the open ocean utilizing a new class of specially modified Class B AIS transponders. The Company anticipates that with this added capability, the number of potentially trackable vessels will increase to more than one million.

AIS was originally designed as a collision avoidance system; however, it has been widely recognised for some time that such open broadcast information can be collected and used to track and monitor shipping activity close to shore from terrestrial AIS stations. Terrestrial systems are physically limited by the curvature of the earth and are only effective for approximately 50 nautical miles, or approximately 90 kilometres. The Company led the way in overcoming this limitation by pioneering S-AIS, namely the reception of such AIS signals from low earth orbit ("LEO") satellites, thus eliminating the distance restriction imposed by the terrestrial AIS stations, and for the first time in maritime history, provided a real-time unrestricted global view of all shipping regardless of location, or proximity to a coastline.

Satellites

The Company receives S-AIS spectrum signals and data from two groups of LEO satellites and payloads – designated as the First-Generation Constellation and the Second-Generation Constellation respectively.

The Second-Generation Constellation consists of a total of 65 advanced maritime payloads, 58 operating and 7 in-orbit spares, which are hosted on the Iridium NEXT LEO satellite constellation. These payloads were produced and are operated by L3Harris. The Company's collaboration with L3Harris is further described in the "Strategic Alliances" section below. Due to the unique mesh architecture and orbital deployment of the IridiumNext satellite constellation the system has the capability to continuously cover the entire surface of the earth and to bring detected signals from any point on earth to the ground in near real time which the company believes provides a unique performance

differentiation for its S-AIS service. The SAIS service produced by the Company's Second-Generation Constellation is designated as exactViewRT, powered by L3Harris Technologies Inc, and was fully deployed and brought into service in March 2019.

With respect to its First-Generation constellation, between 2008 and 2017, the Company launched and commissioned six advanced AIS satellites and two hosted payloads, and licensed data from three more satellites. The final satellite, ESAIL, was launched in September 2020 and is currently undergoing in-orbit commissioning prior to being brought into service. These satellites incorporated advanced AIS payloads designed to further improve AIS message detection from space. These twelve satellite assets together formed exactEarth's First Generation exactView constellation and are designated EV0 through EV11.

The first satellite, EV0 was launched in 2008 by exactEarth's previous parent company, COM DEV International Ltd., for the purpose of validating the concept of collecting maritime AIS signals from space. EV-0 is now non-operational. As part of the Company's restructuring effort that commenced in October 2016, the Company cancelled its commitment on two of the licensed satellites, EV3 and EV4, in the first quarter of 2017. In February 2017, the Company lost contact with EV5. When subsequent recovery efforts were not successful, the Company filed an insurance claim which was paid in full in April 2017.

On July 31, 2020, four of the Company's First-Generation satellites were sold to Myriota Canada Inc. ("**Myriota Canada**"). Under the terms of the agreement, Myriota Canada acquired the satellites EV1, EV6, EV9 and EV11, while the Company retains ownership of the EV2 and EV8 hosted AIS satellite payloads from its First-Generation constellation as well as the data license with the Government of Canada related to EV7, the M3M advanced AIS satellite. The Company continues to receive AIS data from the First-Generation satellites that were sold to Myriota in July 2020.

Ground infrastructure and data processing

The Company receives the exactView RT AIS data from the Iridium NEXT network via a dedicated data feed from L3Harris Satellite Operations Control ("**L3HSOC**"). The exactView RT feed from L3HSOC is received at the Company's primary data processing centre ("**DPC**").

The Company receives data from a network of international ground stations deployed for the First-Generation satellite AIS constellation. These ground stations, now owned by Myriota Canada, provide reception of satellite data downlinks, local data storage and transmission to the Company's primary DPC.

Satellite AIS data from the ground infrastructure is forwarded through secure Virtual Private Networks on high capacity links to the primary DPC, with a secondary DPC used for back-up and peak offloading. Both DPCs which are located in Ontario, Canada, process, store and transmit AIS data products to the Company's customers.

Products and services

Through a variety of products and services, the Company provides an advanced location-based information on maritime traffic commercially available today. The Company provides the flexibility needed to customize its products and services to suit the needs of customers on a timely basis. The Company's Products consist of Subscription Services, Data Products, and Other products and services.

Subscription Services encompasses the sale of Data-as-a-Service ("**DaaS**"), Software-as-a-Service ("**SaaS**") and Information-as-a-Service ("**IaaS**"). DaaS includes the provision of continuous data feeds in various formats and delivery systems through secure data connections over the Internet. The Company provides a SaaS solution that allows users to access ship information derived from the Company's AIS data sources within an easy-to-use mapping environment. The Company's value-add Information Services product offerings encompass its IaaS solutions.

Data products include one-time sales of data and customized reports. Revenue from the sale of these products is generally recognized when they are delivered to the customer and is not generally recurring in nature.

Other products and services include special projects with governments and space agencies to research methods and applications related to the satellite AIS business, Class B transponders (described in the "AIS" section above), as well as specific analysis and reporting contracts. These projects are sporadically announced by governments and there are no guarantees that they will be awarded to the Company. Revenue from these projects may span several months with no certainty that there will be similar projects in the future from which the Company will be able to earn revenue.

Customers

The Company's S-AIS data service customers include both government departments (defense; intelligence and security; search and rescue; border patrol and maritime safety; government and space agencies; as well as other ministries and organizations) and commercial and other customers (commercial fishing; business intelligence and risk management; port management; commercial offshore (oil and gas); commercial shipping; hydrographic and charting; as well as other academic and research institutions). The Company's S-AIS data service provides enhanced maritime domain awareness for improved vessel management, scheduling, environmental protection, search and rescue operations, and defence and border securing applications.

Strategic alliances and relationships

L3Harris

In January 2020 the Company, announced that it reached agreement on updated terms to the Original L3Harris Agreement, the amended and restated L3Harris Agreement ("**A&R L3Harris Agreement**"). This amended agreement provides the Company with a reduced and simplified cost structure for exactView RT S-AIS data services going forward. The amended agreement also opens up additional growth opportunities for both parties. The Company accounted for the A&R L3Harris Agreement in the first quarter of fiscal 2020 with catch-up adjustments, resulting in a \$648 net reduction to cost of revenue related to the period from August 1 to October 31, 2019 in the Consolidated Financial Statements under the original L3Harris Agreement. Under the A&R 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 in fiscal 2020 was USD \$11,500.

Please refer to the Company's AIF for details pertaining to the A&R L3Harris Agreement. The A&R L3Harris Agreement is available on the Company's profile at www.SEDAR.com For additional information, refer to note 12 (Commitments and contingencies) in the Consolidated Financial Statements.

Myriota Canada

On July 31, 2020, the Company and Myriota Canada, a wholly-owned subsidiary of Myriota PTY Ltd. ("Myriota") and a related party of the Company under IFRS, completed the previously announced Asset Purchase Agreement, whereby Myriota Canada acquired four satellites from the Company's first-generation constellation and its ground station assets for consideration of \$600, of which \$150 was received in cash through a deposit in the year ended October 31, 2019. The remaining \$450 was used to purchase preferred shares in Myriota through a non-cash transaction. Under the terms of the agreement, Myriota Canada acquired the satellites EV1, EV6, EV9 and EV11, the Company's ground station assets and certain related operating contracts. Four of the Company's full-time personnel have ceased employment with exactEarth and become employees of Myriota Canada. Myriota Canada provides exactEarth with Satellite-AIS data originating from these four satellites as well as the other satellites in the Company's first-generation constellation for their remaining operating lifetimes. The Company retains ownership of the EV2 and EV8 hosted AIS satellite payloads from its first-generation constellation as well as the data license with the Government of Canada related to EV7 the M3M advanced AIS satellite.

On a net basis, this divestiture is expected to generate cash savings of approximately \$1,000 annually. These savings result from the expected reduction of the Company's annual expenses by approximately \$2,450 which includes approximately \$350 of depreciation expense. The agreement will also see the termination of a revenue arrangement between the two companies under which revenue related to Myriota's use of First-Generation satellites for their IoT service accounted for approximately \$1,100 of the Company's revenue in Fiscal 2019. When the preferred shares were purchased, the investment was applied against cumulative losses on our existing equity investment in Myriota and resulted in an expense on the Consolidated Statements of Loss and Comprehensive Loss. The proceeds less costs to sell of the assets, recognized in the third quarter of 2020, was \$440, resulting in a loss on disposal of \$825 on the asset net book value of \$1,265. For additional information, refer to note 5 (Investment) and note 6 (Property, plant & equipment) in the Consolidated Financial Statements.

Myriota Pty Ltd.

In November 2015, the Company announced a \$2,000 Australian dollar ("**AUD**") (CAD\$1,894) minority ownership investment in technology company, Myriota Pty Ltd. of Adelaide, Australia. As part of the Myriota investment, the Company has obtained an exclusive licence to utilise their technology for vessel tracking in the maritime market. The

Company allocated the investment of AUD\$2,000 to the technology licence, classified as an intangible asset. The Myriota technology uses advanced signal processing Intellectual Property (“IP”) developed at the University of South Australia in order to develop advanced terminals, infrastructure, and applications for the fast-growing Satellite Internet of Things (“SIoT”) global market. This core IP has been developed to create a disruptively low-cost solution for the SIoT market which will have the capability of supporting many millions of global users. Myriota is particularly focused on the location tracking and sensor data applications markets. The Company will pay a 3.5% royalty on revenue derived from the technology under licence. It is expected that this intangible will be in use in late calendar 2021 and royalties will begin at that time. Myriota completed an AUD\$20,000 equity raise in April 2018. In April 2020, Myriota announced an AUD\$28,000 USD Series B funding round led by Hostplus and Main Sequence Ventures. With this new round of funding, Myriota has announced plans to continue its exponential growth by scaling its platform globally to connect billions of devices to power energy-efficient technology for customers for years to come. With its Series B raise, Myriota has announced plans to continue to establish its global market leadership through bolstering its constellation of satellites to 25 by 2022, and intends to grow its headcount by 50% in the next two years, expanding internationally to serve demand in key international markets, while it continues to work towards providing real-time connectivity. exactEarth did not participate in this funding round and while our ownership stake is now 13% on a percentage basis, management believes the value of our holding has increased in each of their successive financings, and we also continue to have a seat on Myriota’s Board. For additional information, refer to note 5 (Investment) and note 7 (Intangible assets) in the Consolidated Financial Statements.

IHSMarkit

In June 2018, the Company entered into an alliance agreement with IHSMarkit. IHSMarkit is a large global information and data services corporation with more than 50,000 data customers worldwide and a significant presence in the global maritime information and financial services markets. Under the terms of the alliance agreement the Parties have created an AIS Platinum global real-time vessel tracking and vessel information product that combines the Company’s real time global S-AIS data feed and IHSMarkit’s terrestrial AIS data feed and vessel information. AIS Platinum is a premium offering, which can be marketed and sold by both parties. IHSMarkit has a significant market presence and the Company anticipates that the relationship with IHSMarkit will generate orders growth in future quarters.

Exmle Solutions Ltd. (“MarineTraffic”)

In April 2019, the Company entered into a three-year channel partner agreement with MarineTraffic, which owns the world’s preeminent ship-tracking website. The MarineTraffic website attracts approximately six million unique visitors per month. MarineTraffic also operates 2,000 AIS stations in more than 165 countries around-the-world, delivering the most comprehensive AIS coastal tracking facility available today. Under terms of the channel partner agreement, MarineTraffic will deploy the Company’s exactView RT data into its online maritime services products to help bring real-time, business-critical and actionable vessel information to maritime industry participants.

Funding sources

Convertible debentures

In December 2018, the Company completed an offering of 13,000 convertible debentures at a price of \$1 per convertible debenture for gross proceeds of \$13,000. The net proceeds of \$11,854 from the convertible debenture financing were used to fund the Company’s ongoing working capital needs in support of business operations and for general corporate purposes. The convertible debenture financing represented the culmination of an extensive review of strategic alternatives by a Special Committee of the Board, which provides the Company with a solid financial footing. Each convertible 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

At many times during fiscal year 2020, the Company’s share price has been greater than \$0.50. Should holders convert their debentures into common shares, up to an aggregate of 26 million shares could be issued by the Company. No additional consideration will be paid to the Company by holders of debentures upon conversion and the Company, as a result, will not receive any additional funds upon conversion.

The Company has the right to redeem the outstanding convertible 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. The Company may elect to settle the redemption in common shares (at its discretion) at a per common share amount equal to the volume weighted average price for the preceding 20 trading days prior to the date of the notice of redemption. In circumstances where the Company determines to redeem the debentures and settle the redemption with common shares, it is anticipated that holders would voluntarily convert the debentures at an effective conversion price of \$0.50 rather than accept settlement of the debentures at the current market price resulting in the issue of up to 26 million common shares.

In addition to the redemption discussed in the previous paragraph, the Company also have the option to redeem all or part of the convertible debentures at any time at the redemption price set forth below plus accrued and unpaid interest:

Calendar Year	Percentage
2020	107.5%
2021	105.0%
2022	102.5%
2023	100.0%

For additional information, refer to note 9 (Loans payable, financial instruments and foreign exchange) in the 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 \$1,647 in the year ended October 31, 2020 (year ended October 31, 2019 – \$1,222). The total funding received to date is \$4,294. The Company has a receivable of \$752 for claimed and unclaimed funding related to expenses incurred and paid prior to October 31, 2020 in the Consolidated Statements of Financial Position (October 31, 2019 – \$881). 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 \$1,442 at October 31, 2020 (October 31, 2019 – \$878). 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 \$705 and a reduction in amortization expense of \$46 during the year ended October 31, 2020, compared to an operating grant of \$1,363 and reduction in amortization expense of \$27 in the year ended October 31, 2019. For additional information, refer to note 4 (Government assistance) and note 9 (Loans payable, financial instruments and foreign exchange) in the 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 October 31, 2020 was 32 (October 31, 2019 – 36).

The Company has several planned hires for 2021 which focus on sales, marketing and data science.

Overall performance

Revenue was \$19,135 for the year ended October 31, 2020, compared to \$15,197 for the year ended October 31, 2019. The Company's major application market segments are government and commercial. Government customers contributed \$3,916 to revenue for the year ended October 31, 2020, compared to \$3,706 for the year ended October

31, 2019. Commercial revenue for the year ended October 31, 2020 was \$15,219 compared to \$11,491 for the year ended October 31, 2019.

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 October 31, 2020 is \$28,781, compared to \$22,354 of Order Bookings backlog reported at October 31, 2019. Revenue of \$15,706 from the current Order Bookings backlog is forecasted to be earned in 2021. The balance of \$13,075 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 October 31, 2020 were: GBP \$1.7228, EUR \$1.5509, USD \$1.3316, while the foreign exchange rates at October 31, 2019 were: GBP \$1.7043, EUR \$1.4706, USD \$1.3169. The fluctuation in exchange rates in the year ended October 31, 2020 resulted in an increase of \$1,540 in backlog (October 31, 2019 – increase of \$609).

The following chart summarizes Order Bookings:

	Years ended October 31	
	2020	2019
Opening Order Bookings backlog	\$ 22,354	\$ 31,482
New Order Bookings	24,481	13,495
Existing Order Bookings adjustments	(459)	(8,035)
Foreign exchange adjustment on opening Order Bookings backlog	1,540	609
Revenue	(19,135)	(15,197)
Closing Order Bookings backlog	\$ 28,781	\$ 22,354

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 Consolidated Statements of Financial Position in the form of cash, receivables, and payables. The average GBP/CAD exchange rate during the year ended October 31, 2020 was \$1.7181, compared to an average of \$1.6978 in 2019. The average EUR/CAD exchange rate during the year ended October 31, 2020 was \$1.5136, compared to an average of \$1.4963 in 2019. The average USD/CAD exchange rate during the year ended October 31, 2020 was \$1.3450, compared to an average of \$1.3303 in 2019. Foreign exchange gain for the year ended October 31, 2020 was \$173 compared to a loss of \$49 for the year ended October 31, 2019.

Adjusted EBITDA for the year ended October 31, 2020 was a gain of \$382 compared to a loss of \$6,060 for the year ended October 31, 2019. 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.

Selected Annual Information

(in thousands of dollars except per share amounts)		2020	2019	2018
Revenue	\$	19,135	\$ 15,197	\$ 12,955
Gross profit		8,233	2,178	4,385
Gross margin		43.0%	14.3%	33.8%
Loss on disposal and impairment		883	-	10,885
Adjusted EBITDA ⁽¹⁾		382	(6,060)	(3,210)
Adjusted EBITDA Margin ⁽¹⁾		2.0%	(39.9%)	(24.8%)
Loss from operations		(2,970)	(7,130)	(15,935)
Net loss		(5,111)	(8,483)	(16,223)
Basic and diluted loss per share		(0.23)	(0.39)	(0.75)
Total assets		20,240	21,420	15,624
Deferred revenue		2,548	2,501	2,412
Other current liabilities		6,402	5,042	5,250
Long-term loans and borrowings		11,131	10,089	498
Other non-current liabilities		2,784	1,669	257

⁽¹⁾ As defined in non-IFRS measures.

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 year ended October 31, 2020:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	\$ 3,043	\$ 87	\$ 786	\$ 3,916
Commercial and other	13,897	872	450	15,219
Total revenue	\$ 16,940	\$ 959	\$ 1,236	\$ 19,135

Revenues for the year ended October 31, 2019:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	\$ 2,997	\$ 27	\$ 682	\$ 3,706
Commercial and other	10,225	1,099	167	11,491
Total revenue	\$ 13,222	\$ 1,126	\$ 849	\$ 15,197

The Company's total revenue for the year ended October 31, 2020 was \$19,135 compared to \$15,197 for the year ended October 31, 2019. 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 year ended October 31, 2020, was \$16,940 compared to \$13,222 for the year ended October 31, 2019. Subscription Services revenue represented 89% of the Company's total revenue for the year ended October 31, 2020 compared

to 87% for the year ended October 31, 2019. The \$3,718 increase in Subscription Services revenue was primarily due to the addition of new subscription customers.

Revenue from Data Products was \$959 for the year ended October 31, 2020, compared to \$1,126 for the year ended October 31, 2019. This type of revenue is generated from on-demand customer requests and is therefore variable in its timing.

Revenue from Other Products & Services was \$1,236 for the year ended October 31, 2020 compared to \$849 for the year ended October 31, 2019. 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 \$159 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
Q1 2019	\$ 3,118	\$ 99	\$ 305	\$ 3,522
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

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

	Years ended October 31	
	2020	2019
Gross profit	\$ 8,233	\$ 2,178
Gross margin	43.0%	14.3%

Gross margin for the year ended October 31, 2020 was 43.0% compared to 14.3% for the year ended October 31, 2019. Gross margin increased in the year ended October 31, 2020 due to increased revenue and decreased cost of revenue. Cost of revenue decreased in the year ended October 31, 2020 due to lower satellite operating costs, \$648 of net adjustments related to the A&R L3Harris Agreement recorded in the three months ended January 31, 2020, and \$684 of SIF operating grant recognized against cost of revenue (October 31, 2019 – \$1,363), partially offset by

increased data processing costs and short-term incentive. 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 year ended October 31, 2020 were \$8,578 compared to \$7,709 for the year ended October 31, 2019.

	Years ended October 31		
	2020	2019	Change
Selling expenses	\$ 3,277	\$ 2,499	\$ 778
General and administrative expenses	4,946	4,995	(49)
Bad debt	355	215	140
Total SG&A expenses	\$ 8,578	\$ 7,709	\$ 869

The \$869 increase in the year ended October 31, 2020 was primarily due to increases in payroll, commission, short- and long-term incentive expenses and bad debt, partially offset by decreases in legal fees and travel expense.

Product development and R&D expenses

Product development and R&D expenses for the year ended October 31, 2020 were \$895 compared to \$840 for the year ended October 31, 2019. The Company continues to focus on developing more web-based functionality as well as new analytics-based product offerings.

Loss on disposal and impairment

On July 31, 2020, exactEarth sold four satellites from its first-generation constellation resulting in a loss on disposal of \$825. One intangible asset was assessed as impaired due to obsolescence, and the Company wrote off the book value of \$58.

Other and income tax expenses

	Years ended October 31		
	2020	2019	Change
Foreign exchange (gain) loss	\$ (173)	\$ 49	\$ (222)
Share of equity investment loss	450	-	450
Interest income	(82)	(224)	142
Interest expense	1,798	1,407	391
Income tax expense	148	121	27
Total other and income tax expenses	\$ 2,141	\$ 1,353	\$ 788

Foreign exchange (gain) loss

Foreign exchange amounts in the 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 Consolidated Statements of Financial Position. The impact of translation of outstanding foreign denominated balances in the Consolidated Statements of Financial Position and of settling foreign denominated balances into cash during the year ended October 31, 2020 was a gain of \$173 compared to a loss of \$49 during the year ended October 31, 2019.

Share of equity investment loss

A portion of the proceeds from the Myriota sale of assets was used to purchase Class A shares in Myriota PTY Ltd. ("Myriota") on July 31, 2020 through a \$450 non-cash transaction. Myriota has a history of financial losses, which were not recognized under the equity method as they represented more than the investment's value, and the Company does not have a legal or constructive obligation to make payments on behalf of Myriota. Therefore, the Company's share of losses from prior years has been recorded against the increase in investment as share of equity investment loss in the Consolidated Statements of Loss and Comprehensive Loss. For additional information, refer to note 5 (Investment) in the Consolidated Financial Statements.

Interest income

The Company's interest income for the year ended October 31, 2020 was \$82 compared to \$224 for the year ended October 31, 2019. Interest income decreased due to lower cash balances and a decline in interest rates.

Interest expense

The Company's interest expense for the year ended October 31, 2020 was \$1,798 compared to \$1,407 for the year ended October 31, 2019. Interest expense has increased due to the increase in SIF funding and the convertible debenture financing, the majority of which is long term. For additional information, refer to note 4 (Government assistance) and note 9 (Loans payable, financial instruments and foreign exchange) in the Consolidated Financial Statements.

Income tax expense

The Company's income tax expense for the year ended October 31, 2020 was \$148 compared to \$121 for the year ended October 31, 2019. Income tax expense relates to withholding tax that is not expected to be recoverable.

Adjusted EBITDA

	Years ended October 31	
	2020	2019
Net loss	\$ (5,111)	\$ (8,483)
Interest income	(82)	(224)
Interest expense	1,798	1,407
Income tax expense	148	121
Depreciation and amortization	847	759
Unrealized foreign exchange gain	(306)	(59)
Share-based compensation	1,417	419
COVID-19 ECL	338	-
Loss on disposal and impairment	883	-
Share of equity investment loss	450	-
Adjusted EBITDA	\$ 382	\$ (6,060)

Adjusted EBITDA for the year ended October 31, 2020, was a gain of \$382 compared to a loss of \$6,060 for the year ended October 31, 2019. The increase in Adjusted EBITDA for the year ended October 31, 2020 was driven primarily by higher revenue and lower cost of revenue, partially offset by higher SG&A expense. 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 \$5,111 or \$0.23 per basic and diluted share, for the year ended October 31, 2020, compared to net loss of \$8,483 or \$0.39 per basic and diluted share, for the year ended October 31, 2019. The net loss decreased primarily due to an increase in revenue and decreases in cost of revenue and foreign exchange gains versus losses in prior year, partially offset by loss on disposal and impairment, share of equity investment loss and higher interest expense.

Net loss by quarter

	Net loss		Loss per share	
Q1 2019	\$	(1,235)	\$	(0.06)
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)

Fourth Quarter Review

Revenues for the three months ended October 31, 2020:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	\$ 790	\$ 31	\$ 357	\$ 1,178
Commercial and other	3,952	462	214	4,628
Total revenue	\$ 4,742	\$ 493	\$ 571	\$ 5,806

Revenues for the three months ended October 31, 2019:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	\$ 775	\$ -	\$ 1	\$ 776
Commercial and other	2,682	239	61	2,982
Total revenue	\$ 3,457	\$ 239	\$ 62	\$ 3,758

Revenue for Q4 2020 was \$5,806 with a cost of revenue of \$2,854 resulting in a gross profit of \$2,952. The corresponding results for Q4 2019 was \$3,758 with a cost of revenue of \$3,767 resulting in a negative gross profit of \$9. Gross margin for Q4 2020 was 50.8% compared to negative 0.2% for Q4 2019. Gross margin increased for Q4 2020 compared to Q4 2019 due to an increase in revenue and a decrease in cost of revenue. Cost of revenue decreased primarily due to lower satellite operating costs, partially offset by increased terrestrial data costs, increased short-term incentive and \$227 of SIF funding recognized against cost of revenue in Q4 2019 compared to \$107 of SIF funding recognized in Q4 2020.

Adjusted EBITDA

	Three months ended October 31	
	2020	2019
Net loss	\$ (679)	\$ (2,216)
Interest income	(15)	(70)
Interest expense	477	417
Income tax expense	29	5
Depreciation and amortization	178	194
Unrealized foreign exchange (gain) loss	134	(202)
Share-based compensation	541	20
COVID-19 allowance for doubtful accounts	88	-
Loss on disposal and impairment	58	-
Adjusted EBITDA	\$ 811	\$ (1,852)

Adjusted EBITDA for the three months ended October 31, 2020, was a gain of \$811 compared to a loss of \$1,852 for the three months ended October 31, 2019. The increase year over year was driven by increased revenue and decreased cost of revenue, partially offset by increased SG&A and product development and R&D expenses. The increased revenue was the result of significant non-subscription revenue in the quarter of \$1,064 compared to \$301 in the fourth quarter of 2019. 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.

The net loss for Q4 2020 was \$679 while Q4 2019 reported a net loss of \$2,216. The net loss in the quarter was reduced primarily due to higher revenue and lower cost of revenue, partially offset by higher SG&A and product development and R&D expenses and a foreign exchange loss in Q4 2020 compared to a gain in Q4 2019.

Financial position

The following chart outlines the changes in the Consolidated Statements of Financial Position between October 31, 2019 and October 31, 2020:

	Increase / (Decrease)	Explanation
Cash	\$ (2,765)	The decrease in cash is due to ongoing operational and financing expenses and pre-launch payments related to the EV10 (ESAIL) satellite, partially offset by collections and proceeds from the SIF funding.
Accounts receivable	\$ 142	The accounts receivable balance fluctuates with changes in billings and collections.
Unbilled revenue	\$ 547	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	\$ (56)	The decrease primarily relates to expenses recognized, partially offset by annual renewals of support contracts.
Other assets (current and non-current)	\$ 350	The increase relates to capitalized sales commission under IFRS 15, partially offset by commission expensed in the period.
Property, plant and equipment	\$ 874	The increase in property, plant and equipment is due to additions of \$3,133, capitalization of a right-of-use asset of \$369 and a translation adjustment of \$3, offset by assets sold with a net book value of \$1,265, SIF funding of \$382, reimbursement from LuxSpace for services related to EV10 of \$331 and depreciation of \$653.

	Increase / (Decrease)	Explanation
Intangible assets	\$ (252)	The decrease in intangible assets is due to impairment of \$58 and amortization of \$194.
Accounts payable and accrued liabilities (current and non-current)	\$ 1,756	The balance fluctuates based on timing of goods and services received and payments, and includes, convertible debenture interest payable, lease payable and contract liabilities.
Deferred revenue	\$ 47	Deferred revenue reflects billings that occur in advance of revenue recognition.
Loans payable (current and non-current)	\$ 840	The increase is due to accretion of the convertible debenture financing and additions to the SIF loan, partially offset by principal payments made on the FED DEV loan.
Long-term incentive plan liability	\$ 921	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.
Share capital	\$ 100	The increase is due to issuance of shares under the Employee Share Purchase Plan and the Restricted Share Unit Plan.
Contributed surplus	\$ 309	The increase is related to the expense recognized on RSUs and stock options during the year ended October 31, 2020, partially offset by the settlement of RSUs in the three months ended October 31, 2020. Stock options and RSUs will be equity settled.
Accumulated other comprehensive loss	\$ (42)	The decrease is due to the foreign exchange translation of the Company's subsidiary.
Deficit	\$ (5,111)	The decrease represents net loss of \$5,111.

Liquidity and capital resources

The key liquidity and capital resource items are as follows:

	October 31, 2020	October 31, 2019	% Change
Cash	\$ 7,423	\$ 10,188	(27%)
Short-term investments	\$ 29	\$ 49	(41%)
Accounts receivable	\$ 3,215	\$ 3,073	5%
Prepaid expenses	\$ 392	\$ 448	(13%)
Other assets – current	\$ 359	209	72%
Accounts payable and accrued liabilities	\$ 6,402	\$ 4,840	32%
Loans payable – current	\$ -	\$ 202	(100%)

Working capital

Working capital decreased \$3,409 between October 31, 2019 and October 31, 2020 to \$4,166. The decrease since October 31, 2019 is driven by the following:

	Increase / (Decrease) to working capital
Decrease in cash	\$ (2,765)
Increase in accounts receivable	142
Increase in unbilled revenue	547
Decrease in prepaid expenses	(56)
Increase in other assets	130
Increase in accounts payable and accrued liabilities	(1,562)
Increase in deferred revenue	(47)
All other	202
Total	\$ (3,409)

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:

	Years ended October 31	
	2020	2019
Cash from used in operating activities	\$ (2,152)	\$ (6,305)
Cash used in investing activities	(2,024)	(853)
Cash from financing activities	1,295	12,624
Effect of exchange rate changes on cash	116	(52)
Net (decrease) increase in cash	\$ (2,765)	\$ 5,414
Cash, beginning of the period	10,188	4,774
Cash, end of the period	\$ 7,423	\$ 10,188

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 at a price of \$1 per Convertible Debenture for gross proceeds of \$13,000, and net proceeds after financing costs of \$11,854 to fund short-term operating costs. As a result of this funding 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 4 (Government assistance) and note 9 (Loans payable, financial instruments and foreign exchange) in the 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 year ended October 31, 2020 were \$2,152 used in operating activities, compared to \$6,305 used in operating activities for the year ended October 31, 2019. The change in cash flows used in operations in the year ended October 31, 2020 was primarily due to working capital changes and payment of outstanding invoices related to the A&R L3Harris agreement.

Investing activities

Cash flows used in investing activities for the year ended October 31, 2020 were \$2,024 compared to cash flows used in investing activities of \$853 for the year ended October 31, 2019. Investing activity cash flows for the year ended October 31, 2020 include the acquisition of long-lived assets and net change in non-cash working capital related to the investment in an associate. In the year ended October 31, 2019, the cash flows used in the acquisition of long-lived assets were offset by reimbursement from LuxSpace related to EV-10.

Financing activities

Cash flows from financing activities in the year ended October 31, 2020 were \$1,295, compared to \$12,624 for the year ended October 31, 2019. Financing activity cash flows in the year ended October 31, 2020 were related to the SIF loan advances, offset by repayment of the government loan and lease obligations. Financing activity cash flows in the three months ended October 31, 2019 were related to the repayment of the government loan. Financing activity cash flows in the year ended October 31, 2019 were related to the convertible debenture and government loan advances, offset by issue costs and repayment of the government loan.

Contractual obligations

The following table outlines the contractual cash obligations (excluding accounts payable and accrued liabilities) as at October 31, 2020:

	Total	Less than one year	2-3 years	4-5 years	>5 years
Debenture payable	\$ 17,875	\$ 455	\$ 1,040	\$ 16,380	\$ -
SIF loan payable	5,046	-	-	572	4,474
Lease obligations	213	160	53	-	-
L3Harris commitment	61,757	5,726	11,452	11,452	33,127
Hidesat commitment	1,940	240	480	480	740
Total contractual obligations	\$ 86,831	\$ 6,581	\$ 13,025	\$ 28,884	\$ 38,341

As at October 31, 2020, the Company had various contractual cash obligations, including loans payable, capital commitments and commitments and obligations under the L3Harris Agreement. For additional information, refer to note 4 (Government assistance), note 9 (Loans payable, financial instruments and foreign exchange) and note 12 (Commitments and contingencies) in the Consolidated Financial Statements.

Related parties

The following table details transactions and balances between the Company and Hidesat and Ewing Morris Investment Partners Ltd., share and convertible debenture holders that have significant influence. The revenue and cost of revenue transactions are recorded at the amounts agreed upon between the parties. The debenture interest

is recorded based on contractual and imputed interest expense. The directors' expenses are related to DSUs and recorded at fair value.

For the year ended October 31:	2020	2019
Revenue from related parties	\$ 2,211	\$ 1,496
Cost of revenue	419	504
Debenture interest	596	472
Directors' expenses	515	111

Credit facilities

The Company holds one Guaranteed Investment Certificates totalling \$29 from CIBC as collateral for a customer contract.

Off-balance sheet arrangements

As at October 31, 2020, the Company does not have any off-balance sheet arrangements.

Proposed transactions

The Company did not have any proposed transactions as at October 31, 2020.

FINANCIAL INSTRUMENTS

We are exposed, through our operations, to foreign currency risk, credit risk, liquidity risk, interest rate risk and fair value risk. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Foreign Currency Risk

Foreign currency risk is the risk that a variation in exchange rates between the CAD and USD or other foreign currencies will affect our operations and financial results.

The majority of our revenue is transacted in USD, and portions of the revenue are denominated in GBP and EUR. Purchases, consisting primarily of the majority of salaries, certain operating costs, and manufacturing overhead, are incurred primarily in CAD. Our foreign operations are conducted through our Subsidiary. The assets and liabilities of the foreign operations are translated into CAD using the exchange rates in effect at the dates of the consolidated statements of financial position. Foreign currency risks arising from translation of assets and liabilities of foreign operations into our functional currency are generally not hedged. Fluctuations in foreign exchange rates could result in unanticipated fluctuations in our operating results. We have transactions that are denominated in GBP, EUR and USD but do not have exposure to any highly inflationary foreign currencies.

Based on our net exposure on our outstanding foreign currency denominated monetary assets and liabilities at October 31, 2020, a 10% weakening in the CAD in relation to the GBP would have decreased the Company's net loss in the year ended October 31, 2020 by approximately \$29. Based on our net exposure at October 31, 2020, a 10% weakening in the CAD in relation to the EUR would have decreased the Company's net loss for the year ended October 31, 2020 by approximately \$65. A 10% weakening in the CAD in relation to the USD would have decreased the Company's net loss for the year ended October 31, 2020 by approximately \$374. A 10% strengthening in the CAD in relation to these currencies would have had the opposite effect.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that are potentially subject to credit risk consist primarily of cash and trade and other receivables.

We attempt to mitigate our credit risk by dealing only with large financial institutions with good credit ratings. All of the financial institutions that we transact with meet these qualifications; however, there can be no guarantee as to the solvency or reliability of such counterparties. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand.

Credit risk also arises from the inability of customers to discharge their obligation to us. If one or more customers were to delay, reduce or cancel Order Bookings, our overall Order Bookings may fluctuate and could adversely affect our operations and financial conditions. In the normal course of business, we monitor the financial condition of our customers and review the credit history of each new customer.

The Company has policies to limit the amount of risk with each individual customer, and exposure to bad debts is managed as part of the Company's normal activities. Each customer's credit rating is assessed considering its financial position, past experience and other factors. Credit limits are regularly monitored, and the Company has formal procedures for detecting objective evidence of impairment of trade receivables. The carrying amount of trade accounts receivable and unbilled revenue is reduced using a lifetime ECL allowance. The ECL was calculated based on historical default patterns for grouped aged receivables. At October 31, 2020, an ECL of \$83 (October 31, 2019 – \$64) was recognized in the Consolidated Statements of Financial Position related to accounts receivable. The Company has recognized additional ECL of \$300 related to unbilled revenue from a distributor in China that has been impacted by COVID-19. The maximum exposure relating to trade and other receivables at October 31, 2020 was \$3,215 (October 31, 2019 – \$3,073).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. We monitor our risk to a shortage of funds using a rolling twelve-month cash flow forecast. This forecast considers the maturity of our financial assets (e.g., accounts receivable, other financial assets), liabilities (e.g., payables, loans), and projected cash flows from operations. Our policy is to ensure adequate funding is available from operations, established lending facilities and other sources as required. An inability to properly manage our liquidity risk could have a material adverse effect on our results of operations, business prospects and financial condition.

To date, the Company has a history of operating losses (year ended October 31, 2020 – \$5,111, year ended October 31, 2019 – \$8,483, year ended October 31, 2018 – \$16,223) and generating insufficient cash flows from operations to fund its activities (year ended October 31, 2020 – outflows of \$2,152, year ended October 31, 2019 – outflows of \$6,305, year ended October 31, 2018 – outflows of \$3,038).

Interest Rate Risk

Our risk exposure to market interest rates relates primarily to new financing that we may undertake. Our policy will be to review our borrowing requirements on a continual basis and to enter into fixed or variable interest rate borrowing arrangements as required.

Fair Value Risk

Fair values have been determined for measurement and/or disclosure purposes. When applicable, further information about the assumptions made in determining fair values is disclosed in the Financial Statement notes specific to that asset or liability.

Summary of Significant Accounting Policies

Critical accounting estimates

The preparation of the Company's 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 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 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. Judgement 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 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.

Changes in Accounting Policies Including Initial Adoption

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. There were no other changes to accounting policies during the year ended October 31, 2020 compared to the accounting policies applied in the audited Consolidated Financial Statements for the year ended October 31, 2019.

Changes to accounting policies

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, *Leases* 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 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, reported in depreciation and amortization, and interest on the lease liability, reported in interest expense, in the 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 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; and
- Applied the recognition exemptions for low-value leases and leases that end within twelve months at the date of application; and
- Included non-lease component for property management and operating fees in the lease payments.

IFRIC 23, Uncertainty over Income Tax Treatments

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 October 31, 2020 Consolidated Financial Statements.

For additional information, refer to note 3 (Changes to accounting policies) in the Consolidated Financial Statements.

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.

Changes in internal controls over financial reporting

The Company made no changes to internal controls over financial reporting during the quarter ended October 31, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTSTANDING SHARE DATA

The number of issued and outstanding common shares was 22,048,640 as of the date of this MD&A. The Company has an aggregate of \$13,000 principal amount of debentures convertible into up to an additional 26,000,000 common shares, and a further 2,996,277 share units that are antidilutive at October 31, 2020.

Consolidated financial statements

exactEarth™ Ltd.

October 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
exactEarth™ Ltd.

Opinion

We have audited the consolidated financial statements of **exactEarth™ Ltd.** and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at October 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis.
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to use after the date of this auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ashraf Zineldin.

The logo for Ernst & Young LLP is written in a black, cursive script font.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
December 22, 2020

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

	As at October 31, 2020	As at October 31, 2019
	<u>\$</u>	<u>\$</u>
ASSETS		
Current assets		
Cash and cash equivalents	7,423	10,188
Short-term investments (note 9)	29	49
Accounts receivable (notes 4 and 9)	3,215	3,073
Unbilled revenue (note 16)	1,698	1,151
Prepaid expenses	392	448
Other current assets (note 16)	359	209
Total current assets	<u>13,116</u>	<u>15,118</u>
Property, plant and equipment (notes 3, 6, 8, and 17)	5,272	4,398
Intangible assets (notes 7 and 17)	1,286	1,538
Other long-term assets (note 17)	566	366
Total assets	<u><u>20,240</u></u>	<u><u>21,420</u></u>
LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (notes 3, 8, 9, 15 and 16)	6,402	4,840
Deferred revenue (note 16)	2,548	2,501
Loans payable - current (notes 9 and 15)	-	202
Total current liabilities	<u>8,950</u>	<u>7,543</u>
Loans payable (notes 4, 9 and 15)	11,131	10,089
Long-term incentive plan liability (notes 9 and 11)	1,124	203
Other long-term liabilities (notes 3, 8, 9, 15 and 16)	1,660	1,466
Total liabilities	<u>22,865</u>	<u>19,301</u>
Shareholders' equity (deficiency)		
Share capital (note 11)	123,923	123,823
Contributed surplus (note 11)	4,956	4,647
Accumulated other comprehensive loss	(155)	(113)
Deficit	(131,349)	(126,238)
Total shareholders' equity (deficiency)	<u>(2,625)</u>	<u>2,119</u>
Total liabilities and shareholders' equity	<u><u>20,240</u></u>	<u><u>21,420</u></u>

See accompanying notes

On behalf of the Board:

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

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

	Total	Deficit	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus
For the year ended October 31, 2020	\$	\$	\$	\$	\$
Balance at October 31, 2019	2,119	(126,238)	(113)	123,823	4,647
Stock-based compensation expense (note 11)	167	-	-	-	167
Restricted share unit expense (note 11)	242	-	-	-	242
Issuance of common shares (note 11)	-	-	-	100	(100)
Comprehensive loss	(5,153)	(5,111)	(42)	-	-
Balance at October 31, 2020	<u>(2,625)</u>	<u>(131,349)</u>	<u>(155)</u>	<u>123,923</u>	<u>4,956</u>
For the year ended October 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 (note 11)	96	-	-	-	96
Restricted share unit expense (note 11)	212	-	-	-	212
Convertible debenture (note 9)	2,917	-	-	-	2,917
Issuance of common shares (note 11)	-	-	-	29	(29)
Comprehensive loss	(8,585)	(8,483)	(102)	-	-
Balance at October 31, 2019	<u>2,119</u>	<u>(126,238)</u>	<u>(113)</u>	<u>123,823</u>	<u>4,647</u>

See accompanying notes

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

		Year ended	
		October 31, 2020	October 31, 2019
		<u>\$</u>	<u>\$</u>
Revenue	(notes 16 and 17)	19,135	15,197
Cost of revenue	(notes 4 and 14)	<u>10,902</u>	<u>13,019</u>
Gross profit		8,233	2,178
Selling, general and administrative	(notes 8, 9 and 14)	8,578	7,709
Product development and research and development	(note 14)	895	840
Depreciation and amortization	(notes 3, 6, 7 and 8)	847	759
Loss on disposal and impairment	(notes 6 and 7)	<u>883</u>	<u>-</u>
Loss from operations		<u>(2,970)</u>	<u>(7,130)</u>
Other expenses			
Foreign exchange (gain) loss		(173)	49
Share of equity investment loss	(note 5)	450	-
Interest income		(82)	(224)
Interest expense	(notes 3, 4, 8 and 9)	<u>1,798</u>	<u>1,407</u>
Total other expenses		1,993	1,232
Income tax expense	(note 13)	<u>148</u>	<u>121</u>
Net loss		<u>(5,111)</u>	<u>(8,483)</u>
Other comprehensive loss			
Item that may be subsequently reclassified to net loss:			
Foreign currency translation, net of income tax expense of nil		<u>(42)</u>	<u>(102)</u>
Total other comprehensive loss		<u>(42)</u>	<u>(102)</u>
Comprehensive loss		<u>(5,153)</u>	<u>(8,585)</u>
Loss per share			
Basic and diluted loss per share	(note 11)	(0.23)	(0.39)

See accompanying notes

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

	Year ended	
	October 31, 2020	October 31, 2019
	\$	\$
Operating activities		
Net loss	(5,111)	(8,483)
Add (deduct) items not involving cash		
Non-cash interest	(notes 4 and 9) 565	354
Depreciation and amortization	(notes 3, 6, 7 and 8) 847	759
Loss on disposal and impairment	(notes 6 and 7) 883	-
Share of equity investment loss	(note 5) 450	-
Operating grant recognized on SIF loan	(note 4) (705)	(1,363)
Long-term incentive plan expense	(note 11) 1,250	323
Stock-based compensation	(note 11) 167	96
Net change in non-cash balances	(498)	2,046
Other operating cash flows		
Technology demonstration program funding received	(note 4) -	26
Settlement of share units	(note 11) -	(63)
Cash flows used in operating activities	(2,152)	(6,305)
Investing activities		
Acquisition of property, plant and equipment	(note 6) (1,905)	(1,190)
Reimbursement of acquisition costs of property, plant and equipment	(note 6) 331	347
Net change in non-cash working capital related to investing activities	(note 5) (450)	-
Acquisition of intangible assets	(note 7) -	(10)
Cash flows used in investing activities	(2,024)	(853)
Financing activities		
Government loan repayment	(notes 4 and 9) (205)	(452)
Government loan advance	(notes 4 and 9) 1,647	1,222
Payment of principal portion of lease obligations	(note 8) (147)	-
Convertible debenture advance	(note 9) -	13,000
Convertible debenture issue costs	(note 9) -	(1,146)
Cash flows from financing activities	1,295	12,624
Effect of exchange rate changes on cash	116	(52)
Net (decrease) increase in cash	(2,765)	5,414
Cash, beginning of the year	10,188	4,774
Cash, end of the year	7,423	10,188
Supplemental cash flow information		
Interest paid	403	195
Interest received	33	185
Income taxes paid	148	121

See accompanying notes

exactEarth™ Ltd.

Notes to the Consolidated Financial Statements

October 31, 2020

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

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 Consolidated Financial Statements present the Company’s results of operations and financial position as at and for the year ended October 31, 2020, including the comparative period, under International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board.

These Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on December 22, 2020.

b) Basis of presentation

These 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 Consolidated Financial Statements are presented in Canadian dollars (“**CAD**”), which is the Company’s functional currency, and have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

The Company has experienced 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.

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 October and subsequent to the date of the Consolidated Financial Statements. The Company has reviewed the estimates, judgements and assumptions used in

exactEarth™ Ltd.

Notes to the Consolidated Financial Statements

October 31, 2020

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

the preparation of the 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 beyond year-end. 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.

c) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and short-term investments that mature within 90 days from the date of acquisition. Short-term investments are carried at their fair values.

d) Short-term investments

Short-term investments consist of investments that mature greater than 90 days from the date of acquisition. Short-term investments are carried at their fair values.

e) Property, plant and equipment

Property, plant and equipment ("PP&E") are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the PP&E and borrowing costs for eligible long-term construction projects. When significant parts of an item of PP&E are required to be replaced at intervals, the Company derecognizes the replaced part and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the PP&E as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the Consolidated Statements of Loss and Comprehensive Loss as incurred.

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Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Lease asset and leasehold improvements	Lease term
Satellites	Ten years
Electrical equipment	Ten years
Computer hardware	Three to five years
Furniture and fixtures	Three to five years

An item of PP&E and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from their use or eventual disposition. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statements of Loss and Comprehensive Loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

f) Intangible assets

Finite-life intangible assets are valued at cost less accumulated amortization and accumulated impairment losses, if any, and which is provided at rates sufficient to write off the costs over the estimated useful lives of the assets, using the straight-line method as follows:

Computer software not integral to the hardware on which it operates	Three to ten years
Internally developed technology	Seven to eighteen years
Data rights	Ten years
Technology licences	Seven years

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least as at the end of each reporting period. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated prospectively as a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the Consolidated Statements of Loss and Comprehensive Loss in depreciation and amortization expense.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Consolidated Statements of Loss and Comprehensive Loss when the asset is derecognized.

Costs that are directly attributable to the development and testing of identifiable and unique internally developed technology controlled by the Company are recognized as intangible assets when the criteria specified in International Accounting Standards ("IAS") 38, *Intangible Assets* ("IAS 38") are met. Capitalized costs include employee costs for staff directly involved in technology development and other expenditures directly related to the project.

Research and development expenditures

Research costs are expensed as incurred. Development expenditures on an individual project, are recognized as an intangible asset only when they have met the conditions of IAS 38. Investment tax credits ("ITCs") reduce research and development expense and/or intangible assets in the same period in which the related expenditures are charged to income or capitalized provided there is reasonable assurance the benefit will be realized. Otherwise, the incentives are recorded when the benefit is expected to be realized.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Research and development costs that are funded by the Company are presented separately on the Consolidated Statements of Loss and Comprehensive Loss. Government grants, ITCs, and other funding for research activity are presented as a reduction of the related expense or intangible asset.

g) Impairment of long-lived assets

The Company assesses as at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell ("FVLCs") and its value in use ("VIU"), and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case the assessment is made at the cash-generating unit ("CGU") level. A CGU is the smallest identifiable group of assets that generate cash flows that are largely independent of cash inflows from other assets or groups of assets. The Company is currently assessed as a single CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Given the Company is a single CGU, the market capitalization of the Company is a relevant measure of FVLCs.

h) 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

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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 interest expense in the consolidated statement of loss and comprehensive loss over the lease period. Payments associated 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, Leases ("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 lessee to not separate non-lease components, but instead account for any lease and associated non-lease components as a single arrangement. The Company applied this practical expedient.

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.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

j) Income taxes

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable

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income. Current income taxes related to items recognized directly in equity are recognized in equity and not in the Consolidated Statements of Loss and Comprehensive Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income taxes

Deferred taxes are provided using the liability method on temporary differences as at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred taxes are recognized for all taxable temporary differences, except in specific circumstances outlined in IAS 12, *Income Taxes* ("**IAS 12**").

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except in specific circumstances outlined in IAS 12.

The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that all or part of the deferred tax asset will be utilized.

Unrecognized deferred tax assets are reassessed as at each reporting date and are recognized to the extent that it has become probable the benefit will be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances existing at the acquisition date changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Revenue, expenses and assets are recognized net of the amount of sales tax, except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. Trade accounts receivable or accounts payable and accrued liabilities are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of trade accounts receivable or accounts payable and accrued liabilities in the Consolidated Statements of Financial Position.

Uncertainty Over Income Tax Treatments

IFRIC 23, *Uncertainty Over Income Tax Treatments* ("IFRIC 23") clarifies the application of the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments that have yet to be accepted by tax authorities. The application of IFRIC 23 had no impact on the Company's consolidated financial statements for the year ended October 31, 2020.

k) 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.

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

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

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

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

The majority of revenue is derived from the sale of subscription services such as data subscriptions and software as a service. Customers simultaneously receive and consume subscription services; therefore, performance obligations are satisfied over time. Revenue is recognized upon delivery for data products such as archive data and custom reports, which

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are performance obligations satisfied at a point in time upon transfer of control. Other products and services include percentage of completion projects and sales of Class B transponders, which are recognized either as satisfied over time or at a point in time, depending on the nature of the transfer of control.

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

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

Deferred contract costs

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

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

Deferred contract costs for the Company consist of sales commissions related directly to a contract.

Long-term fixed-price contracts

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

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revenue are included in current liabilities as deferred revenue. Contract progress in excess of billings made is recognized in current assets as unbilled revenue.

l) Fair value of data transferred in non-monetary transactions

During the year, the Company provided data processing services and access to software in exchange for satellite and ground station operating services and satellite capacity. The fair value of the services provided were recognized as revenue, determined based on the fair value of the goods or services received. When the fair value of the goods or services received cannot be measured reliably, revenue is determined based on comparable revenue transactions with third parties and the Company's pricing methodology.

m) Foreign currency translation

A functional currency is the currency of the primary economic environment in which the entity operates and is normally the currency in which the entity generates and expends cash. Each entity that is part of the Company determines its own functional currency. Each entity's financial statements are translated from their functional currency to CAD, which is the presentation currency of these Consolidated Financial Statements.

Transactions

Foreign currency transactions are initially recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange spot rate as at the reporting date. All differences are recorded in the Consolidated Statements of Loss and Comprehensive Loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Translation

The assets and liabilities of foreign operations are translated into CAD at year-end exchange rates and their revenue and expense items are translated at exchange rates prevailing at the date of the transactions. The resulting exchange differences are recognized in other comprehensive loss. On disposal of a foreign operation, the foreign exchange in accumulated other comprehensive loss relating to that particular foreign operation is recognized in income in the Consolidated Statements of Loss and Comprehensive Loss.

n) 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 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.

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Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. These are classified in current assets, except for the portion expected to be realized or paid beyond twelve months of the Consolidated Statements of Financial Position date, if any, which are classified as non-current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Company holds trade receivables with the objective of collecting contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value.

Other accounts receivable

Other accounts receivable are amounts due from the Strategic Innovation Fund ("SIF") for claimed and unclaimed funding related to expenses incurred and paid prior to the Consolidated Statements of Financial Position date. After initial recognition, other accounts receivable are subsequently measured at amortized cost. These are classified as current assets since funding claims are expected to be realized or paid within twelve months of the Consolidated Statements of Financial Position date, if any, which are classified as non-current.

Due to the short-term nature of other accounts receivables, their carrying amount is considered to be the same as their fair value.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are unsecured and are usually paid within 30 to 60 days of recognition. The carrying amounts of accounts payable and accrued liabilities are considered to be the same as their fair values, due to their short-term nature. Accounts payable and accrued liabilities also include other payables. Accounts payable and accrued liabilities are recognized at the amount required to be paid less, when material, a discount to reduce accounts payable and accrued liabilities to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company is not party to any derivative financial instruments.

Loans payable

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Non-interest-bearing loans and borrowings are measured at fair value using a market interest rate for a comparable instrument with a similar term. Gains and losses are recognized in the Consolidated Statements of Loss and Comprehensive Loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange

or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Consolidated Statements of Loss and Comprehensive Loss.

Impairment of financial assets

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. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

The Company applies the IFRS 9, *Financial Instruments* ("IFRS 9") simplified approach to measuring ECL, 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.

The expected loss rates are based on payment profiles of sales over prior periods and the corresponding historical credit losses experienced during this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle receivables.

Impairment losses on financial assets are measured at amortized cost and are calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and recorded as ECL against the related asset. When a subsequent event causes the impairment loss to decrease, the decrease is reversed through profit or loss.

o) Convertible debentures

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

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

Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability and includes fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers, and dealers.

The initial carrying amount of the Company's convertible debentures 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 rate method and are included in interest expense recognized over the life of the instrument. Transaction costs allocated to the equity component are offset against the amount recognized in equity.

p) Government assistance

Government assistance is periodically received in the form of grants, loans, or ITCs (see *Research and development expenditures*) that may be repayable at a rate based on future company performance. Government assistance with predetermined repayment requirements or conditional criteria is recorded as a liability when received or until the conditions are satisfied. If no predetermined repayment requirements exist, the assistance is treated as a reduction in the cost of the related item.

Interest-free government loans are measured at amortized cost using the effective interest rate method. The interest rate used is based on the market rate for a comparable instrument with a similar term. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant. The grant portion is split between operating costs and capital costs based on the costs to which the loan relates. The grant related to capital is recognized as a reduction to the carrying amount of an eligible asset and is realized over the life of the asset as reduced amortization expense. The grant related to operating expenses is recognized in cost of revenue.

q) Stock-based compensation and Employee Share Purchase Plan ("ESPP")

Long-term incentive plan

The Company has established a long-term incentive plan ("LTIP") for executives and certain employees. Under the terms of this plan, participants are eligible to receive incentive remuneration in the form of stock options and Restricted Share Units ("RSUs").

Stock options

The Company recognizes compensation cost for all stock options granted to employees under the exactEarth stock option plan. exactEarth measures at fair value all stock options issued to employees or directors. The option exercise price is the share price of the Company's common shares at the date of the grant. IFRS 2, Share-based Payments ("IFRS 2"), requires that the Company record these amounts as contributed surplus. The fair value of the direct grants of stock is determined by the quoted market price of the Company's stock at the time of the award and the fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of awards at the date of grant is recorded as an expense in these Consolidated Financial Statements and is recognized over the vesting period based on the number of options expected to vest. When options are exercised, they are settled with shares.

Share Unit Plan

RSUs are time-based and will vest on a cliff or graded basis, depending on the type of RSU. Type one RSUs cliff vested three years after the grant date. Type two RSUs vested on a graded basis at 25% one year after the grant date and 75% two years after the grant date. Type three RSUs vested on a graded basis of 50% at two and three years after the grant date. Type four RSUs vest on a graded basis of 33.3% at three, four and five years after the grant date. 2019 and 2020 RSUs vest on a graded basis of 40%, 30% and 30% at one, two and three years after

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the grant date. Each RSU, once vested, entitles the holder to receive one common share of the Company, settled in shares or cash at the discretion of the Company.

The Company amended the Share Unit Plan as of April 26, 2018, and now intends to equity settle the RSUs to satisfy obligations under the LTIP plan. The estimated value of the RSUs is recognized as compensation expense over the vesting period based on the grant date value of the Company's shares and the time elapsed during the vesting period and is presented as contributed surplus.

Deferred Share Unit Plan

The Company has adopted a Deferred Share Unit ("DSU") Plan for non-employee directors. Directors are required to receive a portion of their annual compensation in the form of DSUs and can elect to increase the percentage paid in DSUs. The DSUs vest over the quarterly service period for the director after the grant date and will be settled upon the director's retirement from the Board of Directors.

Each DSU entitles the holder to receive either cash, based on the share value at the time of settlement, or one common share of the Company. The estimated value of the DSUs is recognized as compensation expense over the vesting period based on the market value of the Company's shares at the end of each period and the time elapsed during the vesting period and is presented as a liability in the Consolidated Statements of Financial Position.

ESPP

The Company implemented the ESPP during the quarter ended July 31, 2016. The ESPP offers employees the option of contributing between 1% and 10% of their gross salary towards the purchase of common shares of the Company. The Company will issue one share for every four shares that employees purchase during the ESPP year, which runs from March 1 to February 28. The Company's matching contribution will be issued to the employee contingent upon the employee remaining employed by the Company on the last day of the ESPP year. The fair values on the date that the employees commit to purchase shares are used to determine the applicable compensation expense to the Company. The compensation expense is recognized over the period from the date the employee acquires the shares to the date the Company matching shares are issued to the employee. The accumulated amount of ESPP expense charged to income, but not yet issued, is included in contributed surplus.

r) Employee future benefit plan

Defined contribution pension plan

The Company sponsors a defined contribution pension plan for certain of its employees. The cost of providing benefits through the defined contribution pension plan is charged to income in the period in which the contributions become payable.

s) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to

any provision is presented in the Consolidated Statements of Loss and Comprehensive Loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

f) Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares.

u) Critical judgments and estimates

The preparation of the Company's Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company bases its assumptions and estimates on parameters available when the Consolidated Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market fluctuations or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the critical judgments, estimates and assumptions that have been made in applying the Company's accounting policies:

Forecasted cash flow

The Company uses a forecasted cash flow to assess the Company's ability to continue as a going concern. Significant judgment is required to forecast the amount of new sales orders and total revenue and the timing of the related cash flows.

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts using the simplified ECL model. The Company ECL model uses a provision matrix to apply historical loss rates to outstanding receivable balances. Judgement 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.

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Fair value of financial liabilities

The fair values of long-term loans are calculated using discounted cash flows with a discount rate indicative of the Company's borrowing rate when the funding is received. The discount rate uses Level II inputs, based on observable market data.

Impairment

The recoverable amount for intangible assets and PP&E is based on FVLCS, estimated using market capitalization.

Share-based payments

Share-based payment expense is measured based on the grant date Black-Scholes option pricing model for stock options.

Revenue recognition and contracts in progress

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. Judgment 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 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 Consolidated Statements of Financial Position. The accrual is drawn down over the completion of the contract using the percentage of completion method.

3. CHANGES TO ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

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

NEW STANDARDS ADOPTED

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, *Leases* 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 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, reported in Depreciation and amortization, and interest on the lease liability, reported in Interest expense, in the 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 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
- Included non-lease component for property management and operating fees in the lease payments.

On transition to IFRS 16 on November 1, 2019, the Company recognized ROU assets of \$369 and lease liabilities of \$355. The impact of adoption of IFRS 16 on the Consolidated Financial Statements is as follows:

Consolidated Statements of Financial Position as at October 31, 2020:	Before IFRS 16	Increases (Decreases)	As Reported
Property, plant and equipment	\$ 5,056	\$ 216	\$ 5,272
Accounts payable and accrued liabilities	6,248	154	6,402
Other long-term liabilities	1,607	53	1,660

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Consolidated Statements of Loss and Comprehensive Loss for the year ended October 31, 2020:	Before IFRS 16	Increases (Decreases)	As Reported
Cost of revenue	11,031	(129)	10,902
Selling, general and administrative	8,610	(32)	8,578
Depreciation and amortization	694	153	847
Interest expense	1,785	13	1,798
Net loss	(5,106)	5	(5,111)
Loss per share (basic and diluted)	(0.23)	-	(0.23)

At October 31, 2019, the minimum operating lease obligations of the Company were \$250 as presented in the 2019 audited consolidated financial statements. The difference between the lease liabilities of \$355 at November 1, 2019 and the minimum lease obligations disclosed at October 31, 2019 was mainly due to: (i) the impact of discounting the remaining lease payments; (ii) the exclusion of short-term leases and leases of low-value assets; (iii) assumptions made on probability of exercising early termination or renewal options.

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 October 31, 2020 Consolidated Financial Statements.

AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

A number of amendments to standards have been issued but are not yet effective for the financial year ended October 31, 2020, and accordingly, have not been applied in preparing these Consolidated Financial Statements. The Company reviewed these amendments and concluded that there would be no impact on adoption given their nature and applicability.

4. GOVERNMENT ASSISTANCE**Strategic Innovation Fund Loan**

On October 18, 2018, exactEarth signed a loan agreement with the SIF. Under this agreement, exactEarth is eligible to receive funding for certain expenditures incurred from February 13, 2018 to February 12, 2021 to a maximum of \$7,206. The loan is repayable in 15 annual payments beginning February 28, 2024. The repayment values are dependent upon a calculated Performance Factor based on performance in fiscal 2023, which is used to calculate a Repayment Rate. The Repayment Rate is applied to annual Gross Business Revenue for the payment in February of the subsequent years. Total repayments cannot exceed a maximum of 1.3 times the cash received, including interest. The implied interest rate if maximum repayments are required, assuming equal payments over 15 years, is 2.86%.

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During the year ended October 31, 2020, \$1,647 in loan advances were received (October 31, 2019 – \$1,222). An additional receivable of \$752 (October 31, 2019 – \$881) was recorded in accounts receivable for funding related to eligible expenditures incurred prior to October 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.

Recognized in the Consolidated Statements of Financial Position as at:	October 31, 2020	October 31, 2019
Loans payable	\$ 1,442	\$ 878
Accounts receivable	752	881
Property, plant and equipment – net capital grant	509	172

The amounts recognized in respect of the SIF loan for the year ended October 31 are as follows:

Recognized in the Consolidated Statements of Loss and Comprehensive Loss as follows:	2020	2019
Cost of revenue – operating grant	\$ (705)	\$ (1,363)
Interest expense	134	67
Reduction of amortization expense	(46)	(27)
Net impact	\$ (617)	\$ (1,323)

Federal Development Agency Loan

On November 16, 2012, exactEarth signed an interest-free loan agreement with the Federal Development Agency for Southern Ontario (“**FED DEV**”). Under this agreement, exactEarth was eligible to receive interest-free repayable funding for certain expenditures incurred from May 6, 2011 to March 31, 2014 to a maximum of \$2,491. The interest-free loan is repayable in 60 equal consecutive monthly instalments that began on April 1, 2015. During the year ended October 31, 2020, the Company made payments of \$202 (October 31, 2019 – \$452). The undiscounted amount payable related to the FED DEV loan is nil (October 31, 2019 – \$205) (note 9).

The amounts recognized in respect of the FED DEV loan for the year ended October 31, 2020 are as follows:

Recognized in the Consolidated Statements of Loss and Comprehensive Loss as follows:	2020	2019
Interest expense	\$ 3	\$ 33
Reduction of amortization expense	(4)	(10)
Net impact	\$ (1)	\$ 23

South Africa Safety Initiative for Small Vessels (“OASIS”) Funding

In June 2019, the Company obtained funding for the Madagascar Safety Initiative for Small Vessels (“**MSIS**”) as part of the OASIS contract to fund the set-up of small vessel tracking operations in Madagascar. This funding is available to partially offset eligible project costs between June 2019 and

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March 2020. In the year ended October 31, 2020, the MSIS funding of \$327 (October 31, 2019 – \$234) was recognized as an offset to product development expense of \$316 (October 31, 2019 – \$238).

5. INVESTMENT

On November 10, 2015, the Company entered into a shareholder's agreement, licence agreement and services agreement with Myriota Pty. Ltd. ("**Myriota**"). Myriota is located in Adelaide, Australia, and has a fiscal year ending June 30. The Company invested \$2,000 Australian dollars ("**AUD**") (CAD\$1,894) and in-kind contributions in 2016 valued at AUD\$400 in exchange for 32% ownership, options for further equity investment, and a licence to an advanced signal processing technology. This technology was developed at the University of South Australia in order to develop advanced terminals, infrastructure, and applications for the fast-growing Satellite Internet of Things ("**SIoT**") focused on the location tracking and sensor data applications global market. The Company assessed the fair value of each component and allocated the full value of the investment to the licence based on a relative fair value calculation. The fair value of the technology was assessed using a discounted cash flow method. The Company will pay a 3.5% royalty on revenue derived from the technology under licence. Services will be provided to Myriota in exchange for additional equity or for cash consideration. Management is expecting amortization of this licence to commence in late calendar 2021 when the development of the technology is incorporated into exactEarth's product lines.

Myriota completed an AUD\$20,000 Series A equity raise on March 26, 2018, and an AUD\$28,000 Series B equity raise on April 6, 2020.

A portion of the proceeds from the sale of assets (note 6) was used to purchase Class A shares in Myriota on July 31, 2020 through a \$450 non-cash transaction. The Company continues to have significant influence over Myriota and accounts for the investment using the equity method of accounting. The Company has determined that it has significant influence over Myriota based on its representation on the Board of Directors. Myriota has a history of financial losses, which were not recognized under the equity method, as they represented more than the investment's value and the Company does not have a legal or constructive obligation to make payments on behalf of Myriota. Therefore, the Company's share of losses from prior years has been recorded against the increase in investment as share of equity investment loss in the Consolidated Statements of Loss and Comprehensive Loss.

The Company's ownership interest at October 31, 2020 is 13% (October 31, 2019 – 18%).

6. PROPERTY, PLANT AND EQUIPMENT

PP&E consist of the following:

Cost	ROU Lease Asset and Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2019	\$ 53	\$ 59,345	\$ 4,970	\$ 3,906	\$ 91	\$ 68,365
Additions	-	2,868	-	265	-	3,133
IFRS 16 adoption	369	-	-	-	-	369
Disposals	-	(31,999)	(4,970)	(69)	-	(37,038)
Deductions	-	(618)	-	(95)	-	(713)
at October 31, 2020	\$ 422	\$ 29,596	\$ -	\$ 4,007	\$ 91	\$ 34,116

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Accumulated Depreciation	ROU Lease Asset and Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2019	\$ 49	\$ 55,500	\$ 4,717	\$ 3,612	\$ 89	\$ 63,967
Depreciation expense	155	366	15	117	-	653
Disposals	-	(30,975)	(4,729)	(69)	-	(35,773)
Translation adjustment	-	-	(3)	-	-	(3)
at October 31, 2020	\$ 204	\$ 24,891	\$ -	\$ 3,660	\$ 89	\$ 28,844

Net Book Value	ROU Lease Asset and Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2019	\$ 4	\$ 3,845	\$ 253	\$ 294	\$ 2	\$ 4,398
at October 31, 2020	\$ 218	\$ 4,705	\$ -	\$ 347	\$ 2	\$ 5,272

ROU lease asset and leasehold improvements includes a ROU lease asset with a cost of \$369 and accumulated amortization of \$153. Included in PP&E as at October 31, 2020, is \$2,852 (October 31, 2019 – \$611) related to a satellite that has not yet commenced being depreciated, as the asset is being commissioned and is not yet ready for use.

On July 31, 2020, exactEarth sold four satellites from its first-generation constellation and its ground station assets to Myriota Canada Inc. ("**Myriota Canada**"), a wholly-owned subsidiary of Myriota, and a related party of the Company. Consideration of \$600 was received, of which \$150 was received in cash through a deposit in the year ended October 31, 2019. The remaining \$450 was used to purchase preferred shares in Myriota (note 5) through a non-cash transaction.

The major classes of assets sold were as follows:

At October 31, 2020	Net Book Value	Proceeds less Costs to Sell	Loss on Disposal
Satellites	\$ 1,025	\$ 356	\$ 669
Electrical equipment	240	84	156
Total assets	\$ 1,265	\$ 440	\$ 825

During the year ended October 31, 2020, the Company recognized cost reimbursements of \$383 (October 31, 2019 – \$136) related to capital funding from the SIF loan for the purchase of computer hardware and costs related to a satellite under construction. The Company also earned cost reimbursements for assisting in the development of a satellite under construction in the year ended October 31, 2020 of \$331 (October 31, 2019 – \$91).

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7. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2019	\$ 3,795	\$ 8,903	\$ 2,715	\$ 13,031	\$ 28,444
Additions	-	-	-	-	-
Impairment	-	-	(665)	-	(665)
at October 31, 2020	\$ 3,795	\$ 8,903	\$ 2,050	\$ 13,031	\$ 27,779

Accumulated Amortization	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2019	\$ 3,770	\$ 8,582	\$ 2,479	\$ 12,075	\$ 26,906
Amortization expense	12	69	-	113	194
Impairment	-	-	(607)	-	(607)
at October 31, 2020	\$ 3,782	\$ 8,651	\$ 1,872	\$ 12,188	\$ 26,493

Net Book Value	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2019	\$ 25	\$ 321	\$ 236	\$ 956	\$ 1,538
at October 31, 2020	\$ 13	\$ 252	\$ 178	\$ 843	\$ 1,286

Intangible assets that have not yet commenced amortization are technology licences of \$179 (October 31, 2019 – \$237).

During the year ended October 31, 2020, the Company assessed a technology licenses as obsolete and impaired the net book value of \$58.

Significant individual assets included in the amounts above as at October 31, 2020 are as follows:

Description	Category	Carrying Amount	Remaining Amortization Period (Months)
De-collision software	Internally developed technology	\$ 207	87
Myriota licence	Technology licence	\$ 179	84
L3Harris data licence	Data rights	\$ 842	88

The L3Harris Technologies, Inc. ("L3Harris") data licence represents access to data from the full constellation of Iridium Next. As these satellites were put into service, they began amortizing on an individual satellite basis. The remaining amortization period is calculated based on the amortization taken to date as a percentage of the total expected amortization, applied to the useful life of the constellation. All of the Iridium Next satellites were in service as of February 2019.

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8. LEASES

The ROU asset and lease liabilities relate 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.

	Right-of-use asset	Lease liabilities
Balance at November 1, 2019 (note 3)	\$ 369	\$ 355
Depreciation	(153)	-
Interest	-	13
Payments	-	(161)
Balance at October 31, 2020	\$ 216	\$ 207
Less: current portion		154
Long-term lease liability		\$ 53

For the year ended October 31, 2020, the Company recognized expense related to low-value leases of \$14 in Selling, general, and administrative expense.

The future minimum lease payments required under non-cancelable operating leases as of October 31, 2020 are due as follows:

For the years ending October 31	
2021	\$ 161
2022	\$ 53
2023	\$ -
2024	\$ -
2025	\$ -
Thereafter	\$ -

9. LOANS PAYABLE, FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE**a) Loans payable**

Loans payable comprise the following:

	October 31, 2020	October 31, 2019
FED DEV loan (note 4)	\$ -	\$ 202
SIF loan (note 4)	1,442	878
Convertible debentures	9,689	9,211
	\$ 11,131	\$ 10,291
Less: current portion of loans	-	202
Long-term loans payable	\$ 11,131	\$ 10,089

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Principal repayments are due as follows:

For the years ending October 31	
2021	\$ -
2022	\$ -
2023	\$ -
2024	\$ 13,286
2025	\$ 286
Thereafter	\$ 4,474

b) Financial instruments**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.

FED DEV loan

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

SIF loan

The SIF loan has a carrying value as at October 31, 2020 of \$1,442 (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

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

Holders of the convertible debentures are entitled to interest payments as follows: for the first two years following the closing date, interest of 9% (consisting of 3% to be paid in cash semi-annually in arrears and 6% to be accrued and payable at maturity); and for the following three years, interest of 8% (consisting of 4% to be paid in cash semi-annually in arrears and 4% to be accrued and payable at maturity).

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In addition, the Company may elect, at its option, to redeem all or part of the convertible debentures at any time following the issue date at the redemption price set forth below plus accrued and unpaid interest, if redeemed during the calendar year:

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

The Company has the right to redeem the outstanding convertible debentures, commencing on the second anniversary of the closing date, if the volume weighted average price of the Company's common shares for the preceding 20 trading days is at or above \$1.00. The Company may elect to settle the redemption in common shares (at its discretion) at a per common share amount equal to the volume weighted average price for the preceding 20 trading days prior to the date of the notice of redemption.

The private placement resulted in net proceeds of \$11,854 to the Company after deduction of \$1,146 of expenses for the private placement and the strategic review process, including advisory, legal, listing, and other fees. The fair value of the liability component of the convertible debentures of \$9,801 was calculated using discounted cash flows with a discount rate of 14% indicative of the Company's borrowing rate when the funding was received. The balance of the proceeds of \$3,199 is included as a component of contributed surplus in equity. Transaction costs of \$864 have been allocated to the liability component and \$282 was allocated to the equity component based on the allocation of the proceeds.

The convertible debentures have a carrying value of \$9,689 at October 31, 2020 (October 31, 2019 – \$9,211), which approximates fair value as the loan was recorded at fair value when the cash was received. In the year ended October 31, 2020, the Company recognized interest expense of \$1,648 (October 31, 2019 – \$1,307) including amortization of the deferred transaction costs, related to the convertible debentures.

Short-term investments

The Company holds one Guaranteed Investment Certificates totalling \$29 (October 31, 2019 – two Guaranteed Investment Certificates totalling \$49) from CIBC as collateral for a customer contract.

Foreign currency

As at October 31, 2020, approximately 45% of cash, 71% of accounts receivable and 44% 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**").

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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	\$ 1,510	\$ 1,132	\$ 774
GBP	£ 106	£ 43	£ 6
EUR	€ 718	€ 414	€ 1,126

Fair value hierarchy

The Company categorizes financial assets and liabilities recorded at fair value in the Consolidated Statements of Financial Position based on a fair value hierarchy. Fair values of assets and liabilities included in Level I are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level III valuations are based on inputs that are not based on observable market data. The disclosure of the fair value of the debenture and SIF loan debt are considered to be a Level II measurement.

Foreign currency risk*Transaction exposure*

The Company is exposed to foreign currency risk as a result of transactions in currencies other than its functional currency, the CAD. The majority of the Company's revenue is transacted in USD. Portions of the revenue are denominated in EUR, GBP, and CAD. The majority of salaries, purchases, certain operating costs, and manufacturing overhead are incurred primarily in CAD.

Translation exposure

The Company's foreign operation is exactEarth Europe. The assets and liabilities of the foreign operations are translated from GBP into CAD using the exchange rates in effect as at the dates of the Consolidated Statements of Financial Position. Unrealized translation gains and losses are recognized in other comprehensive (loss) income. The accumulated currency translation adjustments are recognized in income when there is a reduction in the net investment in the foreign operations.

Foreign currency risks arising from translation of assets and liabilities of foreign operations into the Company's functional currency are generally not hedged.

The majority of the Company's foreign currency risk resides with USD, GBP, and EUR transactions. To evaluate the sensitivity of net loss to potential changes in exchange rates, actual changes in exchange rates during the fiscal year were considered as an indicative range of potential changes in exchange rates as noted in the table below. The rates were entered into models that show the valuation impact to customer contracts, cash balances and foreign currency denominated monetary Consolidated Statements of Financial Position items.

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Potential foreign currency impacts for the year ended October 31, 2020:

Currency	Change in exchange rate vs CAD	Increase (decrease) in net loss
USD	-1%	(\$35)
	-1%	\$35
GBP	-1%	(\$12)
	-1%	\$12
EUR	-1%	\$45
	-1%	(\$45)

Potential foreign currency impacts for the year ended October 31, 2019:

Currency	Change in exchange rate vs CAD	Increase (decrease) in net loss
USD	+3%	\$27
	-3%	(\$27)
GBP	+2%	(\$5)
	-2%	\$5
EUR	+2%	\$36
	-2%	(\$36)

Interest rate risk

The Company's risk exposure to market interest rates relates primarily to new financing or renewals of existing financing arrangements. The Company's policy is to review its borrowing requirements on a continual basis and to enter into fixed or variable interest rate borrowing arrangements as required. The SIF loan is a non-interest bearing loan recorded at amortized cost. The convertible debentures are at a fixed interest rate. Therefore, the Company is not exposed to fluctuations in interest rates.

Credit risk

Credit risk arises from the inability of customers to discharge their obligation to the Company. If one or more customers were to delay, reduce or cancel orders, the overall orders of the Company may fluctuate and could adversely affect the Company's operations and financial condition.

The maximum exposure to credit risk as at the Consolidated Statements of Financial Position dates is best represented by the carrying amount of the Company's accounts receivable and unbilled revenue. The Company is exposed to credit risk from the potential default by counterparties that carry the Company's cash and attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. All of the financial institutions the Company transacts with meet these qualifications.

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The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. Accounts receivable are non-interest bearing and are generally on 30 to 60-day payment terms. Six customers comprise 58% of trade accounts receivable as at October 31, 2020 (October 31, 2019 – six customers comprised 50%).

Trade receivables as at October 31 were as follows:

Days overdue	2020	2019
Current	\$ 1,451	\$ 1,071
1 – 30 days	260	678
31 – 60 days	408	72
61 – 90 days	2	6
Greater than 90 days	389	364
Total	\$ 2,511	\$ 2,191

The carrying amount of trade accounts receivable and unbilled revenue is reduced through the use of a lifetime ECL allowance. The ECL was calculated based on historical default patterns for grouped aged receivables. At October 31, 2020, an ECL of \$83 (October 31, 2019 – \$64) was recognized in the Consolidated Statements of Financial Position related to accounts receivable. The Company has recognized additional ECL of \$300 related to unbilled revenue from a distributor in China that has been impacted by COVID-19. Bad debt expense of \$355 was recognized in the Consolidated Statements of Loss and Comprehensive Loss within selling, general and administrative expenses for the ECL on trade accounts receivable and unbilled revenue, net of \$27 of bad debt recovery from the year ended October 31, 2019. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts and trade accounts receivable. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses.

Liquidity risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial assets (e.g., trade accounts receivable and other financial assets), liabilities (e.g., accounts payable and accrued liabilities and loans), and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Company's bank, and purchase contracts. The Company's policy is to ensure that adequate funding is available from operations, established lending facilities and other sources as required.

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The tables below summarize the maturity profile of the Company's financial liabilities based on contractual payments.

October 31, 2020	< 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Accounts payable and accrued liabilities	\$ 2,803	\$ 2,650	\$ -	\$ -	\$ 5,453
Commission payable	98	547	139	-	784
Lease payable	40	120	53	-	213
Convertible debenture	114	341	17,420	-	17,875
Government loans payable	-	-	572	4,474	5,046
Long-term incentive plan liability	-	-	1,124	-	1,124
Total	\$ 3,055	\$ 3,658	\$ 19,308	\$ 4,474	\$ 30,495

October 31, 2019	< 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Accounts payable and accrued liabilities	\$ 4,307	\$ 533	\$ -	\$ -	\$ 4,840
Commission payable	101	241	128	-	470
Convertible debenture	46	195	17,875	-	18,116
Government loans payable	123	82	176	3,352	3,733
Long-term incentive plan liability	-	-	203	-	203
Total	\$ 4,577	\$ 1,051	\$ 18,382	\$ 3,352	\$ 27,362

10. CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are:

- to ensure a sufficient liquidity position to finance general and administrative expenses, working capital, research and development and capital expenditure; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk undertaken.

The Company monitors capital on a basis consistent with others in the industry, based on total debt to shareholders' equity. Capital is defined as shareholders' deficiency as presented in the Consolidated Statements of Financial Position, excluding accumulated other comprehensive loss, and total debt is defined as the sum of short-term and long-term liabilities. The Company uses the percentage of total debt to total capital to monitor the capitalization of the Company. The Company is not subject to any capital requirements imposed by a regulator.

11. SHARE CAPITAL

Issued capital

The Company has authorized an unlimited number of preferred shares, of which none are outstanding. The Company has authorized an unlimited number of common shares with no par

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value. As at October 31, 2020, the issued and outstanding shares totalled 22,048,640 (October 31, 2019 – 21,703,415). In addition, 26,000,000 common shares are issuable upon conversion in full of the convertible debentures as described in note 9.

	Number of Shares	Value of Shares
Balance as at October 31, 2018	21,626,288	\$ 123,794
Add: Share issuances	77,127	29
Balance as at October 31, 2019	21,703,415	\$ 123,823
Add: Share issuances	345,225	100
Balance as at October 31, 2020	22,048,640	\$ 123,923

Stock-based compensation

The Company recognizes compensation cost for all stock options granted to employees under the exactEarth stock option plan. The exercise price for options granted in February 2016 is the Spinout Transaction share price of the Company's common shares at the date of the grant, which was \$6.50 per share. Additional options were granted on March 26, 2019 and April 29, 2020 with an exercise price of \$0.34 and \$0.35 per share, respectively. The maximum number of common shares authorized for grant under the option plan is 3,307,296.

All options vest on a graded basis depending on the type of option. Type one options vested on a 40%, 30% and 30% basis over three years and have a contractual life of six years. Type two options vested on a 25% and 75% basis over two years and have a contractual life of six years. Type three options vest on a 40%, 30% and 30% basis in years three through five and have a contractual life of eight years. 2019 and 2020 options vest on a 40%, 30% and 30% basis in years one through three and each have a contractual life of six years. All stock options are accounted for as equity-settled awards.

The fair value of options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2016 Spinout Transaction			2019	2020
	Type One	Type Two	Type Three		
Average risk-free interest rate	0.65%	0.63%	0.94%	1.63%	0.51%
Dividend yield	0%	0%	0%	0%	0%
Average volatility	77.1%	77.4%	74.4%	93.77%	94.77%
Average expected life of options (years)	4	3.75	6	4	4
Remaining contractual life (years)	1.3	1.3	3.3	4.4	5.5
Weighted average fair value of options outstanding	\$ 1.08	\$ 1.06	\$ 1.32	\$ 0.23	\$ 0.23
Weighted average exercise price of options outstanding	\$ 6.50	\$ 6.50	\$ 6.50	\$ 0.34	\$ 0.35

Volatility was calculated using the historical volatility of comparable companies for the period commencing when those entities were publicly traded and corresponding to the expected life of each option type. The estimated fair value of the options is amortized to expense over the vesting periods of the options. For the year ended October 31, 2020, the stock-based compensation expense recognized was \$157 (October 31, 2019 – \$86). This amount was added to contributed

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surplus. Vested options can be exercised prior to their expiry date. There are 819,575 vested options as at October 31, 2020 (October 31, 2019 – 580,758) with a weighted average exercise price of \$5.75

A summary of the option activity is as follows:

	Stock Options
Balance as at October 31, 2018	1,057,690
Granted	250,000
Forfeited	(91,556)
Expired	(44,221)
Balance as at October 31, 2019	1,171,913
Granted	824,913
Forfeited	-
Expired	(31,376)
Balance as at October 31, 2020	1,965,450

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

Employee Share Purchase Plan

The ESPP expense amount for the year ended October 31, 2020 was \$10 (October 31, 2019 – \$10). The maximum number of common shares authorized for grant under the ESPP is 432,110. There were 32,135 shares issued under the ESPP at February 28, 2020. The estimated number of ESPP shares outstanding, if all ESPP shares earned from March 1 to October 31, 2020 were issued, is 8,165 (October 31, 2019 – 23,610).

Long-term incentive plan

The following details the RSUs and DSUs as at October 31, 2020:

	RSU	DSU
Share unit balance, October 31, 2019	1,521,135	851,624
Share units granted	1,005,834	589,305
Share units settled	(613,053)	-
Share units forfeited	-	-
Share unit balance, October 31, 2020	1,913,916	1,440,928
Aggregate fair value of units outstanding as at the end of the year	\$ 686	\$ 1,124
Weighted average fair value of units outstanding as at the end of the year	\$ 0.36	\$ 0.78

For the year ended October 31, 2020, compensation expense of \$1,250 (October 31, 2019 – \$323) was recognized for the Company's LTIP. During the year ended October 31, 2020, the Company settled 613,053 RSUs for \$90 in shares, resulting in the issuance of 313,090 shares, net of \$86 of withholding taxes remitted on behalf of employees (October 31, 2019 – 111,352 RSUs for \$18 in shares, resulting in the issuance of 56,998 shares, net of \$15 of withholding taxes remitted on behalf of employees and \$2 in cash).

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Outstanding DSUs can be settled in cash or equity at the option of the holder. If the holder elects to receive shares, the Company will purchase shares in the market to satisfy the obligation. The DSUs are accounted for as cash-settled. During the year ended October 31, 2020, the Company did not settle any DSUs (October 31, 2019 – 180,496 DSUs for \$46 in cash).

Loss per share

Basic and diluted loss per share for the year ended October 31:

	2020	2019
Numerator for basic and diluted loss per share available to common shareholders:		
Net loss attributable to common shareholders	\$ (5,111)	\$ (8,483)
Denominator for basic and diluted loss per share:		
Weighted average number of shares outstanding	21,881,428	21,672,201
Basic and diluted loss per share	\$ (0.23)	\$ (0.39)

There are 2,996,277 share units that are antidilutive at October 31, 2020 (October 31, 2019 – 1,544,745).

12. COMMITMENTS AND CONTINGENCIES**Capital commitments**

As at October 31, 2020, capital commitments in respect of the purchase of PP&E were nil (October 31, 2019 – \$3,337). There were no other material capital commitments outstanding as at October 31, 2020.

L3Harris commitment

The Company has an agreement with L3Harris ("**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. As at October 31, 2020, there were 58 AppStar payloads on the Iridium NEXT Constellation commissioned and in service. In February 2019, L3Harris asserted that the initial operating capacity ("**IOC**") has been achieved as a result of the deployment of 58 satellites as of that date.

On January 21, 2020, the Company announced that it had reached agreement on an Amended and Restated L3Harris Agreement ("**A&R L3Harris Agreement**"). The A&R L3Harris Agreement updates the terms of the June 2015 L3Harris Agreement. This amended agreement provides the Company with a reduced and simplified cost structure for S-AIS data services.

The parties agreed that full deployment of the system has been achieved and that IOC has occurred.

The fixed fee of USD \$750 per quarter (USD \$3,000 per year) under the L3Harris Agreement is replaced by a fixed fee of USD \$358 per month (USD \$4,300 per year) under the A&R L3Harris Agreement. 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	\$ 5,726	\$ 22,904	\$ 33,127

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Under the L3Harris Agreement, the Company paid L3Harris a quarterly revenue share amount of 40% of S-AIS data revenues and L3Harris paid exactEarth an 18% share of L3Harris S-AIS data revenues. Under the A&R L3Harris Agreement, the Company will pay 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 and the Company will receive no share of L3Harris S-AIS data revenues. Under the A&R L3Harris Agreement no revenue share was owed by either party to the other with respect to AIS Analytics sales during the year ended October 31, 2020.

FleetMon commitment

The Company receives terrestrial automatic identification system ("**T-AIS**") data from FleetMon, and in return, pays FleetMon 20% of revenue on data sales that includes their terrestrial AIS data. In addition, a further fee of 90 EUR per year for terrestrial data is included in exactEarth integrated products. All payments are made in EUR at a contractual exchange rate of \$1.5152.

MarineTraffic commitment

The Company receives T-AIS data from MarineTraffic, and in return, pays MarineTraffic 100% of revenue on data sales that includes their T-AIS data. All payments are made in USD at the average exchange rate for the period.

IHS Markit commitment

The Company receives T-AIS data from Markit Group Limited ("**IHS Markit**"), and in return, pays IHS Markit 100% of revenue on data sales that includes their T-AIS data and a minimum quarterly fee of USD \$62, commencing on December 1, 2020.

SRT Marine Systems PLC commitment

The Company has a collaboration agreement with SRT Marine Systems PLC ("**SRT**") under which SRT provides Advanced class B Satellite Enabled AIS ("**ABSEA**") transponders to the Company's customers, and exactEarth pays SRT 30% of revenue on data sales related to SRT ABSEA transponders. As at October 31, 2020, there are no contracts containing SRT transponders and no amounts owing to SRT (October 31, 2019 – no contracts, no amounts owing to SRT).

PAZ commitment

The agreement related to the PAZ satellite includes a commitment to pay a monthly operating fee of \$20 to Hisdesat after commissioning in December of 2018, assuming a useful life of 10 years.

Hisdesat Fees	Less than 1 Year	1 to 5 Years	After 5 Years
Operational fees payable	\$ 240	\$ 960	\$ 740

Claims or legal actions

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

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13. INCOME TAXES

The following are the major components of income tax expense for the years ended October 31:

	2020	2019
Current income tax expense	\$ 148	\$ 121
Deferred income tax expense:		
Origination and reversal of temporary differences	\$ (996)	\$ (2,211)
Losses not recognized	996	2,211
Deferred income tax expense	\$ -	\$ -
Total income tax expense	\$ 148	\$ 121

The Company's consolidated effective tax rate for the year ended October 31, 2020 was nil (2019 – nil). The difference in the effective tax rates compared to the Company's statutory income tax rates was a result of the Company incurring losses during the period on which no tax recovery was recorded because the realization of the deferred tax asset was not considered to be probable.

	2020	2019
Loss before income taxes	\$ (4,963)	\$ (8,362)
Statutory tax rate	26.5%	26.5%
Income taxes based on the statutory income tax rate	(1,315)	(2,216)
Losses not recognized	996	2,211
Permanent differences – other	319	5
Permanent differences – non-deductible impairment	-	-
Argentinian and Indian withholding taxes	148	121
Income tax expense	\$ 148	\$ 121

The Canadian statutory tax rate during the year ended October 31, 2020 was 26.5% (October 31, 2019 – 26.5%).

The income tax expense during the year ended October 31, 2020 of \$148 (October 31, 2019 – \$121) represents withholding tax on revenue generated from foreign countries. The Company has deemed the withholding tax to be unrecoverable and has recognized the amount as an expense.

Components of deferred income taxes movement are as follows for the years ended October 31:

	2020	2019
Taxable temporary differences	\$ 227	\$ 170
Property, plant and equipment and intangible assets	-	-
Non-capital losses	(227)	(170)
Total change in deferred income taxes	\$ -	\$ -

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The deferred income tax asset (liability) recognized in the consolidated statements of financial position for the years ended October 31 is comprised of the following:

	2020	2019
Taxable temporary differences	\$ (702)	\$ (475)
Property, plant and equipment and intangible assets	-	-
Non-capital losses	702	475
Deferred income tax	\$ -	\$ -

For the purposes of the above table, deferred income tax assets are shown net of deferred income tax liabilities where these occur in the same entity and jurisdiction.

Deductible temporary differences and unused tax losses for which no deferred income tax assets have been recognized are attributable to the following:

	2020	2019
Canadian deductible temporary differences	\$ 1,375	\$ 1,460
Scientific research & experimental development ("SRED") pool	2,710	2,710
Property, plant and equipment and intangibles	34,031	33,332
Financing Fees	687	916
Canadian non-capital tax losses	80,181	77,539
Canadian capital tax losses	617	617
UK non-capital losses	1,347	1,336

These unused Canadian income tax losses expire from 2029 through 2040. The UK non-capital losses have an unlimited carry forward period. The SRED pool does not expire.

Unrecorded ITCs are as follows:

	2020	2019
Federal	\$ 680	\$ 680
Ontario	\$ 166	\$ 166

These unrecorded ITCs expire from 2029 through 2035.

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

The Company has a defined contribution pension plan for its employees. During the year ended October 31, 2020, the Company's contributions, which are based on the contributions by employees, were \$184 (October 31, 2019 – \$176) and are included in cost of revenue, selling, general and administrative and product development and research and development expenses in the Consolidated Statements of Loss and Comprehensive Loss.

Salaries and benefits

Total salaries and employee benefits expense for the year ended October 31, 2020 was \$9,010 (October 31, 2019 – \$7,026).

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15. RELATED PARTIES**Compensation of key management personnel and Board of Directors**

The following table includes compensation of the key management personnel and Board of Directors for the years ended October 31, 2020 and 2019, included in the Consolidated Statements of Loss and Comprehensive Loss. Key management personnel include the Company's Chief Executive Officer and the executives who report directly to him.

	2020	2019
Short-term salaries and benefits	\$ 2,453	\$ 1,932
Post-employment benefits	43	34
Long-term incentive plans	223	239
Stock options	140	67
	\$ 2,859	\$ 2,272

Short-term salaries and benefits include expenses for base salaries, bonuses, and other short-term benefit expenses. Post-employment benefits represent the Company's defined contribution pension plan.

Related parties

The following table details transactions and balances between the Company and Hisdesat and Ewing Morris Investment Partners Ltd., share and convertible debenture holders that have significant influence.

For the year ended October 31:	2020	2019
Revenue from related parties	\$ 2,211	\$ 1,496
Cost of revenue	419	504
Debenture interest	596	472
Directors' expenses	515	111

As at:	October 31, 2020	October 31, 2019
Accounts receivable	\$ 293	\$ 125
Accounts payable and accrued liabilities	56	95
Loans payable	3,503	3,330
Other long-term liabilities	531	249

Non-monetary services agreement

On July 31, 2020, the Company entered into a services agreement with Myriota. The Company has agreed to provide data processing services, while Myriota will provide satellite and ground station operating services and satellite capacity. In addition, a separate software license agreement allows

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Myriota to use the Company's software to operate the satellites. Under the agreements, each party will invoice the other for an equal amount each year.

The non-monetary agreements are recognized using the fair value of the consideration received, as prescribed in IFRS 15, *Revenue from contracts with customers*. For the year ended October 31, 2020, the Company recognized related party non-monetary revenue and cost of revenue of \$159 (October 31, 2019 – nil) in the Consolidated Statements of Loss and Comprehensive loss.

16. 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 years ended October 31:	2020	2019
Subscription services	\$ 16,940	\$ 13,222
Data products	959	1,126
Other products & services	1,236	849
Total revenue	\$ 19,135	\$ 15,197

Remaining performance obligations

The table below contains the aggregated amount of revenue expected to be realized in the future from partially or fully unsatisfied performance obligations as at October 31, 2020. The amounts disclosed below represent the remaining value of contracts for the supply of products and services.

Revenue expected to be recognized in:	2020	2019
Less than one year	\$ 15,706	\$ 10,055
Thereafter	13,075	12,299
Total	\$ 28,781	\$ 22,354

Contract balances

As at:	October 31, 2020	October 31, 2019
Trade accounts receivable	\$ 2,427	\$ 2,125
Unbilled revenue	1,698	1,151
Contract assets	925	575
Deferred revenue	(2,548)	(2,501)
Net contract balances	\$ 2,502	\$ 1,350

Contract assets include short and long-term sales commission assets, deferred contract costs and long-term financing assets. Contract asset amortization of \$582 (October 31, 2019 – \$340) was recorded during the year ended October 31, 2020.

The Company recognized \$2,295 (October 31, 2019 – \$2,243) of the opening deferred revenue balance at November 1, 2019 as revenue during the year ended October 31, 2020.

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17. 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 years ended October 31:	2020	2019
Canada	\$ 1,640	\$ 815
United States	1,343	1,690
Europe	9,691	6,808
Other	6,461	5,884
	\$ 19,135	\$ 15,197

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.

	October 31, 2020	October 31, 2019
PP&E		
Canada	\$ 5,272	\$ 4,383
United Kingdom	-	15
	\$ 5,272	\$ 4,398
Intangible assets		
Canada	\$ 1,286	\$ 1,538
United Kingdom	-	-
	\$ 1,286	\$ 1,538

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

18. COMPARATIVE BALANCES

The comparative Consolidated Financial Statements have been reclassified from the statements previously presented in order to conform to the current year's presentation.

Corporate Information

Board of Directors

Eric Zahler (1, 2, 3)
Chairman of the Board, Chairman of the Corporate Governance and Nominating Committee

Harvey Rein (1, 2, 3)
Chairman of the Audit Committee, Chairman of the Human Resources and Compensation Committee

Miguel Angel Garcia Primo (2)

Lee Matheson (1)

Miguel Angel Panduro Panadero (3)

Peter Mabson
President & Chief Executive Officer of exactEarth

Member of: (1) Audit Committee, (2) Human Resources and Compensation Committee, (3) Corporate Governance and Nominating Committee

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Management

Peter Mabson
President & Chief Executive Officer of exactEarth

Sean Maybee
Chief Financial Officer

David Martin
Vice President, Global Sales and Marketing

Peter Dorcas
Vice President, Business Development

Brent van Osch
Vice President, Programs and Operations

The logo for exactEarth features the word "exactEarth" in a sans-serif font. A grey arc is positioned above the text, starting under the 'e' and ending under the 'h'. A registered trademark symbol (®) is located to the right of the word.

exactEarth®