Annual Report
2018

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Dear Fellow Shareholder:

2018 was a memorable year for exactEarth as we strengthened our technology leadership position in the Satellite-AIS market and secured the financial resources to pursue our growth opportunity. Our second-generation constellation, exactView RT now has all 58 payloads in operation and has achieved its goal of being the first Satellite-AIS service on the market to deliver real-time service levels. With the launch and commissioning of the Spanish radar satellite, PAZ, we achieved another industry milestone having the first commercial and fully-operational AIS payload onboard a radar satellite. Towards year-end, the Government of Canada's Strategic Innovation Fund ("SIF") committed to an investment of up to $7.2 million over three years to support exactView RT, and subsequent to year-end we completed a $13.0 million convertible debenture financing with a syndicate of new and existing shareholders. With a strengthened balance sheet and a robust and differentiated technology platform, we are well positioned to capitalize on what we believe is a significant, and expanding, opportunity in the Satellite-AIS market.

Driven by the growing adoption of our real-time Satellite-AIS service, exactView RT, our revenue trend was favourable in 2018, culminating in Q4 results that generated a 27% year-over-year increase in subscription revenue and a 21% increase in our revenue backlog at year-end. For the full year, revenue was $13.0 million, up slightly from $12.8 million last year. 90% of fiscal 2018 revenue was subscription-based, which tends to be recurring in nature, while 87% of revenue was subscription-based in fiscal 2017. Fiscal 2018 Adjusted EBITDA improved to ($3.2) million from ($4.4) million last year.

The primary focus of our operational activity in fiscal 2018, was the ongoing deployment of exactView RT—which consists of 58 Satellite-AIS payloads built by Harris Corporation onboard the IridiumNEXT satellite constellation—and our efforts to build and convert our growing pipeline of opportunities related to the real-time service. A real-time Satellite-AIS service has some obvious advantages in terms of tracking vessels in motion, but the advantages of our system go beyond those time-related benefits to include several other key features that make it the "gold standard" in vessel tracking. What we mean by 'the gold standard' is a specific set of four fundamental capabilities that we believe will drive superior value in the marketplace:

- **Vessel Detection**: Requires high performance satellite payloads that are capable of tracking a very large vessel population and have superior AIS vessel detection for areas of dense shipping and for smaller Class B vessels.

- **Rapid Update Rate**: The unique nature of the multi-billion-dollar Iridium satellite constellation with its tightly controlled satellite positions and inter-satellite "mesh" network of connections, provides continuous global coverage and real-time data relay.
- **Longevity and Reliability**; the Iridium NEXT constellation has an expected life of 15 years or more and will have multiple spares in orbit, which avoids the logistical complexities and uncertainties of having to constantly replace satellites in orbit.
- **Continuous improvement and innovation**: the Harris-built payloads are software-driven which allows improvements and new service capabilities to be uploaded to the satellites in orbit at any time – so this is innovation without going through the process of having to launch new satellites.

We believe these capabilities provide a unique and sustainable advantage in the market and will expand our addressable opportunity as we leverage the real-time functionality to broaden our suite of data analytics services and extend our footprint further into the maritime information services marketplace. Interest in exactView RT remains high throughout our customer base and continues to take the form of an increased number of ongoing evaluation trials and growth in our sales pipeline. The conversion of this pipeline into enhanced order levels remains a major priority for us and we'll look to build on our momentum from Q4 to drive further revenue growth in future quarters.

In addition to our own sales and marketing efforts, we are also looking to expand our partnership network in order to increase our addressable market and accelerate our sales process. On the partnership side, we signed a significant agreement with IHS Markit in the third quarter. IHS is a world leader in information services with more than 50,000 customers around the world. Together we have created a branded solution called AIS Platinum that combines our persistent real-time Satellite-AIS service with their 2,000+ terrestrial AIS stations and vessel information.

We believe the service can deliver major benefits to customers in the commodity, finance, security and government sectors and customers of AIS Platinum will experience significant enhancements to what is available today from combined terrestrial/Satellite-AIS services in terms of coverage, frequency and latency.

There are also, various players are looking to bring analytics platforms together that make use of AIS, radar and optical satellite data in order to provide the most advanced maritime solutions for vessel observation and homeland security. To be a part of this type of solution, you need to be able to offer very high quality AIS data source, which is naturally where our real-time data comes

in. We will continue our ongoing dialogue with a number of parties that could serve as potential analytics and/or platform partners leveraging our differentiated global real-time AIS data.

Regarding the fusing of radar and AIS data, the Spanish radar satellite PAZ, which is owned and operated by Hisdesat, was launched in the second quarter with an exactEarth AIS payload onboard. This AIS payload is part of our first-generation constellation and is the first commercial AIS payload that has been launched on a radar satellite platform. With the commissioning of this payload complete, we now have two high-performance AIS payloads that are in the same orbit as most of the world's radar satellites. This means we can now fuse satellite and AIS signals together to help solve the difficult challenges that exist today in identifying so-called 'dark targets' – i.e. those vessels that should be transmitting AIS signals but are not. As the only commercial AIS payload onboard a radar satellite, we believe that PAZ offers unique functionality for this market to complement our real-time service.

In fiscal 2018 we also saw some developments with Myriota Pty. Ltd., which is a company that we provided $2.0 million in start-up financing to in 2015. Based in Adelaide Australia, Myriota is at the forefront of the next generation satellite Internet of Things market, creating a disruptively low-cost solution for tracking and monitoring a broad range of goods and assets. In the second quarter they completed an AUD $20.0 million (USD$15.6 million) preferred share financing.

This 'up-round' of financing brought in growth capital from a strong investment group that included Boeing and Singtel out of Singapore, and it will enable Myriota to advance the development of their exciting business. exactEarth did not participate in this financing round, but post-funding we have retained an 18% ownership position, a seat on the six-person board of directors, and an exclusive license to Myriota's advanced signal processing technology for the maritime vessel field.

In the third quarter, a multi-year agreement came into effect with Myriota whereby we would supply satellite services to them from our first-generation constellation. These services will support their satellite Internet-of-Things growth initiatives and have enabled us to unlock additional value from our legacy constellation.

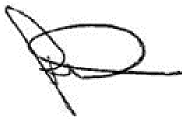
As I touched on at the beginning of this letter, toward the end of the year and subsequent to year-end, we secured two forms of financing. The first was the Government of Canada's SIF investment of up to $7.2 million over three years to support the development, management and expansion of exactView RT. The SIF program is designed to support businesses across all sectors of the economy by encouraging R&D that will accelerate the commercialization of innovative products, processes and services and will facilitate the growth of innovative firms. This funding will offset

planned development costs over the next three years in support of ongoing efforts to further improve and enhance the exactView RT platform. At year-end, we had received $1.4 million of SIF funding and expect the remaining $5.8 million to be received within three years.

Second, subsequent to year-end, we completed a private placement of convertible debentures for gross proceeds of $13.0 million. The private placement represented the completion of our strategic review process, and that financing, together with the $7.2 million SIF funding, provides significant financial flexibility for the Company and demonstrates confidence in our strategy and outlook from new and existing shareholders, as well as other stakeholders.

In closing, 2019 promises to be a busy and exciting year at exactEarth. We believe we have a significant growth opportunity in front of us and we will continue to leverage the unique real-time capabilities of exactView RT to develop and launch new analytics products and to maintain sales momentum in our core S-AIS market, while further expanding our footprint in the broader maritime information services market.

Sincerely



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 January 23, 2019 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, 2018. This MD&A should be read in conjunction with the Company’s consolidated financial statements, including the notes thereto, (the “**Consolidated Financial Statements**”). The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). All 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, 2018.*

Additional Information and Risk Factors

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”**) 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: the Company’s ability to continue as a going concern; 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 future launch dates and launch locations for satellite assets, including the satellites comprising the Second-Generation Constellation; anticipated and continued benefits of the Second-Generation Constellation on-board Iridium NEXT; expected useful lives of satellite assets and anticipated completion of additional 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, 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 fully executed contracts for the supply of products and/or services to its customers received during a defined period of time. 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, taxes, depreciation and amortization, unrealized foreign exchange losses, share-based compensation costs, and impairment losses, less unrealized foreign exchange gains, other income and restructuring expense recovery. 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 income (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 "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. 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 ("**IMO**") 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 300,000 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, its addressable market will increase to more than one million vessels by 2020.

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 has led the way in overcoming this limitation by pioneering 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, providing a real-time unrestricted global view of all shipping regardless of location, or proximity to a coastline.

Satellites

The Company receives AIS data from its constellation of LEO satellites. The first satellite, EV-0 was launched by exactEarth's previous parent company, COM DEV International Ltd., in 2008 for the purpose of validating the concept of collecting maritime AIS signals from space, but is now non-operational. Between 2011 and 2013, the Company launched and commissioned four more advanced AIS satellites, designated as EV-1, EV-2, EV-5 and EV-6. These satellites incorporated advanced AIS payloads designed to further improve AIS message detection from space. The Company's satellite constellation grew once again in December 2014 with the successful integration of three advanced in-orbit AIS satellites into the exactView constellation through a contract under which the Company purchased one satellite, EV-11, and licensed data month to month from two more. The Company's equatorial satellite, EV-9, was launched and commissioned in 2015. The data from these additional AIS satellites significantly increased the capacity of the Company's global vessel monitoring service and further enhanced its world-leading AIS message detection performance from space.

The Company expects to receive data from two additional satellites EV-7 and EV-8. EV-7 was launched on June 22, 2016 and EV-8 was launched on the PAZ satellite on February 22, 2018. Commissioning is underway on EV-7. Commissioning was completed on EV-8 on December 6, 2018. EV-8 is operated by Hisdesat Servicios Estratégicos, S.A. ("**Hisdesat**"), one of the Company's significant shareholders. Upon launch of EV-8, the Company was obliged to pay 100 Euro ("**EUR**") to Hisdesat as a one-time fee and, when commissioning was completed, an additional fee of 200 EUR became payable.

As part of the Company's restructuring effort that commenced in October 2016, the Company cancelled its commitment on the two leased satellites in the first quarter of 2017.

On February 3, 2017, the Company lost contact with EV-5. When subsequent recovery efforts were not successful, the Company filed an insurance claim which was paid in full in April 2017. For more details on this transaction please refer to the section "Other Income" of this MD&A.

On April 28, 2017, the first four (of fifty-eight) of the Company's Second-Generation Constellation of satellites using exactView™ RT Powered by Harris Corporation ("exactView RT") were put into service, thereby beginning the world's first global real-time S-AIS service. Forty-seven additional exactView RT satellites are now commissioned, bringing the total number of satellites in service as of January 23, 2019 to fifty-six (five First-Generation plus fifty-one Second-Generation). The Company is now seeing real-time operational performance (which the Company defines as message latency of less than one minute) from the fifty-one Second-Generation payloads which are currently in service. Four additional payloads have been previously launched and are expected to come into service when they reach their intended orbit and commissioning is completed, or to remain as in-orbit spares. Another successful launch took place on January 11, 2019. Ultimately, the Company plans to have fifty-eight Second-Generation Constellation satellites in service, not counting in-orbit spares.

The Company's collaboration with Harris Corporation ("Harris") is further described in the "Strategic Alliances" section below.

Ground infrastructure and data processing

The Company has deployed a network of international ground stations designed for highly reliable satellite data downlinking, storage and transmission to its primary data processing centre ("**DPC**") for processing and distribution. The ground station facilities provide reception of AIS payload downloads and securely cache the payload data locally. Ground stations are often equipped with redundant capabilities to ensure the highest level of reliability. Upon reception at a ground station, the AIS information is forwarded through an extensive secure Virtual Private Network using encrypted, high capacity links to one of the Company's two DPCs, both of which are located in Ontario, Canada.

Products and services

Through a variety of products and services, the Company provides what they believe to be the most 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.

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 the 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 raw data and customized reports derived from the Company's extensive and growing archive which dates back to July 5, 2010. Revenue from the sale of these products is generally recognized when they are delivered to the customer and is not necessarily 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

On June 8, 2015 the Company announced an agreement with Harris (the "**Harris Agreement**") which allows the Company to apply its expertise and technology in AIS signal detection from space on-board Iridium NEXT, Iridium's second-generation satellite constellation. The payloads utilize Harris' powerful AppStar applications platform and employs an in-orbit version of the Company's patented AIS detection algorithms, creating an unrivaled AIS detection capability for global maritime tracking. exactEarth's Second-Generation Constellation, called exactView RT, collects information across the entire maritime frequency band and provides real-time access to and from the ground enabling real-time delivery of the collected maritime information on a global scale.

When fully deployed, exactView RT is expected to provide real-time global coverage with enhanced detection performance as compared to other S-AIS systems. The robustness of the constellation, programmability of the payloads and support for multiple in-orbit applications makes this the global maritime information collection system designed to meet and exceed the needs and expectations of the world's maritime community for the foreseeable future.

As part of the Harris Agreement, the two companies share their respective AIS product revenue with each other. If launches continue to be successful and timely, the constellation will reach Initial Operating Capacity ("**IOC**") in early calendar 2019. At the point of IOC, the Company is to pay Harris 40% of annual data revenue on the first US$40,000 of annual revenue, and 33% of additional revenues. Prior to IOC, the revenue share is proportional to the number of payloads in-service one year prior. One of the stipulations of the revenue sharing agreement is that the Company will pay Harris $50 USD per year for each satellite put in service as part of the Second-Generation Constellation (up-to $750 USD per quarter). For the year ended October 31, 2018, the Company has paid $636 and recorded $1,846 as being payable to Harris in the Company's financial statements. Please refer to the Company's AIF for details pertaining to the Harris Agreement.

On November 23, 2015, the Company announced an $2,000 Australian dollar ("**AUD**") (CAD$1,894) minority ownership investment in technology company, Myriota Pty Ltd. ("**Myriota**") 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 Myriota technology uses advanced signal processing Intellectual Property ("**IP**") developed

at the University of South Australia (UniSA) 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's investment of AUD$2,000 has been recorded as a technology licence and classified as an intangible asset. 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 2019 and royalties will begin at that time. Myriota completed an AUD$20,000 equity raise in the three months ended April 30, 2018. The equity raise, completed at a significantly higher valuation for Myriota, resulted in the dilution of the Company's ownership interest to 18% from 30%. For additional information, refer to note 5 (Investment) and note 7 (Intangible assets) in the Notes to the Consolidated Financial Statements.

On April 14, 2016, the Company announced a twenty-four-month strategic alliance with Larus Technologies Corporation ("**Larus**"), an Ottawa-based provider of adaptive learning and predictive analytics software. Under the strategic alliance, the two companies have been working together to develop and market Big Data analytics-based software applications and information services for the global surveillance and intelligence markets. These products are part of the IaaS category described above. As part of the strategic alliance, the Company gains an exclusive license to Larus' Big Data analytics platform (Total::Insight™) for the maritime market for consideration of $700, which was paid over a twenty-four-month term. In return, Larus gains access to the Company's map visualisation IP for integration into Total::Insight-based solutions for non-maritime markets and to the Company's extensive data archive to perform advanced pattern-of-life analysis. the Company enhances existing, and develops new, maritime-focused information products and services by integrating technology from the Total::Insight™ platform into its existing maritime Big Data processing and supply chain IT infrastructure. New application areas include shipping movement and behavioural analysis and the companies will work together to advance the capabilities in the exciting area of predictive analytics. The Company will pay a royalty of 30% on the gross sales of products that are derived from the Larus Total::Insight™ technology. For additional information, refer to note 7 (Intangible assets), note 9 (Loans payable, financial instruments and foreign exchange) and note 12 (Commitments and contingencies) in the Notes to the Consolidated Financial Statements.

In June of 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 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 into the market place, which can be marketed and sold by both parties. IHSMarkit has a significant market presence and the Company is anticipating that the relationship with IHSMarkit will contribute to orders growth commencing in future quarters.

Funding sources

On May 5, 2016, Innovation, Science and Economic Development Canada announced a $54,000 Technology Demonstration Program contribution to MDA Systems Ltd., which changed its name to Maxar Technologies in 2017 ("**Maxar**"), and its partners. The funding is designed to support large scale technology demonstration projects related to the Canadian aerospace, defence, space, and security industries. On May 9, 2016, the Company entered into a Technology Demonstration Program Collaboration Agreement ("**TDP Agreement**") with Maxar as a Partner Recipient under the Technology Demonstration Program related to Space Technology and Advanced Research ("**STAR**"). The TDP Agreement provides funding at 50% of eligible costs in respect of STAR projects to a maximum total funding value of $1,250. This funding is available to partially offset eligible STAR project costs during the period commencing August 12, 2014 and ending March 31, 2022. The Company submitted its final claim in the third quarter of 2018 and have recognized a cumulative total recovery to date of $1,250. The funding recognized as an offset to cost of revenue in the year ended October 31, 2018 was $202 (October 31, 2017 – $381).

On October 18, 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 and for the payment in February

of the subsequent year. During the year ended October 31, 2018, the Company received payment for the first claim of $1,425. An additional receivable of $128 was recorded for unclaimed funding related to expenses incurred prior to October 31, 2018. 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 $336 at October 31, 2018. 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 and a capital grant based on the relative proportion of eligible expenditures incurred. For additional information, refer to note 4 (Government assistance) in the Notes to the Consolidated Financial Statements.

On December 13, 2018, the Company completed an offering of Convertible Debentures at a price of $1 per Convertible Debenture for gross proceeds of $13,000. The Convertible Debenture Financing represented the culmination of an extensive review of strategic alternatives by the Special Committee which will provide the Company with a solid financial footing going forward. Each Convertible Debenture is convertible into 2,000 Common Shares of the Company, being an effective conversion price of 50 cents per share at the option of the holder (subject to customary adjustments from time to time), at any time prior to the fifth anniversary of the closing date. The net proceeds of $11,500 from the Convertible Debenture Financing will be used to fund the Company's ongoing working capital needs in support of business operations and for general corporate purposes. For additional information, refer to note 21 (Subsequent events) in the Notes to 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. With the deployment of the Company's First-Generation Constellation nearing completion, the Company is now able to reduce its satellite infrastructure operating costs as the Company continues to transition to an information and intelligence company.

The number of full-time employees at October 31, 2018 was 40 (October 31, 2017 – 46).

Overall Performance

Revenue was $12,955 for the year ended October 31, 2018, compared to $12,833 for the year ended October 31, 2017. The Company's major application market segments are government and commercial. Government customers contributed $6,239 to the revenue for the year ended October 31, 2018, compared to $6,789 for the year ended October 31, 2017. The decrease in year over year revenue was primarily due to non-cash revenue earned in the first quarter of 2017 related to the EV-9 asset transfer arrangement, described in the "Revenue" section below. Commercial revenue for the year ended October 31, 2018 was $6,716, compared to $6,044 for the year ended October 31, 2017. Commercial revenue for the year ended October 31, 2018 includes $250 of non-monetary revenue resulting from the exchange of AIS data not licenced for commercial use for data processing services.

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 orders won but not yet recognized in revenue is $31,482, compared to $25,996 of backlog reported at October 31, 2017. Revenue of $11,677 from the current backlog is forecasted to be earned in 2019 while $9,835 is expected to be earned in 2020. The balance of $9,970 is expected to be earned between 2021 and 2027.

The Company's foreign currency denominated backlog gets affected by fluctuation in foreign exchange rates. The Company's closing backlog for any given quarter gets revalued as the CAD strengthens or weakens in relation to the Great Britain Pound ("**GBP**"), EUR or US dollar ("**USD**"), as applicable. The foreign exchange rates at October 31, 2018 were: GBP $1.6775, EUR $1.4876, USD $1.3142, while the foreign exchange rates at October 31, 2017 were: GBP $1.7095, EUR $1.5014, USD $1.2893. The weakening CAD in the year ending October 31, 2018 resulted in an increase of $1,536 in backlog (October 31, 2017 – decrease of $998).

The following chart summarizes orders and backlog:

	Years ended October 31	
	2018	2017
Opening backlog	$ 25,996	$ 22,551
New orders	16,905	17,276
Foreign exchange adjustment on opening backlog	1,536	(998)
Revenue	(12,955)	(12,833)
Closing backlog	$ 31,482	$ 25,996

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 Bank of Canada average noon GBP/CAD exchange rates during the year ended October 31, 2018 was $1.7298, compared to an average of $1.6666 in 2017. The Bank of Canada average noon EUR/CAD exchange rates during the year ended October 31, 2018 was $1.5290, compared to an average of $1.4519 in 2017. The Bank of Canada average noon USD/CAD exchange rates during the year ended October 31, 2018 was $1.2870, compared to an average of $1.2503 in 2017. Foreign exchange for the year ended October 31, 2018 was a loss of $55 compared to a gain of $43 for the year ended October 31, 2017.

Adjusted EBITDA for the year ended October 31, 2018 was a loss of $3,210 compared to a loss of $4,387 for the year ended October 31, 2017. The reduced Adjusted EBITDA loss for the year ended October 31, 2018 was driven primarily by higher revenue and lower SG&A, product development and R&D and other expense, partially offset by higher cost of revenue. 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)	2018	2017	2016
Revenue	$ 12,955	$ 12,833	$ 18,918
Gross margin	4,322	4,215	9,146
Gross margin	33.4 %	32.8%	48.3%
Impairment loss	10,885	26,886	27,987
Restructuring expense (recovery)	(2)	(99)	1,744
Adjusted EBITDA[1]	(3,210)	(4,387)	523
Adjusted EBITDA Margin[1]	(24.8%)	(23.2%)	2.8%
Earnings (loss) from operations	(15,935)	(35,158)	(32,903)
Net loss	(16,223)	(33,834)	(35,963)
Basic and diluted loss per share	(0.75)	(1.57)	(1.90)
Total assets	15,624	31,148	67,822
Deferred revenue	2,412	2,252	1,968
Other current liabilities	5,250	4,843	7,365
Long-term loans and borrowings	498	662	1,188
Other non-current liabilities	257	388	758

(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, 2018:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 5,149	$ 458	$ 632	$ 6,239
Commercial and other	6,145	509	62	6,716
Total revenue	$ 11,294	$ 967	$ 694	$ 12,955

Revenues for the year ended October 31, 2017:

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 5,344	$ 306	$ 1,139	$ 6,789
Commercial and other	5,273	685	86	6,044
Total revenue	$ 10,617	$ 991	$ 1,225	$ 12,833

The Company's total revenue for the year ended October 31, 2018 was $12,955 compared to $12,833 for the year ended October 31, 2017. The Company anticipates that the drivers for the next phase of revenue growth will be the expansion of its Second-Generation Constellation on-board Iridium NEXT, new analytics applications for the S-AIS and maritime information services markets and sales traction within the small vessel tracking market.

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 its revenue growth. Subscription Services revenue for the year ended October 31, 2018, was $11,294 compared to $10,617 for the year ended October 31, 2017. Subscription Services revenue represented 87% of the Company's total revenue for the year ended October 31, 2018 compared to 83% for the year ended October 31, 2017. The increase in Subscription Services revenue was primarily due to the addition of new subscription customers and $94 of non-cash revenue resulting from the trade of AIS subscription data for data processing services for the year ended October 31, 2018, partially offset by non-cash revenue recognition of $618 for the year ended October 31, 2017 related to the EV-9 asset transfer arrangement. Net of the non-cash revenue, Subscription Services revenue increased by $1,201 in the year ended October 31, 2018 due to the addition of new subscription customers. The EV-9 asset transfer was an arrangement under which the Company provided in-kind datasets at a value of $3,666 in exchange for title to the EV-9 satellite. All datasets were transferred as at January 31, 2017.

Revenue from Data Products was $967 for the year ended October 31, 2018, compared to $991 for the year ended October 31, 2017. This type of revenue is generated from on-demand customer requests and are therefore variable in its timing. The decrease is due to fewer data products purchased in the year ended October 31, 2018, partially offset by $156 of non-cash revenue resulting from the trade of AIS archive data not licenced for commercial use for data processing services in the year ended October 31, 2018.

Revenue from Other Products & Services was $694 for the year ended October 31, 2018 compared to $1,225 for the year ended October 31, 2017. The decrease is due to timing of delivery of services related to ongoing percentage of completion projects, primarily with small vessel opportunities.

Revenue by quarter

	Subscription Services	Data Products	Other Products & Services	Total Revenue
Q1 2017	$ 3,038	$ 208	$ 90	$ 3,336
Q2 2017	$ 2,326	$ 341	$ 1,044	$ 3,711
Q3 2017	$ 2,572	$ 309	$ 53	$ 2,934
Q4 2017	$ 2,681	$ 133	$ 38	$ 2,852
Q1 2018	$ 2,506	$ 84	$ 246	$ 2,836
Q2 2018	$ 2,463	$ 594	$ 122	$ 3,179
Q3 2018	$ 2,923	$ 28	$ 220	$ 3,171
Q4 2018	$ 3,402	$ 261	$ 106	$ 3,769

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. The Company has experienced lower than planned revenue combined with operating losses resulting in a reduction in forecasted future cash flows. However, in recent quarters, the trend for Subscription Services revenue has been positive as sales momentum has bene 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	
	2018	2017
Gross profit	$ 4,322	$ 4,215
Gross margin	33.4%	32.8%

Gross margin for the year ended October 31, 2018 was 33.4% compared to 32.8% for the year ended October 31, 2017. Gross margin increased in the year ended October 31, 2018 due to increased revenue and relatively flat cost of revenue. Cost of revenue increased slightly due to higher satellite operating costs related to the Second-Generation Constellation and increased terrestrial data costs, partially offset by decreased data processing and project related costs, the reimbursement of costs related to the TDP Agreement and $1,154 of SIF funding recognized against cost of revenue. Costs increase relative to the number of satellites and ground stations, and volume of data processing, rather than relative to the number of customers. Therefore, as the Company's satellite constellation expands, the Company expects that its cost base will grow more quickly than the growth of its revenues which will result in decreased gross margins in the short term. As the Company's customer base subsequently grows, the revenue increase is expected to exceed the cost base increase and result in higher gross margin over the long term.

SG&A expenses

SG&A expenses for the year ended October 31, 2018 were $6,255 compared to $7,004 for the year ended October 31, 2017. SG&A expense decreased year over year due to reversal of bad debt, reduced Restricted Share Unit ("**RSU**"), Deferred Share Unit "(**DSU**") and stock option expenses resulting from decreased share price, vesting, settlement and forfeitures, decreased spending on conferences, travel and consulting and moving expenses included in the first quarter of 2017, partially offset by increased selling expense and professional fees.

Product development and R&D expenses

Product development and R&D expenses for the year ended October 31, 2018 were $1,418 compared to $1,692 for the year ended October 31, 2017. The Company continued to focus on developing more web-based functionality as well as new analytics-based product offerings during fiscal 2018.

The Company incurred $345 on R&D expenses for the year ended October 31, 2018 compared to $242 for the year ended October 31, 2017. The R&D expense was incurred on the development of new data processing capabilities and on Project VESTA, a collaboration of various partners in the UK including the Company's Subsidiary, sponsored by the UK Space Agency. Project VESTA has an objective to demonstrate a satellite-based, two-way maritime communications system representing initial implementation of VHF Data Exchange System (VDES) technology. The Company's Project VESTA responsibilities focus on the ground segment of the VDES system, including the satellite feeder link, a ship-based test station and the ability to control the overall VESTA network. The launch occurred in December 2018 and the satellite is currently undergoing in orbit commissioning. VDES networks using LEO satellites have the potential to become a new service offering in the future, complementary to the Company's S-AIS business.

Impairment losses

At the end of each reporting period, the Company assesses whether there are events or circumstances indicating that an asset may be impaired. Such events or circumstances notably include material adverse changes which in the long-term impact the economic environment or the Company's assumptions or objectives. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment because the Company as a whole has been assessed as a single cash generating unit ("**CGU**"). The recoverable amount is the greater of value in use ("**VIU**") and fair value less costs of disposal.

During fiscal 2018, the market capitalization of the Company was below the carrying value for a sustained period of time particularly during the fourth quarter of the fiscal year. This is considered an indicator of impairment. Management assessed the recoverable amount for the impairment test based on fair value less cost to sell using a market approach. The fair value less estimated cost to sell of $7,206 was determined using a market capitalization based on the share price on October 31, 2018. The carrying value, represented by the book value of the Company's shareholder's equity was $18,091. The carrying value was higher than the book value by $10,885 (October 31, 2017 – $26,886). As a result, at October 31, 2018, impairment losses recognized are $7,617 (October 31, 2017 – $18,804) related to property, plant and equipment and $3,268 (October 31, 2017 – $8,082) related to intangible assets, allocated on a pro-rata basis. The impairment amount has been recorded in the Statement of loss and comprehensive loss. For additional information, refer to note 6 (Property, plant and equipment), note 7 (Intangible assets) and note 8 (Impairment of long-lived assets).

Other expenses (income)

	Years ended October 31		
	2018	2017	Change
Other income	$ -	$ (1,455)	$ 1,455
Other expense	49	197	(148)
Restructuring expense recovery	(2)	(99)	97
Foreign exchange loss (gain)	55	(43)	98
Interest income	(38)	(79)	41
Interest expense	72	131	(59)
Income tax expense	152	24	128
Total other expense (income)	$ 288	$ (1,324)	$ 1,612

Other income

Other income was nil for the year ended October 31, 2018 compared to $1,455 for the year ended October 31, 2017. The 2017 income was the result of an insurance claim for the insured value of EV-5 less the remaining book value of the asset.

Other expense

Other expense was $49 for the year ended October 31, 2018 compared to $197 for the year ended October 31, 2017. The 2018 expense relates to severance, while the 2017 expense related to severance, maternity leave top-up and loss on disposal of assets.

Restructuring expense recovery

In November 2016, the Company announced a restructuring aimed at re-organizing and streamlining its organization in order to enhance data delivery, strengthen sales capabilities, and lower the cost base. The restructuring resulted in the termination of 14 employees effective October 13, 2016. The $2 recovery in the year ended October 31, 2018 and $99 recovery in the year ended October 31, 2017 relates to the revaluation of RSUs and adjustments to benefits payable.

Foreign exchange loss (gain)

Foreign exchange amounts in the Consolidated Statements of 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, 2018 was a loss of $55 compared to a gain of $43 during the year ended October 31, 2017.

Interest income

The Company's interest income for the year ended October 31, 2018 was $38 compared to $79 for the year ended October 31, 2017. Interest income decreased as cash balances declined over the year.

Interest expense

The Company's interest expense for the year ended October 31, 2018 was $72 compared to $131 for the year ended October 31, 2017. Interest expense is decreasing as outstanding loan balances are repaid.

Income tax expense

The Company's income tax expense for the year ended October 31, 2018 was $152 compared to $24 for the year ended October 31, 2017. Income tax expense increased due to withholding tax that is not expected to be recoverable.

Adjusted EBITDA

	Year ended October 31	
	2018	2017
Net loss	$ (16,223)	$ (33,834)
Interest income	(38)	(79)
Interest expense	72	131
Income tax expense	152	24
Depreciation and amortization	1,699	3,791
Unrealized foreign exchange gain	(53)	(376)
Share-based compensation	298	624
Impairment Loss	10,885	26,886
Restructuring expense (recovery)	(2)	(99)
Other income	-	(1,455)
Adjusted EBITDA	$ (3,210)	$ (4,387)

Adjusted EBITDA for the year ended October 31, 2018, was a loss of $3,210 compared to a loss of $4,387 for the year ended October 31, 2017. The improvement year over year was driven by increased revenue and decreased SG&A, product development and R&D and other expense, partially offset by increased cost of revenue. 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 $16,223 for the year ended October 31, 2018, compared to $33,834 for the year ended October 31, 2017. The net loss decreased primarily due to higher revenue and decreases in SG&A, product development and R&D, depreciation and amortization, impairment losses and other expenses, partially offset by a decrease in other income and increased cost of revenue and foreign exchange loss.

Fourth Quarter Review

Revenues for the three months ended October 31, 2018:

(in thousands of dollars)	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 1,630	$ 58	$ 106	$ 1,794
Commercial and other	1,772	203	-	1,975
Total revenue	$ 3,402	$ 261	$ 106	$ 3,769

Revenues for the three months ended October 31, 2017:

(in thousands of dollars)	Subscription Services	Data Products	Other Products & Services	Total Revenue
Government departments	$ 1,367	$ 7	$ 38	$ 1,412
Commercial and other	1,314	126	-	1,440
Total revenue	$ 2,681	$ 133	$ 38	$ 2,852

Revenue for the three months ended October 31, 2018 was $3,769 with a cost of revenue of $1,497 resulting in a gross profit of $2,272. The corresponding results for the three months ended October 31, 2017 was revenue of $2,852, cost of revenue of $1,998 and a gross profit of $854. Gross margin for the three months ended October 31, 2018 was 60.3% compared to 29.9% for the three months ended October 31, 2017. Gross margin increased in the three months ended October 31, 2018 due to an increase in revenue and a decrease in cost of revenue. Cost of revenue decreased

primarily due to $1,154 of SIF funding recognized against cost of revenue, partially offset by higher satellite operating costs related to the Second-Generation Constellation and increased terrestrial data costs.

Adjusted EBITDA

	Three months ended October 31	
	2018	2017
Net loss	$ (10,322)	$ (28,966)
Interest income	(5)	(20)
Interest expense	14	29
Income tax expense	30	8
Depreciation and amortization	451	916
Unrealized foreign exchange gain	72	(432)
Share-based compensation	(168)	173
Impairment Loss	10,885	26,886
Restructuring expense (recovery)	-	(12)
Adjusted EBITDA	$ 957	$ (1,418)

Adjusted EBITDA for the three months ended October 31, 2018, was a gain of $957 compared to a loss of $1,418 for the three months ended October 31, 2017. The improvement year over year was driven by increased revenue and decreased cost of revenue, SG&A, product development and R&D and other 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.

Operating expenses for Q4 2018 decreased compared to Q4 2017. Impairment losses of $10,885 recognized in Q4 2018 compared to $26,886 recognized in Q4 2017 was the primary driver of the decrease in operating loss from $29,236 in Q4 2017 to $10,210 in Q4 2018.

The Net loss for Q4 2018 was $10,322 while Q4 2017 reported a Net loss of $28,966. The net loss in the quarter was reduced primarily due to higher revenue and lower cost of revenue, operating expenses, including impairment, and other expenses partially offset by higher foreign exchange loss.

Financial position

The following chart outlines the changes in the Consolidated Statements of Financial Position between October 31, 2017 and October 31, 2018:

(in thousands of dollars)	Increase/ (Decrease)	Explanation
Cash	$ (3,343)	The decrease in cash is due to ongoing operational expenses, partially offset by collections and SIF funding received.
Short-term investments	$ 49	Short-term Guaranteed Investment Certificates purchased as collateral against credit facilities.
Accounts receivable	$ 320	The accounts receivable balance fluctuates with changes in billings and collections.
Unbilled revenue	$ 298	The unbilled revenue reflects the amount of revenue recognized in advance of billings.
Prepaid expenses and other assets	$ (612)	The decrease relates to the expiry of in orbit insurance for certain First-Generation Constellation satellites.

(in thousands of dollars)	Increase/ (Decrease)	Explanation
Property, plant and equipment	$ (8,567)	The decrease in property, plant and equipment is due to depreciation of $1,265, impairment of 7,617, SIF funding of $63, reimbursement from LuxSpace for services related to EV-10 of $541, and a reversal of M3M satellite value of $359 at the conclusion of arbitration with Honeywell, offset by additions of $1,278.
Intangible assets	$ (3,685)	The decrease in Intangible assets is due to depreciation of $434 and impairment of $3,268, offset by additions of $17.
Accounts payable and accrued liabilities (current and non-current)	$ 1,108	The balance fluctuates based on timing of goods and services received and payments.
Deferred revenue	$ 160	Deferred revenue reflects billings that occur in advance of revenue recognition.
Restructuring provision	$ (388)	The decrease is due to payments and adjustments of salary continuance for three employees affected by the restructuring in October 2016.
Loans payable (current and non-current)	$ (272)	The decrease is due to principal payments made on the FED DEV and Larus debt, partially offset by the new SIF loan.
Long-term incentive plans (current and non-current)	$ (336)	The decrease is due to the reallocation of RSU payable to contributed surplus upon amendment to the Share Unit Plan to allow RSUs to be equity settled and the revaluation of previously accrued units due to a decrease in stock price, partially offset by continuing accrual of DSU payable.
Contributed surplus	$ 381	The increase is related to reallocation of RSU payable to contributed surplus and expense recognized on RSUs and stock options during the year. Stock options and RSUs will be equity settled.
Accumulated other comprehensive loss	$ 33	The increase is due to the foreign exchange translation of the Company's Subsidiary.
Deficit	$ (16,223)	The decrease represents net loss of $16,223.

Liquidity and capital resources

The key liquidity and capital resource items are as follows:

	October 31, 2018	October 31, 2017	% Change
Cash	$ 4,774	$ 8,117	(41%)
Short-term investments	$ 49	$ -	n/a
Trade accounts receivable	$ 3,491	$ 3,171	10%
Prepaid and other current assets	$ 654	$ 1,266	(48%)
Accounts payable and accrued liabilities	$ 4,780	$ 3,722	28%
Loans payable – current	$ 459	$ 567	(19%)

Working Capital

Working capital decreased $3,855 during the year ended October 31, 2018 to $2,217. The decrease since October 31, 2017 is driven by the following:

		Increase / (Decrease) to working capital
Decrease in cash	$	(3,343)
Increase in short-term investments		49
Increase in trade accounts receivable		320
Increase in unbilled revenue		298
Decrease in prepaid expenses and other assets		(612)
Increase in accounts payable and accrued liabilities		(1,058)
Increase in deferred revenue		(160)
Decrease in restructuring provision		388
All other		263
Total	$	(3,855)

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:

	Year ended October 31			
		2018		2017
Cash used in operating activities	$	(3,038)	$	(7,707)
Cash (used in) from investing activities		(1,168)		2,995
Cash from (used in) financing activities		698		(801)
Effect of exchange rate changes on cash		165		(50)
Net decrease in cash	$	(3,343)	$	(5,563)
Cash, beginning of the period		8,117		13,680
Cash, end of the period	$	4,774	$	8,117

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. Prior to the completion of the Spinout Transaction, the Company used loans from shareholders as primary sources of liquidity. On October 18, 2018, the company signed a loan agreement with SIF to receive funding for certain expenditures incurred from February 13, 2018 to February 12, 2021 to a maximum of $7,206. On December 13, 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 $11,500 to fund short-term operating costs. As a result of this recent 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 2019. For additional information, refer to note 4 (Government assistance) and note 21 (Subsequent events) in the Notes to 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. 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 Notes to the Consolidated Financial Statements.

Operating activities

Cash used in operations for the year ended October 31, 2018 was $3,038, compared to cash used in operations of $7,707 for the year ended October 31, 2017. The decrease in cash used in operations was primarily due to the decrease in net loss adjusted for non-cash items.

Investing activities

Cash used in investing activities for the year ended October 31, 2018 was $1,168 compared to $2,995 generated from investing activities for the year ended October 31, 2017. The cash used in the year ended October 31, 2018 includes the acquisitions of long-lived assets offset by reimbursement related to SIF funding and from LuxSpace related to EV-10. The cash generated in the year ended October 31, 2017 includes the acquisitions of long-lived assets offset by reimbursement from LuxSpace related to EV-10 and the insurance settlement of $3,500 for the EV-5 satellite.

Financing activities

Cash flows from financing activities for the year ended October 31, 2018 were $698 compared to $801 used for financing in the year ended October 31, 2017. Financing cash flows in 2018 were related to the SIF loan advance, offset by repayment of long-term liabilities and purchase of short-term investments.

Contractual obligations

The following table outlines the contractual cash obligations (excluding accounts payable and accrued liabilities) as at October 31, 2018:

	Total	Less than one year	1-3 years	4-5 years	>5 years
Lease obligation	$ 371	$ 124	$ 247	$ -	$ -
Government loans	2,210	492	165	-	1,553
Capital commitments	3,741	243	714	1,856	928
Harris commitment	41,890	3,352	6,702	6,702	25,134
Total contractual obligations	$ 48,212	$ 4,211	$ 7,828	$ 8,558	$ 27,615

As at October 31, 2018, the Company had various contractual cash obligations, including government debt, capital commitments and commitment under the Harris Agreement. For additional information, refer to note 4 (Government assistance) and note 12 (Commitments and Contingencies) in the Notes to the Consolidated Financial Statements.

Credit facilities

On October 1, 2018 the company agreed to terminate its' $2,000 line of credit agreement with The Canadian Imperial Bank of Commerce ("CIBC"). The company purchased two Guaranteed Investment Certificates totalling $49 from CIBC as collateral for a line of credit for $29 and other credit facilities of $20.

Off-balance sheet arrangements

As at October 31, 2018, the Company does not have any off-balance sheet arrangements, other than operating leases as disclosed in note 12 (Commitments and contingencies) in the Notes to the Consolidated Financial Statements.

Proposed transactions

The Company did not have any proposed transactions as at October 31, 2018.

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 CAD; however, portions of the revenue are denominated in GBP, EUR and USD. 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, 2018, 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, 2018 by approximately $129. Based on our net exposure at October 31, 2018, 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, 2018 by approximately $146. 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, 2018 by approximately $266. 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. Based on a review of trade accounts receivable, an allowance for doubtful accounts of $5 was recorded at October 31, 2018 (October 31, 2017 – $354). The maximum exposure relating to trade and other receivables at October 31, 2018 was $3,491 (October 31, 2017 – $3,171).

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, 2018 – $16,223 year ended October 31, 2017 – $33,834, year ended October 31, 2016 – $35,963) and generating insufficient cash flows from operations to fund its activities (year ended October 31, 2018 – outflows of $3,038, year ended October 31, 2017 – outflows of $7,707, year ended October 31, 2016 – outflows of $2,857).

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 to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting

as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Data

The majority of revenue is derived from the sale of data subscriptions. For subscription revenue, the timing of cash flows generally precedes the recognition of revenue and income. Any initial payments are deferred and recognized rateably as data is delivered over the subscription period.

Revenue is recognized upon delivery for non-subscription data sales.

Provision of Products and Services

The Company occasionally provides goods, including Class B transponders, and services to its customers under long-term contracts. When there are more than one good or service included in an arrangement, it is necessary to assess the whether those components should be separated or combined for purposes of recognizing revenue. Further, it is necessary to assess the fair value of distinct components and allocate the total contract value based on the relative fair values. The fair value of each product or service is determined considering sales of the products or services on a stand-alone basis and the Company's pricing policies.

The Company recognizes revenue on long-term contracts based on the stage of completion in accordance with International Accounting Standard ("**IAS**") 18 if the contract is a service contract or IAS 11 if the contract represents a construction contract. Depending on the nature of the contract, the stage of completion may be assessed based on costs incurred relative to the estimated total contract costs or other measures. 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 revenue are included in current liabilities as deferred revenue.

Project costs to complete

At the outset of each customer project, an estimate of the total expected cost to complete the scope of work under contract is made. For those contracts where revenue is recognized based on actual costs incurred relative to estimated total costs, these estimates are reviewed and revised to reflect current expectations of cost to complete, and total cost. These estimates are based on specific knowledge of the status of the project, as well as historical understanding of costs on similar projects. Cost elements include material, direct labour, and overhead costs, with labour and overhead costs being determined using pre-established costing rates applied to estimated labour hours required to complete the scope of work under contract. These estimates are reviewed on a monthly and quarterly basis to ensure the estimates reflect the current expectations for total costs, however this is not a guarantee that unforeseen or additional costs will not be incurred, which would have an impact on project total cost, reported revenue and gross margins. Management believes it has effective control procedures in place to ensure the validity of these estimates at the time they are made.

Allowance for doubtful accounts

The Company has established an allowance for doubtful accounts taking into consideration aging of the receivables, communications with customers, credit issues, and historical losses. The Company will increase the allowance for specific accounts if there is objective evidence that the customer is experiencing significant financial difficulty.

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 fair value less costs to sell and its value in use, and is determined for an individual asset or at the CGU level if individual assets do not have largely independent cash inflows. In assessing value in use, 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 fair value less costs to sell, 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.

Capitalization of development costs

When capitalizing development costs, the Company must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets, and therefore, the estimates and assumptions associated with these calculations are instrumental in: (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the Company's projects.

Financial instruments

The valuation of the Company's financial instruments requires estimation of the fair value of each instrument at the reporting date. Details of the basis on which fair value is estimated are provided in note 9 (Loans payable, financial instruments and foreign exchange) in the Condensed Notes to the Consolidated Financial Statements.

Changes in Accounting Policies Including Initial Adoption

There were no changes to accounting policies during the year ended October 31, 2018 compared to the accounting policies applied in the audited Consolidated Financial Statements for the year ended October 31, 2017.

Future changes in accounting policies

A number of new standards, amendments to standards and interpretations are not effective for the Company and have not been applied in preparing the Consolidated Financial Statements. The following standards and interpretations have been issued by the International Accounting Standards Board ("**IASB**") and the International Financial Reporting Interpretations Committees with effective dates relating to the annual accounting periods starting on or after the effective dates as follows:

IFRS 2, Share-based Payment ("IFRS 2")

In June 2016, the IASB issued final amendments to IFRS 2, which clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The amendments become effective for the Company November 1, 2018. The Company is currently assessing the impact of adopting these amendments on its Consolidated Financial Statements.

IFRS 9 Financial instruments: classification and measurement ("IFRS 9")

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories:

- Financial assets measured at fair value; or
- Financial assets measured at amortized cost.

The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

Gains and losses on re-measurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument, which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (loss) ("**OCI**"). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date until the asset is derecognized or reclassified. IFRS 9 also includes a new general hedge accounting standard, which will align hedge accounting more closely with risk management.

IFRS 9 also includes:

- a third measurement category fair value through OCI for certain financial assets that are debt instruments: and
- a new expected credit loss ("**ECL**") model, which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (i.e. trade receivables). On initial recognition, entities will record a day-one loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The standard has a mandatory effective date for periods beginning on or after January 1, 2018. The Company is in the process of finalizing its assessment of the impact of IFRS 9 and will adopt IFRS 9 in the accounting period beginning on November 1, 2018.

IFRS 15 Revenue from contracts with customers (“IFRS 15”)

IFRS 15 is a new standard effective for fiscal years beginning on or after January 1, 2018 and may be early adopted. The standard contains a single model for revenue recognition that applies to contracts with customers. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on November 1, 2018. The standard can be applied either (i) retrospectively to each prior reporting period presented with the option to elect certain practical expedients or (ii) retrospectively with the cumulative effect recognized at the date of initial adoption and providing certain additional disclosures.

The standard contains a single model for revenue recognition that applies to contracts with customers, which supersedes current revenue recognition guidance, including industry-specific guidance. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue should be recognized. The new standard also provides guidance on whether revenue should be recognized over time or at a point in time as well as requirements for more informative disclosures. New estimation methodology and judgement-based thresholds have been introduced that may affect the amount and/or timing of revenue recognition.

The Company currently anticipates that the standard will affect the accounting for the following items:

- The assessment of the contract duration given termination provisions.
- The effect of modifications to certain contracts.
- Capitalization of costs to acquire contracts – Under the Company's current accounting policies, exactEarth generally expenses incremental commission costs as they are earned by employees. Under IFRS 15, the Company expects to capitalize and amortize commission costs that relate to contracts of more than one year on a systematic basis, consistent with the pattern of transfer of the goods or. services to which the commission costs relate.
- Increased disclosure of revenue, performance obligations and contract asset and liability balances.

The Company has yet to finalize the impact of the above-noted differences under IFRS 15. The Company expects to adopt IFRS 15 using the modified retrospective (cumulative effect) approach when it adopts IFRS 15, starting in the first quarter of its fiscal year ending October 31, 2019.

The Company has appointed a project team to manage the adoption and compliance with IFRS 15. The team is responsible for analyzing contracts, reviewing existing accounting policies and determining and quantifying differences between existing policies and IFRS 15. The team is also responsible for reviewing the Company's systems and data collection processes and will develop and implement new policies and processes to ensure that data is properly captured to meet the requirements of the new revenue standard. The team reports on its activities to the Audit Committee on a regular basis and has a plan for communicating the impact of IFRS 15 to the Company's stakeholders.

IFRS 16, Leases (“IFRS 16”)

IFRS 16 is a new standard effective for fiscal years beginning on or after January 1, 2019 and may be early adopted for companies that also apply IFRS 15. The standard replaces current guidance under IAS 17 and no longer distinguishes between a finance lease and an operating lease for lessees. Instead, for virtually all lease contracts the lessee recognizes a lease liability reflecting future lease payments and a "right-of-use" asset. Lessor accounting remains somewhat similar as under IAS 17. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on November 1, 2019. The extent of the impact on the Consolidated Financial Statements of adoption of the standard has not yet been determined. However, the Company believes that on adoption of IFRS 16 there will be an increase to assets and liabilities on the Consolidated Statements of Financial Position to reflect the right-of-use asset and corresponding lease liability. The Company also expects an increase to finance costs and depreciation for the accretion of the lease liability and depreciation of right-of-use asset, respectively, as well as a decrease to operating costs related to rent expense.

International Financial Reporting Interpretations Committee 22, Foreign Currency Transactions and Advance Consideration

Foreign Currency Transactions and Advance Consideration clarifies the appropriate exchange rate to use on initial recognition of an asset, expense or income when advance consideration is paid or received in a foreign currency. The new interpretation is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this new interpretation on its Consolidated Financial Statements.

International Financial Reporting Interpretations Committee 23, Uncertainty over Income Tax Treatments

Uncertainty over Income Tax Treatments 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. The Company is currently assessing the impact of the new interpretation in its 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, 2018, 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 21,626,288 as of the date of this MD&A.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
exactEarth™ Ltd.

We have audited the accompanying consolidated financial statements of **exactEarth™ Ltd.**, which comprise the consolidated statements of financial position as at October 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **exactEarth™ Ltd.** as at October 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Waterloo, Canada
January 23, 2019

exactEarth™ Ltd.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

		As at October 31, 2018	As at October 31, 2017
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		4,774	8,117
Short-term investments	(note 9)	49	-
Trade accounts receivable	(notes 9 and 15)	3,491	3,171
Unbilled revenue	(note 16)	911	613
Prepaid expenses and other assets		654	1,266
Total current assets		9,879	13,167
Property, plant and equipment	(notes 6, 8 and 17)	4,009	12,576
Intangible assets	(notes 7, 8 and 17)	1,720	5,405
Other long-term assets		16	-
Total assets		15,624	31,148
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	(notes 9 and 15)	4,780	3,722
Deferred revenue	(note 16)	2,412	2,252
Restructuring provision	(note 18)	-	388
Loans payable - current	(note 9)	459	567
Long-term incentive plan liability - current	(note 11)	11	166
Total current liabilities		7,662	7,095
Government loans payable	(notes 4 and 9)	498	662
Long-term incentive plan liability	(note 11)	162	343
Other long-term liabilities	(note 9)	95	45
Total liabilities		8,417	8,145
Shareholders' equity			
Share capital	(note 11)	123,794	123,781
Contributed surplus	(note 11)	1,451	1,070
Accumulated other comprehensive loss		(11)	(44)
Deficit		(118,027)	(101,804)
Total shareholders' equity		7,207	23,003
Total liabilities and shareholders' equity		15,624	31,148

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
(in thousands of Canadian dollars)

For the year ended October 31, 2018		Total	Deficit	Accumulated Other Comprehensive Income (Loss)	Share Capital	Contributed Surplus
		$	$	$	$	$
Balance at October 31, 2017		23,003	(101,804)	(44)	123,781	1,070
Stock-based compensation expense	(note 11)	255	-	-	-	255
Restricted share unit expense and transfer	(note 11)	139	-	-	-	139
Issuance of common shares	(note 11)	-	-	-	13	(13)
Comprehensive income (loss)		(16,190)	(16,223)	33	-	-
Balance at October 31, 2018		7,207	(118,027)	(11)	123,794	1,451
For the year ended October 31, 2017						
Balance at October 31, 2016		56,543	(67,970)	45	123,769	699
Stock-based compensation expense	(note 11)	380	-	-	-	380
Issuance of common shares		3	-	-	12	(9)
Comprehensive loss		(33,923)	(33,834)	(89)	-	-
Balance at October 31, 2017		23,003	(101,804)	(44)	123,781	1,070

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, 2018	**October 31, 2017**
		$	**$**
Revenue	(notes 16 and 17)	12,955	12,833
Cost of revenue	(note 4)	8,633	8,618
Gross profit		4,322	4,215
Operating expenses			
Selling, general and administrative		6,255	7,004
Product development and research and development		1,418	1,692
Depreciation and amortization	(notes 6 and 7)	1,699	3,791
Impairment losses	(note 8)	10,885	26,886
Loss from operations		(15,935)	(35,158)
Other expenses (income)			
Other income	(note 19)	-	(1,455)
Other expense		49	197
Restructuring expense (recovery)	(note 18)	(2)	(99)
Foreign exchange loss (gain)		55	(43)
Interest income		(38)	(79)
Interest expense	(notes 4 and 9)	72	131
Total other expenses (income)		136	(1,348)
Income tax expense	(note 13)	152	24
Net loss		(16,223)	(33,834)
Other comprehensive income (loss)			
Item that may be subsequently reclassified to net loss:			
Foreign currency translation, net of income tax expense of nil		33	(89)
Total other comprehensive income (loss)		33	(89)
Comprehensive loss		(16,190)	(33,923)
Loss per share			
Basic and diluted loss per share	(note 11)	(0.75)	(1.57)

See accompanying notes

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

		Year ended October 31, 2018	Year ended October 31, 2017
		$	$
Net loss		(16,223)	(33,834)
Add (deduct) items not involving cash			
Non-monetary transaction	(note 12)	-	(618)
Non-cash interest	(notes 4 and 9)	72	126
Depreciation and amortization	(notes 6 and 7)	1,699	3,791
Impairment losses	(note 8)	10,885	26,886
Loss on disposal of assets		-	3
Gain on insurance settlement	(note 19)	-	(1,455)
Operating grant recognized on SIF loan	(note 4)	(1,154)	-
Technology demonstration program recovery	(note 4)	(202)	(381)
Long-term incentive plan expense	(note 11)	43	245
Stock-based compensation	(note 11)	255	380
Restructuring reserve - revaluation	(note 18)	(2)	(99)
Net change in non-cash working capital balances		1,806	(2,347)
Other operating cash flows			
Technology demonstration program funding received	(note 4)	407	817
Settlement of restricted share units	(note 10)	(238)	(112)
Restructuring provision - payment of salary continuance	(note 17)	(386)	(1,109)
Cash flows used in operations		(3,038)	(7,707)
Investing activities			
Acquisition of property, plant and equipment	(note 6)	(1,455)	(780)
Reimbursement of acquisition costs of property, plant and equipment	(note 6)	315	396
Insurance recovery	(note 19)	-	3,500
Acquisition of intangible assets	(note 7)	(28)	(121)
Cash flows (used in) from investing activities		(1,168)	2,995
Financing activities			
Government loan repayment	(notes 4 and 9)	(533)	(451)
Government loan advances	(note 4)	1,425	-
Long-term debt repayment	(note 9)	(145)	(350)
Purchase of short-term investments	(note 9)	(49)	-
Cash flows from (used in) financing activities		698	(801)
Effect of exchange rate changes on cash		165	(50)
Net decrease in cash		(3,343)	(5,563)
Cash, beginning of the period		8,117	13,680
Cash, end of the period		4,774	8,117
Supplemental cash flow information			
Interest received		38	79
Income taxes paid		152	24

See accompanying notes

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. The Company became a publicly traded company on February 9, 2016 through a spin-out transaction from Com Dev International Ltd. (the "Spinout Transaction").

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, 2018, including the comparative period, under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on January 23, 2019.

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") and have been prepared on a historical cost basis.

The Company has experienced lower than planned revenue combined with operating losses resulting in a reduction in forecast 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 flow to continue to fund operations and other committed expenditures;
- The timing of generating those new sales and the timing of the related cash flow;
- The ability to draw upon existing financing facilities to support ongoing operations; and
- 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.

c) Cash

Cash consists 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.

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

Leasehold improvements	five years
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	five to seven 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 the expense category consistent with the function of the intangible assets.

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 if the expense has already been incurred 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 currently is 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

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the Company does not assume substantially all of the risks and benefits of ownership of the asset are classified as operating leases. All of the Company's leases are classified as operating leases and are recognized as an expense in the consolidated statements of loss and comprehensive loss on a straight-line basis over the lease term.

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 the 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 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.

k) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of data

The majority of revenue is derived from the sale of data subscriptions. For subscription revenue, the timing of cash flows generally precedes the recognition of revenue and income. Any initial payments are deferred and recognized rateably as data is delivered over the subscription period.

Revenue is recognized upon delivery for non-subscription data sales.

Provision of products and services

The Company may enter into arrangements involving multiple products or services including data subscriptions and sales of historic, archive data or sales of Class B transponders and data

subscriptions. The Company allocates the arrangement consideration to the various products and services based on the relative fair value of each component. The fair value of each product or service is determined considering sales of the products or services on a stand-alone basis, and the Company's pricing policies.

The Company occasionally provides goods and services to its customers under long-term contracts. The Company recognizes revenue on such long-term contracts on the percentage of completion basis, based on costs incurred relative to the estimated total contract costs. 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 revenue are included in current liabilities as deferred revenue.

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

In prior years the Company provided data in exchange for unrestricted title to the EV-9 satellite. In the current year the Company provided data in exchange for research and development expense and data processing services. The fair value of the data provided was 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 income (loss)". On disposal of a foreign operation, the foreign exchange in "Accumulated other comprehensive income (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

Financial assets within the scope of IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus directly attributable transaction costs. The Company's financial assets include cash and trade accounts receivable.

Trade accounts receivable

Trade accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade accounts receivable are non-interest bearing and are generally on 30- to 90-day payment terms. Trade accounts receivable are reported net of allowance for doubtful accounts, which is based on an assessment of the aging of the receivables and specific credit issues. Any impairment of trade accounts receivable is recorded through "Selling, general and administrative expenses" in the consolidated statements of loss and comprehensive loss.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired and the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Company has transferred substantially all the risks and rewards of ownership of the asset or the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses as at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial

asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value, except for related party balances, which are at the exchange amount and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, restructuring provision, long-term incentive plan liability, loans payable and government loan payable.

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of loss and comprehensive loss.

The Company has not designated any financial liabilities upon initial recognition as fair value through profit or loss.

Loans payable

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. 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.

o) Government assistance

Government assistance is periodically received in the form of grants, loans or ITCs (see "Research and development expenditures") that may be repayable in the form of royalties based on future sales levels related to the technology funded. 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 expense is recognized in "cost of revenue".

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

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*, 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.

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 Restricted Share Units ("RSUs") and Performance Share Units ("PSUs").

RSUs are time-based and will vest on a cliff or graded basis, depending on the type of RSU. Type one RSUs cliff vest three years after the grant date. Type two RSUs vest on a graded basis at 25% one year after the grant date and 75% two years after the grant date. Type three RSUs vest 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. Each RSU, once vested, entitles the holder to receive the cash value of one common share of the Company.

PSUs cliff vest three years after the grant date, multiplied by the performance multiplier. The performance multiplier is based on adjusted earnings before interest, taxes, depreciation and amortization ("AEBITDA") growth over the vesting period. An AEBITDA compound annual growth rate ("CAGR") of 10% or less corresponds with the minimum multiplier of 0, a CAGR of 20% corresponds with a multiplier of 1 and a CAGR of 30% or more corresponds with the maximum multiplier of 2. CAGRs between 10% and 30% during the vesting period will result in multipliers calculated on a straight-line basis along the scale between 0 and 2. Each PSU, once vested, entitles the holder to receive the cash value of one common share of the Company.

The Company amended the Share Unit Plan as of April 26, 2018, and now intends to equity settle the RSUs and PSUs to satisfy obligations under the LTIP plan. The estimated value of the RSUs and PSUs is recognized as compensation expense over the vesting period based on the

April 26, 2018 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.

Employee Share Purchase Plan ("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.

q) 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.

r) 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.

s) Other assets

Other asset consists of purchased small vessel tracking transponders and delivered to the customer but not yet installed. The cost and related revenue are to be recognized upon installation. Cost is determined on a weighted average cost basis.

t) 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 and that have the most significant effect on the amounts in the consolidated financial statements:

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts taking into consideration aging of the trade accounts receivable, communications with customers, credit issues, and historical losses. The Company will increase the allowance for specific accounts if it has objective evidence that the customer is experiencing significant financial difficulty.

Capitalization of development costs

When capitalizing development costs, the Company must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets and, therefore, the estimates and assumptions associated with these calculations are instrumental in: (i) deciding whether project costs can be capitalized; and (ii) accurately calculating the useful life of the projects for the Company.

Capitalization of borrowing costs

The Company must assess whether borrowing costs are directly attributable to an asset in progress and capitalize those costs. To the extent that borrowings are general in nature, the Company must assess how much interest is attributable to assets in progress. Judgment is required to determine when to commence, suspend or cease capitalization of borrowing costs.

Impairment

The recoverable amount for intangible assets and PP&E is based on fair value less cost to sell, estimated using market capitalization.

Revenue recognition and contracts in progress

Revenue on construction contracts is recognized on a percentage of completion basis. In applying the accounting policy on construction 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.

Income (loss) on completion of contracts accounted for under the percentage of completion method

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. FUTURE ACCOUNTING CHANGES

Standards issued, but not yet effective or amended up to the date of issuance of the Company's consolidated financial statements, are listed below. This listing is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

IFRS 2, Share-based Payment ("IFRS 2")

In June 2016, the IASB issued final amendments to IFRS 2, which clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The amendments become effective for the Company November 1, 2018. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 is a new standard effective for fiscal years beginning on or after January 1, 2018 and may be early adopted. The standard contains a single model for revenue recognition that applies to contracts with customers. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on November 1, 2018. The standard can be applied either (i) retrospectively to each prior reporting period presented with the option to elect certain practical expedients or (ii) retrospectively with the cumulative effect recognized at the date of initial adoption and providing certain additional disclosures.

The standard contains a single model for revenue recognition that applies to contracts with customers, which supersedes current revenue recognition guidance, including industry-specific guidance. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue should be recognized. The new standard also provides guidance on whether revenue should be recognized over time or at a point in time as well as requirements for more informative disclosures. New estimation methodology and judgement-based thresholds have been introduced that may affect the amount and/or timing of revenue recognition.

The Company currently anticipates that the standard will affect the accounting for the following items:

- The assessment of the contract duration given termination provisions.
- The effect of modifications to certain contracts.
- Capitalization of costs to acquire contracts – Under the Company's current accounting policies, exactEarth generally expenses incremental commission costs as they are earned by employees. Under IFRS 15, the Company expects to capitalize and amortize commission costs that relate to contracts of more than one year on a systematic basis, consistent with the pattern of transfer of the goods or services to which the commission costs relate.
- Increased disclosure of revenue, performance obligations and contract asset and liability balances.

The Company has yet to finalize the impact of the above-noted differences under IFRS 15. The Company expects to adopt IFRS 15 using the modified retrospective (cumulative effect) approach when it adopts IFRS 15, starting in the first quarter of its fiscal year ending October 31, 2019.

The Company has appointed a project team to manage the adoption and compliance with IFRS 15. The team is responsible for analyzing contracts, reviewing existing accounting policies and determining and quantifying differences between existing policies and IFRS 15. The team is also responsible for reviewing the Company's systems and data collection processes and will develop and implement new policies and processes to ensure that data is properly captured to meet the requirements of the new revenue standard. The team reports on its activities to the Audit Committee on a regular basis and has a plan for communicating the impact of IFRS 15 to the Company's stakeholders.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories:

- Financial assets measured at fair value; or
- Financial assets measured at amortized cost.

The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

Gains and losses on re-measurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument, which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the

investment in other comprehensive income (loss) ("OCI"). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date until the asset is derecognized or reclassified. IFRS 9 also includes a new general hedge accounting standard, which will align hedge accounting more closely with risk management.

IFRS 9 also includes:

- a third measurement category fair value through other comprehensive income for certain financial assets that are debt instruments: and
- a new expected credit loss ("ECL") model, which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (i.e. trade receivables). On initial recognition, entities will record a day-one loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The standard has a mandatory effective date for periods beginning on or after January 1, 2018. The Company is in the process of finalizing its assessment of the impact of IFRS 9 and will adopt IFRS 9 in the accounting period beginning on November 1, 2018.

IFRS 16, Leases (“IFRS 16”)

IFRS 16 is a new standard effective for fiscal years beginning on or after January 1, 2019 and may be early adopted for companies that also apply IFRS 15. The standard replaces current guidance under IAS 17 and no longer distinguishes between a finance lease and an operating lease for lessees. Instead, for virtually all lease contracts the lessee recognizes a lease liability reflecting future lease payments and a right-of-use asset. Lessor accounting remains somewhat similar as under IAS 17. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on November 1, 2019. The extent of the impact on the consolidated financial statements of adoption of the standard has not yet been determined. However, the Company believes that on adoption of IFRS 16 there will be an increase to assets and liabilities on the consolidated statements of financial position to reflect the right-of-use asset and corresponding lease liability. The Company also expects an increase to finance costs and depreciation for the accretion of the lease liability and depreciation of right-of-use asset, respectively, as well as a decrease to operating costs related to rent expense.

International Financial Reporting Interpretations Committee 22, Foreign Currency Transactions and Advance Consideration

Foreign Currency Transactions and Advance Consideration clarifies the appropriate exchange rate to use on initial recognition of an asset, expense or income when advance consideration is paid or received in a foreign currency. The new interpretation is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this new interpretation on its consolidated financial statements.

International Financial Reporting Interpretations Committee 23, Uncertainty over Income Tax Treatments

Uncertainty over Income Tax Treatments 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. The Company is currently assessing the impact of the new interpretation in its consolidated financial statements.

4. GOVERNMENT ASSISTANCE

Strategic Innovation Fund Loan

On October 18, 2018 exactEarth signed a loan agreement with the Strategic Innovation Fund ("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%.

During the year ended October 31, 2018, the Company received payment for the first claim of $1,425. An additional receivable of $128 was recorded for unclaimed funding related to eligible expenditures incurred prior to October 31, 2018.

The SIF loan is measured initially at fair value, and subsequently will be 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 and 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 statement of financial position at:		October 31, 2018
Loans payable	$	336
Accounts receivable		128
Capital grant		63

Recognized in the consolidated statements of loss and comprehensive loss as follows:		Year ended October 31, 2018
Cost of revenue – operating grant	$	1,154

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, 2018, the Company made payments of $533 (October 31, 2017 – $451). The undiscounted amount payable related to the FED DEV loan is $657 (October 31, 2017 – $1,190) (note 9).

The FED DEV interest-free loan is measured at amortized cost, using the effective interest rate method. An interest rate of 8% 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 and 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 respect of the FED DEV loan for the 12 months ended October 31 are as follows:

Recognized in the consolidated statements of loss and comprehensive loss as follows:	2018	2017
Interest expense	$ 67	$ 101
Reduction of amortization expense	(10)	(30)
Net impact	$ 57	$ 71

Technology Demonstration Program Funding

On May 5, 2016, Innovation, Science and Economic Development Canada announced a $54,000 Technology Demonstration Program contribution to MDA Systems Ltd., which changed its name to Maxar Technologies in 2017 ("**Maxar**"), and its partners. The funding is designed to support large scale technology demonstration projects related to the Canadian aerospace, defence, space and security industries. On May 9, 2016, exactEarth entered into a Technology Demonstration Program Collaboration Agreement ("TDP Agreement") with Maxar as a Partner Recipient under the Technology Demonstration Program related to Space Technology and Advanced Research ("STAR"). The TDP Agreement provides funding at 50% of eligible costs in respect of STAR projects to a maximum total funding value of $1,250. This funding is available to partially offset eligible STAR project costs during the period commencing August 12, 2014 and ending March 31, 2022. The funding recognized as an offset to cost of revenue in the year ended October 31, 2018 was $202 (October 31, 2017 – $381).

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 2019 when the development of the technology is incorporated into exactEarth's product lines. Myriota completed an AUD$20,000 equity raise in the three months ended April 30, 2018. The equity raise resulted in the dilution of the Company's ownership interest to 18% from 30%.

The Company has significant influence over Myriota, and as a result, will account for the investment using the equity method. The Company has determined that they have significant influence over Myriota based on our representation on the Board of Directors. Myriota incurred losses during the year ended October 31, 2018. The Company's share of these losses is not reflected in the Company's consolidated statements of loss and comprehensive loss because the investment has a carrying value of nil based on the relative fair value calculation. The Company does not have an obligation to fund losses and will recognize its share of Myriota's income only after its share of the income equals its share of losses not recognized.

6. PROPERTY, PLANT AND EQUIPMENT

PP&E consist of the following:

Cost	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2017	$ 53	$ 58,412	$ 4,971	$ 3,920	$ 91	$ 67,447
Additions	-	1,109	-	169	-	1,278
Disposals	-	-	-	(34)	-	(34)
Deductions	-	(900)	-	(63)	-	(963)
Translation adjustment	-	-	(9)	-	-	(9)
at October 31, 2018	$ 53	$ 58,621	$ 4,962	$ 3,992	$ 91	$ 67,719

Accumulated Depreciation	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2017	$ 35	$ 47,102	$ 3,998	$ 3,658	$ 78	$ 54,871
Depreciation expense	4	1,017	132	109	3	1,265
Impairment (note 8)	9	6,880	551	170	7	7,617
Disposals				(34)		(34)
Translation adjustment	-	-	(9)	-	-	(9)
at October 31, 2018	$ 48	$ 54,999	$ 4,672	$ 3,903	$ 88	$ 63,710

Net Book Value	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
at October 31, 2017	$ 18	$ 11,310	$ 973	$ 262	$ 13	$ 12,576
at October 31, 2018	$ 5	$ 3,622	$ 290	$ 89	$ 3	$ 4,009

Included in PP&E as at October 31, 2018 is $2,074 (October 31, 2017 – $5,805) of satellite equipment that has not yet commenced being depreciated as the assets are under construction and not yet ready for use.

During the year ended October 31, 2018, the Company recognized cost reimbursements of $541 (October 31, 2017 – $396) for assisting in the development of a satellite under construction, and $63 (October 31, 2017 – nil) of capital funding from the SIF loan for the purchase of computer hardware. The remaining deduction of $359 relates to the reduction in accounts payable for the M3M satellite at the conclusion of arbitration with Honeywell.

On February 3, 2017, the Company lost contact with one of its satellites, EV-5. When subsequent recovery efforts were not successful, the Company filed an insurance claim for the full insured value of the satellite amounting to $3,500. The settlement was received in April 2017. The remaining net book value ("NBV") (cost of $4,633 less accumulated depreciation of $2,588 for NBV of $2,045) of EV-5 was written off at the same time. Details with respect to this transaction can be found in note 19 (Other income).

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2017	$ 3,795	$ 8,876	$ 2,715	$ 13,031	$ 28,417
Additions	-	17	-	-	17
at October 31, 2018	$ 3,795	$ 8,893	$ 2,715	$ 13,031	$ 28,434

Accumulated Amortization	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2017	$ 3,633	$ 7,597	$ 2,029	$ 9,753	$ 23,012
Amortization expense	55	194	-	185	434
Impairment (note 8)	70	722	450	2,026	3,268
at October 31, 2018	$ 3,758	$ 8,513	$ 2,479	$ 11,964	$ 26,714

Net Book Value	Computer Software	Internally Developed Technology	Technology Licences	Data Rights	Total
at October 31, 2017	$ 162	$ 1,279	$ 686	$ 3,278	$ 5,405
at October 31, 2018	$ 37	$ 380	$ 236	$ 1,067	$ 1,720

Included in intangible assets is $135 of data rights (October 31, 2017 – $2,804) that have not yet commenced being amortized as the underlying assets that will provide data rights are still under development and not yet ready for use. Other intangible assets that have not yet commenced amortization are technology licences of $236 (October 31, 2017 – $686).

Significant individual assets included in the amounts above as at October 31, 2018 are as follows:

Description	Category	Carrying Amount	Remaining Amortization Period (Months)
De-collision software	Internally developed technology	$ 263	111
Myriota licence	Technology licence	$ 179	84
Harris data licence	Data rights	$ 1,067	113

The Harris data licence represents access to data from the full constellation of Iridium Next. As these satellites are put into service, they begin depreciating 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.

8. IMPAIRMENT OF LONG-LIVED ASSETS

At the end of each reporting period, the Company assesses whether there are events or circumstances indicating that an asset may be impaired. Such events or circumstances notably include material adverse changes that, in the long-term, impact the economic environment or the Company's assumptions or objectives. The Company considers the relationship between its market capitalization and the book value of its equity, among other factors, when reviewing for indicators of impairment, because the Company as a whole has been assessed as a single CGU. The recoverable amount is the greater of VIU and fair value less costs of disposal.

During the fourth quarter of fiscal 2018, the market capitalization declined significantly below the carrying value. Since the market capitalization is below the carrying value for a sustained period of time, this is considered an indicator of impairment.

The recoverable amount used in the impairment test was based on fair value less cost to sell using a market approach to determine the Company's market capitalization. The market capitalization, based on the year end market capitalization less estimated costs to sell, up to and including October 31, 2018, was $7,206. The carrying value, represented by the book value of the Company's shareholders' equity was $18,091. The carrying value was higher than the fair value by $10,885 (October 31, 2017 – $26,886). As a result, at October 31, 2018, impairment losses recognized are $7,617 (October 31, 2017 – $18,804) related to PP&E and $3,268 (October 31, 2017 – $8,082) related to intangible assets, allocated on a pro rata basis. The impairment amount has been recorded in the consolidated statement of loss and comprehensive loss. The effect of this is to write down the carrying value of the Company down to the fiscal year-end market capitalization value. The market capitalization of the Company is considered a Level 1 measurement within the fair value hierarchy.

9. LOANS PAYABLE, FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE

a) Loans payable

Loans payable comprise the following:

	October 31, 2018	October 31, 2017
FED DEV loan (note 4)	$ 621	$ 1,087
SIF loan (note 4)	336	-
Larus Technologies debt (note 9b)	-	142
	$ 957	$ 1,229
Less: current portion of loans	459	567
Long-term loans payable	$ 498	$ 662

Principal repayments are due as follows:

For the years ending October 31		
2019	$	492
2020	$	165
2021	$	-
2022	$	-
2023	$	-
Thereafter	$	1,553

b) Financial instruments

Fair values

Cash and trade accounts receivable are considered "loans and receivables" and measured at amortized cost. Accounts payable and accrued liabilities, the FED DEV loan, Larus Technologies debt and restructuring provision are classified "financial liabilities at amortized cost".

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

The SIF loan has a carrying value as at October 31, 2018 of $336 (October 31, 2017 – nil), which approximates fair value as the loan was recorded at fair value when the cash was received. 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.

The FED DEV loan has a carrying value as at October 31, 2018 of $621 (October 31, 2017 – $1,087). 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 at the current discount rate of 14% is $596.

The Company entered into an agreement to licence the Total::Insight™ IP from Larus Technologies Corporation ("Larus") for $700, payable in 24 equal monthly payments commencing April 15, 2016. During the year ended October 31, 2018, $145 was paid against the note payable (October 31, 2017 – $350). The fair value of the Larus Technologies debt, which is interest-free, was calculated using the effective interest rate method to arrive at discounted cash flows with a discount rate of 8% indicative of the Company's borrowing rate when the note payable was entered into. The Larus loan has a carrying value as at October 31, 2018 of nil (October 31, 2017 – $142).

As at October 31, 2018, approximately 63% of cash, 87% of trade accounts receivable and 54% of accounts payable and accrued liabilities are denominated in foreign currencies, respectively (October 31, 2017 – 31%, 84%, and 21%, respectively). These foreign currencies include the US dollar ("USD"), British pound ("GBP") and euro ("EUR").

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

Currency	Cash	Trade Accounts Receivable	Accounts Payable and Accrued Liabilities
USD	$ 1,372	$ 1,307	$ 1,463
GBP	£ 495	£ 82	£ 181
EUR	€ 241	€ 723	€ 295

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 both the fair value of the FED DEV loan, SIF loan and the Larus Technologies debt are considered to be a Level II measurement.

Foreign currency risk

Transaction exposure

The Company is exposed to foreign exchange 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 CAD. Portions of the revenue are denominated in USD , GBP and EUR. 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 income (loss)". 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 exchange risk resides with USD, GBP, and EUR transactions. To evaluate the sensitivity of net income 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 balance sheet items.

For the year ended October 31, 2018

Currency	Change in Exchange Rate vs CAD	Increase (Decrease) in Net Income
USD	+3%	$79
	-3%	($79)
EUR	+6%	$83
	-6%	($83)
GBP	+3%	($77)
	-3%	$77

For the year ended October 31, 2017

Currency	Change in Exchange Rate vs CAD	Increase (Decrease) in Net Income
USD	+2%	$144
	-2%	($144)
EUR	+1%	$20
	-1%	($20)
GBP	+ 10%	$150
	-10%	($150)

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. Both the FED DEV loan, Larus loan and SIF loan are non-interest-bearing loans recorded at amortized cost. 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 trade 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.

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. Trade accounts receivable

are non-interest bearing and are generally on 30- to 60-day payment terms. Six customers comprise 52% of total trade accounts receivable as at October 31, 2018 (October 31, 2017 – seven customers comprised 67%).

The Company has reviewed its outstanding trade accounts receivable in detail and provided an allowance for doubtful accounts with respect to one customer. The aging profiles for the remaining customers are within historical expectations and have no apparent credit issues. The trade accounts receivable balance outstanding greater than 60 days past due as at October 31, 2018, but not impaired, is $1,465 (October 31, 2017 – $1,389).

The carrying amount of trade accounts receivable is reduced through the use of an allowance account. An allowance of $5 (October 31, 2017 – $354) was recognized in the consolidated statements of loss and comprehensive loss within “Selling, general and administrative” expenses for trade accounts receivable that were considered impaired as a result of delays in collection and credit issues. 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.

On October 1, 2018 the company agreed to terminate its’ $2,000 line of credit agreement with The Canadian Imperial Bank of Commerce (“CIBC”). The Company purchased two Guaranteed Investment Certificates totalling $49 from CIBC as collateral for a line of credit for $29 and other credit facilities of $20.

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.

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

October 31, 2018	< 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Government loans payable	$ 123	$ 369	$ 165	$ 1,553	$ 2,210
Accounts payable and accrued liabilities	4,334	446	95	-	4,875
Long-term incentive plan liability	-	11	162	-	173
Total	$ 4,457	$ 826	$ 422	$ 1,553	$ 7,258

October 31, 2017	< 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Government loan payable	$ 123	$ 369	$ 698	$ -	$ 1,190
Larus Technologies debt	87	58	-	-	145
Accounts payable and accrued liabilities	2,249	1,473	45	-	3,767
Restructuring provision	164	224	-	-	388
Long-term incentive plan liability	-	166	343	-	509
Total	$ 2,623	$ 2,290	$ 1,086	$ -	$ 5,999

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' equity 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 debt. 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 value. As at October 31, 2018, the issued and outstanding shares totalled 21,626,288 (October 31, 2017 – 21,614,120).

	Number of Shares	Value of Shares
Balance as at October 31, 2016	21,605,506	$ 123,769
Add: Share issuances	8,614	12
Balance as at October 31,2017	21,614,120	$ 123,781
Add: Share issuances	12,168	13
Balance as at October 31,2018	21,626,288	$ 123,794

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 all options is the Spinout Transaction share price of the Company's common shares at the date of the grant which was $6.50 per share. The maximum number of common shares authorized for grant under the option plan is 2,160,550.

All options vest on a graded basis depending on the type of option. Type one options vest on a 40%, 30% and 30% basis over three years and have a contractual life of six years. Type two options vest 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. 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:

	Type One	Type Two	Type Three
Average risk-free interest rate	0.65%	0.63%	0.94%
Dividend yield	0%	0%	0%
Average volatility	77.1%	77.4%	74.4%
Average expected life of options (years)	4	3.75	6
Remaining contractual life (years)	3.3	3.3	5.3
Weighted average fair value of options outstanding	$ 1.08	$ 1.06	$ 1.32
Weighted average exercise price of options outstanding	$ 6.50	$ 6.50	$ 6.50

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, 2018, the stock-based compensation expense recognized was $238 (October 31, 2017 – $362). This amount was added to contributed surplus. Vested options can be exercised prior to their expiry date. There are 300,523 vested options as at October 31, 2018 (October 31, 2017 – 123,047) with a weighted average exercise price of $6.50.

A summary of the option activity is as follows:

	Stock Options
Balance as at October 31, 2016	1,091,268
Forfeited	(843)
Balance as at October 31, 2017	1,090,425
Forfeited	(22,180)
Expired	(10,555)
Balance as at October 31, 2018	1,057,690

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

Employee Share Purchase Plan ("ESPP")

The ESPP expense amount for the year ended October 31, 2018 was $17 (October 31, 2017 – $18). The maximum number of common shares authorized for grant under the ESPP is 432,110. There were 12,168 shares issued under the ESPP at February 28, 2018. The estimated number of ESPP shares outstanding, if all ESPP shares earned from March 1 to October 31, 2018 were issued, is 11,254 (October 31, 2017 – 10,307).

Long-term incentive plan ("LTIP")

The following details the Restricted Share Units (RSUs), Performance Share Units (PSUs) and Deferred Share Units (DSUs) as at October 31, 2018:

	RSU	PSU	DSU
Share unit balance, October 31, 2017	390,024	43,613	244,216
Share units granted	-	-	314,097
Share units settled	(226,877)	-	(55,278)
Share units forfeited	(7,533)	(1,710)	-
Share unit balance, October 31, 2018	155,614	41,903	503,035
Aggregate fair value of units outstanding as at the end of the period	$ 167	$ 45	$ 171
Fair value of units outstanding as at the end of the period	$ 1.07	$ 1.07	$ 0.34

The corresponding details as at October 31, 2017 were as follows:

	RSU	PSU	DSU
Share unit balance, October 31, 2016	445,503	43,613	89,355
Share units granted	-	-	154,861
Share units settled	(55,183)	-	-
Share units forfeited	(296)	-	-
Share unit balance, October 31, 2017	390,024	43,613	244,216
Aggregate fair value of share units outstanding as at the end of the period	$ 413	$ 46	$ 284
Fair value of share units outstanding as at the end of the period	$ 1.06	$ 1.06	$ 1.06

For the year ended October 31, 2018, compensation expense of $43 (October 31, 2017 – $245) was recognized for the Company's LTIP. There was a settlement of 226,877 share units for $238 in cash during the second quarter of 2018. The Share Unit Plan was amended effective April 26, 2018, including allowing the Company to issue new shares to settle RSUs. Outstanding RSUs and PSUs can now be settled in cash, treasury shares or issuance of equity at the option of the Company. It is the intention of the Company to settle these share units in equity, and as a result of this modification, the RSU liability was remeasured to the date of the modification and $122 was reallocated to contributed surplus. 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.

Loss per share

The following table sets forth the computation of basic and diluted loss per share:

		2018		2017
Numerator for basic and diluted loss per share available to common shareholders:				
Net loss attributable to common shareholders	$	(16,223)	$	(33,834)
Denominator for basic and diluted loss per share:				
Weighted average number of shares outstanding		21,626,288		21,614,120
Basic and diluted loss per share	$	(0.75)	$	(1.57)

There are 166,868 share units that are antidilutive at October 31, 2018 (October 31, 2017 – 10,307).

12. COMMITMENTS AND CONTINGENCIES

Lease commitments

During the year ended October 31, 2018, the Company has incurred $185 (October 31, 2017 – $182) in lease expenses.

The Company has commitments under lease agreements as follows:

		Less than 1 Year		1 to 5 Years		After 5 Years
Facilities	$	86	$	233	$	-
Photocopier lease		2		5		-
Computer lease		36		9		-
Total	$	124	$	247	$	-

Capital commitments

As at October 31, 2018, capital commitments in respect of the purchase of PP&E were $3,741 (October 31, 2017 – $3,298). There were no other material capital commitments outstanding as at October 31, 2018.

Harris commitment

The Company receives satellite AIS data from the Harris Corporation's ("Harris") AppStar payloads on-board Iridium NEXT, Iridium's second-generation satellite constellation. As at October 31, 2018, there were 51 AppStar payloads on the Iridium Next Constellation commissioned and in service. If launches continue to be successful and timely, the constellation will reach Initial Operating Capacity ("IOC") in early calendar 2019. At the point of IOC, the Company is to pay Harris 40% of annual data revenue on the first US$40,000 of annual revenue, and 33% of additional revenues. Prior to IOC, the revenue share will be proportional to the number of payloads in service one year prior.

The Company is committed to pay an operational fee of USD$50 per unit per year to a maximum of USD$750 per quarter. This payment will continue for 12.5 years following the date at which all Sea Smart AC units are in service.

Harris Fees	Less than 1 Year	1 to 5 Years	After 5 Years
Operational fees payable	$ 3,352	$ 13,404	$ 25,134

FleetMon commitment

The Company receives terrestrial AIS data from FleetMon, and in return, pays FleetMon 20% of revenue on data sales that include terrestrial AIS data. In addition, a further fee of 90 EUR per year for terrestrial data included in exacEarth integrated products. All payments are made in EUR at a set exchange rate of $1.5152.

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.

PAZ commitment

The agreement related to the PAZ satellite includes a commitment to pay a commissioning fee of 200 EUR and a monthly operating fee of $20 to Hisdesat once the payload is commissioned.

Royalty commitment

The Company has entered into an agreement with Larus, which includes a commitment, which takes effect after the conclusion of the 24-month term of the agreement, to pay a 30% royalty on the gross sales of products that are derived from the Larus Total::Insight™ technology. The technology is expected to be put in use in fiscal 2019, and royalty payments are expected to commence at that time.

In-kind contribution commitment

The Company entered into an arrangement effective March 17, 2015, to provide in-kind datasets at a value of $3,666, not licensed for commercial use, in exchange for title to the EV-9 satellite, subject to certain restrictions on the use, sale or transfer of the satellite within the six-year period ending March 31, 2021. During the quarter ended January 31, 2017, the final datasets with a value of $618 were transferred to qualifying third parties and recognized as revenue. Accordingly, this commitment was satisfied as at January 31, 2017 as data assets with a total value at $3,666 were transferred to qualifying third parties under the terms of the arrangement, fulfilling final condition of the transfer agreement.

Exchange of services

The Company entered into a one-year contract effective October 27, 2017, to provide AIS archive and subscription data with a value of $250, not licensed for commercial use, in exchange for data processing services. In the year ended October 31, 2018, $250 of revenue and $250 of data services expense has been recognized.

Claims or legal actions

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

13. INCOME TAXES

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

		2018		2017
Current income tax expense	$	152	$	24
Deferred income tax expense (recovery):				
Origination and reversal of temporary differences	$	(4,026)	$	(8,768)
Losses not recognized		4,026		8,768
Deferred income tax expense	$	-	$	-
Total income tax expense	$	152	$	24

The Company's consolidated effective tax rate for the year ended October 31, 2018 was nil (2017 – 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.

		2018		2017
Loss before income taxes	$	(16,071)	$	(33,810)
Statutory tax rate		26.5%		26.5%
Income taxes based on the statutory income tax rate		(4,259)		(8,960)
Losses not recognized		4,026		8,768
Permanent differences – other		78		192
Permanent differences – non-deductible impairment		155		-
Argentinian withholding taxes		152		24
Income tax expense	$	152	$	24

The Canadian statutory tax rate during the year ended October 31, 2018 was 26.5% (October 31, 2017 – 26.5%).

The income tax expense during the year ended October 31, 2018 of $152 (October 31, 2017 – $24) 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:

		2018		2017
Taxable temporary differences	$	277	$	26
PP&E and intangible assets		-		-
Non-capital losses		(277)		(26)
Total change in deferred income taxes	$	-	$	-

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:

		2018		2017
Taxable temporary differences	$	(305)	$	(28)
Non-capital losses		305		28
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:

		2018		2017
Canadian deductible temporary differences	$	785	$	1,093
Scientific research and experimental development ("SRED") pool	$	2,710	$	2,710
PP&E and intangible assets	$	39,742	$	33,089
Canadian non-capital tax losses	$	61,359	$	53,403
Canadian capital tax losses	$	617	$	617
UK non-capital losses	$	2,859	$	1,931

These unused Canadian income tax losses expire from 2029 through 2038. The UK non-capital losses have an unlimited carry-forward period. The SRED pool does not expire.

Unrecorded ITCs are as follows:

		2018		2017
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, 2018, the Company's contributions, which are based on the contributions by employees, were $199 (October 31, 2017 – $190) and are included in "Cost of revenue" and "Selling, general and administrative" 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, 2018 was $6,690 (October 31, 2017 – $6,387).

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, 2018 and 2017, included in the consolidated statements of loss and comprehensive loss. Key management personnel include the Company's Chief Executive Officer (CEO) and the executives who report directly to him.

		2018		2017
Short-term salaries and benefits	$	1,368	$	1,372
Post-employment benefits		40		29
Long-term incentive plans		(8)		163
Stock options		243		275
	$	1,634	$	1,839

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, a shareholder that has significant influence through an equity investment.

For the years ended October 31:		2018		2017
Revenue from Hisdesat	$	323	$	492
PAZ launch expense		158		-
Directors' expenses		1		87

As at October 31:		2018		2017
Trade accounts receivable	$	257	$	242
Accounts payable and accrued liabilities		18		-

16. CONSTRUCTION CONTRACT REVENUE

The following details the construction contracts in progress as at October 31:

	2018	2017
Percentage of completion revenue contracts		
Costs incurred	$ 105	$ 75
Estimated profits	99	73
Progress billings	(487)	(300)
Total contracts in progress	$ (283)	$ (152)
Disclosed as:		
Unbilled revenue	$ -	$ -
Deferred revenue	(283)	(152)
Total contracts in progress	$ (283)	$ (152)

The unbilled revenue and deferred revenue from construction contracts are included in unbilled revenue and deferred revenue in the consolidated statements of financial position. The amount of contract revenue recognized in the year ended October 31, 2018 was $56 (October 31, 2017 – $226).

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.

Revenue by product type

Revenue is divided into three categories based on the types of products sold. Subscription services are recognized over the life of 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 based on the contract terms.

For the years ended October 31:	2018	2017
Subscription services	$ 11,294	$ 10,617
Data products	967	991
Other products and services	694	1,225
	$ 12,955	$ 12,833

Geographic information

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

For the years ended October 31:	2018	2017
Canada	$ 626	$ 1,266
United States	1,633	931
Europe	5,672	5,414
Other	5,024	5,222
	$ 12,955	$ 12,833

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.

As at October 31:	2018	2017
PP&E		
Canada	$ 3,990	$ 12,502
United Kingdom	19	74
	$ 4,009	$ 12,576
Intangible assets		
Canada	$ 1,720	$ 5,405
United Kingdom	-	-
	$ 1,720	$ 5,405

For the year ended October 31, 2018, there were no customers with revenue in excess of 10% of the Company's total revenue (October 31, 2017 – one customer).

18. RESTRUCTURING PROVISION

The Company underwent a restructuring in October 2016, and a restructuring provision was set up to provide for the salary continuance, RSU and PSU amounts due to the affected employees. The last payments were made in May 2018 and as of October 31,2018, the restructuring provision has been drawn down completely.

The details of the restructuring provision are as follows:

As at October 31, 2017	$ 388
Provision revaluation	(2)
Salary continuance	(386)
As at October 31, 2018	$ -

19. OTHER INCOME

On February 3, 2017, the Company lost contact with one of its satellites, EV-5. When subsequent recovery efforts were not successful, the Company filed an insurance claim for the full insured satellite value of $3,500. The settlement was received in April of 2017. The remaining net book value of $2,045 was written off at the same time, resulting in a net gain of $1,455.

20. COMPARATIVE BALANCES

The comparative consolidated financial statements have been reclassified from the statements previously presented in order to conform to the current period's presentation.

21. SUBSEQUENT EVENTS

On December 13, 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 $11,500. Each Convertible Debenture is convertible into 2,000 common shares of the Company, being an effective conversion price of 50 cents 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. Holders of the Convertible Debentures will be 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). 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. The Company will also have 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 dollar. 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.

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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

Management

Peter Mabson
President & Chief Executive Officer of exactEarth

Sean Maybee
Chief Financial Officer

David Martin
Vice President, Global Sales and Marketing

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