

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

		As at July 31, 2021	As at October 31, 2020
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	(note 6)	7,041	7,423
Short-term investments		-	29
Accounts receivable	(notes 3 and 6)	3,153	3,215
Unbilled revenue		1,547	1,698
Prepaid expenses		605	392
Other current assets		329	359
Total current assets		12,675	13,116
Property, plant and equipment	(note 11)	5,037	5,272
Intangible assets	(note 11)	1,155	1,286
Other long-term assets		412	566
Total assets		19,279	20,240
LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	(note 6)	5,315	6,402
Deferred revenue		2,685	2,548
Total current liabilities		8,000	8,950
Loans payable	(notes 3, 5 and 6)	1,748	11,131
Long-term incentive plan liability		2,202	1,124
Other long-term liabilities		51	1,660
Total liabilities		12,001	22,865
Shareholders' equity (deficiency)			
Share capital	(note 7)	138,936	123,923
Contributed surplus		1,332	4,956
Accumulated other comprehensive loss		(158)	(155)
Deficit		(132,832)	(131,349)
Total shareholders' equity (deficiency)		7,278	(2,625)
Total liabilities and shareholders' equity (deficiency)		19,279	20,240

See accompanying notes

On behalf of the Board:

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

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

For the nine months ended July 31, 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)	143	-	-	13	130
Stock options exercised (note 7)	2	-	-	2	-
Restricted share units (note 7)	(3,243)	-	-	511	(3,754)
Debenture conversion (note 7)	14,487	-	-	14,487	-
Comprehensive loss	(1,486)	(1,483)	(3)	-	-
Balance at July 31, 2021	<u>7,278</u>	<u>(132,832)</u>	<u>(158)</u>	<u>138,936</u>	<u>1,332</u>
For the nine months ended July 31, 2020					
	\$	\$	\$	\$	\$
Balance at October 31, 2019	2,119	(126,238)	(113)	123,823	4,647
Stock-based compensation (note 7)	128	-	-	11	117
Restricted share units (note 7)	140	-	-	89	51
Comprehensive loss	(4,549)	(4,432)	(117)	-	-
Balance at July 31, 2020	<u>(2,162)</u>	<u>(130,670)</u>	<u>(230)</u>	<u>123,923</u>	<u>4,815</u>

See accompanying notes

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

	Three months ended		Nine months ended	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
	\$	\$	\$	\$
Operating activities				
Net loss	(249)	(941)	(1,483)	(4,432)
Add (deduct) items not involving cash				
Non-cash interest	43	151	358	400
Depreciation and amortization	170	178	525	669
(Recovery) loss on disposal	-	(13)	-	825
Share of equity investment loss	-	450	-	450
Operating grant recognized on SIF loan	(96)	(237)	(252)	(598)
Long-term incentive plan expense	327	373	1,491	759
Stock-based compensation	-	49	-	117
Net change in non-cash balances	215	124	(554)	(1,207)
Other operating cash flows				
Settlement of restricted share units	(15)	-	(15)	-
Cash flows from (used in) operating activities	<u>395</u>	<u>134</u>	<u>70</u>	<u>(3,017)</u>
Investing activities				
Acquisition of property, plant and equipment	(19)	(213)	(686)	(1,786)
Reimbursement of acquisition costs of property, plant and equipment	-	-	-	331
Net change in non-cash working capital related to investing activities	-	(450)	-	(450)
Cash flows used in investing activities	<u>(19)</u>	<u>(663)</u>	<u>(686)</u>	<u>(1,905)</u>
Financing activities				
Government loan repayment	-	-	-	(205)
Government loan advance	-	439	688	1,647
Payment of principal portion of lease obligations	(39)	(37)	(115)	(110)
Debenture transaction costs	-	-	(91)	-
Cash flows (used in) from financing activities	<u>(39)</u>	<u>402</u>	<u>482</u>	<u>1,332</u>
Effect of exchange rate changes on cash	12	32	(248)	143
Net increase (decrease) in cash	349	(95)	(382)	(3,447)
Cash, beginning of the period	6,692	6,836	7,423	10,188
Cash, end of the period	<u>7,041</u>	<u>6,741</u>	<u>7,041</u>	<u>6,741</u>
Supplemental cash flow information				
Interest paid	1	198	200	401
Interest received	5	-	5	32
Income taxes paid	-	-	109	119

See accompanying notes

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

		Three months ended		Nine months ended	
		July 31,	July 31,	July 31,	July 31,
		2021	2020	2021	2020
		\$	\$	\$	\$
Revenue	(notes 10 and 11)	6,022	4,789	17,262	13,329
Cost of revenue	(notes 3 and 9)	2,917	3,005	8,439	8,048
Gross profit		<u>3,105</u>	<u>1,784</u>	<u>8,823</u>	<u>5,281</u>
Selling, general and administrative	(note 9)	3,014	1,617	7,688	5,957
Product development and research and development		258	116	781	628
Depreciation and amortization	(note 3)	170	178	525	669
(Recovery) loss on disposal		-	(13)	-	825
Loss from operations		<u>(337)</u>	<u>(114)</u>	<u>(171)</u>	<u>(2,798)</u>
Other expenses					
Other expense		9	-	36	-
Foreign exchange (gain) loss		(137)	(71)	507	(189)
Share of equity investment loss		-	450	-	450
Interest income		(17)	(13)	(43)	(67)
Interest expense	(notes 3 and 6)	57	461	703	1,321
Total other expenses		<u>(88)</u>	<u>827</u>	<u>1,203</u>	<u>1,515</u>
Income tax expense		-	-	109	119
Net loss		<u>(249)</u>	<u>(941)</u>	<u>(1,483)</u>	<u>(4,432)</u>
Other comprehensive loss					
Item that may be subsequently reclassified to net loss:					
Foreign currency translation, net of income tax expense of nil		(50)	(53)	(3)	(117)
Total other comprehensive loss		<u>(50)</u>	<u>(53)</u>	<u>(3)</u>	<u>(117)</u>
Comprehensive loss		<u>(299)</u>	<u>(994)</u>	<u>(1,486)</u>	<u>(4,549)</u>
Loss per share					
Basic and diluted loss per share	(note 7)	(0.00)	(0.04)	(0.03)	(0.20)

See accompanying notes

exactEarth™ Ltd.

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

These Interim Condensed Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on September 13, 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.

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

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. Governments worldwide have implemented emergency measures including travel bans, self-imposed quarantine periods, lockdowns and physical distancing. The introduction and inoculation of vaccines has led to optimism, however the COVID-19 pandemic, including its variants, continues to rapidly evolve. COVID-19's impact on global markets has been significant through July 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 since March 2020. Otherwise, as at the date of these statements, there has been minimal impact on the Company's operations as a result of COVID-19. Technology continues to connect employees, using video conferencing and instant messaging as a means of secure and efficient communication, despite being physically distanced. The Company will continue to closely monitor the potential impact of COVID-19 on its business and operations and review its estimates, judgements, and assumptions on an ongoing basis.

Given the unpredictability of the pandemic, there are uncertainties related to COVID-19 that will persist in the Company's fourth 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, however the impact has been nominal thus far.

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

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In 2021 the IASB issued amendments to the following standards, which are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

- Amendments to IAS 1, Presentation of Financial Statements, clarifying the requirements for classifying liabilities as current or non-current;
- Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, clarifying the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous;
- Amendments to IAS 8 – Definition of Accounting Estimates to help entities distinguish changes in accounting estimates from changes in accounting policies;
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies, providing guidance and examples to help entities apply materiality judgements to accounting policy disclosures;
- Amendments to IAS 12 Income Taxes – Deferred tax related to assets and liabilities arising from a single transaction, clarifying that the initial recognition exception does not apply to transactions such as leases and decommissioning obligations, where equal amounts of deductible and taxable temporary differences arise on initial recognition. It is a matter of judgment whether payments that settle a liability are deductions attributable (for tax purposes) to the liability (and interest expense) or to the related asset component (and interest expense).

The Company is currently assessing the potential impact of these amendments.

3. GOVERNMENT ASSISTANCE

Strategic Innovation Fund (“SIF”) Loan

During the three and nine months ended July 31, 2021, nil and \$688 was received. An additional receivable of \$533 was recorded in accounts receivable for funding related to eligible expenditures incurred prior to July 31, 2021.

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

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

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

	July 31, 2021	October 31, 2020
Loans payable	\$ 1,748	\$ 1,442
Accounts receivable	533	752
Property, plant and equipment – net capital grant	532	509

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

	2021	2020
Cost of revenue – operating grant	\$ (96)	\$ (237)
Interest expense	54	37
Reduction of amortization expense	(13)	(13)
Net impact	\$ (55)	\$ (213)

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

	2021	2020
Cost of revenue – operating grant	\$ (252)	\$ (598)
Interest expense	149	92
Reduction of amortization expense	(38)	(33)
Net impact	\$ (141)	\$ (539)

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.

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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 July 31, 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 July 31, 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.

SIF loan

The SIF loan has a carrying value as at July 31, 2021 of \$1,748 (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 July 31, 2021, approximately 80% of cash, 74% of accounts receivable and 22% 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	\$ 3,858	\$ 1,187	\$ 59
GBP	£ 328	£ 13	£ 32
EUR	€ 165	€ 529	€ 688

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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 July 31, 2021, the issued and outstanding common shares totalled 49,816,065 (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: Stock options exercised	1,601	2
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 July 31, 2021	49,816,065	\$ 138,936

Loss per share

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

	2021	2020
Numerator for basic and diluted loss per share available to common shareholders:		
Net loss attributable to common shareholders	\$ (249)	\$ (941)
Denominator for basic and diluted loss per share:		
Weighted average number of shares outstanding	49,815,532	22,048,640
Basic and diluted loss per share	\$ (0.00)	\$ (0.04)

Basic and diluted loss per share for the nine months ended July 31:

	2021	2020
Numerator for basic and diluted loss per share available to common shareholders:		
Net loss attributable to common shareholders	\$ (1,483)	\$ (4,432)
Denominator for basic and diluted loss per share:		
Weighted average number of shares outstanding	44,628,893	21,881,428
Basic and diluted loss per share	\$ (0.03)	\$ (0.20)

There are 2,507,562 share units that are antidilutive at July 31, 2021 (October 31, 2020 – 2,996,277).

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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	\$ 5,362	\$ 21,448	\$ 27,008

Claims or legal actions

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

9. EMPLOYEE BENEFITS

Defined contribution pension plan

The Company has a defined contribution pension plan for its employees. During the three and nine months ended July 31, 2021, the Company's contributions, which are based on the contributions by employees, were \$63 and \$155 (three and nine months ended July 31, 2020 – \$48 and \$142) and are included in cost of revenue and selling, general and administrative expenses in the Interim Condensed Consolidated Statements of Loss and Comprehensive Loss.

Salaries and benefits

Total salaries and employee benefits expense for the three and nine months ended July 31, 2021 was \$2,472 and \$7,282 (three and nine months ended July 31, 2020 – \$2,434 and \$6,291).

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.

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Revenue by product type for three months ended July 31:	2021	2020
Subscription services	\$ 5,260	\$ 4,465
Data products	442	184
Other products & services	320	140
Total revenue	\$ 6,022	\$ 4,789

Revenue by product type for nine months ended July 31:	2021	2020
Subscription services	\$ 15,344	\$ 12,198
Data products	1,098	466
Other products & services	820	665
Total revenue	\$ 17,262	\$ 13,329

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 July 31:	2021	2020
Canada	\$ 887	\$ 513
United States	337	384
Europe	3,418	2,373
Other	1,380	1,519
	\$ 6,022	\$ 4,789

For the nine months ended July 31:	2021	2020
Canada	\$ 2,480	\$ 934
United States	1,046	1,003
Europe	9,450	6,606
Other	4,286	4,786
	\$ 17,262	\$ 13,329

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For the three and nine months ended July 31, 2021, there was one customer with revenue in excess of 10% of the Company's total revenue (July 31, 2020 – no customers).

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

	July 31, 2021	October 31, 2020
PP&E		
Canada	\$ 5,037	\$ 5,272
United Kingdom	-	-
	<hr/>	<hr/>
	\$ 5,037	\$ 5,272
	<hr/>	<hr/>
Intangible assets		
Canada	\$ 1,155	\$ 1,286
United Kingdom	-	-
	<hr/>	<hr/>
	\$ 1,155	\$ 1,286
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12. SUBSEQUENT EVENT

On September 13, 2021, the Company entered into a definitive agreement with Spire Global Inc. ("Spire"), under which Spire will acquire 100% of the Company's common shares. The consideration would consist of approximately \$2.50 in cash and 0.1 shares of Spire for each share of exactEarth. Spire shares are listed for trading on the New York Stock Exchange ("NYSE") under the ticker symbol SPIR. The Transaction is subject to shareholder, applicable regulatory approvals and customary closing conditions. The Transaction is expected to close in the fourth quarter of calendar 2021 or the first quarter of calendar 2022.