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, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended October 31, 2015 and 2014, 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, 2015 and 2014, and its financial performance and its cash flows for the years ended October 31, 2015 and 2014 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Kitchener, Canada
January 12, 2016

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 own satellites. exactEarth™ leverages advanced microsatellite technology to deliver monitoring solutions. The Company is jointly owned by COM DEV International Ltd. ("COM DEV") and HISDESAT Servicios Estratégicos S.A. ("Hisdesat"). The Company is incorporated under the *Canada Business Corporations Act*, and its head office is located at 60 Struck Court, Cambridge, Ontario, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements present the Company's results of operations and financial position as at and for the year ended October 31, 2015, including comparative periods, under International Financial Reporting Standards ("IFRS") as issued by the 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 12, 2016.

b) Basis of presentation

These consolidated financial statements include the accounts of the Company's subsidiary with inter-company transactions and balances eliminated. The Company has two divisions in each of Cambridge, Ontario, Canada and Harwell, UK.

These consolidated financial statements are presented in Canadian dollars and have been prepared on a historical cost basis.

c) Change in accounting policies

IFRS Interpretations Committee ("IFRIC") 21, Levies

In May 2013, the IFRIC, with approval of the IASB, issued IFRIC 21, *Levies*. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 became effective for the Company on November 1, 2014, and was applied retrospectively. The adoption of IFRIC 21 did not have an impact on the consolidated financial statements of the Company.

International Accounting Standard 32, Financial Instruments: Presentation

In December 2011, International Accounting Standard 32, *Financial Instruments: Presentation* ("IAS 32") was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of set-off must be available on the current date and cannot be contingent on a future event. The amendment became effective for the Company on November 1, 2014. The adoption of the amendment to IAS 32 did not have an impact on the consolidated financial statements of the Company.

International Accounting Standard 36, Impairment of Assets

International Accounting Standard 36, *Impairment of Assets* ("IAS 36") was amended in 2013 to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs to sell. Specifically, for any material impairment losses recognized or reversed during the reporting period, this amendment requires an entity to disclose the recoverable amount of the cash generating unit ("CGU") and when the recoverable amount has been based on fair value less costs to sell, the entity must disclose the level of the IFRS 13 "fair value hierarchy" within which the fair value measurement of the asset or CGU has been determined. For all measurements at Level 2 or Level 3 of the fair value hierarchy, the entity must disclose the valuation technique used as well as any changes in that valuation technique and key assumptions used in the measurement of fair value including the discount rates used if a present value technique is applied. The amendment became effective for the Company on November 1, 2014. The adoption of the amendment to IAS 36 did not have an impact on the consolidated financial statements of the Company.

d) Cash and cash equivalents

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

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 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 amortization. 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 comprehensive loss as incurred.

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

Leasehold improvements	three 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 is derecognized upon disposal or when no future economic benefits are expected from its 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 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 impairment losses, if any, and accumulated amortization, 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

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 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 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 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 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 earnings 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. Amortization is recorded in cost of revenue. 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 in the consolidated statements of comprehensive loss. Government grants, ITCs, and other funding for research activity are presented as a reduction of the related expense.

g) Impairment of long-lived assets

The Company assesses 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 or cash-generating unit's ("CGU's") fair value less costs to sell and its value in use, 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. 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 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. 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.

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 fulfillment 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 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 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 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 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, carryforward 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 carryforward 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 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 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. Receivables and payables 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 receivables or payables 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 occasionally provides goods and services to its customers under long-term contracts. The Company recognizes revenue on 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) Foreign currency translation

A functional currency is the currency of the primary economic environment in which the reporting entity operates and is normally the currency in which the entity generates and expends cash. Each entity in the Company determines its own functional currency. Each entity's financial statements are translated from their functional currency to Canadian dollars, 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 at the reporting date. All differences are recorded in the consolidated statements of 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 Canadian dollars at year-end exchange rates, and their revenue and expense items are translated at exchange rates prevailing at the date of the transactions. The resulting exchange differences are recognized in "Other comprehensive loss". On disposal of a foreign operation, the foreign exchange in "Accumulated other comprehensive loss" relating to that particular foreign operation is recognized in income in the consolidated statements of comprehensive loss.

m) 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 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 receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are non-interest bearing and are generally on 30-90 day payment terms. Trade receivables 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 receivables is recorded through "Selling, general and administrative expenses" in the consolidated statements of 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 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 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 related party balances, which are recognized 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, long-term debt, and amounts due to related parties.

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 comprehensive loss.

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

Long-term debt

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 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 comprehensive loss.

n) 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. Amounts that are repayable will be accounted for in the period in which conditions arise that will cause repayment. 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 "Other income".

o) Stock-Based Compensation, Employee Share Ownership Plan ("ESOP") and Long-term Incentive Plan ("LTIP")

Stock options

The President of the Company, who was a past employee of COM DEV, received compensation in the form of options for COM DEV's stock prior to starting employment at the Company. The fair value of awards at the date of grant to the President of the Company is recorded as an expense in these consolidated financial statements. All options are fully vested. When options are exercised, they are settled with COM DEV shares. COM DEV is not expected to provide any future stock options to the Company's employees.

Restricted share unit and performance share unit plans

Certain employees of the Company received LTIP from COM DEV while the Company transitioned into an entity separate from COM DEV. Under the terms of this plan, participants are eligible to receive incentive remuneration in the form of Restricted Share Units ("RSUs") and/or Performance Share Units ("PSUs"). RSUs are time-based and will vest automatically (cliff vest) three years after the grant date. Each RSU, once vested, entitles the holder to receive one common share of COM DEV. The value of the RSUs is based on the fair market value of COM DEV's shares on the day of the grant and accounted for as an equity-settled instrument. The estimated fair value of the RSUs is recorded as expense and contributed surplus over the vesting period.

The value of the PSUs is based on the fair market value of the shares on the day of the grant and is accounted for as an equity-settled instrument. The vesting term of the PSUs is three years commencing on the date of the grant, and incorporates performance-vesting features based upon achieving certain return on net assets targets established for COM DEV over the vesting period. Each PSU, once vested, entitles the holder to receive one common share of COM DEV. COM DEV intends to buy common shares on the open market to satisfy obligations under the PSU plan, but has the option to satisfy obligations in cash. The estimated fair value of the PSUs that are expected to achieve the performance targets is recorded as expense and contributed surplus over the vesting period. If, in the future, the performance criteria are expected to not be met, then the change is treated as a change in estimate, and the cumulative effect of the change will be adjusted through income in the period.

p) Employee future benefit plans

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.

Long-term profit sharing plan

For certain employees, the Company provides a share in the growth of net income over a three-year period. The liability is calculated using forecasted net income from the applicable periods in excess of a minimum net income at the date of the award and then discounted using the market yields at the end of the reporting period on high quality corporate bonds. The expense is recognized on a straight-line basis over the vesting period of three years.

q) 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 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.

r) 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 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 based 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 changes 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 receivables, communications with customers, credit issues, and historical losses. The Company will increase the allowance for specific accounts if it has objective evidence that its 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.

Impairments

The recoverable amount of intangible assets and PP&E is based on estimates and assumptions regarding the expected market outlook and cash flows, in particular the discount rate and terminal growth rate applied to future cash flows.

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 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, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

International Financial Reporting Standard 9, Financial instruments: classification and measurement

As issued initially, International Financial Reporting Standard 9, *Financial instruments: classification and measurement* ("IFRS 9"), reflects the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. On November 19, 2013, the IASB published IFRS 9, *Hedge Accounting*, which is a part of the third phase of its replacement of IAS 39. The new requirements allow entities to better reflect their risk management activities in the consolidated financial statements. As part of the amendments, entities may change the accounting for liabilities that they have elected to measure at fair value before applying any of the requirements in IFRS 9. This change in accounting would mean that gains caused by a worsening in an entity's own credit risk on such liabilities would no longer be recognized in profit or loss. Because the second phase of the project related to impairment is not yet complete, the IASB decided that a mandatory effective date of January 1, 2015 would not allow sufficient time for entities to prepare to apply IFRS 9. Accordingly, the IASB determined to apply a later mandatory effective date, which will be determined when IFRS 9 is closer to completion. However, entities may still choose to apply IFRS 9 immediately. IFRS 9 must be applied retrospectively; however, hedge accounting is to be applied prospectively (with some exceptions). The amendment becomes effective for the Company on November 1, 2018. The Company is currently assessing the impact of adopting this new standard.

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

International Financial Reporting Standard 15, Revenue from contracts with customers

In May 2014, the IASB issued International Financial Reporting Standard 15, *Revenue from Contracts with Customers* ("IFRS 15"), which replaces IAS 11, *Construction Contracts*, IAS 18 *Revenue* and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting this new standard.

4. GOVERNMENT ASSISTANCE

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, 2015, the Company made payments of $328 (2014 – nil). The undiscounted amount payable related to the FED DEV loan is $2,134 (note 7).

The FED DEV interest-free loan is measured at amortized cost, using the effective interest rate method at a rate of 8%. An interest rate of 8% was used based on the market interest 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, which is recognized as an operating grant and a capital grant based on the relative proportion of eligible expenditures incurred. The operating grant is recorded as "Other income" in the consolidated statements of comprehensive loss, and 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.

For the year ended October 31, 2015, exactEarth™ received a grant of nil (2014 – $410) relating to the FED DEV arrangement. The amounts recognized in respect of the FED DEV arrangement are as follows:

Recognized in the consolidated statements of comprehensive loss as follows:	2015	2014
Interest expense	$ 156	$ 134
Other income – operating grant	-	(79)
Cost of revenue – amortization of capital grant	(32)	(31)
Net impact	$ 124	$ 24

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

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
October 31, 2014	46	43,990	2,563	2,683	106	49,388
Additions	-	10,909	802	27	5	11,743
Translation adjustment	-	-	62	-	-	62
October 31, 2015	46	54,899	3,427	2,710	111	61,193

Accumulated Depreciation	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
October 31, 2014	43	6,048	616	1,725	98	8,530
Depreciation expense	2	3,329	309	468	7	4,115
Translation adjustment	-	-	10	-	-	10
October 31, 2015	45	9,377	935	2,193	105	12,655

Net Book Value	Leasehold Improvements	Satellites	Electrical Equipment	Computer Hardware	Furniture and Fixtures	Total
October 31, 2014	3	37,942	1,947	958	8	40,858
October 31, 2015	1	45,522	2,492	517	6	48,538

Included in property, plant and equipment as at October 31, 2015 is $22,364 (2014 – $14,233) of satellite and electrical equipment that has not yet commenced being depreciated as the assets are under construction and not yet ready for use.

Included in current due to related parties is $4,801 related to the PAZ satellite, which is under construction by Hisdesat.

Additions to satellites for the year ended October 31, 2015 are shown net of $472 (2014 – nil) of cost reimbursements received by the Company for assisting in the development of a satellite under construction.

Borrowing costs capitalized for inclusion in the cost of certain assets were $1,297 using an average capitalization rate of 8% (2014 – $17 and 8%).

6. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cost	Computer Software	Internally Developed Technology	Data Rights	Total
October 31, 2014	3,404	8,637	5,609	17,650
Additions	152	58	11,427	11,637
October 31, 2015	3,556	8,695	17,036	29,287

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

Accumulated Amortization	Computer Software	Internally Developed Technology	Data Rights	Total
October 31, 2014	1,799	1,481	-	3,280
Amortization expense	592	769	-	1,361
October 31, 2015	2,391	2,250	-	4,641

Net Book Value	Computer Software	Internally Developed Technology	Data Rights	Total
October 31, 2014	1,605	7,156	5,609	14,370
October 31, 2015	1,165	6,445	17,036	24,646

Included in intangible assets is $17,036 of data rights (2014 – $5,609) 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. Included in current accounts payable and accrued liabilities is $3,923 related to the Harris data licence.

Borrowing costs capitalized for inclusion in the cost of certain assets were $592 using an average capitalization rate of 8% (2014 – $236 and 8%).

Significant individual assets included in the amounts above as at October 31, 2015 are as follows:

Description	Category	Carrying Amount	Remaining Amortization Period (Months)
Decollision software	Internally Developed Technology	$ 4,003	147
Alora ground control software	Internally Developed Technology	2,050	65
Class B detection technology	Internally Developed Technology	336	66
Big data platform	Internally Developed Technology	56	81
EV9 data licence	Data Rights	4,189	120
Harris data licence	Data Rights	12,847	120

7. LOANS PAYABLE, FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE

a) LOANS PAYABLE

Loans payable are comprised as follows:

	October 31, 2015	October 31, 2014
COM DEV loan (i)	$ 14,076	$ 7,616
Hisdesat loan (ii)	5,150	2,768
FED DEV (note 4)	1,797	1,970
	$ 21,023	$ 12,354
Less: current portion of loans payable	361	198
Long-term loans payable	$ 20,662	$ 12,156

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

Principal repayments are due as follows:

For the years ending		
2016	$	492
2017		492
2018		492
2019		492
2020		166

i) On July 30, 2012, COM DEV, the majority interest investor in the Company, made available a revolving credit facility of up to $16,060. In 2015, COM DEV International Ltd. advanced the Company $6,205. As at October 31, 2015 the balance outstanding net of issue costs was $14,076 (2014 – $7,616), of which $1,849 is the Canadian dollar equivalent of a $1,414 USD denominated draw on the facility (2014 – $1,414) while the rest of the borrowings are in Canadian dollars. The facility shall fall due on the anniversary date, and may be renewed for successive one-year periods at the option of the lender. The lender has formally agreed to waive its right to demand repayment of the principal owing until November 1, 2016. The Company may make principal repayments at any time and from time to time without notice, bonus or penalty. Interest accrues at the rate of 8% per annum, and is calculated and accrued monthly, with the monthly payment due on the first day of the next month.

This facility is provided subject to certain general non-financial covenants. The collateral for this arrangement includes a general security agreement on the property, plant and equipment of the Company. The security is subject to certain permitted liens, existing indebtedness and existing security documents.

The Company has incurred interest expense in the year ended October 31, 2015 of $941 (2014 – $587).

ii) On July 30, 2012, Hisdesat, the minority interest investor in the Company, made available a revolving credit facility of up to $5,940. In 2015, Hisdesat advanced the Company $2,382. As at October 31, 2015 the balance outstanding net of issue costs was $5,150 (2014 – $2,768), of which $1,302 is the Canadian dollar equivalent of a $996 USD denominated draw on the facility (2014 – nil), while the rest of the borrowings are in Canadian dollars. The facility shall fall due on the anniversary date, and may be renewed for successive one-year periods at the option of the lender. The lender has formally agreed to waive its right to demand repayment of the principal owing until November 1, 2016. The Company may make principal repayments at any time and from time to time without notice, bonus or penalty. Interest accrues at the rate of 8% per annum, and is calculated and accrued monthly, with the monthly payment due on the first day of the next month.

This facility is provided subject to certain general non-financial covenants. The collateral for this arrangement includes a general security agreement on the property, plant and equipment of the Company. The security is subject to certain permitted liens, existing indebtedness, and existing security documents.

The Company has incurred interest expense in the year ended October 31, 2015 of $341 (2014 – $215).

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

b) FINANCIAL INSTRUMENTS

Fair values

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 FED DEV loan, included in government loan, has a carrying value as at October 31, 2015 of $1,797 (2014 – $1,970), which approximates the fair value as the loan was recorded at fair value when the cash was received, and the Company's borrowing rate has not changed. 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. The carrying value of the COM DEV and Hisdesat loans approximate fair value as they are renewed annually and the Company's borrowing rate has not changed since the funds were received.

As at October 31, 2015, approximately 80% of cash, 14% of trade accounts receivables, and 28% of accounts payable and accrued liabilities and due to related parties are denominated in foreign currencies (2014 – 42%, 25%, and 5%, respectively). These foreign currencies include the US dollar, the British pound, and the euro.

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

Currency		Cash		Accounts receivable		Liabilities
USD	$	1,356	$	183	$	3,267
GBP	£	43	£	98	£	62
EUR	€	17	€	92	€	3,329

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 fair value of the FED DEV, COM DEV and Hisdesat loans is 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 Canadian dollar. The majority of the Company's revenue is transacted in Canadian dollars. Portions of the revenue are denominated in US dollars, British pounds and euros. Purchases, consisting primarily of the majority of salaries, certain operating costs, and manufacturing overhead, are incurred primarily in Canadian dollars.

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

Translation exposure

The Company's foreign operation is exactEarth Europe. The assets and liabilities of the foreign operations are translated from British pounds into Canadian dollars using the exchange rates in effect as at the dates of the consolidated statements of financial position. Unrealized translation gains and losses are recognized in "Other comprehensive loss". 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, euro and British pound 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, 2015

Currency	Change in Exchange Rate vs CAD	Decrease (Increase) in Net Loss
USD	+10%	$138
	-10%	($138)
EUR	+ 2%	($53)
	- 2%	$53
GBP	+ 6%	$196
	- 6%	($196)

For the year ended October 31, 2014

Currency	Change in Exchange Rate vs CAD	Decrease (Increase) in Net Loss
USD	+ 4%	($40)
	- 4%	$40
EUR	+ 5%	$100
	- 5%	($100)
GBP	+ 6%	$159
	- 6%	($159)

Interest rate risk

The Company's risk exposure to market interest rates relates primarily to new financing or renewals of existing financing arrangements as both the COM DEV and Hisdesat loans are fixed-rate 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.

Credit risk

The maximum exposure to credit risk at the consolidated statements of financial position dates is best represented by the carrying amount of the Company's accounts. 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.

Credit risk also 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 Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. Trade receivables are non-interest bearing and are generally on 30–60 day payment terms. Two customers comprise 79% of trade accounts receivable as at October 31, 2015 (2014 – 68%).

The Company has reviewed its outstanding trade receivables in detail and has determined that the aging profiles are within historical expectations and there are no apparent credit issues. The trade accounts receivable balance outstanding greater than 60 days past due as at October 31, 2015 but not impaired is $473 (2014 – $416).

The carrying amount of trade accounts receivable is reduced through the use of an allowance account. An allowance of $324 (2014 – nil) was recognized in the consolidated statements of comprehensive loss within "Selling, general and administrative" expenses for accounts receivable that were considered impaired as a result of delays in collection and credit issues. When a receivable balance is considered uncollectable, it is written off against the allowance for doubtful accounts and accounts receivable. Subsequent recoveries of amounts previously written off are credited against "Selling, general and administrative" expenses.

Liquidity risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial assets (e.g. trade accounts receivable, other financial assets), liabilities (e.g. payables, 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, term loan facility 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.

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

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

As at October 31, 2015

	On Demand	< 3 Months	3 to 12 Months	1 to 5 Years	Total
Due to related parties	295	-	-	44,801	45,096
Government loan	-	123	369	1,642	2,134
Accounts payable and accrued liabilities	-	7,043	3,923	-	10,966
Long-term profit sharing plan	-	-	-	82	82
Total	295	7,166	4,292	46,525	58,278

As at October 31, 2014

	On Demand	< 3 Months	3 to 12 Months	1 to 5 Years	Total
Due to related parties	58	208	623	30,009	30,898
Government loan	-	-	287	2,175	2,462
Accounts payable and accrued liabilities	-	4,215	1,127	-	5,342
Long-term profit sharing plan	-	-	-	183	183
Total	58	4,423	2,037	32,367	38,885

8. CAPITAL MANAGEMENT

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

- to ensure that it maintains strong credit ratings and exceeds its borrowing covenants in order to support its business and maximize shareholder value; 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 interest-bearing 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.

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

9. SHARE CAPITAL

Issued capital

The Company has authorized an unlimited number of preferred shares of which there are none outstanding. The Company has authorized an unlimited number of common shares with no par value. As at October 31, 2015 and 2014, the issued and outstanding shares are 11,111,111.

Earnings per share

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

		2015		2014
Numerator for basic and diluted loss per share available to common shareholders:				
Net loss attributable to common shareholders	$	(1,055)	$	(3,705)
Denominator for basic loss per share:				
Weighted average number of shares outstanding		11,111,111		11,111,111
Effect of dilutive securities		-		-
Basic and diluted loss per share	$	(0.09)	$	(0.33)

There are no dilutive instruments outstanding as at October 31, 2015 and 2014.

Stock-based compensation

The Company recognizes compensation cost for all stock options granted to employees under the COM DEV stock option plan. COM DEV employs a fair value-based method of accounting for all options issued to employees or directors. The option exercise price is the market value of the Company's common shares at the date of the grant. During the year ended October 31, 2015, COM DEV granted nil (2014 – nil) stock options to the Company's employees.

For the years ended October 31, 2015 and 2014, there was no compensation expense recognized and there was no option activity. The contractual life of the outstanding options was extended due to an unforeseen blackout period.

A summary of options outstanding and vested is as follows:

Exercise price	Number outstanding and vested as at October 31, 2015	Remaining contractual life in years	Number outstanding and vested as at October 31, 2014	Remaining contractual life in years
$1.89	30,264	0.29	30,264	0.67

All outstanding vested options can be exercised prior to their expiry date any time there is an open trading window for COM DEV shares.

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

Long-term incentive plans

The following details the RSUs and PSUs for the years ended October 31:

	2015		2014	
	RSU	PSU	RSU	PSU
Opening balance as at October 31	-	-	12,438	2,739
Granted	-	-	-	-
Settled	-	-	(12,438)	(2,055)
Forfeited	-	-	-	(684)
Ending balance	-	-	-	-

For the year ended October 31, 2015, compensation expense of nil (2014 – $2) was recognized.

10. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Company incurred $79 in lease expenses during the year ended October 31, 2015. The Company has commitments under lease agreements as follows:

	less than 1 year	1 to 5 years	after 5 years
Facilities	18	-	-
Dell computer lease	32	55	-
Total	50	55	-

Capital commitments

As at October 31, 2015, capital commitments in respect of the purchase of property, plant and equipment were $3,418. There were no other material capital commitments outstanding as at October 31, 2015.

In-kind contribution commitment

The Company has entered into an arrangement effective March 17, 2015 and has committed to provide in-kind datasets at a value of $3,666, not licensed for commercial use, in exchange for title to the EV9 satellite, subject to certain restrictions on the use, sale or transfer of the satellite within the six-year period ending March 31, 2021. Once the contributions are made and the six year period has expired, the Company will have free title to the EV9 satellite. No datasets have been transferred as at October 31, 2015.

Claims or legal actions

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

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

11. INCOME TAXES

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

	2015	2014
Current income tax expense	$ -	$ -
Deferred tax expense:		
Origination and reversal of temporary differences	$ (158)	$ (828)
Losses not recognized	158	828
Deferred income tax expense	$ -	$ -
Total income tax expense	$ -	$ -

The Company's consolidated effective tax rate for the year ended October 31, 2015 was nil% (2014 – nil%). The difference in the effective tax rates compared to the Company's statutory income tax rates were mainly caused by the following:

	2015	2014
Income before income taxes	$ (1,055)	$ (3,705)
Statutory tax rate	26.5%	26.5%
Income taxes based on the statutory income tax rate	$ (280)	$ (982)
Losses not recognized	158	828
Permanent differences and other	122	101
Difference between statutory rate and individual entity rates	-	53
Income tax expense	$ -	$ -

The Canadian statutory tax rate during fiscal 2015 was 26.5% (2014 – 26.5%).

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

	2015	2014
Taxable temporary differences	$ 41	$ 11
Property, plant and equipment and intangible assets	(994)	(1,065)
Non-capital losses	953	1,054
Total change in deferred taxes	$ -	$ -

The deferred income tax recognized in the consolidated statements of financial position for the years ended October 31 comprises the following:

	2015	2014
Taxable temporary differences	$ (89)	$ (130)
Property, plant and equipment and intangible assets	(3,590)	(2,596)
Non-capital losses	3,679	2,726
Deferred income taxes	$ -	$ -

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

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 tax assets have been recognized are attributable to the following:

		2015		2014
Canadian deductible temporary differences	$	3,064	$	472
Scientific Research & Experimental Development ("SRED") pool		2,764		2,535
Canadian non-capital tax losses		21,778		24,224
UK non-capital losses		2,154		1,855

These unused Canadian tax losses expire from 2029 through 2035. The UK non-capital losses have an unlimited carryforward period. The SRED pool does not expire.

Unrecorded ITCs are as follows:

		2015		2014
Federal	$	678	$	624
Ontario	$	165	$	149

These unrecorded ITCs expire from 2029 through 2035.

12. EMPLOYEE BENEFITS

Defined contribution pension plan

The Company has a defined contribution pension plan for its employees. During the year ended October 31, 2015, the Company's contributions, which are based on the contributions by employees, were $239 (2014 – $196) and are included in "Cost of revenue" and "Selling, general and administrative" expenses in the consolidated statements of comprehensive loss.

Long-term profit sharing plan

The Company has a long-term profit sharing plan for certain of its employees. During the year ended October 31, 2015, the amount recognized as a recovery based on the forecasted net income was $95 (2014 – $176 expense).

Salaries and benefits

Total salaries and employee benefit expense for the year ended October 31, 2015 were $8,294 (2014 - $7,339).

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

13. RELATED PARTIES

Compensation of key management personnel

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company, including members of the Board of Directors, executive officers and vice presidents. The compensation expense for key management personnel is as follows:

	2015	2014
Short-term salary and benefits	$ 2,531	$ 1,778
Post-employment benefits	35	33
Long-term incentive plans	-	110
	$ 2,566	$ 1,921

Short-term salary and benefits include expenses for base salaries, bonuses and other short-term benefit expenses. Post-employment benefits are the Company's defined contribution pension plan. Long-term benefits include the Company's long-term profit sharing plan.

Related parties

The following table details the transactions and balances between the Company and COM DEV (and its subsidiaries).

For the year ended October 31:	2015	2014
Purchase of services	$ 749	$ 689
Purchase of property, plant and equipment	184	6,248
Rent	71	71
Interest charged by COM DEV	2,403	587
Revenue from COM DEV	40	924

As at October 31:	2015	2014
Accounts payable	$ 21,040	$ 19,683
Outstanding term loan (note 7)	14,076	7,616
Accounts receivable	-	57

The accounts payable to COM DEV includes $238 (2014 – $58) classified as current and $20,802 (2014 – $19,625) classified as long-term. COM DEV has formally agreed to waive its right to demand repayment of the portion of accounts payable classified as long-term until November 1, 2016.

On November 1, 2014, COM DEV began charging interest on the value of certain accounts payable owing by the Company. For the year ended October 31, 2015, total interest charged with respect to this deferred balance was $1,462, of which $1,041 was capitalized through assets under construction.

On June 23, 2015, the Company exchanged the existing licence from COM DEV to the decollision software intangible asset for title to the decollision software. In return, exactEarth™ granted COM DEV an exclusive, perpetual, world-wide, royalty-free licence for use of the decollision software outside of the AIS data application field. This non-monetary transaction has no impact on future use of or cash flows from the decollision software for the Company.

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

The following table details transactions and balances between the Company and Hisdesat.

For the year ended October 31:		2015		2014
Interest charged by Hisdesat	$	499	$	215
Purchase of property, plant and equipment		4,528		-
Revenue from Hisdesat		92		236

As at October 31:		2015		2014
Accounts payable	$	4,830	$	-
Outstanding term loan (note 7)		5,150		2,768

On June 1, 2015, exactEarth™ recorded a payable to Hisdesat related to the purchase of property, plant and equipment. The accounts payable to Hisdesat includes $57 classified as current and $4,773 classified as long-term. The accounts payable is deferred to November 1, 2016 and bears interest at 8%. For the year ended October 31, 2015, total interest charged with respect to this deferred balance was $156, which was capitalized through assets under construction.

14. CONSTRUCTION CONTRACT REVENUE

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

		2015		2014
Percentage of completion revenue contracts				
Costs incurred	$	1,327	$	692
Estimated profits		2,870		1,375
Progress billings		(2,437)		(769)
Total contracts in progress	$	1,760	$	1,298
Disclosed as:				
Unbilled revenue		1,760	$	1,549
Deferred revenue		-		(251)
	$	1,760	$	1,298

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 fiscal 2015 was $1,950 (2014 – $1,640).

15. SEGMENT AND GEOGRAPHIC 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 its own 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.

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

For the years ended October 31:		2015		2014
Subscription Services	$	20,592	$	12,667
Data Products		3,921		1,492
Other Products and Services		2,087		1,677
	$	26,600	$	15,836

Geographic information

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

For the years ended October 31:		2015		2014
Canada	$	13,129	$	6,736
United States		4,148		1,238
Europe		5,839		4,758
Other		3,484		3,104
	$	26,600	$	15,836

For the year ended October 31, 2015, two customers comprised 60% of revenue (2014 – three customers comprised 60%).

Property, plant and equipment is attributed to the country in which it is located or, for space-based assets, the country in which it is owned. Intangible assets are attributed to the country where ownership of the asset resides.

For the years ended October 31:		2015		2014
Property, plant and equipment				
Canada	$	48,083	$	40,400
United Kingdom		455		458
	$	48,538	$	40,858
Intangible assets				
Canada	$	24,646	$	14,370
United Kingdom		-		-
	$	24,646	$	14,370

16. SUBSEQUENT EVENTS

COM DEV has proposed a spinout transaction pending approval of the COM DEV shareholders, the Superior Court of Ontario and certain regulators. At the date of the spinout transaction all amounts due to COM DEV and Hisdesat will be converted to equity, and COM DEV and Hisdesat will subscribe for additional shares, resulting in the Company receiving approximately $20,000 in cash. COM DEV's investment in the Company will be spun out to its existing shareholders. If the spinout transaction is completed, the Company expects that it will become a reporting issuer in all of the provinces of Canada and will become subject to the continuous disclosure reporting requirements under the securities laws of the provinces. Further details on the spinout transaction can be found in COM DEV's Management Information Circular as published on SEDAR.

On November 23, 2015, exactEarth™ announced that it is investing AUD$2,000 to secure a 37% ownership position in Myriota Pty. Ltd. (Myriota"), which owns technology that is complimentary to exactEarth™'s technology. The Company has the option to invest a further AUD$8,957 and in-kind investments of AUD$2,400 to secure a total 75% ownership position at the end of three years. The in-kind investments are services rendered to Myriota under a separate services agreement. In addition, Myriota has granted the Company a licence to the technology.

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

		As at October 31, 2015	As at October 31, 2014
		$	$
ASSETS			
Current assets			
Cash		2,365	2,403
Trade accounts receivable	(note 7)	3,865	2,826
Unbilled revenue	(note 14)	1,954	1,845
Due from related parties	(note 13)	-	57
Prepaid expenses and other assets		676	529
Total current assets		8,860	7,660
Property, plant and equipment	(notes 5 and 15)	48,538	40,858
Intangible assets	(notes 6 and 15)	24,646	14,370
Total assets		82,044	62,888
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	(note 7 and 13)	10,966	5,342
Due to related parties	(note 7 and 13)	295	58
Deferred revenue	(note 14)	1,037	977
Current portion of government loan	(note 7)	361	198
Total current liabilities		12,659	6,575
Government loan	(note 7)	1,436	1,772
Due to related parties	(notes 7 and 13)	44,801	30,009
Long-term profit sharing plan liability	(notes 7 and 12)	82	176
Total liabilities		58,978	38,532
Shareholders' equity			
Share capital	(note 9)	55,120	55,120
Contributed surplus		249	250
Accumulated other comprehensive loss		(296)	(62)
Deficit		(32,007)	(30,952)
Total shareholders' equity		23,066	24,356
Total liabilities and shareholders' equity		82,044	62,888

See accompanying notes

On behalf of the Board:

exactEarth Ltd.
Consolidated Statements of Comprehensive Loss
(in thousands of Canadian dollars)

For the year ended		October 31, 2015 $	October 31, 2014 $
Revenue	(notes 14 and 15)	26,600	15,836
Cost of revenue		10,114	7,696
Gross margin		16,486	8,140
Operating expenses			
Research and development		62	54
Selling, general and administrative	(note 12)	8,953	5,426
Product development		1,424	928
Depreciation and amortization	(notes 5 and 6)	5,476	4,737
Earnings (loss) from operations		571	(3,005)
Other expense (income)			
Other Income		-	(78)
Other expense		28	5
Foreign exchange loss		410	108
Interest expense	(note 13)	1,188	665
Total other expense		1,626	700
Income tax expense	(note 11)	-	-
Net loss		(1,055)	(3,705)
Other comprehensive loss			
Items that may be subsequently reclassified to net income:			
Foreign currency translation, net of income tax expense		(234)	(50)
Total other comprehensive loss		(234)	(50)
Comprehensive loss		(1,289)	(3,755)
Basic and diluted loss per share	(note 9)	(0.09)	(0.33)

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

For the year ended		**October 31, 2015**	**October 31, 2014**
		$	**$**
Net loss		(1,055)	(3,705)
Add (deduct) items not involving cash			
Imputed interest on government loan	(note 4)	156	134
Operating grant recognized on government loan	(note 4)	-	(79)
Depreciation and amortization	(notes 5 and 6)	5,476	4,737
Foreign exchange loss on revaluation of foreign currency shareholder loans		327	120
Stock-based compensation and long-term incentive plan expense		-	2
Settlement of long-term incentive plans		(1)	(1)
Long-term profit sharing plan liability		(95)	176
Change in non-cash working capital balances		1,059	2,508
Cash flows generated from operating activities		5,867	3,892
Investing activities			
Acquisition of property, plant, and equipment	(note 5)	(6,289)	(2,412)
Acquisition of intangible assets	(note 6)	(7,906)	(3,518)
Cash flows used in investing activities		(14,195)	(5,930)
Financing activities			
Government loan advances		-	583
Government loan repayment		(328)	-
Shareholder loan advances	(notes 7 and 13)	8,516	2,250
Cash flows generated from financing activities		8,188	2,833
Effect of exchange rate changes on cash		102	(7)
Net increase (decrease) in cash		(38)	788
Cash, beginning of the period		2,403	1,615
Cash, end of the period		2,365	2,403
Supplemental cash flow information			
Interest paid		2,880	802
Interest received		15	18
Taxes paid		-	-

exactEarth Ltd.
Consolidated Statements of Changes in Equity
(in thousands of Canadian dollars)

For the Year Ended October 31, 2015	Total	Deficit	Accumulated Other Comprehensive Loss	Share Capital	Contributed Surplus
	$	$	$	$	$
Balance October 31, 2014	24,356	(30,952)	(62)	55,120	250
Settlement of long-term incentive plans	(1)	-	-	-	(1)
Comprehensive loss	(1,289)	(1,055)	(234)	-	-
Balance October 31, 2015	23,066	(32,007)	(296)	55,120 -	249
For the Year Ended October 31, 2014					
Balance October 31, 2013	28,110	(27,247)	(12)	55,120	249
Settlement of long-term incentive plans	(1)	-	-	-	(1)
Expense recognized for stock-based compensation and long-term incentive plans	2	-	-	-	2
Comprehensive loss	(3,755)	(3,705)	(50)	-	-
Balance October 31, 2014	24,356	(30,952)	(62)	55,120	250