

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

	As at April 30, 2021	As at October 31, 2020
	<u>\$</u>	<u>\$</u>
ASSETS		
Current assets		
Cash and cash equivalents (note 6)	6,692	7,423
Short-term investments	-	29
Accounts receivable (notes 3 and 6)	3,539	3,215
Unbilled revenue	1,032	1,698
Prepaid expenses	712	392
Other current assets	437	359
Total current assets	<u>12,412</u>	<u>13,116</u>
Property, plant and equipment (note 11)	5,157	5,272
Intangible assets (note 11)	1,193	1,286
Other long-term assets	489	566
Total assets	<u><u>19,251</u></u>	<u><u>20,240</u></u>
LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	5,236	6,402
Deferred revenue	2,803	2,548
Total current liabilities	<u>8,039</u>	<u>8,950</u>
Loans payable (notes 3, 5 and 6)	1,642	11,131
Long-term incentive plan liability	2,064	1,124
Other long-term liabilities	103	1,660
Total liabilities	<u>11,848</u>	<u>22,865</u>
Shareholders' equity (deficiency)		
Share capital (note 4)	138,934	123,923
Contributed surplus (note 4)	1,160	4,956
Accumulated other comprehensive loss	(108)	(155)
Deficit	(132,583)	(131,349)
Total shareholders' equity (deficiency)	<u>7,403</u>	<u>(2,625)</u>
Total liabilities and shareholders' equity (deficiency)	<u><u>19,251</u></u>	<u><u>20,240</u></u>

See accompanying notes

On behalf of the Board:

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

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

For the six months ended April 30, 2021	Total	Deficit	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus
	\$	\$	\$	\$	\$
Balance at October 31, 2020	(2,625)	(131,349)	(155)	123,923	4,956
Stock-based compensation (note 7)	95	-	-	13	82
Restricted share units (note 7)	(449)	-	-	511	(960)
Debenture conversion (notes 4 and 7)	11,569	-	-	14,487	(2,918)
Comprehensive income (loss)	(1,187)	(1,234)	47	-	-
Balance at April 30, 2021	<u>7,403</u>	<u>(132,583)</u>	<u>(108)</u>	<u>138,934</u>	<u>1,160</u>

For the six months ended April 30, 2020	\$	\$	\$	\$	\$
Balance at October 31, 2019	2,119	(126,238)	(113)	123,823	4,647
Stock-based compensation (note 7)	79	-	-	11	68
Restricted share units (note 7)	180	-	-	89	91
Comprehensive loss	(3,555)	(3,491)	(64)	-	-
Balance at April 30, 2020	<u>(1,177)</u>	<u>(129,729)</u>	<u>(177)</u>	<u>123,923</u>	<u>4,806</u>

See accompanying notes

exactEarth™ Ltd.

Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(in thousands of Canadian dollars except for per share figures)

(unaudited)

		Three months ended		Six months ended	
		April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
		\$	\$	\$	\$
Revenue	(notes 10 and 11)	5,876	4,407	11,240	8,540
Cost of revenue	(notes 3 and 9)	2,939	2,984	5,522	5,043
Gross profit		2,937	1,423	5,718	3,497
Selling, general and administrative	(note 9)	1,875	2,560	4,674	4,340
Product development and research and development		332	208	523	512
Depreciation and amortization	(note 3)	177	237	355	491
Impairment loss		-	838	-	838
Income (loss) from operations		553	(2,420)	166	(2,684)
Other expenses					
Other expense		18	-	27	-
Foreign exchange loss (gain)		247	(1)	644	(118)
Interest income		(12)	(20)	(26)	(54)
Interest expense	(notes 3 and 6)	149	434	646	860
Total other expenses		402	413	1,291	688
Income tax expense		51	45	109	119
Net income (loss)		100	(2,878)	(1,234)	(3,491)
Other comprehensive income (loss)					
Item that may be subsequently reclassified to net loss:					
Foreign currency translation, net of income tax expense of nil		110	(2)	47	(64)
Total other comprehensive income (loss)		110	(2)	47	(64)
Comprehensive income (loss)		210	(2,880)	(1,187)	(3,555)
Earnings (loss) per share					
Basic and diluted earnings (loss) per share	(note 7)	0.00	(0.13)	(0.03)	(0.16)

See accompanying notes

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

	Three months ended		Six months ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
	\$	\$	\$	\$
Operating activities				
Net income (loss)	100	(2,878)	(1,234)	(3,491)
Add (deduct) items not involving cash				
Non-cash interest	(notes 3 and 6) 36	131	315	249
Depreciation and amortization	(note 3) 177	237	355	491
Impairment Loss	-	838	-	838
Operating grant recognized on SIF loan	(note 3) (8)	(152)	(156)	(361)
Long-term incentive plan expense	119	145	1,164	454
Net change in non-cash balances	<u>(1,520)</u>	<u>343</u>	<u>(769)</u>	<u>(1,331)</u>
Cash flows used in operating activities	<u>(1,096)</u>	<u>(1,336)</u>	<u>(325)</u>	<u>(3,151)</u>
Investing activities				
Acquisition of property, plant and equipment	(126)	(1,195)	(667)	(1,573)
Reimbursement of acquisition costs of property, plant and equipment	-	331	-	331
Cash flows used in investing activities	<u>(126)</u>	<u>(864)</u>	<u>(667)</u>	<u>(1,242)</u>
Financing activities				
Government loan repayment	-	(82)	-	(205)
Government loan advance	(notes 3 and 6) 258	375	688	1,208
Payment of principal portion of lease obligations	(43)	(36)	(76)	(73)
Debenture transaction costs	(note 4) (91)	-	(91)	-
Cash flows from financing activities	<u>124</u>	<u>257</u>	<u>521</u>	<u>930</u>
Effect of exchange rate changes on cash	(162)	107	(260)	111
Net decrease in cash	(1,260)	(1,836)	(731)	(3,352)
Cash, beginning of the period	<u>7,952</u>	<u>8,672</u>	<u>7,423</u>	<u>10,188</u>
Cash, end of the period	<u><u>6,692</u></u>	<u><u>6,836</u></u>	<u><u>6,692</u></u>	<u><u>6,836</u></u>
Supplemental cash flow information				
Interest paid	<u>2</u>	<u>4</u>	<u>199</u>	<u>203</u>
Interest received	<u>-</u>	<u>8</u>	<u>-</u>	<u>32</u>
Income taxes paid	<u>51</u>	<u>45</u>	<u>109</u>	<u>119</u>

See accompanying notes

exactEarth™ Ltd.

Notes to the Interim Condensed Consolidated Financial Statements
April 30, 2021
(in thousands of Canadian dollars, except where otherwise noted and share data)
(unaudited)

1. DESCRIPTION OF THE BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These unaudited Interim Condensed Consolidated Financial Statements present the Company’s results of operations and financial position as at and for the three and six months ended April 30, 2021, including the comparative period and have been prepared in accordance with IAS 34, *Interim Financial Reporting* under International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) using the same accounting policies and methods as were used for the Company’s Consolidated Financial Statements and the notes thereto for the year ended October 31, 2020, except for any new accounting pronouncements. These Interim Condensed Consolidated Financial Statements do not include all the information required for full annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company’s annual Consolidated Financial Statements for the year ended October 31, 2020, which are available at www.sedar.com and on the Company’s website at www.exactearth.com.

These Interim Condensed Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on June 9, 2021.

b) Basis of presentation

These Interim Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiary with intercompany transactions and balances eliminated. The Company has two divisions, one in Cambridge, Ontario, Canada, and one in Harwell, United Kingdom.

These Interim Condensed Consolidated Financial Statements are presented in Canadian dollars (“**CAD**”) and have been prepared on a historical cost basis.

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

exactEarth™ Ltd.

Notes to the Interim Condensed Consolidated Financial Statements
April 30, 2021
(in thousands of Canadian dollars, except where otherwise noted and share data)
(unaudited)

The Company has experienced a history of operating losses resulting in a reduction of ongoing operating cash flows. Management has assessed and concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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 April and subsequent to the date of the Interim Condensed Consolidated Financial Statements. The Company has reviewed the estimates, judgements and assumptions used in the preparation of the Interim Condensed Consolidated Financial Statements, however the duration and magnitude of COVID-19's effects on the global economy remains uncertain at this time. The Company has expected credit loss ("**ECL**") related to a distributor in China that has been impacted by COVID-19, therefore becoming a credit risk. Employees of the Company have been working remotely from their homes. Otherwise, as at the date of these statements, there has not been any impact on the Company's operations as a result of COVID-19. The Company will continue to closely monitor the potential impact of COVID-19 on its business and operations.

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

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

exactEarth™ Ltd.

Notes to the Interim Condensed Consolidated Financial Statements
 April 30, 2021
 (in thousands of Canadian dollars, except where otherwise noted and share data)
 (unaudited)

3. GOVERNMENT ASSISTANCE**Strategic Innovation Fund (“SIF”) Loan**

During the three and six months ended April 30, 2021, \$258 and \$688 was received. An additional receivable of \$383 was recorded in accounts receivable for funding related to eligible expenditures incurred prior to April 30, 2021.

The SIF loan is measured initially at fair value, and subsequently measured at amortized cost using the effective interest rate method. An interest rate of 14% was used based on the market interest rate for a comparable instrument with a similar term when the funding was received.

The difference between the fair value at inception and the loan proceeds received is recorded as a government grant, which is recognized as an operating grant or a capital grant based on the relative proportion of eligible expenditures incurred. The capital grant is recorded as a reduction in the cost of the related asset and amortized to income over the life of the asset.

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

	April 30, 2021	October 31, 2020
Loans payable	\$ 1,642	\$ 1,442
Accounts receivable	383	752
Property, plant and equipment – net capital grant	543	509

The amounts recognized in respect of the SIF loan recognized in the Interim Condensed Consolidated Statements of Loss and Comprehensive Income (Loss) for the three months ended April 30:

	2021	2020
Cost of revenue – operating grant	\$ (8)	\$ (152)
Interest expense	48	27
Reduction of amortization expense	(13)	(10)
Net impact	\$ 27	\$ (135)

The amounts recognized in respect of the SIF loan recognized in the Interim Condensed Consolidated Statements of Loss and Comprehensive Income (Loss) for the six months ended April 30:

	2021	2020
Cost of revenue – operating grant	\$ (156)	\$ (361)
Interest expense	95	55
Reduction of amortization expense	(26)	(20)
Net impact	\$ (87)	\$ (326)

exactEarth™ Ltd.

Notes to the Interim Condensed Consolidated Financial Statements
April 30, 2021
(in thousands of Canadian dollars, except where otherwise noted and share data)
(unaudited)

4. CONVERTIBLE DEBENTURES

On December 13, 2018, the Company completed the private placement of 13,000 convertible unsecured subordinated debentures at a price of \$1 per convertible debenture for gross proceeds of \$13,000. Each debenture was 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 at any time prior to the fifth anniversary of the closing date.

The Company had the right to redeem the outstanding convertible debentures, commencing on December 13, 2020, if the volume weighted average price of the Company's common shares for the preceding 20 trading days was at or above \$1.00.

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. 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 was included as a component of contributed surplus in equity. Transaction costs of \$865 were allocated to the liability component and \$281 were allocated to the equity component based on the allocation of the proceeds. The net amount of the liability and contributed surplus after transaction costs on December 13, 2018 was \$8,936 and \$2,918, respectively. On October 31, 2020, the carrying value of the liability component was \$9,689 and the carrying value of the equity component was \$2,918. Interest of \$246 had accreted as at February 9, 2021.

On January 8, 2021, the Company issued a redemption notice to redeem all its outstanding convertible debentures. As provided under the terms of the convertible debentures, all holders elected to convert their debentures into common shares, resulting in an aggregate of 26,000,000 common shares issued in satisfaction of the \$13,000 principal amount. The Company elected to satisfy accrued and unpaid interest on the convertible debentures, totalling \$1,725, through the issuance of 1,369,585 common shares. On February 10, 2021, 27,369,585 common shares were issued to the holders of the convertible debentures at a value of \$14,487, net of \$91 transaction costs.

5. CREDIT FACILITY

On April 22, 2021, the Company entered into a credit agreement provided by the National Bank of Canada ("NBC"). The amount available under the secured, revolving operating line (the "**Credit Facility**") is a maximum of \$6,000 based on recurring revenue. With no fixed term or maturity date, the Credit Facility is annually renewing and is undrawn as at April 30, 2021.

Borrowings under the Credit Facility bear interest at a rate of NBC Prime + 2.85% per annum. The Credit Facility contains financial covenants, which require the Company to maintain a satisfactory cash-to-burn ratio, tested on a quarterly basis. As at April 30, 2021, the Company was in compliance with all covenants.

6. FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE

Fair values

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

exactEarth™ Ltd.

Notes to the Interim Condensed Consolidated Financial Statements
 April 30, 2021
 (in thousands of Canadian dollars, except where otherwise noted and share data)
 (unaudited)

SIF loan

The SIF loan has a carrying value as at April 30, 2021 of \$1,642 (October 31, 2020 – \$1,442), which approximates fair value. The fair value of the SIF loan was calculated using discounted cash flows with a discount rate of 14% indicative of the Company's borrowing rate when the funding was received.

Foreign currency

As at April 30, 2021, approximately 74% of cash, 69% of accounts receivable and 44% of accounts payable and accrued liabilities are denominated in foreign currencies, respectively (October 31, 2020 – 45%, 71%, and 44%, respectively). These foreign currencies include the US dollar ("**USD**"), British pound ("**GBP**") and euro ("**EUR**").

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

Currency	Cash and cash equivalents	Accounts receivable	Accounts payable and accrued liabilities
USD	\$ 3,465	\$ 1,299	\$ 920
GBP	£ 312	£ 65	£ 12
EUR	€ 129	€ 458	€ 773

7. SHARE CAPITAL**Issued capital**

The Company has authorized an unlimited number of preferred shares, of which none are outstanding. The Company has authorized an unlimited number of common shares with no par value. As at April 30, 2021, the issued and outstanding common shares totalled 49,814,464 (October 31, 2020 – 22,048,640).

	Number of shares	Value of shares
Balance as at October 31, 2019	21,703,415	\$ 123,823
Add: ESPP share issuances	32,135	11
Add: RSU share issuances	313,090	89
Balance as at October 31, 2020	22,048,640	\$ 123,923
Add: ESPP share issuances	10,559	13
Add: RSU share issuances	385,680	511
Add: Debenture conversion (note 4)	27,369,585	14,487
Balance as at April 30, 2021	49,814,464	\$ 138,934

exactEarth™ Ltd.

Notes to the Interim Condensed Consolidated Financial Statements
 April 30, 2021
 (in thousands of Canadian dollars, except where otherwise noted and share data)
 (unaudited)

Earnings (loss) per share

Basic and diluted earnings (loss) per share for the three months ended April 30:

	2021	2020
Numerator for basic and diluted earnings (loss) per share available to common shareholders:		
Net income (loss) attributable to common shareholders	\$ 100	\$ (2,878)
Denominator for basic and diluted earnings (loss) per share:		
Weighted average number of shares outstanding	46,154,631	21,892,467
Basic and diluted earnings (loss) per share	\$ 0.00	\$ (0.13)

Basic and diluted loss per share for the six months ended April 30:

	2021	2020
Numerator for basic and diluted loss per share available to common shareholders:		
Net loss attributable to common shareholders	\$ (1,234)	\$ (3,491)
Denominator for basic and diluted loss per share:		
Weighted average number of shares outstanding	43,476,188	21,796,902
Basic and diluted loss per share	\$ (0.03)	\$ (0.16)

There are 2,547,785 share units that are antidilutive at April 30, 2021 (October 31, 2020 – 2,996,277).

8. COMMITMENTS AND CONTINGENCIES**L3Harris commitment**

In January 2020, the Company signed an updated agreement with L3Harris to receive satellite automatic identification system ("**S-AIS**") data from the L3Harris AppStar payloads on-board Iridium NEXT Constellation, Iridium's second-generation satellite constellation.

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	\$ 5,275	\$ 21,100	\$ 27,902

Claims or legal actions

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

exactEarth™ Ltd.

Notes to the Interim Condensed Consolidated Financial Statements
 April 30, 2021
 (in thousands of Canadian dollars, except where otherwise noted and share data)
 (unaudited)

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

The Company has a defined contribution pension plan for its employees. During the three and six months ended April 30, 2021, the Company's contributions, which are based on the contributions by employees, were \$49 and \$92 (three and six months ended April 30, 2020 – \$47 and \$94) and are included in cost of revenue and selling, general and administrative expenses in the Interim Condensed Consolidated Statements of Loss and Comprehensive Income (Loss).

Salaries and benefits

Total salaries and employee benefits expense for the three and six months ended April 30, 2021 was \$2,031 and \$4,810 (three and six months ended April 30, 2020 – \$1,864 and \$3,857).

10. REVENUE FROM CONTRACTS WITH CUSTOMERS**Disaggregation of revenue from contracts with customers**

Revenue is divided into three categories based on the types of products sold. Subscription services are recognized over the contract term, data products are sold on demand and recognized on delivery, and other products and services include various other revenue streams and are recognized as performance obligations are satisfied.

Revenue by product type for three months ended April 30:	2021	2020
Subscription services	\$ 5,214	\$ 3,894
Data products	340	132
Other products & services	322	381
Total revenue	\$ 5,876	\$ 4,407

Revenue by product type for six months ended April 30:	2021	2020
Subscription services	\$ 10,084	\$ 7,733
Data products	656	282
Other products & services	500	525
Total revenue	\$ 11,240	\$ 8,540

exactEarth™ Ltd.

Notes to the Interim Condensed Consolidated Financial Statements
 April 30, 2021
 (in thousands of Canadian dollars, except where otherwise noted and share data)
 (unaudited)

11. SEGMENT, GEOGRAPHIC AND MAJOR CUSTOMER INFORMATION

The Company has one reportable business segment, which is engaged in the sale of space-based maritime tracking data and related products and services from satellites.

Geographic information

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

For the three months ended April 30:	2021	2020
Canada	\$ 788	\$ 222
United States	363	262
Europe	3,192	2,261
Other	1,533	1,662
	\$ 5,876	\$ 4,407

For the six months ended April 30:	2021	2020
Canada	\$ 1,593	\$ 421
United States	709	619
Europe	6,032	4,233
Other	2,906	3,267
	\$ 11,240	\$ 8,540

For the three and six months ended April 30, 2021, there was one customer with revenue in excess of 10% of the Company's total revenue (April 30, 2020 – no customers).

PP&E are attributed to the country in which they are located or, for space-based assets, the country in which they are owned. Intangible assets are attributed to the country where ownership of the asset resides.

	April 30, 2021	October 31, 2020
PP&E		
Canada	\$ 5,157	\$ 5,272
United Kingdom	-	-
	\$ 5,157	\$ 5,272
Intangible assets		
Canada	\$ 1,193	\$ 1,286
United Kingdom	-	-
	\$ 1,193	\$ 1,286